

Taking issue with counterfeits in India

India has a robust legal framework for combating counterfeiting and piracy. However, there is still much that needs to be done to simplify enforcement procedures

With the advent of the Internet and the proliferation of business-to-business and business-to-consumer websites and portals, the global trade of goods and their rapid movement across borders through air, sea and land are realities that every company must face. The ever-growing accessibility, convenience and anonymity offered by the Internet have resulted in traders rapidly shifting their businesses online, which has brought about a completely new set of challenges. Rights holders commonly come across instances of counterfeiting in the following situations:

- the sale of counterfeit and/or infringing goods via trade portals and/or auction sites;
- pictures/images of genuine goods being shown to lure buyers to websites that supply counterfeit goods;
- the creation of social media profiles and pages impersonating a brand to promote websites that sell counterfeit goods;
- the creation of false websites with domain names, colour schemes and logos of a well-known mark/company in order to:
 - attract job seekers;
 - promote online training schemes; or
 - misrepresent that products and/or services are authorised or approved by a rights holder; and
 - meta-tagging to divert traffic to websites selling counterfeit goods.

In the online world, counterfeiters first started to use domain names that were identical or similar to popular brands in order to attract internet traffic. However, as technologies evolved, counterfeiters expanded their operations to shopping search engines, online market place and auction websites. Rights holders frequently resort to takedown notices to remove

counterfeit/infringing goods from websites. However, with many popular shopping websites in India following the marketplace model, it has become a full-time job to block access to counterfeit goods in this way. Also, there is some scepticism over whether takedown notices actually have any impact on infringing activities and whether shutting down a website or having goods removed is really a good long-term strategy. The reality is that it is difficult to collect information about an infringer and assess the quantity of counterfeits that it holds in order to see whether full-scale litigation is justified from a mere listing of a counterfeit product. In addition, the issue of liability of intermediaries in offering space to sell or list counterfeit products is the subject of debate. In *MySpace v Super Cassettes* the Delhi High Court concluded that post-infringement curative measures were insufficient to allow a service provider to claim immunity from an infringement claim. However, this ruling needs clarity, as takedown procedures remain the most cost-effective way of controlling the online sale of counterfeit goods. It is widely accepted that safe harbour provisions for internet intermediaries are necessary for the development of an ecosystem. Therefore, it is only with the cooperation of all stakeholders that it is possible to control, if not eliminate, this menace which poses such a serious threat to businesses and consumers.

While shopping online for branded goods is becoming popular in large metropolitan cities, bricks-and-mortar stores are still an integral part of city culture and a growing component of tier-two cities. Most cities in India have three different kinds of markets and counterfeit goods are sold across all of them:

- Wholesale markets and retail stores, which cluster in particular areas famous for a specific trade (eg, Nehru Place in

Delhi for software, Dharvi in Mumbai for leather goods, Ghaffar market in Delhi for mobile phones, Parrys in Chennai for electrical goods and Sultanpet in Bangalore for footwear) – traders in these markets deal in both genuine and counterfeit goods. They often have strong associations and good informal networks for tipping each other off if they become aware of any impending raids for counterfeit goods or inspections by authorities.

- Street markets with standalone shops selling different varieties of goods – these are located in residential areas and central parts of cities and towns. Standalone shops and street markets offer a variety of goods (counterfeit and genuine), but are infamous for selling counterfeit goods.
- Shopping malls which have started to mushroom in big towns – there are different categories of shopping mall, depending on location and concept/theme. Malls are home mostly to established and popular brands and there are fewer chances of counterfeit goods being sold. However, they also house small shops and electronic stores that do sell counterfeit goods.

In the order of priority, shopping malls are of greatest concern to rights holders, as consumers generally carry the impression that counterfeits are not sold in malls. Thus, the availability of counterfeit goods has a direct impact on a rights holder's reputation. The wholesale markets are also priority targets, given that they sell not only to retailers in cities, but also to traders from nearby towns. Raids on wholesale markets thus help to flush out large quantities of counterfeits. Street markets cater to retail customers, so while only a small quantity of counterfeit goods may be present, a raid can

have a big impact.

India has no specific legislation to address counterfeiting and piracy. However, statutory remedies – civil, criminal and administrative – can be found in various statutes, including the Trademarks Act 1999, the Copyright Act 1957, the Patents Act 1970, the Designs Act, the Geographical Indications Act 1999, the Drugs and Cosmetics Act 1940, the Food Safety and Standards Act 2006, the Consumers Protection Act 1986, the Penal Code, the Information Technology Act 2000 and the Customs Act, 1962.

When faced with a counterfeiting issue, a rights holder can combine specific provisions of the Trademarks Act to bring a civil, criminal or administrative action. For example, when encountering counterfeits in the pharmaceutical sector, rights holders can approach the local drugs authority to file a complaint. This will then help the police to carry out a search and to seize any counterfeit goods. At the same time, the rights holder has the option of filing a lawsuit for trademark infringement and passing off.

When faced with counterfeiting issues, many rights holders prefer swift raids that will result in seizure of the goods. While this is possible, they are advised to bear the following in mind when working with the police:

- Inadequate manpower – police authorities may be unable to provide the necessary manpower to carry out a swift or timely (ie, when the counterfeit goods are in stock) raid based on information gathered by the rights holder.
- IP crimes are not always treated seriously enough – the police tend to focus on crimes against human life. Thus, even if a rights holder reports and files a complaint against the manufacture/sale of counterfeit goods, the police may not act quickly.
- Corruption and leakage of information – to overcome this strategically, complaints need to be filed against an unknown person infringing/counterfeiting the goods/mark seeking a direction for the police to investigate and seize the goods.
- A heavy backlog of cases before the magistrates' courts – as a result, prosecution is slow and seldom results in convictions.

Due to the challenges of working with the police, rights holders often prefer to opt for a civil suit for trademark infringement, seeking an *ex parte* injunction or requesting that a court commissioner be appointed to carry out a search and seizure of premises where



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goods are stored. Counterfeiters quickly settle in many cases when faced with a well-prepared suit reinforced by a hard-hitting raid. Also, depending on the seizure, in many cases rights holders can negotiate with the party to pay costs. Experience confirms that first and foremost, you must choose the right court or forum. The Delhi High Court has emerged as the preferred court for IP litigation. However, the Chennai and Mumbai High Courts have also gained experience of IP litigation in the last few years, as economic activity in both cities has increased.

The debate as to what represents the most effective way of combating counterfeiting or dealing with infringements continues. The choice of remedy will depend on the objective sought. If, for example, the counterfeiting is a market-level problem and a rights holder wants to carry out multiple raids at various locations, then a criminal action is the best option. The police generally arrest the person dealing in counterfeit goods after the raids, which carries an additional social stigma. This helps to deter other traders and disrupts the supply chain. On the other hand, if the rights holder has identified a specific target

which is either a manufacturing unit or a big wholesaler/importer, then civil action is recommended. Civil action is also better suited for cases of lookalike products and brand name infringements.

Customs is the first line of defence against counterfeit goods entering India from overseas. On May 8 2007 the government issued the Intellectual Property Rights (Imported Goods) Enforcement Rules, which lay down detailed procedures for recording IP rights with Customs. The notification applies only to goods imported into India and not those destined for export.

Under these rules, a rights holder has the option to register its rights with Customs – the import of allegedly infringing goods into India shall be deemed as prohibited subsequent to the grant of registration. The application for registration can be filed online by a rights holder or its authorised agent (which can be the licensee or joint venture company in India) through the Customs portal www.icegate.gov.in, followed by:

- documentation proving that the rights holder (or its representative) holds the IP right in question;
- a detailed description of the goods, along with samples or coloured images;
- information about use of the mark and the goods on which it is used, to show that the applicant has exclusive rights to use the brand name;
- a statement as to why the infringing goods should be detained;
- images of original and infringing goods (if available); and
- a fee of Rs2,000 per application (approximately \$40).

Once the IP right is registered, if Customs comes across any goods that it has reasonable grounds to believe are counterfeit, it will suspend clearance of the imported goods. Customs shall inform the rights holder or its authorised representative within 10 days, asking it to confirm whether the consignment is genuine or counterfeit. This remedy is proving to be quite effective with regard to gathering intelligence and controlling the flow of counterfeit goods.

India has a robust legal framework for combating counterfeiting and piracy. However, there is still much that needs to be done to simplify enforcement procedures and it is of the utmost importance that strong IP laws be supported by equally strong enforcement. 