

**Overview of Enforcement scenario in India in relation to  
Trademarks**

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## **I. Enforcement of Trademarks**

### **The Trade Marks Act 1999**

This legislation is compliant with the TRIPs Agreement and contains important provisions which can be used by trade mark owners to combat infringement. It provides broader protection for 'well-known' marks than was available under the previous Act, and has widened the scope of infringement.

The Indian courts have tried several cases of trademarks and copyrights over a period of time and the judges are well versed with the issues in this area. The Courts have been very pragmatic in interpreting and enforcing Trademarks law. Keeping pace with modern business practices, blanket search and seizure order i.e. Anton Pillar Orders, Mareva Injunction Orders and Norwich Pharmacol Orders have become effective judicial remedies against IPR infringement.

Under the TMA both civil and criminal remedies are available for taking action against infringement of a trademark. However, unlike China currently there are no administrative remedies available in India for enforcement of trademarks. Thus, IP holders have to approach either civil courts for filing law suits for trade mark infringement or passing off and/or magistrate court to file a criminal complaint.

### **Civil Remedy**

The Act provides specific provisions of what constitutes trademark infringement. As per Section 29 of the Act, a registered trademark is said to be infringed in the following circumstances:

- If a mark which is identical with, or deceptively similar to, the registered trademark is used in relation to the same or similar goods or services;
- If the use of the identical/similar mark for identical/similar goods or services is likely to cause confusion on the part of the public, or which is likely to have an association with the registered trademark;
- If the use of the identical/similar mark for different goods or services is likely to take unfair advantage of or be detrimental to the reputation of the registered trademark in India, cause confusion on the part of the public or which is likely to have an association with the registered trademark;

- If a third party uses the registered trademark, as his trade name or part of his trade name, or name of his business concern or part of the name, of his business concern for goods or services in respect of which the trademark is registered;
- If the registered trademark is applied to a material intended to be used for labelling or packaging goods, as a business paper, or for advertising goods or services, provided such person was not duly authorized by the proprietor of the trademark to do so;
- If a trademark is advertised and if (a) it takes unfair advantage of and is contrary to honest practices in industrial or commercial matters; or (b) is detrimental to its distinctive character; or (c) is against the reputation of the trademark.
- If the distinctive element of a registered trademark consist of or includes words, and another mark creates consumer confusion when spoken or visually represented.

### **Civil Litigation**

A law suit can be initiated either under the laws of passing off or for infringement under The Trade Marks Act, 1999 depending on whether the trademark is registered, pending registration or unregistered.

### **Law of Limitation**

As per the Limitation act of India, a civil suit can be filed within a period of three years from the knowledge of infringing activity. However, in case of trademark infringement and copyright infringement it has been held by the courts that every fresh sale of infringing product is a new transaction. Thus the three year limitation will start from the date of last sale/purchase. Generally, it is advisable that the legal action be initiated against the infringer as promptly as possible in order to establish the seriousness of the rights holder's intent before the Court. Any delay in initiating the action may affect the chances of obtaining preliminary injunction from the courts.

### **Relief in cases of Trademark Infringement and/or passing off**

The law suit as per civil procedure code generally consists of following:

- plaint (statement of claim) with prayer for grant of permanent injunction
- application for grant of an interim injunction against the infringer.
- application for appointment of court receiver/commissioner to search and seize the infringing goods

- Plaintiff contains prayer for rendition of accounts to determine the profits made or damages
- Plaintiff contains prayer for costs.
- Evidence in the form of registration certificates etc that the Plaintiff relies upon in support of its case.

The interim injunction order can be granted ex parte and inter parties provided the right holder is able to establish a prima facie case and show that the balance of convenience is in his favour. In many cases where copying is apparent the court can grant interim injunction ex parte without having to hear the other side.

Where the right holder is able to show that the Defendant on being served with court summons will remove the infringing goods and the goods clearly bear the mark of the proprietor, the court is likely to appoint a court commissioner with powers to search the premises and seize infringing goods.

### **Damages in civil suits**

Until recently, the concept of awarding costs and damages in IP disputes by the courts in India was not fully developed, which meant there was little to deter counterfeiters/ infringers. Typically, counterfeiters do not, for various reasons such as tax evasion, maintain proper records of their transactions. The problem this poses for IP owners and courts is that damages cannot be easily quantified. Further, the process of determining damages on the basis of actual or potential loss suffered was cumbersome, so IP holders generally preferred to relinquish their claim. However, increasingly, the Indian courts are recognising the need to impose financial penalties in the form of damages to discourage law breakers from violating IP rights. Thus, the damages being awarded by the courts are not only compensatory in nature, but also punitive. Though this trend is encouraging, however there is a need for the courts to not only award heavy punitive damages, but also to simplify the process of actual recovery of these damages from the counterfeiter/ pirate.

### ***Compromise- sue and settle, a strategy***

The civil actions often result in compromise with the defendant providing undertaking as to his current and future business activities, and handing over infringing/counterfeit goods for destruction. We find that in most cases, when faced with a well prepared suit reinforced by a hard-hitting raid, defendants quickly come to settlement. However, as the concept of costs and damages is not well developed in India, the right holder is unlikely to recover substantial costs and damages through civil action. Based on our experience, we suggest that once the injunction has been obtained and party has stopped manufacturing counterfeit goods, it is better to give up claim for costs to arrive at a quick settlement and obtain a final decree. However depending upon the seizure we do in many cases negotiate with the Defendants to pay costs. Generally these tend to be token costs (approx. USD 500). However, in some cases we have obtained costs in the region of USD 2000.

### **Law of Passing-off**

As per the Indian Trademarks Act, rights of a person to institute an action for passing off remain unaffected and not curtailed by any provision in the Act. In other words any person can invoke common law remedy of passing off on the basis of its prior adoption and use even against a registered proprietor.

In order to make out a case for passing-off, it is pertinent to file strong evidence to:

- a) demonstrate that the plaintiff has established a goodwill or reputation in connection with a business, profession, service or any other activity, among the general public or among a particular class of people, prior to the first use of the defendant.
- b) That the defendants' activities or proposed activities amount to a misrepresentation
- c) The misrepresentation has caused actual or potential damage to his business or goodwill.

A number of judicial precedents have firmly established that common area of activity is not required to be established in passing off actions. Over the years, the courts have also recognised that a mark can acquire goodwill based on its knowledge in India through advertising in magazines that have circulation in India or satellite channels where the products may be advertised. Also availability of goods in countries where

there is large expatriate population has been recognised by the courts as important factor in determining spill over of the trans-border reputation of the mark.

### **Criminal Remedy**

Offences under the Indian Penal code are divided under 2 heading:

- 1) cognisable (serious offences)
- 2) non-cognisable (not serious offences)

The essential difference between the two categories of offences is that in the case of non-cognisable offences the punishment is less than three years, and no arrest is made by the Police at the time of the raids. The cognisable offences are more serious offences entailing harsh punishments and penalties. The offences under the Trade Marks Act are cognisable offences. Thus, the Police at the time of the raids will not only seize the infringing goods, it can also arrest the accused. The offences under the Copyright Act are also cognisable and raids are generally followed by the arrest of the accused.

However, in case of copyright offences the right holder can directly approach the police (the officer not below the rank of Sub Inspector) to carry out search and seizure. In case of trade mark offences, the police has to first seek opinion of the Registrar as to the validity of the trade mark and infringement. This requisition has been a cause of concern for brand owners who view the procedure as formally adding to the delay in acting against counterfeiters who frequently change their locations.

### **Offences under the Trade Marks Act, 1999**

The table below broadly outlines the offences under the TMA and punishment for the offences.

<b>Offences</b>	<b>Punishment</b>
Applying false trade marks, trade descriptions, etc (Section 103)	<ul style="list-style-type: none"><li>• Imprisonment: between 6 months and 3 years; and</li><li>• Fine: ranging from approximately US\$1,000 to US\$4,000.</li></ul>
Offering goods/ services under false trade marks, trade descriptions (Section 104)	
Second or subsequent conviction for the above offences (Section 105)	<ul style="list-style-type: none"><li>• Imprisonment: between 1 year and 3 years; and</li><li>• Fine: ranging from approximately</li></ul>

	US\$2,000 to US\$4,000
Falsely representing a trade mark as registered (Section 107)	Imprisonment: up to 3 years and/or fine (amount not specified)

### **Criminal complaint under Trade Marks Act 1999**

A complaint filed under the Trade Marks Act, 1999 (TMA), Sections 103 and 104 seeks a criminal remedy. The complaint can be filed at the Magistrate Court seeking an order for police to investigate and carry out raids. Strategically, the complaint is filed against unknown person infringing/counterfeiting the goods/mark. The complainant could either be an officer of Complainant Company or a lawyer authorised by way of Power of Attorney. In a complaint under the TMA, the complainant has to be present on every date of Hearing. Generally after the complaint is filed the Magistrate would record the evidence of the complainant and pass an Order directing the Police to investigate and carry out a search and seizure of the infringing material. The trade mark owner can request the Court to address the Order to the IP Section of the Crime Branch to investigate and carry out raids wherever the infringing goods are found. While the Order is a direction to the Police to investigate, in practise it is left to the complainant to locate the infringers and lead the Police to them. By one complaint against unknown persons a number of raids can be carried out against different and unconnected parties. In complaints under TMA it is the sole responsibility of the Complainant Company to follow up with the Police after the raids have been carried out. The complainant company is required to prove its case by providing copies of our registration certificates and further evidence in support of goodwill and reputation of mark. In addition the complainant will have to prove that each of the articles seized is counterfeit.

### **Criminal action - pitfalls**

In our experience criminal action is an effective remedy if your aim is to carry out raids, seize goods but not worry about prosecution. In other words, it is useful where your problem is widespread, and you want to carry out a market sweep to create a general impact, which may not be cost effective otherwise. The impact of raids is felt much more if the raids are coupled with arrest of the counterfeiter. However, some of the issues to be kept in mind while selecting the criminal option are:

1. The corruptibility of the Police. The initial impact of the raid could quickly dissipate when the defendant opens his wallet.
2. Leakage of information- is generally a problem while dealing with police.
3. The lack of knowledge of the Police - they are not experienced with intricacies of intellectual property law. Furthermore, they will be preparing and presenting cases to a Magistrate who is not an intellectual property specialist. The scope for the prosecution to fail for "legal" reasons is high.
4. The workload of the Magistrates' Courts - typically this is massive with intellectual property cases being a tiny percentage. This, combined with the Magistrates' lack of knowledge of the subject matter of the dispute, leads all too easily to countless adjournments. Any prosecution can easily take several years (five or more) to reach a conclusion. Often evidence is "lost" in the meantime, leading to the whole thing crashing down when the prosecution is thus unable to prove that the goods seized were counterfeit.

In our experience, the criminal action requires close monitoring and time consuming follow up with the police. Thus, in terms of costs the difference in criminal and civil action is negligible. Therefore, the trend in India is to use civil route where you are in control and have easy exit options. However, as a number of states have set up special police units to deal with IP crimes, we have been recommending our clients to use a mixture of civil and criminal actions.

### **Important Considerations**

- The concept of costs and damages is in its development stage. In recent cases, the High Court of Delhi awarded both punitive and as well as compensatory damages. It recognized that the quantum of damages must be directly proportionate to the seriousness of the infringement. Therefore, the holder of statutory and common law rights in a trademark is likely to find it easier to recover costs and damages through civil action.
- The choice of court is very important as quite a few courts, in particular the district courts, are not experienced and well versed with IP laws precedents.
- The backlog of cases at the courts sometimes results in delay, though with the recent changes in the Judicial Bench, cases are being tried expeditiously and more matters are coming up for trial.



## Transborder Reputation

The Indian judicial precedents have widely recognised and accepted the trans border reputation of the marks even if they are not registered in India.

## **Provisions under the Customs Laws**

Besides the civil and the criminal remedies mentioned herein above, there are also certain provisions under the trademark law and the customs law which prohibit the importation of infringing goods in India. The Customs Authorities have recently promulgated guidelines known as the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007, under which the rights holder can record their registered trademarks with the Customs authorities. These guidelines authorize the Custom officials to seize goods infringing the trademarks of the rights holder at the border without obtaining any orders from the court. Under these rules, the Custom authorities have initiated a recordation system using which the rights holder may give a notice in writing to the Commissioner of Customs or any other Customs officer authorized by the Commissioner at the port of import of infringing goods requesting the suspension of clearance of goods suspected to be infringing the trademarks of the rights holder. Subsequent to the filing of such notice, the Commissioner is bound to notify the rights holder within the prescribed time regarding the acceptance or rejection of this notice. In case of acceptance of the notice, the normal period of validity of such registration is one year during which assistance will be rendered by the Customs authorities to the rights holder to prohibit the importation of infringing goods at the border. After the grant of this registration the importation of goods that infringe the rights holder trademarks are deemed to be prohibited, as has been defined under The Customs Act, 1962. The Customs officers have the authority to suspend the clearance of such prohibited goods either at the information received by the rights holder or by initiating *suo moto* action, provided they have *prima facie* evidence or reasonable grounds to believe that the imported goods are goods infringing the trademarks of the rights holder. After the clearance of the suspected goods is suspended the Customs authorities have to inform the rights holder of the same and should the rights holder not execute the requisite bond and join the proceedings against the importer within the prescribed period the Customs authorities will release the suspended goods. These rules also empower the Custom officers to destroy the suspended goods under official supervision or dispose them outside the normal channels of commerce after it has been determined that the goods detained have infringed the trademarks of the rights holder and that no legal proceeding

is pending in relation to such determination. These rules also prohibit the re-exportation of the goods infringing trademarks in an unaltered state.

### IPR Environment

In absence of any administrative remedy, available for enforcement of Intellectual Property rights, the enforcement trend remains tilted towards filing of civil actions. In last few years, significant progress has been made by many States in setting special IPR cells to counteract manufacture & sale of counterfeit goods as a result organizing raids through police is streamlined. This coupled with impact of a police raids has made this option appealing. However, in practice, poor understanding of IP laws and corruption make working with police less attractive. Furthermore, slow prosecution and limited exit options, once the criminal machinery is set into motion are some of the factors which IP owners have to keep in mind when deciding between civil and criminal options. In our experience a combined strategy of civil and criminal remedies works better.

### **The Court System and Legal Practice in India**

India follows the judicial system that is primarily the legacy of the British India. The majority of the laws were continued after India gained independence with only slight modifications.

#### **Supreme Court**

The highest judicial authority in India is Supreme Court. It consists of a Chief Justice and up to 25 judges, appointed by the President of India. The Supreme Court of India has original, appellate and advisory jurisdiction. Its exclusive original jurisdiction extends to any dispute between the Government of India and one or more States. In addition, Article 32 of the Indian Constitution gives an extensive original jurisdiction to the Supreme Court in regard to enforcement of Fundamental Rights. Article 141 of the Constitution provides that the decisions of the Supreme Court of India are law and are binding on all other Indian Courts.

#### **State Judiciary/High Court**

The High Court stands at the head of a State's judicial administration. There are 21 High Courts in the country, three having jurisdiction over more than one state. The Union

Territories come under the jurisdiction of different State High Courts. Each High Court comprises a Chief Justice and such other Judges as the President may, from time to time, appoint.

Each High Court has powers of jurisprudence over all subordinate courts within its jurisdiction, namely the District and Sessions courts and other lower courts. It can call for returns from such Courts, make and issue general rules and prescribe forms to regulate their practice and proceedings and determine the manner and form in which book entries and accounts shall be kept.

### **District and Session Courts**

The District and Session Courts comprise the highest level of courts in a District for Civil and Criminal cases respectively, and may be trial courts of original jurisdiction, applying both federal and state laws. States are divided into districts and within each, a District and Sessions Judge is head of the judiciary. A District Judge presides over civil cases, while a Sessions Judge over criminal cases. These judges are appointed by the Governor of the state in consultation with the state's High Court. There is a hierarchy of judicial officials below the district level, many selected through competitive examination by the state's public service commissions.

Disclaimer: Please note that the above are general guidelines on enforcement of trademarks in India. However, there may be some variation to the above depending on facts and circumstances of each case.

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