

Enforcement of
Intellectual Property Rights:
Role of
Customs Authorities

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OVERVIEW

The write up has been divided into six parts. After completion of four parts successfully, the officer can also go through the reference material as well as important websites relating to the topic for in depth knowledge. Further, two exercises, showing application of the legal provisions relating to IPR have also been prepared for guidance of the readers:

- (i) **Part-I:** This part covers, in brief, about the Intellectual Property, Intellectual Property Rights, Various types of IPRs, TRIPs Agreement and India's Commitment in WTO, Various IPRs laws in India and concerned Administrative Ministries etc.
- (ii) **Part-II:** In this part, role of Customs Authorities as provided under TRIPs agreement and Various IPRs laws of our Country, relevant provisions of Customs Act and notification issued under these provisions have been explained in detail.
- (iii) **Part-III:** In this part, various provisions of IPR Enforcement Rules, 2007 and procedures in force have been explained.
- (iv) **Part IV:** In this part, Automated Recordation and Targeting System (ARTS) for IPR protection in Indian Customs have been explained.
- (v) **Part V: Reference Material and Important websites:** In this Part, details of reference material and relevant websites for reader's guidance and information have been given.
- (vi) **Part VI: Practical Exercises for the field officers.**

Part I: Types of Intellectual Property Rights

What is Intellectual Property (IP)?

Intellectual property (IP) refers to creations of the mind, such as inventions; literary and artistic works; designs; and symbols, names and images used in commerce.

IP is protected in law by, for example, [patents](#), [copyright](#) and [trademarks](#), which enable people to earn recognition or financial benefit from what they invent or create. By striking the right balance between the interests of innovators and the wider public interest, the IP system aims to foster an environment in which creativity and innovation can flourish.

What are intellectual property rights?

Intellectual property rights are the rights given to persons over the creations of their minds. They usually give the creator an exclusive right over the use of his /her creation for a certain period of time. Intellectual property rights are customarily divided into two main areas:

(i) Copyright and rights related to copyright.

The rights of authors of literary and artistic works (such as books and other writings, musical compositions, paintings, sculpture, computer programs and films) are protected by copyright, for a minimum period of 60 years after the death of the author.

Also protected through copyright and related (sometimes referred to as “neighbouring”) rights are the rights of performers (e.g. actors, singers and musicians), producers of phonograms (sound recordings) and broadcasting organizations. The main social purpose of protection of copyright and related rights is to encourage and reward creative work.

(ii) Industrial property.

Industrial property can usefully be divided into two main areas:

- One area can be characterized as the protection of distinctive signs, in particular trademarks (which distinguish the goods or services of one undertaking from those of other undertakings) and geographical indications (which identify a good as originating in a place where a given characteristic of the good is essentially attributable to its geographical origin). The protection of such distinctive signs aims to stimulate and ensure fair competition and to

protect consumers, by enabling them to make informed choices between various goods and services. The protection may last indefinitely, provided the sign in question continues to be distinctive.

- Other types of industrial property are protected primarily to stimulate innovation, design and the creation of technology. In this category fall inventions (protected by patents), industrial designs and trade secrets.

The social purpose is to provide protection for the results of investment in the development of new technology, thus giving the incentive and means to finance research and development activities.

The protection is usually given for a finite term.

While the basic social objectives of intellectual property protection are as outlined above, it should also be noted that the exclusive rights given are generally subject to a number of limitations and exceptions, aimed at fine-tuning the balance that has to be found between the legitimate interests of right holders and of users.

Intellectual Property Rights are legal rights, which result from intellectual activity in industrial, scientific, literary & artistic fields. These rights safeguard creators and other producers of intellectual goods & services by granting them certain time-limited rights to control their use. Protected IP rights like other property can be a matter of trade, which can be owned, sold or bought.

Types of IPRs:

- A. Patents.
- B. Trademarks.
- C. Copyrights and related rights.
- D. Geographical Indications.
- E. Industrial Designs.
- F. Trade Secrets.
- G. Layout Design for Integrated Circuits.
- H. Protection of New Plant Variety.

A. Patent

A patent is an exclusive right granted for an invention, which is a product or a process that provides a new way of doing something, or offers a new technical solution to a problem. It provides protection for the invention to the owner of the patent. The protection is granted for a limited period, i.e. 20 years.

Patent protection means that the invention cannot be commercially made, used, distributed or sold without the patent owner's consent. A patent owner has the right to decide who may - or may not - use the patented invention for the period in which the invention is protected. The patent owner may give permission to, or license, other parties to use the invention on mutually agreed terms. The owner may also sell the right to the invention to someone else, who will then become the new owner of the patent.

Once a patent expires, the protection ends, and an invention enters the public domain, that is, the owner no longer holds exclusive rights to the invention, which becomes available to commercial exploitation by others.

All patent owners are obliged, in return for patent protection, to publicly disclose information on their invention in order to enrich the total body of technical knowledge in the world. Such an ever-increasing body of public knowledge promotes further creativity and innovation in others. In this way, patents provide not only protection for the owner but valuable information and inspiration for future generations of researchers and inventors.

In order to be patentable, an application for the patent of an invention must show that it is within the types that could be protectable by a patent, and be:

- (i) New or novel;
- (ii) Non obvious, that is, it must involve an inventive step;
- (iii) capable of industrial application.

General Principles governing the Patent System in India and further details can be viewed at DIP&P website at <http://ipindia.nic.in>

B. Trademarks:

A trademark is a distinctive sign that identifies certain goods or services as those produced or provided by a specific person or enterprise. It may be one or a combination of words, letters, and numerals. They may consist of drawings, symbols, three-dimensional signs such as the shape and packaging of goods, audible signs such as music or vocal sounds, fragrances, or colours used as distinguishing features. It provides protection to the owner of the mark by ensuring the exclusive right to use it to identify goods or services, or to authorize another to use it in return for payment.

It helps consumers identify and purchase a product or service because its nature and quality, indicated by its unique trademark, meets their needs. Registration of trademark is prima facie proof of its ownership giving statutory right to the proprietor. Trademark rights may be held in perpetuity. The initial term of registration is for 10 years; thereafter it may be renewed from time to time.

General Principles governing the Trademarks System in India and further details can be viewed at DIP&P website at <http://ipindia.nic.in>.

Some of the examples of well-known trademarks are Pepsi and coca cola in respect of cold drink. For mobile phone, Apple, Samsung, Nokia, Micromax etc. are important brand names.

C. Copyrights and related rights:

Copyright is a legal term describing rights given to creators for their literary and artistic works. The kinds of works covered by copyright include: literary works such as novels, poems, plays, reference works, newspapers and computer programs; databases; films, musical compositions, and choreography; artistic works such as paintings, drawings, photographs and sculpture; architecture; and advertisements, maps and technical drawings. Copyright subsists in a work by virtue of creation; hence it's not mandatory to register. However, registering a copyright provides evidence that copyright subsists in the work & creator is the owner of the work.

Creators often sell the rights with or without relinquishing ownership rights to their works to individuals or companies best able to market the works in return for payment. These payments are often made dependent on the actual use of the work, and are then referred to as royalties. These economic rights have a time limit, (other than photographs) is for life of author plus sixty years after creator's death.

General Principles governing the Copyrights and related rights System in India and further details can be viewed at website of Copyright Office website at <http://copyright.gov.in/>

The main international convention dealing with copyright is the Berne convention. The Rome convention concluded in 1961 provided protection of performers, producers of phonograms and Broadcasting organization. In 1996, WIPO Performances and Phonograms Treaty (WPPT) was concluded. This treaty was designed to offer further protection of the economic and moral rights of performers and producers of phonograms, in particular as regards their exploitation in digital form, including over the internet.

D. Geographical Indications (GI):

GI are signs used on goods that have a specific geographical origin and possess qualities or a reputation that are due to that place of origin. Agricultural products typically have qualities that derive from their place of production and are influenced by specific local factors, such as climate and soil. They may also highlight specific qualities of a product, which are due to human factors that can be found in

the place of origin of the products, such as specific manufacturing skills and traditions.

A geographical indication points to a specific place or region of production that determines the characteristic qualities of the product that originates therein. It is important that the product derives its qualities and reputation from that place. Place of origin may be a village or town, a region or a country.

It is an exclusive right given to a particular community, hence the benefits of its registration are shared by the all members of the community. Some well-known Indian examples of GIs of goods are Darjeeling Tea, Basmati Rice, Bikaneri Bhujia, Banarasi sarees, Chanderi Sarees, Kullu Shawls etc.

Keeping in view the large diversity of traditional products spread all over the country, the registration under GI will be very important in future growth of the tribes/communities / skilled artisans associated in developing such products and protection to their geographical advantage. Also, piracy in geographically specific goods can be checked.

General Principles governing the Geographical Indication System in India and further details can be viewed at website of Geographical Indication Registry, website at <http://ipindia.nic.in/>

E. Industrial Designs:

Industrial designs refer to creative activity, which result in the ornamental or formal appearance of a product, and design right refers to a novel or original design that is accorded to the proprietor of a validly registered design. Industrial designs are an element of intellectual property. Under the TRIPS Agreement, minimum standards of protection of industrial designs have been provided for. As a developing country, India has already amended its national legislation to provide for these minimal standards.

The essential purpose of design law is to promote and protect the design element of industrial production. It is also intended to promote innovative activity in the field of industries. The existing legislation on industrial designs in India is contained in the New Designs Act, 2000 and this Act will serve its purpose well in the rapid changes in technology and international developments. India has also achieved a mature status in the field of industrial designs and in view of globalization of the economy, the present legislation is aligned with the changed technical and commercial scenario and made to conform to international trends in design administration.

This replacement Act is also aimed to enact a more detailed classification of design to conform to the international system and to take care of the proliferation of design related activities in various fields.

General Principles governing the Industrial Design System in India and further details can be viewed at DIP&P website link at <http://ipindia.nic.in>

Industrial designs are applied to a wide variety of products of industry or handicraft: from watches, jewellery, fashion and luxury items, furniture and electrical appliances to vehicles. An example of industrial design is shape of bottle of black label, shape of bottle of well-known brands of cosmetics, designs of apple i-phone, i-pad, i-pod etc.

F. Trade Secrets:

It may be confidential business information that provides an enterprise a competitive edge may be considered a trade secret. Usually these are manufacturing or industrial secrets and commercial secrets. These include sales methods, distribution methods, consumer profiles, advertising strategies, lists of suppliers and clients, and manufacturing processes. Contrary to patents, trade secrets are protected without registration.

A trade secret can be protected for an unlimited period of time but a substantial element of secrecy must exist, so that, except by the use of improper means, there would be difficulty in acquiring the information. Considering the vast availability of traditional knowledge in the country the protection under this will be very crucial in reaping benefits from such type of knowledge. The Trades secret, traditional knowledge are also interlinked/associated with the geographical indications.

G. Layout Design for Integrated Circuits:

Semiconductor Integrated Circuit means a product having transistors and other circuitry elements, which are inseparably formed on a semiconductor material or an insulating material or inside the semiconductor material and designed to perform an electronic circuitry function.

The aim of the Semiconductor Integrated Circuits Layout-Design Act 2000 (SICLD Act) is to provide protection of Intellectual Property Right (IPR) in the area of Semiconductor Integrated Circuit Layout Designs and for matters connected therewith or incidental thereto.

The main focus of SICLD Act is to provide for routes and mechanism for protection of IPR in Chip Layout Designs created and matters related to it. The SICLD Act empowers the registered proprietor of the layout-design an inherent

right to use the layout-design, commercially exploit it and obtain relief in respect of any infringement.

The initial term of registration is for 10 years; thereafter it may be renewed from time to time. Department of Information Technology Ministry of Communications and Information Technology is the administrative ministry looking after its registration and other matters.

General Principles governing the Layout Design for Integrated Circuits System in India and further details can be viewed at DIT website link at <http://deity.gov.in>

H. Protection of New Plant Variety:

The objective of the Plant Variety Protection and Farmers Rights Act, 2001 is to recognize the role of farmers as cultivators and

Conservers and the contribution of traditional, rural and tribal communities to the country's agro biodiversity by rewarding them for their contribution and to stimulate investment for R & D for the development of new plant varieties to facilitate the growth of the seed industry.

This Act was enacted in India to protect the New Plant Variety and has come into force on 30.10.2005. Initially 12 crop species have been identified for regt. i.e. Rice, Wheat, Maize, Sorghum, Pearl millet, Chickpea, Green gram, Black gram, Lentil, Kidney bean etc. Department of Agriculture and Cooperation is the administrative ministry looking after its registration and other matters.

This Act was passed to implement UPOV (Union for protection of Plant) international convention and the following actions require prior authorization of the right holder:

- (i) Production or reproduction (multiplication)
- (ii) Conditioning for the purpose of propagation
- (iii) Offering for sale
- (iv) Selling or other marketing
- (v) Exporting
- (vi) Importing
- (vii) Stocking for any of the purposes.

General Principles governing the Protection of New Plant Variety System in India and further details can be viewed at Protection of Plant Varieties and Farmers' Rights Authority, India (PPV&FR) website link at <http://www.plantauthority.gov.in/>

Part II: Legal Framework of IPRs in India

Legal Framework for IPRs in India and the concerned Administrative Ministries has been specified under The Government of India (Allocation of Business) Rules, 1962, **which governs distribution of work amongst different Ministries/Departments of the Government of India.**

To provide legal framework for protection of intellectual property rights in India, the Government of India has enacted various legislation dealing with IPRs. Some of these laws have been enacted prior to WTO coming into existence while some have been enacted after 1st January, 1995. Further, some of these legislations have been amended so as to align these acts with India's commitment under TRIPS agreement.

All the IPR Laws are not administered by any single Ministry. IPRs work relating to Trademark, industrial designs, patent and Geographical indications is dealt by Department of Industrial Policy and Promotion under the Ministry of Commerce and Industry being administrative Ministry. For remaining IPRs, the Administrative Ministries are the Ministry of Human Resources Development for copyrights; Ministry of Information Technology for layout designs of integrated Circuits; Ministry of Agriculture for protection of Plants Varieties.

The various enactments governing IPRs in India are as under:-

- Copyright Act, 1957 (administered by the Ministry of Human Resource Development)
- Trademarks Act, 1999 (administered by the Department of Industrial Policy and Promotion under the Ministry of Commerce and Industry)
- Design Act, 2000 (Administered by the Department of Industrial Policy and Promotion under the Ministry of Commerce and Industry)
- Patent Act, 1970 (Administered by the Department of Industrial Policy and Promotion under the Ministry of Commerce and Industry)
- Geographical Indications of Goods Act, 1999 (Administered by the Department of Industrial Policy and Promotion under the Ministry of Commerce and Industry)
- Protection of Plant Varieties Farmers' Rights Act, 2001 (Administered by the Department of Agriculture and Cooperation under the Ministry of Agriculture)
- Semiconductor Integrated Circuits Layout Design Act 2000 (Administered by the Ministry of Communications and Information Technology)

Border Measures under TRIPS

India is a signatory to the WTO Treaty on Trade Related Aspects of Intellectual Property Rights (TRIPS), which was brought into force on 1st January, 1995. Articles 51 to 60 of TRIPS Agreement [Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization] relate to border measures (i.e. measures required to be taken for providing protection against infringement of IPRs at the border).

Under **Articles 51 to 60 of the TRIPS Agreement**, a WTO member country is obliged to enact laws to fulfill obligations relating to border measures by incorporating the following provisions, so far as enforcement of IPRs at Border is concerned:

- **Suspension of Release:** A provision, which allows a right holder to lodge an application with Customs to suspend release of suspected counterfeit goods.
- **Application:** Describes the conditions for making an application, Prima facie evidence of infringement and a sufficiently detailed description of the goods.
- **Security or Equivalent Assurance:** Security to prevent abuse of the system by person making the allegation of infringement.
- **Notice of Suspension:** Prompt notification by Customs to the rights holder of suspension.
- **Duration of Suspension:** 10 working days after the applicant has been served notice of the suspension; time period for Right Holder to commence legal proceedings.
- **Indemnification of the Importer and of the Owner of the Goods:** The applicant is liable to pay compensation to the importer, the consignee and owner, compensation in case of wrongful detention of goods.
- **Right of Inspection and Information:** The right holder is given sufficient information and the right to inspect detained goods, in order to substantiate the claim.
- **Ex Officio Action:** Optional provision, which allows Customs to act upon their own initiative, without an application being required, in order to suspend clearance of goods. {Ex Officio may have two distinct meanings: (1). Customs intercepting a shipment on their own information, after the right holder has already completed the recordal of their IPR. (2). Customs intercepting a shipment on their own information, even if the right holder has not completed recordal.
- **Remedies:** Order destruction of infringing goods. Re-exportation not allowed.
 - **De Minimis Imports:** Small non-commercial consignments may be excluded.

While the mandatory obligations under Articles 51 to 60 of the TRIPS agreement dealing with border measures are restricted to Copyright and Trade Marks infringement only, the IPR (imported goods) enforcement Rules,2007 deal with

Patents, Designs and Geographical Indications violations as well, in conformity with the practice prevailing in some other countries, notably EU countries.

While it may not be difficult for Customs officers to determine Copyright and Trade Marks infringements at the border based on available data/inputs, it may not be so in the case of the other three IPR rights violations, unless the offences have already been established by a judicial pronouncement in India and the Customs is called upon or required to merely implement such order. In other words, extreme caution is required at the time of determination of infringement of these three intellectual property rights.

The Copyright Act, 1957; the Trade Marks Act, 1999; the Patents Act, 1970; the Designs Act, 2000; and the Geographical Indications of Goods (Registration and Protection) Act, 1999 have provisions prohibiting import of goods infringing Intellectual Property Rights under the respective Acts. The powers to take action against such infringing goods at Border i.e. at the time of import and export by the Customs Authorities are contained in Sections 11, 111, and 113 of the Customs Act, 1962.

While IPR laws provide for civil and criminal action by right holder in cases of infringement of his/her IPR, the Customs authority powers to take action against infringing goods are limited to action against infringing goods at the time of import and export and that to subject to procedure laid in IPR Enforcement Rules, 2007 issued under Customs Act, 1962.

Legal provisions under Customs Act, 1962.

A. Section 11 of the Customs Act, 1962

The Section 11 of the Customs Act, 1962 enables Customs authority to prohibit either absolutely or subject to such conditions (to be fulfilled before or after clearance) as may be specified in the notification, the import or export of goods of any specified description. This can be done by issuing notification under sub-section (1) of Section 11 for the purposes specified in sub-section (2) of Section 11. The relevant clauses under sub-section (2) are (n), and (u). These clauses read as under:-

“ (n) the protection of patents, trade marks, copyrights, designs and geographical indications;

(u) the prevention of the contravention of any law for the time being in force “

B. Prohibition on Import of Infringing Goods

The Government, initially vide notification No. 49/2007-Customs dated 8-5-2007 prohibited import of goods infringing intellectual property rights of the right

holders under The Copyright Act, 1957, the Trade Marks Act, 1999, the Patents Act, 1970, the Designs Act, 2000 and the Geographical Indications of Goods (Registration and Protection) Act, 1999. Later, this notification No. 49/2007-Customs (NT), dated 8.5.2007 has been superseded by notification No. 51/2010-Customs (NT), dated 30.6.2010.

2. Under the notification No. 51/2010-Customs, dated 30.6.2010, the following goods have been prohibited:-

- (i) goods having applied thereto a false trade mark as specified in **section 102** of the Trade Marks Act, 1999 (47 of 1999);
- (ii) goods having applied there to a false trade description within the meaning of **clause (i) of sub-section (1) of section 2** of the Trade Marks Act, 1999(47 of 1999), otherwise than in relation to any of the matters specified in sub-clauses (ii) and (iii) of clause (za) of that sub-section;
- (iii) goods made or produced beyond the limits of India and having applied thereto a design in which copyright exists under the Designs Act, 2000(16 of 2000), in respect of the class to which the goods belong or any fraudulent or obvious imitation of such design except when the application of such design has been made with the licence or written consent of the registered proprietor of the design or where such importation or use is allowed under the Designs Act, 2000 (16 of 2000);
- (iv) the product made or produced beyond the limits of India for which a patent is in force under the Patents Act, 1970 (39 of 1970), except in cases where the consent from the patentee in India has been obtained provided that such prohibition is not applicable to the cases where such importation is allowed under the Patents Act, 1970(39 of 1970);
- (v) the product obtained directly by the process made or produced beyond the limits of India where patent for such process is in force under the Patents Act, 1970 (39 of 1970), except in cases where the consent from the patentee in India has been obtained provided that such prohibition is not applicable to the case where such importation is allowed under the Patents Act, 1970 (39 of 1970);
- (vi) goods having applied thereto a false Geographical Indication within the meaning of **section 38** of the Geographical Indications of Goods (Registration and Protection) Act, 1999 (48 of 1999);
- (vii) goods which are prohibited to be imported by issuance of an order issued by the Registrar of Copyrights under **section 53** of the Copyright Act, 1957 (14 of 1957).

C. Section 111 of the Customs Act, 1962

Since import of infringing goods, which has been prohibited under notification No. 51/2010-Customs (NT), dated 30.6.2010, therefore, such imported goods are liable for confiscation under clause (d) of **Section 111** of Customs Act, 1962. The provision of section 111(d) reads as under:-

" 111. Confiscation of improperly imported goods etc. - The following goods brought from a place outside India shall be liable to confiscation:

.....

(d) Any goods which are imported or attempted to be imported or are brought within the Indian customs waters for the purpose of being imported, contrary to any prohibition imposed by or under this Act or any other law for the time being in force;

..... "

D. Prohibition on export of infringing goods

Similarly, vide notification No. **50/2007-Customs (NT), dated 8.5.2007**, the Government has prohibited export of following infringing goods, namely:-

- (i) any goods which are required by a notification under section 139 of the Trade Marks Act, 1999 (47 of 1999), to have applied to them an indication of the country or place in which they were made or produced or of the name and address of the manufacturer or the person for whom the goods were manufactured, but which have not applied to them such indication in the manner specified in the notification;
- (ii) any goods which are required to be stamped under section 81 of the Trade Marks Act, 1999 (47 of 1999) but which have not been stamped in the manner specified in the Trade Marks Rules, 2002.

E. Section 113 of Customs Act, 1962

" Confiscation of goods attempted to be improperly exported, etc. - The following export goods shall be liable to confiscation:

.....

(d) Any goods attempted to be exported or brought within the limits of any customs area for the purpose of being exported, contrary to any prohibition imposed by or under this Act or any other law for the time being in force;

..... "

F. Penalty on Importer/Exporter of Infringing Goods

Further, not only the infringing goods are liable for absolute confiscation, the penal action may also be taken against the importer/ exporter under **Section 112 /114** of the Customs Act, 1962.

G. Parallel Imports

The term “**Parallel import**” in trade parlance is import of original/genuine products (not counterfeit or pirated) which are sold/ acquired legally abroad and imported into the country, by persons other than the intellectual property right holder without permission/authorisation of the IPR holder.

The question as to whether parallel imports is prohibited or freely allowed was clarified by Board *vide* **Circular No. 13/2012-Customs, dated 8.5.2012** in consultation with the Administrative Ministries of IPR Acts and has been.

While clarifying the issue, the Board’s circular stated that the prohibition of imported goods for the purpose of protecting intellectual property rights as specified under **Notification No.51/2010-Customs (N.T.)**, does not relate to all infringements under the parent Acts but only to those imports that infringe the specific provisions of various parent Acts governing IPR, mentioned in the notification No.51/2010-Customs (N.T.).

To illustrate, in case of the Trade Marks Act, 1999, prohibitions against infringement of trade marks on import of goods intended for sale or use in India, that attract the provisions IPR (Imported Goods) Enforcement Rules, 2007, have been given in para (i) and (ii) of aforesaid notification, viz,:

- (i) imported goods having applied thereto a false trade mark, as specified in section 102 of the Trade Marks Act, 1999 [for para (i)]
- (ii) imported goods having applied thereto any ‘false trade description’ within the meaning of definition provided in clause (i), in relation to any of the matters connected to description, statement or other indication direct or indirect of the product but not including those specified sub- clauses (ii) and (iii) of clause (za), of sub-section (1) of section 2 of the Trade Marks Act, 1999[for para (ii)].

Thus, the prohibition under the para (i) and (ii) of aforesaid Notification No.51/2010-Customs (NT) would be applicable only when the imported goods fall within the purview of the above referred provisions of Trade Marks Act, 1999.

After examining the issue of legality of parallel import or otherwise, the CBEC clarified as under:-

For patent:

Section 107A (b) of the Patents Act, 1970 provides that importation of patented products by any person from a person who is duly authorised under the law to produce and sell or distribute the product shall not be considered as an infringement of patent rights. Hence, in so far as Patents are concerned, Section 107A (b) provides for parallel imports.

Trade Mark

Section 30(3)(b) of the Trade Marks Act, 1999 provides that where the goods bearing a registered Trade Mark are lawfully acquired, further sale or other dealing in such goods by purchaser or by a person claiming to represent him is not considered an infringement by reason only of the goods having been put on the market under the registered Trade Mark by the proprietor or with his consent. However, such goods should not have been materially altered or impaired after they were put in the market.

Industrial designs:

Parallel imports are not allowed as indicated by Section 22 (1)(b) of the Designs Act, 2000.

Geographical Indications:

There are no identical or similar provisions as in Section 107A (b) of Patents Act, 1970 on parallel imports under the Geographical Indications of Goods (Registration and Protection) Act, 1999. The said Act does not address the issue of parallel import at all. Hence, parallel imports are not covered under this Act.

Copy Right:

since the clarification is awaited from the nodal authority i.e., Department of Higher Education, the field formations may follow the extant provisions of the Copyright Act, 1957 until further instructions are issued in this regard.

Summary:

To discharge it's obligation under TRIPS Agreement in respect of Border measures, the Government of India has taken following steps:-

- (i) Issued IPR (Imported goods) enforcement Rules, 2007;
- (ii) Issued notification No. 51/2010-Customs (NT), dated 30/6/2010 prohibiting import of goods infringing copyrights, trademark, patent, industrial designs and Geographical indications.

- (iii) Issued notification No. 50/2007-Customs (NT), dated 8.5.2007 prohibiting export of goods infringing trade mark.

Such infringing imported goods are liable for confiscation under section 111 (d) of the Customs Act, 1962 and the importer is liable for imposition of penalty under section 112 of the Customs Act, 1962.

In case of export of infringing goods, such goods are liable for confiscation under section 113 (d) of the Customs Act, 1962 and the exporter is liable for imposition of penalty under section 114 of the Custom Act, 1962.

Except in case of copyright, where the confiscated goods are to be given to the right holder, such confiscated goods are required to be destroyed.

Part III : Salient features of IPR (imported goods) Enforcement Rules, 2007

The Government has issued Intellectual Property Rights (Imported goods) Enforcement Rules, 2007 *vide* **notification No. 47/2007-Customs (NT), dated 8.5.2007** laying down a detailed procedure to be followed by the right holders or their Authorised representatives as also by the Customs for seeking suspension of release of suspect import goods.

These rules, inter alia, provides for,-

- (i) the filing of a notice by the right holder;
- (ii) registration of said notice by the Customs;
- (iii) time limit for right holders to join proceedings;
- (iv) single point for registration of the notice filed by the right holder;
- (v) adequate protection to the rightful importer;
- (vi) adequate protection to the Customs for bonafide act;
- (vii) suo-moto action by the Customs in specified circumstances;
- (viii) disposal of the confiscated goods.
- (ix) no action against goods of non-commercial nature contained in personal baggage or sent in small consignments intended for personal use of the importer.

A. Notice by the right holder

- The right holders is required to give a notice for registration in the prescribed format, to any one of the Commissioners of Customs at the ports where counterfeit goods are likely to be imported infringing the IPR in respect of any trademark, copyright, patent, design or geographical indication.
- The grant of registration by Customs is subject to the execution of a bond, along with surety and security by the right holder or his authorized representative in terms of Rule 5(a), undertaking to protect the importer, consignee, the owner of the goods and the competent authorities against all liabilities and to bear the costs towards destruction, demurrage and detention charges incurred till the time of destruction or the disposal of the infringing goods.
- The registration is also subject to execution of an indemnity bond by the right holder in terms of Rule 5(b), indemnifying the Customs authorities

against all liabilities and expenses on account of suspension of the release of allegedly infringing goods.

- As a trade facilitation measure enabling right holders to file the notice electronically, a user friendly web-enabled application form has been devised and hosted on website <http://www.icegate.gov.in>. After logging in, the right holder can choose the Custom House where they wish to record their notice, from among the ports of importation of the suspected infringing goods.
- Option has been provided to separately register different IPR's viz., Copyrights, Trade Marks, Patents, Designs and Geographical Indications. As regards payment of registration fees, option has been given to the applicants either to use on-line credit card mode of payment or the conventional mode of Demand Drafts, drawn in favour of the Commissioner of Customs of the Custom House where they wish to get their notice registered.
- For every separate right, the right holder shall be required to submit a separate notice (application). After completing the formalities on-line, the application can be "submitted" on the website.
- A Unique Temporary Registration Number (UTRN) is generated by the System. The System would also prompt the applicant to take a print-out of the application.
- This printed application form, along with the Demand Draft and physical copies of Bond and indemnity Bond (as prescribed under Rule 5 of the said Rules) and as detailed above, is required to be submitted to the Commissioner of Customs along with samples, models or photographs.

B. Procedure after Receipt of Application

- After the receipt of the application, the Commissioner of Customs verify the correctness and completeness of the declarations made therein. If required, cross-verification of particulars furnished may also be carried out with the concerned authorities with whom the rights are registered in accordance with the IPR enactments.

- The Commissioner may call for any additional information from the applicant(s). After verification of the application, the Bond (general bond or centralized bond) and the indemnity bond as required under the said Rules, the particulars are required to be entered in the CBEC web-site duly furnishing the details.
- The System then automatically generates a Unique Permanent Registration Number (UPRN), which is communicated to the applicant for all future correspondence. Simultaneously, a formal communication to this effect is sent, within 24 hours, to the Risk Management Division (RMD), Mumbai and all other Custom Houses, who can access the details through the user names and pass-words given to them.
- On the contrary, if the Commissioner or his authorized officer of Customs has to reject the application leading to denial of protection, principles of natural justice are required to be followed. It may be noted that the temporary registration number granted by the System does not accord any protection to the right holders.
- The temporary registration is only an acknowledgment of the application filed by the right holders and cannot be taken as actionable.
- The registration will be granted only after the Commissioner of Customs has completed verification of the documents and facts and after the right holder has furnished the General/ Centralized Bond and Indemnity Bond. The protection of rights is accorded only on grant of a permanent registration number to the right holders.
- In case it is found at any stage that the right holder furnished wrong or false information, the registration accorded under Rule 4 of the said Rules may be cancelled forthwith.

C. Modification of Registration

If, after the registration is granted, the right holder wants any modification on account of any amendment in registration granted to them by the respective registry of the departments enforcing the parent IPR law or on account of any other reason, the right holder is required to seek fresh registration in place of the old registration and is required to undergo all the processes of registration again, like making fresh application, payment of fees, execution of bond etc.

D. Bond and Security to be given by the Right Holder

With regard to execution of Bond at the time of registration of IPR, two options are available to the right holders:

- (i) Execution of General Bond without security before registration and execution of consignment specific Bond along with security at the port of interdiction of allegedly infringing goods. The bond amount of consignment specific bond is equal to 110% of the value of goods and the amount of security to be furnished along with the bond is 25% of the bond value.
- (ii) Execution of Centralized bond at the port of registration along with security for an amount equivalent to 25% of the value of the Centralized bond. This Centralized bond is valid for all the port in India and right holder is not required to execute consignment specific bond with security at the time of interdiction of allegedly infringing consignments at the different custom formations.

In case of interdiction of allegedly infringing goods, if the amount of Centralized bond and security is not sufficient, then right holder is required to execute a supplementary bond along with security with the Commissioner where the Centralized Bond is registered.

E. Format of Bonds

The format for different types of bonds prescribed by the CBEC are as under:-

- (a) General Bond as per format prescribed in **Annexure A** to the Board's Circular No. 41/2007-Customs, dated 20.10.2007.
- (b) Consignment Specific Bond as per format prescribed in **Annexure B** to the Board's Circular No. 41/2007-Customs, dated 20.10.2007.
- (c) Centralised bond as per format prescribed in **Annexure I** to the Board's Circular No. 10/2011-Customs, dated 24.2.2011.
- (d) Supplementary Bond as per format prescribed in **Annexure II** to the Board's Circular No. 10/2011-Customs, dated 24.02.2011.
- (e) Indemnity Bond indemnifying Customs officers against any claim of damages or demurrage while enforcing IPR of the right holder at Border in respect of imported goods as per format prescribed in

Annexure C to the Board's Circular No. 41/2007-Customs, dated 20.10.2007.

The right holders who had chosen first option of executing General Bond and Consignment Specific Bond with security at the port of interdiction of consignment allegedly infringing the rights of right holder has an option to switching over to the second option of Centralized Bond with Security.

F. On-line Centralized Bond Account & Security Account

- (a) Upon fulfillment of requirements by the right holders, the customs formation, where the right holders are registered, create an on-line centralized bond account and security account. The system will generate a unique Bond Registration Number (BRN) and the same will be e-mailed to the right holder or his/her authorized representative, whose e-mail id is provided in the notice given by the right holders.
- (b) There is a single BRN for a right holder which may cover more than one Unique Permanent Registration Number (UPRN). In other words, a centralized bond account can cover one or more rights registered by a right holder with the Customs. However, to enable linking of all UPRNs of a right holder, the applicant (whether the right holder or the service-provider/ consultants / law firms) has to be the same in all the UPRNs which are to be so linked.
- (c) In case of interdiction of allegedly infringing goods, if the amount of Centralized Bond and the security are not sufficient to cover the value of the goods interdicted, then within three days of interdiction, the right holders would be required to execute a supplementary bond in specified format and furnish security for the corresponding amount.
- (d) The supplementary bond, along with security has to be executed invariably with the Commissioner of Customs where the centralized bond has been executed. Commissioners of Customs at other ports where the allegedly infringing goods are interdicted cannot accept the supplementary bonds.
- (e) while the creation of Centralized Bond account, credit (top-up) of the amounts to the bond and the security and cancellation thereof are operated only by the officers of the customs formation where the Centralized Bond is executed, the debit of amounts and re-credit of the amounts pertaining to those debits can be done only by officers at the

ports where the allegedly infringing goods are interdicted. The re-credit is done after verification of the fact that no legal proceedings and dues are pending in relation to the debit.

G. Determination of the fact of infringing nature of imported consignment

Since the terms and the phrases used in the notification and the Rules made in terms of section 11, have the meanings, with all grammatical variations and cognate expressions, assigned to them in the respective parent enactments like the Copyright Act, 1957, the Trade Marks Act, 1999, the Patents Act, 1970, the Designs Act, 2000 and the Geographical Indications Act, 1999, the determination of the fact by the Custom Authorities as to whether a particular consignment infringes the rights of the right holder is required to be done taking into account the provisions of the parent IPR Act.

H. Strict adherence of time limits prescribed

The time lines prescribed in **Rule 7** are required to be strictly adhered to. The Customs and the right owners/holders seeking protection are under obligation to follow the time lines indicated in various sub-rules that cover practical situations that may arise in the field. Since every suspension of clearance has its concomitant legal implications, the trade as well as field officers dealing with the infringing goods, should be conscious of importance of timely action.

I. Seizure of Infringing Goods

Sub-rule (9) of Rule 7 of the said Rules, provides for seizure of infringing goods, if there are reasons to believe that the goods are liable to confiscation in terms of **section 111** of the Customs Act, 1962. Since Customs is enforcing laws in personam while protecting intellectual property rights, therefore, the right holder participation is must in the Customs proceedings. In case the right holder abstains, the Customs have no obligation to continue with the detention and the goods shall be released forthwith, if otherwise in order.

Rule 8 enables examination of goods and drawal of samples on the request of right holders or importers. The regular procedure for sampling may be followed. Representative samples must be kept in the safe custody of

Customs till the proceedings are concluded. The expenses involved in sampling, testing of samples etc. have to borne by the right holders.

J. Setting up of IPR Cell

For smooth implementation of the IPR regime, an IPR Cell has been set up in each Custom House. The IPR Cell has been vested with the responsibility of verifying the applications, completing web-enabled registration formalities and making correspondence with the Risk Management Division and other Customs formations. Further, any import involving suspected infringement of IPRs is to be handled by the IPR Cell. Any instance of suo-moto interdiction of the import consignments by the Customs, involving possible infringements, should also be referred to such IPR Cell. The job is time-bound and sensitive and therefore, officers of IPR cells need to be conscious of this important time bound nature of procedure and strictly follow prescribed time lines.

Further, the IPR Cells also deal with the requests for migration of existing IPR holders to the new system of Centralised Bond with Security.

The IPR cells are required to properly monitor the work relating to execution of bonds. Monitoring of the Bonds and securities including their closure and expiry is the prime responsibility of the Commissioner with whom the right is registered. The closure of bond also require checking and confirmation of the fact that there are no debits in the centralized bond account pertaining to any of the UPRNs by any other Custom House. All steps to renew the bank guarantees, wherever executed, are required to be initiated by the IPR Cells well within time and at least 15 days before the expiry of the bank guarantee.

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Part IV: Automated Recordation and Targeting System (ARTS) for IPR Protection in India.

In order to achieve the goals of effective enforcement and trade facilitation, India has introduced an automated system that would help the right holders to conveniently register their rights with the Customs Authorities and enable the Customs Administration to provide assured protection and fool proof monitoring to a greater degree.

This Automated Recordation & Targeting System (ARTS) is basically an e-application for effective implementation of the IPR border measures. ARTS envisage registration of rights at the local level and its protection at the national level across all major customs locations in India.

The ARTS has been developed with the following objectives:

- (i) Effective implementation of the IPR border measures coupled with Trade Facilitation;
- (ii) Integration of IPR enforcement with Customs Clearance procedures;
- (iii) Providing a web based platform for right holders to record their rights with Customs;
- (iv) Enabling national targeting of suspect consignments;
- (v) Creation of a centralized national database containing useful information for enforcement;
- (vi) Providing access to a centralized database for the officers posted in Customs Field formations across the country.
- (vii) Enable online, system driven, Centralized Bond management module.

On-line IP recordation system and recordation procedure is currently hosted on <http://ipr.icegate.gov.in>. The following is the procedure of such recordal in brief:

A. Filing of Notice by the Right Holder:

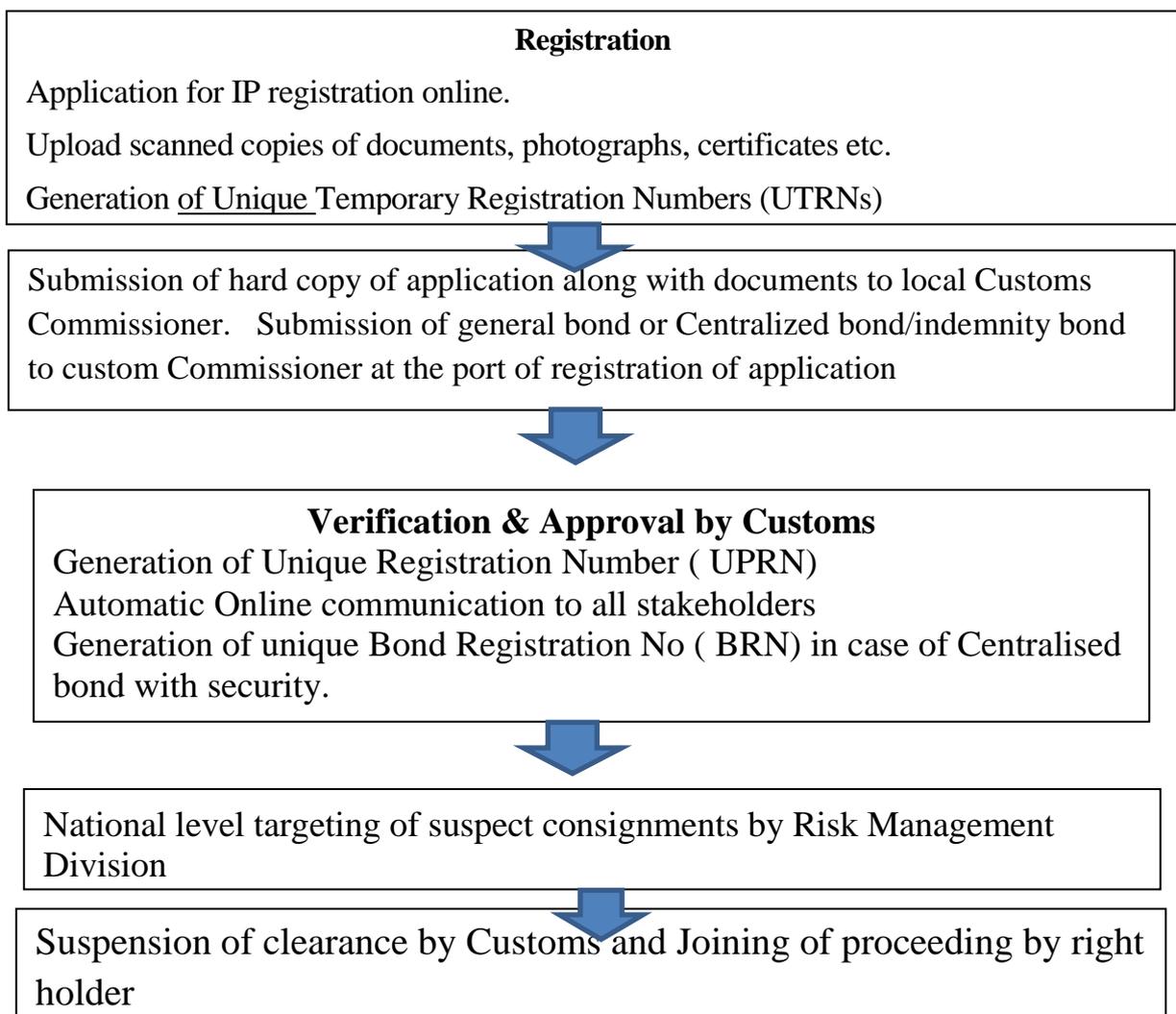
- (a) A user friendly web-enabled application form has been devised. The right holder is required to log onto <http://ipr.icegate.gov.in>. Thereafter,

they can choose the location of the Custom house where they wish to record the notice for suspension of suspected infringing goods.

- (b) Option has been provided to separately register different IPRs viz., copyrights, trademarks, Patents, Designs, and Geographical indications.
- (c) For every right, the right holder is required to file a separate notice. After completing the formalities on-line, the application can be “submitted” on the website.
- (d) On submission of application, a Unique Temporary Registration Number (UTRN) is generated by the System and communicated to the Stake Holders. UTRN is an acknowledgement of the application filed by the right holder and it does not accord any protection to the right holder. The system also prompts the applicant to take a print out of the application
- (e) The Right holder has an option of either executing General Bond without security and consignment specific bond with security at the time of interdiction of infringing consignment or execution of Centralized bond with Security, to the Jurisdictional Commissioner of Customs in the prescribed format. Prior to grant of registration, the right holder is also required to furnish an indemnity bond to the Commissioner of Customs at the port of registration in the specified format.
- (f) The following documents, inter alia, are needed in order to effect the IP recordation:
 - (i) The registration certificate of trademarks/ copyrights/ patents/ designs/Geographical indication in India;
 - (ii) The Import Export Code of the establishment;
 - (iii) Statement of Grounds for suspension of release of suspect infringing goods;
 - (iv) In case the organization holds IP Rights from another foreign company:
 - (a) The Deed of Transfer of IP rights/ Deed of Authorization to Import;
 - (b) Trademark License Agreement/ TM User Agreement;
 - (v) In case the organization holds exclusive rights to import, a statement of grounds of exclusivity to Import;

- (vi) Multiple digital Images of genuine products;
 - (vii) Multiple digital Images of counterfeit/ infringing goods;
 - (viii) List of countries where the organization's genuine goods are manufactured;
 - (ix) Any information related to suspected counterfeit/ infringing Imports or Exports;
 - (x) Power of Attorney if acting through an Investigation firm;
 - (xi) General Bond/ Centralized bond and Indemnity Bond in the prescribed formats.
- (g) Once the recordal process is complete, any goods infringing the Intellectual Property Rights entering India through any port, airport, land Customs station etc. shall be deemed to be prohibited and is subject to examination, seizure and destruction.

Flow Chart



B. Procedure to be followed after Interception of Infringing goods

In practice, the responsibility of generating intelligence of import of infringing goods rests with the right holder. Therefore, IP holder are required to actively work towards generation of intelligence on suspect infringers and sharing of consignment specific or importer specific information. However, once the IP is registered with customs, the Customs authority keeps a watch on such suspect consignment.

- Once an Import shipment containing suspect counterfeits is intercepted, the Customs would suspend clearance thereof and intimate the right holder, who would be required to request for hundred percent examination and submit to formally join the proceedings within the prescribed timelines.
- The right holder would have to execute another consignment specific bond along with a security (in the form of Bank Guarantee or otherwise as may be prescribed).
- The value of such consignment specific Bond shall be equal to 110% of the value of goods, while the amount of security (e.g. Bank Guarantee or Fixed Deposit) shall be equal to 25% of the value of such Bond.
- The Customs would then notify the Importer as well as Customs House Agent to be present to facilitate examination of goods. The right holder has the option to request for withdrawal of samples and getting the same examined, tested and analyzed on his own in order to determine whether the goods infringe IPR.
- Once a determination has been made that the impugned goods infringe the IPRs of the right holder, then Customs authority would seize the infringing goods under section 110 of the Customs Act, 1962.
- Later, giving the opportunity of personal hearing to the importer and right holder, the adjudication authority would pass an appealable order in original -ordering for absolute confiscation of goods under Section 111 (d) of the Customs Act, 1962 read with notification No. 51/2010-Custom (NT), dated 30.06.2010, and imposing penalty on the importer under section 112 of the Customs Act, 1962.
- The goods absolutely confiscated (except in case of copyright infringing goods where such goods are to be given to the right holder if he so desires) are to be destroyed (on finalization of legal proceeding relating to the infringing goods).

Part V: Reference Material and Important Websites

- (i) Free educations guide on IPRs and WIPO designed and developed by WIPO for easy understanding of IPRs and freely available on internet.
- (ii) free education guide developed by the development Commissioner, Medium, Small and Micro enterprises on IPRs for imparting knowledge on IPRs to entrepreneurs.

Important Websites

- (i) Official Website of WTO (www.wto.org). This website contains important information relating to all the important activities of WTO including a training module on intellectual property rights.
- (ii) Official website of World Intellectual Property Organization (www.wipo.int). This official website of WIPO contains all international treaties on intellectual property rights. Besides, it explains the functions of WIPO and contains exhaustive material on intellectual property rights.
- (iii) WIPO Worldwide Academy: Under WIPO there is WIPO Worldwide Academy with the primary function of imparting training on intellectual property. This Academy is running a separate website <http://academy.wipo.int>. This website provides distance learning programme and one of the important program available online (on the internet) is DL 101. The DL 101 on intellectual property is a 6-week course and contains extensive material on intellectual property and intellectual property protection system.
- (iv) Official website of World Customs Organization (www.wcoomd.org).
- (v) The official website of registrar of Copyrights, Department of higher Education, Ministry of Human Resource Development, Government of India (www.copyright.gov.in). This website contain extensive material on Copyright and Related rights in India.
- (vi) The official website of Controller General of Patents, Design and Trademark, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India (www.ipindia.nic.in). This website contain extensive material on trademark, patent, industrial design, geographical indication.
- (vii) The official website of Protection of Plant Varieties and Farmers' Right Authority, Department of Agriculture and Co-operation,

Ministry of Agriculture, Government of India (www.plantauthority.gov.in). This website contains extensive material on protection of Plant Varieties and Farmers' rights,

- (viii) The official website of Department of Electronics and Information Technology, Ministry of communications and information Technology, Government of India (www.deity.gov.in). This website contains extensive information on protection of semiconductor Integrated Circuits layout Designs.
- (ix) The official website of Central Board of Excise and Customs (www.cbec.gov.in). This website has a specific module dealing with notification, circulars and instruction issued for enforcement of IPRs at Border by Customs Authorities in India.

Model Exercise

Exercise I: A specific intelligence has been received that the importer 'A' is engaged in importing counterfeit good of well-known brand (registered with Customs Authorities for enforcement of their IPR) in violation of provisions of the Trade Mark Act, 1999 and Customs Act, 1962 by declaring the goods as 'unbranded' goods and after clearance of the same, the goods are being sold in the market.

Acting on intelligence, the consignment of commodity 'X' sought to be cleared by B/E No. 111111 dated xx/yy/zzzz by importer "AA" was intercepted and subjected to 100% examination by the officer of Special Intelligence and Investigation Branch (SIIB).

On examination of goods, the goods were found to be carrying brand "B" while in the B/E, the goods was declared as 'unbranded' one. On examination of IPR application registered with Customs Authorities, it was noted that right holder of brand 'B" has filed application for enforcement of their IPR at border under IPR (Imported Goods) Enforcement Rules, 2007.

Now, on the basis of the above said facts, imagine that you are an officer of SIIB and investigating this case. Various actions to be taken to complete the investigations and issue SCN have been specified in the list given below and have been jumbled up.

As an investigating officer, as per your opinion, what would be the most appropriate logical sequence of these individual actions?

- (a) Inform the IPR right holder about the shipment and request to examine the goods for ascertaining the genuineness of goods or otherwise.
- (b) Adjudication of the SCN by the competent authority.
- (c) Issuance of Summons to the importer.
- (d) Execution of Consignment specific bond along with security by the right holder.
- (e) Suspend the clearance of the goods under IPR.

- (f) submission of the Report by the right holder stating that the goods are counterfeit explain in details the basis of such conclusion including the difference of impugned counterfeit goods and original goods.
- (g) Seizure of the goods under the provisions of the Customs Act, 1962.
- (h) Issuance of the SCN to the importer asking him to show cause as to why the goods imported and found to be counterfeit goods should not be confiscated under section 111(d) of the Custom Act, 1962 and penalty should not be imposed on him under section 112 of the Customs Act, 1962.
- (i) Recording of the statement of the importer and record his statement after confronting him with the report given by the right holder.
- (j) Examination of the goods by the right holder and drawal of sample.

Correct Sequence of actions : (e), (a), (j), (f), (d), (c), (i), (g), (h), and (b)

Exercise 2: In the following text, which is basically a draft SCN (over simplified version), some blank fields have been left out. Please fill in the blank with the most appropriate choice out of four options given.

[Correct choices have been highlighted]

Model SCN for IPR Case:

A specific intelligence was received that the importer 'A' is engaged in importing counterfeit goods of well-known brand (registered with Customs Authorities for enforcement of their IPR) in violation of provisions of the Trade Mark Act, ____ (1970/ 1957 /**1999**/ 2000) and Customs Act, ____ (1944/ 1994/**1962**/1977) by declaring the goods as 'unbranded' goods and after clearance of the same, the goods are being sold in the market.

2. Acting on intelligence, the consignment of commodity 'X' sought to be cleared *vide* B/E No. XXXX dated DD/MM/YYYY by importer 'A' was intercepted and subjected to 100% examination by the officer of Special Intelligence and Investigation Branch (SIIB).

3. On 100% examination of goods conducted in the presence of the importer and CHA, the goods were found to be carrying brand 'B' while in the B/E No.

XXXX, dated DD/MM/YYYY, the goods was declared as 'unbranded' one. Further, the value of goods declared to very low *vis-a-vis* value of similar imported goods of brand 'B'. On checking up with IPR Cell of Custom House regarding registration of IPR application of right holder of Brand 'B' with Customs authorities, it was disclosed that right holder of brand 'B' has filed application for enforcement of their IPR at border under _____ [Trade Mark Act, 1999 /Patent Act, 1970/ **IPR (Imported Goods) Enforcement Rules, 2007**/ Copyright Act, 1957] and the same has been registered with Customs Authority. It was also disclosed that IPR right holder has furnished _____ [General Bond (with security)/ **General Bond (without Security)** / Centralized Bond (without Security)/ Centralized Bond (with security equal to the value of bond)]. Further, the Right Holder has also furnished indemnity bond against any claim of damages or demurrage against the _____ [importer /**Custom officer**/CHA/airline] in terms of rule _____ (3/4/**5**/7) of the IPR Enforcement Rules, 2007. The IPR Branch informed that the Brand "b" is registered with the department vide _____ [UTRN/**UPRN**/BE/IPR APPLICATION] No.ZZZZ, dated DD/MM/YYYY. The examination of the goods was done under Panchnama in the presence of two independent witnesses and a panchnama was drawn.

4. Accordingly, the officer suspended clearance of the imported consignment and informed the IPR right holder, through IPR cell, about the imported consignment and it's suspected of being counterfeit. The IPR right holder was also requested to inspect/ examine the imported consignment in terms of Rule _____ [7/**8**/9/10] of the IPR Enforcement Rules, 2007 and to draw the representative sample (s) of the goods imported for ascertaining the genuineness of the imported branded goods in terms of _____ (7/**8**/9/10) of the IPR Enforcement Rules, 2007, which were notified by notification No. _____ [**47**/48/49/50] /2007- Customs (NT), dated DD/MM/YYYY in exercise of power given under Section_____ [**11**/110/111/113] read with Section 156 of the Customs Act, 1962.

5. Authorised representative of the IPR right holder immediately responded to the communication received from the Customs Authorities and appeared for inspection/examination of the imported consignment and for drawing representative samples. The inspection/examination of the imported consignment was done by the authorized representative of the IPR right holder in the presence of the CHA and representative sample was withdrawn to ascertain the genuineness of the goods in accordance with the rule _____ [7/**8**/ 9/10] of the IPR Enforcement Rules, 2007.

6. After examination of the sample of the goods, the IPR right holder informed the Custom authorities in writing that imported goods are counterfeit goods of their

registered product and also explained in details as to how and why the imported goods in question and sought to be cleared vide B/E No. XXXX, dated DD/MM/YYYYA is not a genuine product, but counterfeit goods. The authorized representative of the IPR right holder also informed that they wanted to join the proceeding and requested Customs authorities about the value of the consignment-specific bond and bank guarantee to be executed for the purpose. *Vide* letter No. ____, dated DD/MM/YYYY, the authorized representative of the IPR right holder submitted a consignment-specific bond for value Rs. M, equal to _____ [100%/ **110%**/ 25%/ 50%] of value of imported consignment along with bank guarantee equal to ____ [100%/ 110%/ **25%**/ 50%] of the value of the Bond in accordance with rule __ [4/**5**/6/7] of the IPR Enforcement Rules, 2007

7. Summons dated DD/MM/YYYY were issued to the importer and his statement was recorded on DD/MM/YYYY under Section _____[104/105 /**108**/110] of Customs Act, 1962 in which he, inter alia, stated as under :-

- (i) that on DD/MM/YYYY, his consignment imported vide B/E No. XXXX, dated DD/MM/YYYY was examined by the Customs Officers of SIIB Branch in his presence and in presence of two independent witnesses and that as a result of examination, branded goods of brand 'B' were recovered;
- (ii) that the goods has been wrongly sent by the supplier as he had ordered for unbranded goods only and made payment for unbranded goods;
- (iii) that it is the mistake on part of the supplier that the consignment meant for some other buyer has been sent to him;
- (iv) that he is ready to send the consignment back to the supplier and requested for permission to re-export the same back to the supplier.

8. Since the goods, prima facie, indicated violation of the provisions of the Customs Act, 1962 and it appeared that the importer attempted to clear the counterfeit goods by declaring the same as unbranded goods, the imported consignment was seized under section ____ [104/105/**110**/111] of the Customs Act, 1962.

[Note: Readers may note that there may be varying practices by the field formations on the stage at which contraband goods would be seized under Section 110 of the Customs Act, 1962. Some may do it immediately after the examination of goods, while others may wait till the report of the IPR Right holder. Some authorities may do so after giving opportunity to the importer to offer his explanation i.e. after recording of statement.]

10. After seizing the consignment, the Investigating officer may carry out further investigation with regards to previous imports, disposal of these imported goods,

any other violation of the provisions of the Customs Act, 1962, inquiries with bank, statement of buyers of the previously imported goods, receipt of the payment for the goods sold in market after import, remittance for the past imports as well as import in question, compliance with other tax laws etc. These investigations may be incorporated in the SCN.

[Note: Readers may note that to keep model SCN as simple as possible and to focus readers attention on IPR, the above mentioned aspects are being overlooked or not being discussed in the present case.]

11. From the above, it appears that the goods imported vide B/E No. XXXXX, dated DD/MM/YYYY are counterfeit goods of brand 'B' and appears to be prohibited for import under notification No. ____ [47/48/50/**51**] /2010-Custom (NT), dated DD/MM/YYYY, issued under Section ____ [10/**11**/111/113] of the Customs Act, 1962. Further, the goods appear to be liable for confiscation under clause ____ [(c)/(**d**)/(n)/(o)] of Section ____ [**111**/112 /113 /114] of the Customs Act, 1962.

12. The importer also appears to be liable for imposition of penalty under Section ____ [111/**112**/113/114] of the Customs Act, 1962 as he not only failed to declare the branded nature of the goods, but also attempted to clear the counterfeit goods of brand 'B', which are prohibited for import under notification No. ____ [47/48 /50/**51**] /2010-Customs (NT), dated DD/MM/YYYY read with section ____ [53/**102**/111/113/ of the Trade Mark Act, 1999.

13. In view of above, M/s A, the importer of the consignment under B/E No. XXXX, dated DD/MM/YYYY is hereby called upon to Show Cause to the Commissioner/ADC/JC/AC/DC, having office located at ZZZZ, as to why,-

- (i) the goods imported vide B/E No. XXXX, dated DD/ MM /YYYY should not be held to be counterfeit goods of Brand 'B' and should not be held to be prohibited goods for import under notification No. ____ [47/48/49/50/**51**]/ 2010-Customs(NT), dated DD/MM/YYYY.
- (ii) the goods imported vide B/E No. XXXX, dated DD/MM/YYYY should be confiscated under clause ____ ((a)/(b) /(c)/ (**d**)) of Section ____ (110/**111**/113/114) of the Custom Act, 1962;
- (iii) the penalty should not be imposed under Section ____ [110/111/**112**/114] of the Customs Act, 1962.

[Note 1: Adjudicating authority has to be decided in terms of Section 122 of the Customs Act, 1962.

Note 2: In the portion of SCN, miscellaneous paragraphs requiring furnishing of reply in 30 days; asking noticee (s) to indicate whether Personal hearing is required or not; asking

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noticee (s) to submit evidence, if any, in support of his convention; indicating that the present proceeding are without prejudice to proceeding under any other law for the time being in force, list of RUDs, return of Non-RUDs, etc., are required to be added here to make it complete.]

[Name and designation
of issuing authority]

To,

(i) Importer name and address

(ii) IPR Right holder

Copy to:

(i) Adjudication section

(ii) Master folder

(iii)

[Note:- Readers may note that draft SCN consists of only relevant parts of SCN, which require testing the knowledge of the participant and to improve their understanding of IPR laws. It may be mentioned here that the actual SCN may be more detailed and, inter alia, have details of investigations into past imports by the importer, financial investigations, inter alia, covering payment for imported goods as well as sale of imported goods in market, compliance with other tax laws; verification or search of importer's business premises/godowns, seizure of goods imported in the past and lying at business premises; summary of investigations; detailed discussion of legal provisions relevant to the case and convened by the importer; specific role of different individuals and justification for imposition of penalty on such persons under Customs Act, 1962; miscellaneous paragraphs requiring furnishing of reply in 30 days; asking noticee (s) to indicate whether Personal hearing is required or not; asking noticee (s) to submit evidence, if any, in support of his convention; indicating that the present proceeding are without prejudice to proceeding under any other law, list of RUDs, return of Non-RUDs, etc.]

Note:

To see full next of Board's notifications/ Circulars mentioned above, website of Central Board of Excise and Customs: www.cbec.gov.in may be referred.

This write up has been prepared by RTI, Kanpur and is an attempt to help the Departmental officers in their day-to-day work. This may not be a perfect write up and there is scope to improve it further. If you have any suggestions in this regard, you are requested to send your suggestions /comments/feedback by email to goyalcp@hotmail.com.

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