Border Areas for the Protection of Intellectual Property Rights: An Analysis

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The primary focus of this article is to analyse the issues concerning the enforcement of intellectual property at the border. The paper compares and contrasts the mandates under the TRIPS Agreement, and those under the Indian laws with special emphasis on the Copyright Act, 1957, the Trade Marks Act, 1999, and the Customs Act, 1964, and thereby examines the extent to which India satisfies the TRIPS obligations. The areas of departures as visualized have been brought out together with an analysis of the enforcement standards under the Indian regime.

Keywords: Border measures, TRIPS enforcement, Intellectual property system, TRIPS Agreement, Counterfeit trademark

The modern intellectual property system has been termed as a cornerstone of the modern economic policy and a catalyst for economic development. To quote, “A modern and well-enforced intellectual property system could be a driving force and one of the strong imperatives in the process of economic reform, in further liberalizing the economic, industrial and trade policies, in restructuring the industrial sector, and in encouraging the small and medium sized industries to use the industrial property system as a means for economic and technological development.”

Piracy emerges as a major threat to the growth of an economy through the intellectual property rights system. Strict and effective enforcement of the intellectual property rights is thus an urgent imperative considering the sophisticated IT revolution in India, unmatched in any developing country of the world. The pre-existing international IP law contained certain provisions in this regard, which could not achieve the sound enforcement objectives, though many countries had implemented domestic legislations in this field.

The TRIPS Agreement thus attempts to plug these loopholes, in the light of the growing intensity of international trade by introducing for the first time several domestic enforcement mechanisms. Thus, Part III of the TRIPS Agreement under Section I, Article 41 deals with the General Obligations, Section II, Articles 42-49 deals with the Civil and Administrative Procedures and Remedies, Section III, Article 50 deals with the
Prov. Measures, Section IV, Articles 51-60 deals with the special requirements related to the border measures, and Section V, Article 61 deals with the various criminal procedures. However, though these measures are indeed remarkable, as obligatory standards have been set out in such detail for the first time, their force seems much mitigated in the light of Article 41(5) of the TRIPS Agreement.

This paper examines this particular issue concerning the enforcement of the intellectual property at the border especially with regard to the Indian perspectives. The methodology followed has been analytical. The paper has been compiled with the analysis of various primary and secondary data available regarding the intellectual property protection at the border. The first part introduces in general the obligations set under the TRIPS Agreement with regard to Articles 51-60 of the TRIPS, viz. the obligation to appoint a competent authority, judicial or administrative to give direction to the custom authorities to suspend or release into free circulation counterfeit trademark or pirated copyright goods, and the various other issues surrounding it. The second part of the project focuses on the Indian position with special emphasis on the Copyright Act, 1957, the Trade Marks Act, 1999, and in particular, the Customs Act, 1964 to examine the extent to which India satisfies the TRIPS mandate.

Obligations under TRIPS Agreement

Though most developing nations already had substantive laws for the enforcement and protection of the intellectual property rights, the standard of enforcement was very weak. Even the developed countries like the UK, Australia, Sweden, Denmark and New Zealand had to strengthen their laws on provisional measures and border enforcement. Post 1994 however, the scenario changed with the TRIPS Agreement, under Section 4 of Part III and in particular, Articles 51-60, therefore, setting out special provisions dealing with the border measure requirements. The international consensus towards proper intellectual property enforcement is vastly reflected in the preamble to the TRIPS Agreement that expressly states, “the WTO members were desirous of reducing distortions and impediments to international trade… while ensuring that the measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade.” These obligations thus raise the standards of IPR enforcement in international law, substantially from the optional provisions under the Berne and the Paris Conventions.

Article 51 of the TRIPS Agreement obliges the member states to appoint competent authorities, administrative or judicial, to direct the custom authorities to suspend the release into free circulation any suspected counterfeit trademark or pirated copyright goods. There should be at least prima facie expression by the right holder that he has valid grounds for suspecting the importation of infringing goods. It is pertinent to note that the definition of ‘counterfeit trademark
goods’ is restricted only to ‘visibly infringing goods.’ This standard is, however, narrower than the rights conferred on the owner of a registered trademark under Article 16 of the TRIPS Agreement10 wherein the owner has the exclusive right to prevent any third party from using in the course of trade not only an identical but also signs which would result in a ‘likelihood of confusion.’11. The obvious result is that even if there is a trademark, which is likely to create confusion, but can be distinguished in its certain essential aspects; the right-holder can under no circumstance invoke the border measures and stop the consignment. It is pertinent to note that the only recourse available to a right-holder is then to invoke the civil and criminal remedies available within the particular state. It is thus doubtful as to whether this definition of ‘suspected counterfeit trademark’ is in harmony with Article 41(1), which requires the presence of expeditious remedies to prevent infringements and act as a deterrent to any further infringement.

Article 51, however, has no mandatory application in the case of the exportation of infringed goods from their territories and to De Minimis Imports12. Further, the Article vests the discretion of extending the border measures to any intellectual property right, apart from the mandatory application to trademarks and copyrights. The TRIPS Agreement, however, does not spell out regarding the applicability of the provisions in the case of goods-in-transit13.

It is obligatory on the part of the right-holders applying for the suspension of the release of goods to provide adequate evidence and sufficient details so that the goods can be easily identified14. The procedure must lead to the communication of decision by the custom authorities within a reasonable time15. In the light of Article 41(5), it is pertinent to note that the phrase ‘reasonable time’ is to be interpreted in the light of the laws prevailing in the various WTO states. Further, adequate measures for the prevention of the misuse of the border measures are provided under Article 53, which allows the competent authorities to require adequate security or equivalent assurance sufficient to protect the interest of the defendant concerned. A prompt notice of suspension is, however, required to be given mandatorily to both the right-holder and the importer, if a decision is taken by the authorities to suspend the release of goods16. However, the authorities concerned are bound to release the goods if the applicant has neither obtained preliminary relief nor initiated any action for hearing the case on merits within a period of ten working days.

Article 56 vests the competent authorities with adequate power to order the applicant for the payment of adequate compensation to the importer, consignee or the owner of goods in case of any injury sustained on account of wrongful detention or through the release of goods pursuant to Article 55. However, it is pertinent to note that this clause may not be of much application for a country like India, where a suit can be filed against the custom authorities (Central Government) for any wrongful detention of the goods. In the State of Gujarat vs Memon Mohd17
certain goods seized under the Sea Customs Act were not properly kept and were disposed of by the order of a magistrate. On a suit for the value of the goods against the State, the Supreme Court held that when the seizure was illegal, there arose bailment and a statutory obligation to return the goods and that the suit was maintainable. In the light of Article 41(5), which recognizes that the TRIPS Agreement does not affect the capacity of the Members to enforce their law in general, it is pertinent to note that in India, the Government can directly be sued for any wrongful detention by the custom authorities. The efficacy of such measures are questionable considering the expensive and delayed system of adjudication which India pursues, and which necessarily clash with Article 41(2) of TRIPS Agreement, which requires the enforcement procedures to be fair and equitable, free from unnecessarily complicated or costly, and unreasonable time-limits or unwarranted delays.

The Member states vide Article 57 of the TRIPS Agreement are required to provide the right to inspection to both the right-holder and the importer to substantiate their claims. There is also a requirement of making provisions for informing the applicant about the relevant details of infringing consignment in case of a positive determination on infringement. The authority is also to be vested with the power to order the disposal or the destruction of infringing goods or to export the infringing goods after the removal of the counterfeit trademark. In addition, the TRIPS Agreement even sets out the procedures for ex-officio actions by the custom authorities where such measures are permitted.

Indian position vis-à-vis TRIPS Obligation

The Indian Customs Act, 1962, is the primary legislation for the enforcement of the border measures in India. Chapter IV, Section 11(2) makes it possible to issue notifications to protect certain forms of intellectual property rights with regard to the border measures. It is pertinent to note that the section concerns only with the piracy relating to patents, trademarks and copyrights and does not extent to other forms of intellectual property rights.

Section 53 of the Copyright Act, 1957, provides for application in a prescribed form by the owner of the copyright or his duly authorized agent to the Registrar of copyrights for passing an order after making such enquiries as he deems fit to prohibit the import of infringing copies. Such an order if passed by the Registrar of copyrights, the customs under subsection 3 of Section 53 has the power to detain, adjudicate and confiscate all the infringing copies. Unlike the TRIPS Agreement, which provides for the destruction or disposal of infringing goods, or its sale in an altered form under Article 59, the Copyright Act 1957 vests the delivery of the confiscated copies with the copyright owner and not the government.

Similarly, Section 140 of the Trade Marks Act, 1999, deals with the border measures, and allows for a representation
KUMAR: BORDER AREAS FOR THE PROTECTION OF INTELLECTUAL PROPERTY

47

to be made to the commissioner of customs by the right owner who if satisfied, is permitted to make further enquiries and initiate actions against the infringing goods under the Customs Act. Section 106 of the Customs Act vests with the custom authorities the power to stop and search conveyances in case of them having a reason to believe that any smuggling operations are being carried on. Further, the power to seize the goods, if liable to confiscation has been entrusted to the custom authorities, with an added requirement of issuing a notice within a period of six months from the date of seizure. It is pertinent to note that the goods imported or attempted to be imported contrary to any legal provision can be confiscated without the requirement of any legal notice. The Act also provides for the imposition of penalty up to Rs 1000, or even to the extent of five times the value of the goods in case of improper importation of goods. Further, there are provisions providing for imprisonment of the importer up to a period of three years in case of improper importation. The goods once confiscated vest with the government, and the Commissioner of Customs has the authority to take measures for the imposition of penalty after observing the requirements of natural justice.

Conclusion

The Customs Act, 1962, thus satisfies the basic requirement of the border measures as enlisted under the TRIPS Agreement. Unlike the TRIPS Agreement, the Customs Act does not explicitly mandate the provision for any security or equivalent assurance so as to prevent the misuse of the provisions. It is pertinent to note that though the TRIPS Agreement vide Section 52 and 53 mandates the Member countries to confiscate and suspend the release of goods on the initiation of the right-holder, it merely directs the Member countries to have procedures to enable the competent authorities to act even independently on their own initiative. In this regard, the Indian Customs Act, 1962, however, goes a step further and mandatorily requiring the custom authorities to act suo moto in case of any intellectual property rights violations, apart from the right of a right holder to approach the Registrar of Copyright and Commissioner of Customs in case of any copyright or trademark violation. This chiefly reflects the government’s initiatives towards the prompt recourse to the border measures.

A lacuna however persists as the Customs Act, 1962, does not stipulate the time within which the owner of a copyright can get order of detention and seizure from the Registrar of Copyright. The function of the Registrar being quasi-judicial in nature, no order for the suspension of goods can be made by the custom officials in the absence of an order from the Registrar. The Act thus needs to provide for the power to suspend the release of goods for a period of 10-20 days as provided under the TRIPS Agreement. The Act also does not respond accurately to a situation where the patent or trademark of the right-holder is not registered in the country of export.
and import. It is pertinent to note that as per Section 131 of the Customs Act, 1962, an application for registration from citizens of foreign countries has to be made in India. Thus, even if accurate information regarding the infringed goods is possessed by the right-owner, the process of registration of a foreign trademark or a patent being long drawn, the remedy might not be easily available.

Notes and References
1 Copyright constitutes 6.6% of the gross national product (GNP) in Sweden, 6.1% of GNP in Australia, 2.4% in Netherlands, 4.6% in USA and 2.6 % GDP in UK. The Copyright industry employed 200,000 persons in Australia, 2.2 million persons in the USA, and well over 600,000 million persons in UK. The net value of activities relating to Copyright in Netherlands was estimated at over 8,000 million guilders. Shahid Alikhan, “Intellectual Property, the Developing Countries and Economic Development”, in Bibek Debroy, Intellectual Property Rights (B R Publishing Corp, New Delhi), 2000, 65
2 Ibid
3 The International Publishers Association Books were pirated to the tune of about US $ 1 billion a year around the world; Cases and tapes of sound and audio-visual recordings are pirated to the extent of US $ 1 billion annually. See Shahid Alikhan, ‘Problems of Piracy’ in O P Ghat & Narendra Kumar, ‘International Publishing Today: Problems and Prospects’ quoted in ibid at 84
4 Article 9 (1) of the Paris Convention (1967) read, “All goods unlawfully bearing a trademark or trade name shall be seized on importation into those countries of the Union where such mark or trade name is entitled to legal protection.” Also, Article 16 of the Berne Convention (1971) reads, “Infringing copies of work shall be liable to seizure in any country of the Union where the work enjoys legal protection.”
5 See Section 53 of the Indian Copyright Act 1957, which deals with the importation of the infringing copies
6 The provisions of the Paris Convention which deal with the seizure of the counterfeit trademark goods at the border and inside each country under Articles 9 and 10, are weakened by the exceptions contained under Article 9(5) which allows the member countries to replace both the border and the domestic measures by those available to the nationals under the domestic laws. Similarly Article 16 of the Berne Convention allows the measures containing the seizure of infringing copies of copyright to be replaced by the laws in accordance with the legislation of each country
7 Article 41(5) of TRIPS Agreement reads, “It is understood that this part does not create any obligation to put in place a judicial system for the enforcement of intellectual property rights distinct from that for the enforcement of law in general, nor does it affect the capacity of Members to enforce their law in general. Nothing in this part creates any obligation with respect to the distribution of resources as between the enforcement of intellectual property rights and the enforcement of law in general
8 As per the Article, ‘counterfeit trademark goods’ shall mean any goods including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the right of the owner of the trademark in question under the law of the country of importation.
9 As per the Article, ‘pirated copyright goods’ shall mean any goods which are copies made without the consent of the right holder or person duly authorized by the right holder in the country of production and which are made directly or indirectly from an article where the making of that copy would have constituted an infringement of a copyright or a related right under the law of the country of importation
10 Article 16(1) reads, ‘The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In the case of use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed.’

11 Daniel Gervais, *The TRIPS Agreement: Drafting History & Analysis* (Sweet & Maxwell), 1998, at p 220-21 says, “A reason to limit the application of the measure to visibly infringing goods is that certain custom authorities may not be equipped to properly identify goods which may infringe, e.g. a patent claim or a layout design of an integrated circuit”

12 *See Article 60 of the TRIPS Agreement*

13 In *Gramophone Co of India Ltd vs Birendra Bahadur Pandey*, AIR 1984 SC 667 the Supreme Court held that border measures applied even in the case of goods-in-transit

14 *See Article 6 of the Application for intervention by the Customs or other competent authority in the Implementation of the TRIPS Agreement, framed by the World Customs Organization, which gives various example of the evidence to be included*

15 *See Article 52. See also Article 50(6) which states that the reasonable time for the initiation of provisional measures is 20 working days or 31 calendar days, whichever is longer. See also Article 41(2): “Procedures concerning the enforcement of intellectual property rights shall be fair and equitable. They shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.”*

16 *See Article 54 TRIPS Agreement*

17 AIR 1967 SC 1885


19 *See Article 57 of the TRIPS Agreement*

20 *See Article 59 of the TRIPS Agreement*

21 It is pertinent to note that unlike Article 46 which prohibits the release of infringed goods into the channels of trade by simple removal of the trademark unlawfully affixed, Article 59 states that the re-exportation of infringing goods only in an unaltered state is prohibited, except under certain exceptional circumstances

22 Article 58 states that in case the suo moto powers are vested in the custom authorities, the TRIPS mandates the following obligations viz. (i) The power of the authority to ask information from the right-holder. (ii) notification of the suspension of the release to the parties, and (iii) Exemption of liability to the officials for actions taken in good faith

23 Section 11(2) (n) of the Customs Act, 1962 deals with the protection of patents, trademarks and copyrights

24 It is however to be noted that border measures apply only in cases of registered trademarks

25 It is pertinent to note that Article 51 of the TRIPS Agreement extents the border measures mandatorily to copyrights and trademarks, and leaves it to the country concerned for the application to other forms of intellectual property rights

26 *See Section 2(m) of the Copyright Act, 1957 for the definition of ‘infringing copy’*

27 Section 53(3) reads, “All copies to which any order made under sub-section (1) applies shall be deemed to be goods of which the import has been prohibited or restricted under Section 11 of the Customs Act, 1962 (51 of 1962), and all the provisions of that Act shall have effect accordingly.” In the case of *Gramophone Co of India Ltd vs Birendra Bahadur*, AIR 1984 SCC 667, the Supreme Court observed that the nature of duties of the Registrar of Copyright was of a quasi-judicial character

28 *See the proviso to section 53(3)*

29 In 1964 a notification was issued prohibiting the importation of goods using false trademarks, as defined under Section 77 of the Act. *See N.S.Gopalakrishnan, Protection of intellectual property: border control measures*
under the TRIPS and Indian laws, C.L.C 2000 at p23 (24)

30 See Section 111(d)

31 See Section 112. It is pertinent to note that Article 61 of the TRIPS Agreement, which deals with criminal procedures, calls for the imposition of monetary fines sufficient to provide a deterrent. It is heartening to observe that the phrase “five times the value of the goods” goes a long way in achieving this TRIPS obligation.

32 See Section 135(1)(b)(ii)

33 See Section 126. It is this very section, which gives the right holder an opportunity to sue the government in case of any damage to the goods, unlike the provision under Article 56, which provides for the payment of compensation to the importer by the right-holder. The Act under Section 125 even has the provision to allow the owner of the goods to pay fine in lieu of compensation.

34 See Section 122 of the Customs Act, 1962

35 Section 124 of the Customs Act, 1962 reads, “No order confiscating any goods or imposing any penalty on any person shall be made under this chapter unless the owner of the goods or such person is given – (a) notice in writing informing him of the grounds on which it is proposed to confiscate the goods or to impose a penalty; (b) an opportunity of making a representation in writing within such reasonable time as may be specified in the notice against the grounds of confiscation or imposition of penalty mentioned therein; and (c) a reasonable opportunity of being heard in the matter…”

36 See Article 53 of the TRIPS Agreement

37 Article 58 of the TRIPS Agreement uses the phrase “where Members require competent authorities to act on their own initiative and to suspend the release of goods…”

38 See Section 53 of the Copyright Act, 1957

39 See Section 118 of the Trade and Merchandise Act, 1958

40 See N S Gopalakrishnan, Protection of intellectual property: border control measures under the TRIPS and Indian Laws,” CLC 2000 at p23 (26)