

Annexure I

FICCI Committee Against Smuggling and Counterfeiting Activities Destroying the Economy (FICCI CASCADE)¹) respectfully offer the following suggestions in reaction to the September 26, 2012 Invitation of Views on the Draft National IPR Strategy (the “Draft Strategy” or the “Strategy”) issued by the Sectoral Innovation Council on IPR (the “Innovation Council”).

Introduction

We commend the Innovation Council for its extensive consultative efforts in the lead up to the issuance of the Draft Strategy. In addition, we appreciate the Council’s efforts to address the complex and multifaceted challenges of intellectual property protection and enforcement. It is only through collaborative efforts that focus on every element of the intellectual property challenge – from legal and physical infrastructure to awareness to enforcement – that the issue will become manageable. We believe the Draft Strategy takes important steps to address each of the various elements in the intellectual property equation. FICCI CASCADE would like to focus on two elements of the plan, points 27 (a) “Promoting respect for Intellectual Property” and 27 (e) in the proposed element to “strengthen the protection of IP.”

I. Promoting Respect for Intellectual Property

We commend the Innovation Council on its approach in seeking **“to establish an IP culture” especially in MSME sector**. However we suggest that promoting respect for IP should be addressed across the board. Awareness and outreach to consumers is an essential element in building a proactive strategy to curb counterfeiting and piracy and building respect for IP. International research highlighting the magnitude of the problem of counterfeiting and piracy also highlight that consumer awareness and media participation can be instrumental in supplementing the law and its enforcement strategies. It is further essential that respect for IP be inculcated in the younger generation at school and college levels through educational programs as well as through creative arts.

With this in view FICCI CASCADE has already initiated the work of its Task force on Awareness and Outreach with the following mandate:

- ✚ To generate and spread awareness on the hazardous impact of smuggled, contraband and counterfeit products.
- ✚ To interact with the law enforcement authorities to emphasize on the importance of continued awareness and seriousness of the impact of smuggled and counterfeit goods.
- ✚ To achieve a high “issue recall” relating to smuggling and counterfeiting in the minds of consumers and to sensitize the supply chain personnel towards the harm that smuggled, contraband and counterfeit products cause and to emphasize the importance of their role in grappling with the social issue.
- ✚ To put the issue of smuggled, contraband and counterfeit products high on the social agenda.

¹ FICCI CASCADE was launched by the Federation of Indian Chambers of Commerce and Industry (FICCI) to combat product counterfeiting and smuggling. For more details please see ficci-cascade.com

(i) FICCI CASCADE Pan India Awareness Building Seminars and Consumer Focus Programs

During the period July-Oct 2012, FICCI CASCADE was successful in stirring a debate in Lucknow (U.P), Jaipur (Rajasthan), Srinagar (Jammu & Kashmir), and Ahmedabad (Gujarat) on the issue of counterfeiting and smuggling. These seminars were attended by over 100 delegates comprising of industry (retailers, distributors and manufacturers) across sectors, media, consumer rights activists, police and custom officials. This pan India series of seminars and consumer focus programs has been further scheduled to be organised in various state capitals of India. FICCI CASCADE would welcome financial support from Government of India to take these outreach program to various state capitals, tier1 and 2 cities of India.

(ii) Awareness amongst School and College students through Youth Festival

Objective

To put the issue of smuggled, contraband and counterfeit products high on the social agenda through increased awareness amongst young population

Target Audience

School Students of the age group 12-17 yrs and College students

‘Youth Festival’ on the theme of ‘Fight Smuggling and Counterfeiting’

The festival may feature a range of activities related to creative elements such as competitions of street play/ dramatics, jingle, music, documentary/film making, painting (poster, T-shirts etc.), debate, elocution depending on the target institute to enable the students to showcase their talents and highlight the impact of menace of counterfeit and fake products in society. This pan India series of youth festivals has been planned to be scheduled further in various state capitals of India. FICCI CASCADE would welcome partnership with Government of India to take these outreach program in the form of youth festivals to various states of India. FICCI CASCADE co-organised a youth festival with the school children of NCR Delhi in April 2012. FICCI CASCADE also organised a youth festival in association with the Rotary Club of Kashmir valley, Srinagar, AALAV, Calling Consumer— Youth Festival on Consumer Rights on the theme of smuggling and counterfeiting at Islamic University of Science and Technology on 14th September, 2012.

Recommendations

1. Public–Private partnerships be initiated to bolster the awareness level amongst consumers, youth, general public, judicial , police and customs officials as well as policy makers on the risks of trade of counterfeit and pirated products on the society and economy through pan India series of awareness building seminars and youth festivals and other creative public campaigns.
2. Initiate National helpline to gather information on cases of illicit trade which can after due checks put forth to the requisite government department for further enforcement actions.

II. Enforcement: “Strengthening Protection of IP”

We agree with the statement that **“strengthening of IP protection regime will involve improvement in the institutions that grant IPRs and in those that are responsible for its enforcement...”**² and believe the single greatest challenge to intellectual property in India is enforcement of existing rights. **We commend and strongly endorse the proposal to improve the efficiency of the Controller General of Patents Design and Trademarks and the proposal to create a National Intellectual Property Enforcement Taskforce.**

We agree with p.18, paragraph 42 that states

“However, there is perhaps a need for a centrally managed National Intellectual Property Enforcement Taskforce that could:

- i) maintain database on criminal enforcement measures instituted for trademark infringement and copyright piracy. Besides this information on civil cases filed should also be collated.
- ii) be mandated to deliberate upon operational issues of enforcement with the concerned Central and State agencies
- iii) to conduct periodic industry wise infringement surveys.
- iv) coordinate capacity building programmes for the Central and State enforcing agencies.”

These are important steps forward and we look forward to working with the government to build on them. However, we suggest that the “database on criminal enforcement measures” be instituted for all IPR infringements including designs, geographical indications and patents in order to track data on IP crimes. In addition, we believe the plan needs to go farther, deeper, and provide much more detail with respect to enforcement commitments.

Specifically, we recommend an approach that (1) provides more improvements in critical intellectual property infrastructure including the police and courts; (2) bolsters mechanisms for dealing with supply of counterfeit product both from imports, as well as domestic production of counterfeits; and (3) enhances legal mechanisms for enforcement.

Recommendations for Improvements in Critical Infrastructure

In the short term

- Give political priority to IPR crimes through a national declaration of their importance at the highest levels of government.
- Provide additional funding to existing IP cells at the state level.
- Expand the number of exclusive dedicated IPR cells in police jurisdictions around the country by establishing exclusive IP Crime Police stations in all state capitals and metropolitan cities of the country.
- Work with provinces to help prioritize enforcement related concerns among enforcement infrastructure in individual jurisdictions.

² P. 15

- Increase existing funding, bonus, and pay rewards systems to include an incentive rewarding police officers for focus on economic crimes.

Within the long term

- Ensure the joint agency proposed in the National IPR plan includes a clear centralized single window system or agency for IPR that will be responsible for helping to address resource mobilization, as well as coordination with state police forces and IPR cells within municipalities.
- Establish a national and regularized system of education for police officials on the negative impact of IPR crimes and its impact on the society through public-private partnerships. Focus education resources on key municipalities such as Delhi and NCR and other counterfeit hubs across India.
- Ensure increase in the number of *suo moto* investigations and raids by police.
- Ensure ease of access to Registrar of Trademarks data (this may happen in the proposed automation process of the Draft Strategy), as well as updated records.
- Establish specialized IPR courts in every state in India and increase resources to enhance IPR expertise of judicial benches and prosecutors to deal with these cases more expeditiously.
- Consider establishment of mediation centers or alternative dispute resolution to at least deal with the backlog of trademark cases.
- Enhance automation of IPR related judicial processes (perhaps intention of the Draft Strategy is to expand the automation of the agencies to the judiciary?).
- Adopt statutory damages in civil cases.
- Develop a national level database to track all IP criminal cases (this is partly captured already in the Draft Strategy).

We recommend these important changes for a number of reasons:

Lack of prioritization by police authorities of commercial crimes. Police resources have many important challenges on their time and resources. Burdened with high crime levels and little financial resource with which to manage existing challenges, police understandably focus limited resources on serious violent crimes. Counterfeiting crimes are generally perceived as causing little harm to the public and a “business problem,” so they receive lower or no priority. In these circumstances, even when rights holders provide evidence and good information to police officials, police may not have the will as well as resources to follow through.

Quality of enforcement varies greatly from region to region. The efficacy of good, strong laws varies greatly with location. It would be useful to see a national level effort to create consistency in enforcement across the country. In particular, leading that effort with the nation’s capital of Delhi and the National Capital Region (NCR) would be invaluable.

Underfunded resources for existing specialized IPR units within state police forces and a lack of dedicated IPR enforcement units at the national level. While the system of state nodal officers and specialized IP cells within state police to tackle piracy have been important in the IPR enforcement effort, many of these lack the resources to effectively combat the problem. The presence of a single nodal agency or initiative at the national level to organize and prioritize these resources would be invaluable and would serve as a model for the rest of the country.

Effective IPR police enforcement units should be undertaking operations independently of industry. The police “should be encouraged to take more *suo moto* raids to deter physical piracy.”³ In order to better address counterfeit issues, police should be self-initiating investigations of trademark violations and conducting trademark actions independently instead of waiting for right-holders to prepare and request for all actions.

The High Court system is overburdened. The backlog of existing and new cases results in lengthy delays between the times a case enters the court system and the time it reaches a sentence. According to our survey of right-holders, it takes 2-3 years to issue a summons and 6-8 years to conclude a case. Other sources offer that tribunal level cases may be pending for 7-10 years without resolution.

Reluctance to apply strong penalties and deterrent-level sentencing. The Trademark Act (1999) provides companies both civil and criminal remedies to infringement, though a number of factors play into which avenue makes the most sense in each case.⁴ Regardless of which remedy pursued, sources indicate that while seeing some progress on levels of injunction, the courts need to implement stronger penalties.⁵

Recommendations for Managing Supply of Counterfeit Products

It also is important to note the Draft Strategy has little focus on the source of counterfeited and pirated products. Counterfeit and pirated products find their way to the Indian market both through imports and through domestic production.

With respect to imports, we recommend the Draft Strategy

- Direct the head of customs to prioritize trademark investigations and seizures.
- Allocate resources to continue the high level of training of Indian customs officials on IPR border enforcement, including ways to appropriately identify, seize, and dispose of counterfeit products.
- Allocate budget resources to Customs officials and facilities to conduct raids.
- Modify the customs registration process to accept a standing bank guarantee as opposed to an open guarantee.
- Commit to raise the issue of counterfeit goods flowing from neighboring countries in all relevant dialogues with such countries’ officials including trade, and health and safety cooperation.
- Link prioritization of resources to key Border States for counterfeit goods such as Rajasthan, Gujarat, Jammu Kashmir, Uttar Pradesh, West Bengal, Bihar, and Maharashtra.
- Provide funding for joint training efforts between Indian customs and key bordering countries as well as considering joint enforcement actions.
- Direct Customs to focus resources on additional review of parallel imports as a source of counterfeit imports.

With respect to domestic production of counterfeit goods

³ International Intellectual Property Alliance, February 10, 2012. “IIPA 2012 Special 301 Report on Copyright Protection and Enforcement.” <http://www.regulations.gov/#!documentDetail;D=USTR-2011-0021-0011>

⁴ See both Ranjan 2011, and U.S. Embassy in New Delhi website on IP and trademarks, available at <http://newdelhi.usembassy.gov/iprtrademark.html>

⁵ IIPA, February 2012.

- Provide for stringent actions such as cancellation of trade license given to retailers by local administration if they are found to be selling fake products or involved in it or were raided by police.
- Empower government tax inspectors, including external and internal auditors, to check and account for genuine product licenses inside organizations, whether public or private.
- Prioritize counterfeit goods in health and safety inspections under such laws as the Drugs and Cosmetics Act, and the Prevention of Food Adulteration Act apart from looking at the issues related to spurious or adulterated goods.

We believe each of these recommendations is important given the following:

Resource constraints limit the number of seizures to be conducted. Customs officials already are well trained to identify counterfeit goods. Unfortunately, India's extensive land border presents a practical challenge to managing all forms of cross-border trade, not just trade in counterfeit goods. Customs officials indicate that budget challenges limit their ability to organize and execute raids. Document forgery, non-mention of brand name and misrepresentation or description of goods constitute major issues as these also lower detection rates.

The indemnity bond for Customs actions is bureaucratic and ineffective. Under the 2007 IPR (Imported Goods) Enforcement Rules, the brand owner can give notice to Customs requesting suspension of clearance of goods suspected to be infringing by putting up an indemnity bond to indemnify customs against all liability and expenses.⁶ The rule requires owners to first file a bank guarantee within 3 days of each notification. This is an impractical procedure given that the designated party may not be available to execute the process on a three day time table. Further, in February 2011 Customs requested on open bank guarantee. This represents a significant long term risk to trademark owners in that cases can go on for years and block cash limits with bankers. Industry has suggested that a practical solution to this problem might be a standing guarantee with finite dates.

Seized trademark goods sometimes find their way back into the supply chain. According to Section 111 (d) of the Customs Act, "Confiscated goods will be either destroyed or disposed of outside the normal channel of commerce with the consent of the brand owner. The brand owner is also required to bear the costs towards destruction, demurrage and detention charges incurred till the time of destruction or disposal as the case may be."⁷ Brand owners may provide this service, but delay and manner of destruction of detained goods harms right holders in terms of costs and stress on compliance.

Neighboring Countries presents a critical concern. Trade in cross-border counterfeit goods between India and neighboring countries is thriving. Some companies estimate that this serves as the source of some 50% of counterfeit goods. There are many factories in remote locations across Indian border that manufacture counterfeits and ship them to India amongst other countries. Addressing the issue at major ports is somewhat manageable. It is more difficult to address the issue when they cross by land through porous borders such as Bangladesh and Tibet.

⁶ "Parallel Imports and Trademark Law" by Sneha Jain, Journal of Intellectual Property Rights Vol. 14, January 2009, pp.14-27; pg 24.

⁷ Jain: Parallel Imports and Trademark Law; pg 25.

Authorized packaging materials find their way into counterfeit distribution channels. In certain counterfeit areas, such as cosmetics, India maintains a thriving indigenous manufacturing base. The challenge is complicated further by unsavory packaging facilities that sell off genuine packaging materials to the counterfeiters who package their fake goods in genuine packaging. Historically for example, fake cosmetics were identified from the packaging material errors. But when the packaging materials are genuine, it becomes increasingly difficult to identify the fakes on packaging material alone. Such cases have to be referred to labs for final verifications.

Organized operations reuse rubbished materials. Recycling laws may exacerbate the challenges. Some companies identify very sophisticated approaches to repackaging, whereby organized entities are paying rubbish pickers for brand name packaging which are then refilled and shrink wrapped. Well intentioned Indian laws around recycling may exacerbate and facilitate this problem if counterfeiting issues are not considered in the recycling discussion.

Recommendations for Changes to the Law to Enhance Enforcement

Recommendations to GOI:

- Amend Trademark Act 1999 to hold liable any entity using a well-known mark for both trademarks and trade names.
- Amend Trademark Act 1999 and Copyright Act 1957 to bring consistency to the provisions related to police powers on infringement actions and remedies.
- Considering strengthening existing provisions that allow for the destruction of equipment used in production of infringing counterfeit material.
- Continue Madrid Protocol implementation.

Lack of well-known mark protection against trade names. While India's Trademark Act protects well-known marks against use as a trademark by another entity, it does not prohibit use of a well-known mark as a trade name – such as BASCAP Land Developers or BASCAP Telecom. A recent court decision interpreted the relevant section of the Act [Section 29(5)] to mean that well-known trademark is not infringed or diluted by use of a trade name in connection with goods different from those covered by the well-known mark, suggesting infringement occurs only when the goods are similar.⁸ While this decision is currently under appeal, a recent filing suggests that this ruling ignores marketplace realities of dilution. Rather than leaving it to court discretion, the statute should hold liable any entity using a well-known mark, regardless of whether the mark is used as a trademark or trade name, in order to protect the mark owner's enforcement rights.⁹

Lack of uniformity between Trademark Act 1999 and Copyright Act on provisions related to infringement and police powers. Section 103 of Trademark Act 1999 provides for criminal remedies such as imprisonment of up to three years and fines of up to Rs200,000 in case of infringement. The occurrence or likelihood of occurrence of an offence can be directly reported to a police officer not below the rank of Deputy Superintendent or to the Intellectual Property Cells of police in cities like Delhi, Mumbai, Kolkata, and Bangalore. These provisions are more onerous than the related to criminal remedies under the Copyright Act 1957. Under Section 64 empowers police officers – not below the rank of a sub-inspector – to seize all copies of infringing works and

⁸ Intel Corporation, February 2012.

⁹ Intel Corporation. February 2012.

plates used in their creation. Section 53 also authorizes the registrar of copyrights to prevent the import of infringing copies, and to enter any ship dock or premises where such infringing copies are alleged to be found and order their confiscation. Further, Section 63 provides for punishment of up to three years' imprisonment and fines of up to Rs200,000.

The practical implication of the above provision is that crimes related to counterfeiting are either reported and enforcement actions initiated under the Copyright's law provisions only or completely ignored due the necessity of reporting high ranking police officials or few IP cells in the country. Further the low penalties under both the aforesaid provisions fail to act as deterrent and render them inefficient.

We recommend stronger penalties and smoother procedures be introduced to enable right holder as well as consumers to bring forward infringement and enforcement actions.

Laws providing for the destruction of equipment or for penalties used in various situations to infringe copyright should all be strengthened. This includes relevant sections of the Trademark Act, the Law on Control of Printing Presses and the Press & Registration News Act. The Copyright Act of India takes great measures to allow for destruction of equipment. "Under Section 66 of the Copyright Act, 1957, the court trying an offence may, whether the alleged offender is convicted or not, order that all copies of the work or all plates in the possession of the alleged offender, which appear to it to be infringing copies, or plates for the purpose of making infringing copies, be delivered up to the owner of the copyright. Here "plate" includes any stereotype or other plate, stone, block, mould, matrix, transfer, negative, duplicating equipment or other device used or intended to be used for printing or reproducing copies of any work, and any matrix or other appliance by which sound recording for the acoustic presentation of the work are or are intended to be made."

Other laws provide for similar destruction of equipment. For example, under Section 111 of the Trade Marks Act, 1999, the court is empowered to direct forfeiture of goods with which an offence has been committed to the Government. The Court could direct such forfeited goods either be destroyed or otherwise be disposed of. This may include *equipments* like dies, blocks, machine, plate or other instrument through which counterfeit, i.e., falsification of goods is carried out. Similarly, the Law on Control of printing press could be enhanced so that production of fake wrappers is declared a cognizable offence. Similarly, we recommend the Press & Registration News Paper Act be strengthened to give Police the powers to search and seize objectionable wrappers if there is no proper documentation with Press.

Given the important role manufacturing and equipment distribution could play in counterfeiting and given the importance of removing the means of counterfeiting from the counterfeiters, it would be useful to give further consideration to whether strengthening these provisions could assist in anti-piracy efforts.

Continue Madrid Protocol Implementation. Under Section 115(4) of the Trademark Act, infringement of trademarks is a cognizable offence, and a police officer not below the rank of DSP may search or seize without warrant, after seeking the opinion of the Registrar of Trademarks on the facts. At present, police refer this matter to the Trademark Register before taking action. So, in reality, the action is only partly cognizable. We believe further guidance is required in the form of regulations to encourage full cognizability. However, it should be noted that there is some disagreement among rights holders as to whether or not the cognizability of the offense was a significant hurdle. One mechanism for doing so may be through implementing regulations arising around the Madrid Protocol.