

COUNTERING COUNTERFEITS

With the luxury industry growing, the black market industry or counterfeiting industry is also growing - both in the real and virtual world. The intent of the Indian government is to curb this activity if not completely eliminate the menace. Thus, effective co-operation of both brand owners and authorities will help to send out a strong message to counterfeiters...



The Hurun Global Rich list 2017 recently ranked 2,257 billionaires from 68 countries. India was fourth on the list with 100 billionaires, after China, US and Germany. A CII-Kantar IMRB report pegged India's luxury market growth at 25% in 2016 to USD 18.5 billion. According to KPMG International, India is a potential destination for growth of luxury brands which can be judged by the fact that a number of premium luxury brands are increasingly interested in or have already entered the country. With increased awareness and purchasing power of Indian consumers, luxury brands are no longer an out of bounds proposition.

In fact, India has become one of the fast-growing markets for high-end luxury products. As per statistics, it has been growing by more than USD 255 million a year in absolute terms, on par with the United Arab Emirates and considerably stronger than Singapore and Australia.



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Further, there is a growing concept of affordable luxury targeting millennials who aspire to own luxury brands and their rising disposable incomes has ensured a steady growth for luxury goods. In addition, brand awareness has infiltrated tier 2 and tier 3 cities. Further growth of the digital retail landscape and e-commerce players foraying into the luxury space has all contributed to the growth of the industry.

Counterfeiting Industry

With the luxury industry growing, the black market industry or counterfeiting industry is also growing - both in the real and virtual world. Gone are the days that counterfeit luxury products would be confined to an alleyway market or a fashion street such as Gaffar Market and Palika Bazaar in New Delhi; Ritchie Street and Burma Bazaar in Chennai; Heera Panna, Lamington Road and Fort District in Mumbai. The market for counterfeits is now rapidly moving from fashion streets to online platforms where anonymity helps sell and distribute counterfeit goods with ease. Further, this has also taken counterfeiting goods to tier 2 and tier 3 cities. According to ASSOCHAM, the market for fake luxury goods in India is likely to touch ₹6,000 crore this year. Globally, the fake luxury products market accounts for 7 percent of the overall global luxury industry worth about USD 320 billion with an estimated value of over USD 22 billion.

Recent trends in distribution of counterfeit goods that are causing worry to high-end fashion brands are a) import of factory seconds and offering them at heavy discount online and by organizing special sale in five-star hotels without disclosing that the products are not under warranty; b) creating groups on WhatsApp to offer counterfeit products; c) copying designs to produce replicas (more common in the apparel industry); d) using other social media platforms to sell/distribute counterfeit products.

Standpoint of Courts in India

When it comes to counterfeits of high-end luxury brands being sold by small brick and mortar shops, the companies are in a dilemma whether to take an aggressive approach or ignore the poor-quality counterfeits considering they will be bought by consumers who are not the target audience for luxury brands. On the other hand, when it comes to online sale of counterfeit goods, the brand owners are more careful as these have higher visibility and undermine the brand image. Further, brand owners worry that multiplicity of fakes of a specific brand available in the market leads to brand dilution and withering away of the selling power of a brand often termed as 'brand dilution'.

There are various instances where international high-end brands have sued local players in the court of law for passing off. In a landmark case *Hermès v. Da Milano*, in order to stop the sale of handbags that resembled Hermès' noted Birkin Bag, French luxury brand Hermès filed an action against Indian leather goods company Da Milano. One of the arguments taken by the defendants was price difference between the products and thus, low likelihood of confusion. The Birkin Bag by Hermès priced around ₹600,000 (approx USD 9000) whereas the defendant's bag would be around ₹10,000 (approx USD 150). However, the defendants were enjoined from selling these bags by an order of the Delhi High Court in 2013. Three years down the line, a settlement was entered whereby the defendants

Faking is not
a luxury
in the
eyes of law

were allowed to sell their handbag; however, they were prohibited from showing "ornamental or decorative part of the plaintiff's handbag viz., a horizontal belt and flap having three protruding lobes," which was a registered element of the Hermès Birkin bag.

In the case of *Christian Louboutin Sas v. Nakul Bajaj & Ors*, it was observed that the defendants had been selling shoes online on their website. They claimed that they were the original make of the plaintiff Christian Louboutin. By prominently displaying the mark CHRISTIAN LOUBOUTIN on their website, they further claimed that they were associated with the plaintiffs. Louboutin, on the other hand, contended that the goods were being sold without the company's authorization and quality control and thus, would be deemed to be counterfeit (despite them being authentic). Further, Louboutin contended that grey market rule (doctrine of exhaustion) would not apply to products available online as quality control measures would be missing. Therefore, the Delhi High Court provided protection to Louboutin.

Cartier International Ag & Others v. Gaurav Bhatia & Ors is an instance where a heavy discount was offered by the defendants on goods sold online alleged as counterfeits. The pertinent marks were CARTIER PANERAI, VACHERON CONSTANTIN, and JAEGER LECOULTRE. On the basis of complaints made by various beguiled customers to authorities and relying on several screenshots from the website and other evidence, the court granted a decree of permanent injunction and heavy punitive damages of INR 10 million (USD 156,773).

Louis Vuitton Malletier v. Plastic Cottage Trading Co. is another instance where M/s. Plastic Cottage Trading Co. under Bill of Entry No. 8154543 shipped counterfeit Louis Vuitton ladies' bags into India on 8th October, 2012.

The commissioner seized the consignment and thereupon issued a show cause notice to the importer. Consequently upon adjudication, the said goods were disposed and destroyed. Furthermore, a penalty of INR 140,000 (USD 2194) was imposed on the importer.

Burberry Limited and Ors. v. Digaaz.Com/Digaaz-Ecommerce Pvt. Ltd. and Ors. In this case, defendants were using the registered trademarks BURBERRY and BURBERRY CHECK of the plaintiff BURBERRY LTD. to sell counterfeit products on their website www.digaaz.com. The court decided the matter ex-parte after repeated unsuccessful attempts to cause appearance of the defendants. Further, an order of permanent injunction was passed, restraining defendants from using the plaintiff's mark in any manner including for advertising on their websites.

Gucci v. Gautham Chand. In the present case, the plaintiff contended that "GUCCI" has attained worldwide reputation in terms of its goods and the products manufactured under the name of GUCCI. Further, the brand name GUCCI is registered in a number of countries around the world including India for the last several decades. On the other hand, the defendants, a company selling cables and wires, adopted a similar trade name and logo with clear intention to ride upon the goodwill and reputation of GUCCI. The Delhi High Court on such basis recognized the statutory and common law rights of the luxury brand GUCCI in their mark. Thereafter, the defendants were categorically restrained from using any such mark/logo/trade name which is deceptively similar to that of GUCCI, even when the trade sector of the parties was entirely different. Thus, in the present case, irrespective of the different business sectors, the defendants were asked to stop their illegal activities with immediate effect.

As can be seen from the above, courts in India have come down heavily on copycats and resultantly, created the image of India not being an easy destination for counterfeiting activities.

Strong Enforcement is the Way Forward

With the demographic advantage that India has, the luxury goods market will continue to grow, but at the same time, brand owners would want that the markets are free from replicas of their products. While India has strong laws to address the problem, but it is the implementation of the legal provisions and procedural delays that are of concern to IP owners. This is also one of the reasons that India continues to be under the watch list of the US Trade Commission under its annual review also termed as Super 301. With India coming out with its National IP Policy and constituting a special cell (CIPAM) for implementation of various objectives which include improving enforcement and adjudication, the future looks promising.

Tools to Tackle

To tackle the availability of counterfeit goods online, brand owners are now investing in knowing the problem better by using forensic tools to gather web traffic analytical data etc. Further combining the information in the second phase to use traditional on the ground investigators to verify identity of counterfeiters and track their location. Recording IP with custom authorities to prevent import of counterfeit goods is also a useful tool.

Further, the legal measures must work in tandem with educating the end consumer of perils of buying counterfeit goods. At the same time, law enforcement authorities have to be made aware of the new trends in counterfeiting and that criminal syndicates are often involved in running the counterfeit operations. Thus, treating IP crimes as not serious crimes will only embolden them to take this route to make easy money that can finance their other criminal activities.

Overall, the intent of Indian government is to curb this activity if not completely eliminate the menace. Thus, effective co-operation of both brand owners and authorities will help to send a strong message.

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