

Ranjan Narula Associates

Combating infringement through the courts and law enforcement authorities

There are no administrative remedies available for the enforcement of IP rights in India. Therefore, the possible options for seeking relief are through the civil or criminal route, or both

India's judicial system is primarily a legacy of British rule in India. After India gained independence, the majority of the laws remained, with only slight modifications. The court system is as follows:

- The Supreme Court of India is the highest judicial authority in India. This court has original, appellate and advisory jurisdiction. Supreme Court decisions are law and are binding on all other Indian courts. In trademark cases the Supreme Court has appellate powers over high court decisions. The appellant is required to seek leave from the Supreme Court to hear its appeal.
- The high courts stand at the head of each state's judicial administration. There are 21 high courts in total. Each high court has powers of jurisprudence over all subordinate courts within its jurisdiction – namely, the district and sessions courts and other lower courts. In IP cases the high court has appellate power over district court decisions.
- The district and sessions courts comprise the highest level of courts in a district for civil and criminal cases, respectively. They may act as trial courts of first instance and they apply both federal and state laws. States are divided into districts, within which a district and sessions judge is head of the judiciary, presiding over civil and criminal cases, respectively.
- At the village level, disputes are frequently resolved by *panchayats* or *lok adalats* (people's courts), whose decisions are appealable to the district and sessions court.

Trademark disputes must be filed at the district court with appropriate jurisdiction. Jurisdiction is determined by where the defendant resides or carries on its business. However, the Trademarks Act contains

exceptions to this rule, which brand owners often use to select the forum in which they wish to litigate. Only five high courts – Delhi, Mumbai, Chennai, Kolkata and Jammu and Kashmir – can act as a court of first instance in suits for trademark infringement and passing off. All other high courts have appellate jurisdiction. In general, rights holders prefer to file trademark litigation cases at the high court, and this is primarily the reason why most cases come up before these five high courts. In particular, the Delhi High Court has earned a reputation as the preferred court for IP litigation. In order to discourage forum shopping, the courts have recently been applying a strict test at the admission stage for cases where the defendant is based in a different state. Further guidelines on the ability to invoke jurisdiction on the basis of web presence have also been laid down.

Pursuant to the Civil Procedure Code, a lawsuit generally has three components. The plaintiff submits a statement of claim seeking a grant of permanent injunction, a rendition of the accounts to determine the profits made or damages and costs.

- Applications may be made for:
- an interim injunction against the infringer; and
 - the appointment of a court receiver or commissioner to search the premises and seize the infringing goods, inspect the accounts and take samples. Documents, including registration certificates, may be submitted to support the plaintiff's case.

The courts grant interim injunction orders *ex parte* and *inter partes*, provided that the rights holder can establish a prima facie case and show that the balance of convenience is in its favour. In many cases where copying is apparent, the court will grant an interim injunction *ex parte*

without having to hear argument from the other side. In order to make a strong case for an *ex parte* interim injunction, brand owners are advised to produce:

- registration certificates;
- sales and advertising figures;
- sales invoices evidencing a physical presence in the market;
- advertising material, including brochures, magazine and newspaper advertisements, articles and extracts from websites; and
- annual reports showing a strong financial standing.

Where the rights holder can show that the defendant's goods clearly bear its mark and that, on being served with a court summons, the defendant will remove the infringing goods, the court generally allows the request for the appointment of a court commissioner with powers to search the premises and seize the infringing goods. In many cases the courts will order that police assistance be given to the court-appointed officer when carrying out the search and seizure. Thus, the impact of the raid is clearly felt by the trader in question.

The Indian courts have a significant backlog of cases; in this context, the stories about civil actions taking a decade or more for a final decision to be issued are true. However, with the right kind of preparation, an interim injunction can be obtained quite quickly, together with a request to carry out a search and seizure. Thereafter, instead of becoming caught up in the court and trial procedures, which can take a long time to conclude given the backlog of cases, it is advisable to engage the defendant in a settlement discussion in order to control its current and future business activities and to enforce the handover of its infringing goods for destruction. In many cases, when faced with a well-prepared suit reinforced by a hard-hitting

raid, defendants quickly choose to settle. In addition, depending on the seizure, in many cases it is possible to negotiate the defendants into paying costs.

Experience shows that, first and foremost, it is necessary to choose the correct forum. The Delhi High Court has emerged as the preferred court for IP litigation; however, through increased economic activity, the Chennai and Bombay High Courts have also attracted IP litigation in the past few years.

The recent trend for cutting down delays at the trial stage is for the court to appoint a retired judge to record evidence. Given the backlog of cases, brand owners have started to select this option. However, there is still a long queue of matters waiting for final hearing before the judges.

In the absence of any available administrative remedy for the enforcement of IP rights, brand owners must choose between initiating a civil action through the courts or initiating a criminal action through the police.

In recent years many states have made significant progress in setting up special cells to counteract the manufacture and sale of counterfeit goods. As a result, the organisation of police raids has become more streamlined. A police raid leading to arrest can have a significant impact and also has a social stigma attached. However, there remain practical difficulties in achieving results. When working with the police, challenges can arise from:

- inadequate manpower;
- the police not treating IP crimes as serious crimes and instead focusing on crimes against human life;
- corruption and the leakage of information; and
- a heavy backlog of cases at the magistrate courts, resulting in prosecution being slow and seldom leading to a conviction.

To initiate a police raid, the brand owner is generally advised to file a complaint at the magistrates court, seeking an order for the police to investigate and carry out raids. Strategically, the complaint is filed against an unknown party that is accused of infringing the brand owner's goods or mark. In other words, to avoid the leakage of information and due to the fact that counterfeit traders often use false company names, it is advisable not to direct complaints against specific parties. The complainant can be either an officer of the complainant company or a lawyer authorised by power of attorney. In a complaint under the act, the complainant must be present on each day of the hearing.

Generally, after the complaint has been



Ranjan Narula
Managing partner
marula@indiaiprights.com

Ranjan Narula is the managing partner of Ranjan Narula Associates, a specialist IP firm that he founded in 2004. He has 20 years of post-qualification experience in contentious and non-contentious intellectual property and has worked with the legal department of *Burmah Castrol* (now BP). He was also a partner with *Rouse* and headed its India practice for 10 years. He extensively advises IP holders on brand management issues and provides strategic advice on IP clearance, exploitation, acquisition, protection and enforcement.

filed, the magistrate will record the complainant's evidence and pass an order directing the police to investigate and carry out a search and seizure of the infringing material. The trademark owner can request that the court address the order to the IP Section of the Crime Branch to investigate and carry out raids wherever the infringing goods are found. Although the order is a direction to the police to investigate, in practice it is left to the complainant to locate the infringers and lead the police to them. A number of raids can be carried out against different and unconnected parties through one complaint against unknown persons. In complaints under the act, 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 its registration certificates and further evidence in support of its mark's goodwill and reputation. In addition, the complainant must prove that each of the articles seized is counterfeit. Coupled with the backlog of cases, this requirement makes it difficult to pursue a criminal trial and obtain a conviction.

The debate as to which is the most effective method for combating counterfeiting or dealing with infringements goes on. Unlike in China, no administrative remedies are available for the enforcement of IP rights in India. Therefore, the possible options for seeking relief are through the civil or the criminal route, or both. There are clear advantages and disadvantages to initiating a civil action through the courts or a criminal action through the police.

Perhaps the choice of remedy should be dictated by the objective sought. If, for example, it is a market-level problem and multiple raids at various locations are required, filing a criminal action is the preferred option. On the other hand, if the target is either a manufacturing unit or a big wholesaler or importer, initiating a civil action would be the preferred option. A civil action is also better suited to cases of *look alike* products and brand-name infringements.

Unlike in China, where IP rights owners may discover large factories producing counterfeit or infringing products, brand owners in India are more likely to find a large number of small and medium-sized industries which have a significant collective impact. At times, rights owners are reluctant to take action against small-scale manufacturers, believing that the production volumes do not have a sufficient effect on their sales. However, experience has shown that an early strike not only helps to prevent small players from becoming organised, but can deter new players from entering the trade.

Rising consumerism and an increasing appetite for branded goods among the middle classes have given a boost to the counterfeiting industry. Often there are markets, or pockets, which are infamous for their counterfeiting activity. The operators have strong market associations which collectively oppose any raid action – for example, they may organise a mob to create confusion so that, in the mayhem, counterfeit goods can slip away. They also seem to have their own network of informers and are often tipped off about possible search and seizures.

As a result, the role of investigators in helping companies to address and control this problem is vital. Companies are increasingly investing in discovering the various links in the chain so that the problem can be addressed more effectively. The information obtained can also form the basis of an effective IP strategy, addressing issues such as enforcement options (civil or criminal), choice of forum and defences that may be raised by the counterfeiter. **WTR**