



# IP IN INDIA: KEEP YOUR WITS ABOUT YOU

India presents an enormous opportunity, as well as a substantial challenge, to intellectual property owners. Ranjan Narula explains.





The past few years have seen major economic and legislative changes following India's accession to the World Trade Organization. The opening of the Indian economy and, in particular, the major role India is playing in the knowledge economy, have brought intellectual property (IP) issues to the forefront. This, coupled with GDP growth of more than 8 percent in the last two years, has attracted increasing foreign direct investment to cater to the burgeoning middle class.

### Understanding the market

India has a population of more than 1 billion across 28 states. Twenty-two different languages are spoken, and several hundred dialects. Thus it is important for IP owners to understand and appreciate the diversity of India when entering the market. In many cases, products have to employ local strategies. Localisation of global brands in India is an important issue when it comes to the acceptance of well-known western brands by the Indian consumer. On the surface, given that English is widely spoken, it seems that global brands should be easily accepted. However, the reality is that each state in India has a different history, language and culture, making it difficult for brand owners to devise a strategy that fits everyone. Poor infrastructure makes it challenging for IP owners to distribute products, and added to this complexity is the fact that in India the old and the modern worlds exist side by side.

### Battling resilient counterfeiters

Unlike in China, where IP owners may find large factories producing counterfeit or infringing products, in India you are likely to find a huge number of small and medium-sized industries that collectively have a big impact. The problem of counterfeiting in India varies from sophisticated operations



where the target audience is the overseas market to small, local outfits. Typically, the operation would have a chain where a 'rag picker' would bring the original product, printing would be outsourced and products supplied on a cash basis. Rising consumerism and an increasing appetite for branded goods among the middle class have given a boost to the counterfeit industry. More often than not there are markets, or retail pockets, which are notorious for counterfeits of particular goods such as software or mobile phones. Traders in these markets have strong associations which collectively oppose any raid action, often organising a mob to create confusion so that, in the mayhem, counterfeit goods can be spirited away. They also seem to have their own network of informers and are often tipped off about possible search and seizure.

As a result, the role of investigators in helping companies address and control this problem is becoming very important. Companies are increasingly investing in identifying 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 target selection; enforcement options (civil or criminal); choice of forum; and the defences that may be raised by the counterfeiter.

### Made in China, sold in India

In the last five years, a large volume of Chinese-made goods have entered India. In many cases goods are imported due to the difference in price and quality of counterfeit products that Chinese manufacturers are able to provide. However, at the same time, genuine branded goods meant for sale in Chinese and other Asian markets also enter India (parallel imports). IP owners need to have a strategy laid out to address this growing problem.

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Customs recordation under the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 is one such tool that IP owners can use to address this problem, in particular to gather intelligence on large quantities being brought into India. The recordation is not limited to trademarks but also covers patents, copyright, designs and geographical indications. A single recordation covers 36 ports and the procedure for filing is simple and efficient.

### Legal framework for dealing with counterfeit and infringing products

Although India does not have legislation dealing specifically with counterfeiting and piracy, statutory remedies (civil, criminal and administrative) exist in various legislative acts, including: Trade Marks Act, 1999; Copyright Act, 1957; Patents Act, 1970; Designs Act, 2000; Geographical Indications Act, 1999; Drugs and Cosmetics Act, 1940; Prevention of Food Adulteration Act, 1954; Consumers Protection Act, 1986; Indian Penal Code; Information Technology Act, 2000; and Customs Act, 1962.

#### Trade Marks Act, 1999

To ensure Trade-Related Aspects of IP Rights (TRIPS) compliance, a new Trade Marks Act was introduced in 2003. It provides remedies for infringement and passing off in relation to both registered and unregistered rights, and widens the scope of infringement and makes counterfeiting and piracy cognisable offences.



**Civil remedy:** Section 29 defines infringement as “unauthorised use that is likely to cause confusion on the part of the public”. Section 135 provides for civil relief including injunction, damages, rendition of accounts and delivery up of infringing labels and marks for destruction or erasure.

**Criminal remedy:** Section 102 defines falsifying a mark and applying a false mark; Section 103 sets out penalties, including imprisonment for up to three years and fines of up to Rs200,000 (\$4000).

#### Copyright Act, 1957

The Copyright Act, 1957, makes provision for strict punishment for copyright infringement.

**Civil remedy:** A copyright owner can bring an infringement action where he has sufficient evidence to prove he has been aggrieved. Section 55 provides for various remedies including injunction, damages and account of profits.

**Criminal remedy:** Section 64 empowers police officers, not below the rank of a sub-inspector, to seize all copies of infringing works and plates used in their creation. Section 53 authorises the Registrar of Copyrights to prevent the importation of infringing copies, and to enter any ship, dock or premise where such infringing copies are alleged to be found and to order their confiscation. Section 63 provides for punishment of up to three years' imprisonment and fines of up to Rs200,000 (\$4000).



### Designs Act, 2000

To ensure TRIPS/WTO compliance, a new Designs Act was introduced in 2000. The act confers exclusive rights on the creator of a design and provides for relief in respect of infringement. The following acts, if unauthorised, are considered to be piracy:

- Applying, for the purposes of sale, the design, or a fraudulent or obvious imitation, to an article;
- Importing any such article for sale; or
- Publishing or exposing for sale any article, knowing that the design has been applied without the owner's consent.

**Civil remedy:** A complaint must demonstrate that the alleged infringing act involves a design that is identical, or similar, to the registered design, and that it has interfered with the registered proprietor's rights and/or caused economic loss. Section 22 provides that any person committing such an act of piracy shall be liable to pay to the registered proprietor a sum not exceeding Rs50,000 (\$1000) per registered design. The registered proprietor may also seek interim relief and an injunction.

### Customs Act, 1962

Although the Customs Act, 1962, contained provisions prohibiting the import and export of infringing goods, and empowering customs to seize any such goods, it was subsequently felt necessary to strengthen these provisions, and the

government issued a notification (Intellectual Property Rights [Imported Goods] Enforcement Rules, 2007).

Under the rules, a rights holder may give notice in writing to customs, requesting suspension of any consignment that infringes its rights. Customs is bound to notify the rights holder within 30 days whether the notice has been registered or rejected. If registered, it will remain valid for five years, or the duration of the right, whichever is shorter. During that period, customs will suspend any consignment it suspects contains infringing goods, acting either on information received from the rights holder or *suo moto*.

Within 10 days (which may be extended by a further 10 days) of the suspension, customs will inform the rights holder, requiring it to execute a bond. If the rights holder fails to comply within the stipulated time (ie, five days, or three days in the case of perishable goods) customs will release the goods.

Once goods have been suspended, customs must, on request of either party, provide details of the other party, and other relevant information. The rights holder is entitled to examine the goods and obtain samples for the purposes of examination.

Once infringement has been established, customs may, provided the rights holder does not object, destroy the goods under official supervision or dispose of them outside the normal channels of commerce.

## Brand owner woes

### Different fields of activity/business

One of the common problems faced by global brand owners in the Indian market is that due to the popularity of their brands they are indiscriminately copied by Indian companies and small traders for completely different or unrelated goods. The incidence of well-known brands being used as part of corporate/trade name is also quite common. It is quite a challenge to stop such use, particularly where the brand names is adopted for completely different or unrelated goods. The obvious argument of the traders in such cases is that because there is no commonality of trade channels, or end users of products or services, no confusion will be caused.

What adds to the complexity of trade name disputes is that the registrar of companies and the regional directors responsible for approving company names do not appreciate the concept of dilution of well-known marks. Thus they allow companies to be incorporated in a different field of activity even if they are using a well-known mark in their trade name. There is no central register for partnerships or private enterprises and such firms are not required to carry out any search or obtain approval from tax authorities to adopt a name. Thus it becomes a daunting task for the IP owner to stop misuse of its trademarks as trade names.

### Important court decisions

The Indian Courts have, over a period of time, embraced international developments and handed down a number of landmark judgments that have changed the face of IP litigation. They have, for example, repeatedly confirmed that it is not necessary to have actual physical sale of goods in India. The doctrine of 'trans border' and 'spill over' reputation in famous marks has been recognised by the courts. The Supreme Court, in



a trademark dispute involving medicines, held that “medicines are international in character”. So use of a mark on medicines in countries outside India may be just as relevant as use of the mark in India.

The Supreme Court in *Rameshwari Devi v Nirmala* held that courts should be cautious and extremely careful while granting *ex parte* interim relief. While the observation was made in a case not related to IP, if this were strictly applied to IP cases it would change the face of IP litigation, as *ex parte* orders are often granted by courts in order to preserve the infringing goods, documents and other evidence and stop an obvious imitation.

#### Concept of costs and damages

Until recently, the concept of awarding costs and damages in IP disputes by the courts in India was not fully developed. There was little or no financial deterrence for counterfeiters and infringers. Generally, infringers are not likely to maintain proper records of the transactions made and so damages are difficult to quantify. Also, because the process of determining damages on the basis of actual or potential loss suffered by the rights holder is cumbersome, it often leads the IP holders to give up their claim. Increasingly, Indian courts are recognising a need to impose financial penalties in the form of awarding damages to discourage law breakers from violating the IP of right holders. The courts are awarding not just compensatory damages, but also punitive damages.

In an action brought by the publisher of *Time Magazine*, the court awarded approximately \$11,000 as punitive damages, and in an action by Microsoft, the court awarded approximately \$43,800 as compensatory damages. However, a word of caution: most of these were undefended cases and it is yet to be seen if the court will grant



damages in cases where a party resists the claim and the basis of damage calculation. In view of the backlog of cases and the time it takes for a matter to reach trial, most IP cases settle soon after the preliminary injunction is granted by obtaining suitable undertakings to bind the parties.

#### Counterfeit goods online

E-commerce is in its infancy in India, but predictions of a boom range from pessimistic to extremely optimistic. IP holders are closely watching portals that offer goods at a discount. Brand owners realise the appeal and reach of this medium and that the counterfeiters will be the first to make money from the boom.

The signs are already visible in the pharmaceutical trade, where counterfeiters have been taking advantage of India's cheap generic manufacturing industry to source and/or ship counterfeit drugs from India. Several online pharmacies targeting consumers in western countries have been found to have Indian connections. Recently, US immigration and customs, the Food & Drug Administration and the Internal Revenue Service exposed an online pharmacy racket under the names World Express Rx and My Rx for less.com, the supply chain of which went back all the way to India. In a similar operation nicknamed ‘cyber chase’, raids were carried out simultaneously in India and the US against an online pharmacy network which was headed by a father (based in India) and son (based in Philadelphia). The *modus* was simple: the generic drugs were shipped from

India to Philadelphia. They were repacked and sold to various e-traffickers. Hundreds of rogue websites were being serviced by this network.

#### Passing off services on the web

Consumers in India may not be buying goods online. However, as the number of Internet connections and users is rising, more and more people are visiting the Internet to source information. As a result, the number of cases where parties are using well-known marks to provide similar services or copying web content is also rising. Examples of cases include:

- A passing off and copyright infringement action brought by Celador against a website offering a game show identical to *Who wants to be a Millionaire* in Hindi, and seeking to attract advertisers to its website. The Delhi High Court passed a permanent injunction restraining the party from running the website.
- Intel Corporation brought a contempt petition against a party trading as Pentium Computers on the basis of an email that the defendant had sent out offering computers for sale using the mark Pentium. This was held to be violation of an injunction order passed by the Bombay High Court.
- Himalaya Drug Co brought a passing off action against an individual who copied the database of the herbal drugs developed by Himalaya, including the pictures and format. The court granted punitive damages and a restraining order.





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- Trademark infringement and passing-off action brought by Pfizer against a company trading as Pifer Pharmaceutical Pvt Ltd and also running a website using the domain PiferPharma.com. The court granted an injunction restraining the party from using the trade name and domain.

#### Trademark office goes digital

The digital environment also had an impact on the Trade Mark (TM) office. The TM office is now printing trademark journals in electronic format. The journals are made available online on the TM registry website. This allows users to search for marks quickly using computer technology and also reduces the backlog at the TM office, as more marks can be published in one journal. The TM registry database has been made available for online searching, without the need for prior registration or payment of search fees. Previously, in order to carry out an online search it was necessary to register and pay a fee of approximately \$10.

Improvements have also been made to the registered trademark and application status information available on the website. In particular, the TM registry is now scanning and uploading all documents online including examination reports, *Trademark Journal* publications and registration certificates. The TM registry is also taking steps to become a paperless operation.

#### Piracy issues

In the 'electronic age', computer technologies have made the job of right owners in the

music and film industry quite challenging, in particular the issue of file sharing through peer to peer (P2P) networks. The debate as to whether harmonisation of law, technological development, or consumer awareness and education are the solution continues unabated. In reality it is through a combination of all these that the IP holders stand some chance of finding commercially viable solutions.

#### Developing a strategy

The problem of counterfeiting and piracy is multi-faceted and complex. Finding solutions will ultimately require both cooperation and innovation on the part of government, industry and IP holders. In the meantime, it is important that IP owners have a clear strategy.

#### Secure your rights

Although well-known marks have statutory protection in India, it is always advisable to register your mark, taking into account both present and future business plans.

#### Invest in investigations

Reliable and timely information is key to effective enforcement. A trained investigator can play a vital role by identifying production and storage sites, enabling a successful 'raid' and the gathering of crucial evidence.

#### Educate stakeholders

Spread awareness within the company about counterfeit and/or lookalike products and

develop robust mechanisms for reporting the availability of counterfeit products.

#### Conclusions

Although action against small scale manufacturers may not seem worthwhile, taking steps to curtail counterfeiting at an early stage can prevent the activity developing and deter other potential counterfeiters.

As in any other developing country, working with law enforcement authorities and courts in India can be quite challenging. However, as long as IP holders are clear about their objectives and have an appropriate strategy in place, it should be possible to achieve the desired result. ■

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*Ranjan Narula is the founder of the specialist IP law firm, Ranjan Narula Associates. He can be contacted at: rmarula@indiaiprights.com*



**Ranjan Narula** founded Ranjan Narula Associates (RNA) in 2004, and is now its managing partner. He has 20 years' post qualification IP experience, both contentious and non-contentious, working in-house in the legal department of Burmah Castrol (now BP) for more than three years, and as a partner of leading international IP consultancy, Rouse, for 10 years.