BORDER MEASURES FOR TRADE MARKS IN INDIA AND TRIPS

*Ashwani Kumar**

The law relating to import of goods in India is governed, *interalia,* by Foreign Trade Regulation Act, Customs Act, Import Policy and Tariff Act. The law does not prohibit import of any goods applied with particular trade mark. Though the tariff chargeable for any particular goods may be higher for the goods bearing some prestigious trade mark yet all imports under any trade mark are subject matter of regulation by law to protect rights of trade mark owners or to protect public from false trade marks or from false trade descriptions by virtue of a notification under Customs Act and Section 118 of Trade and Merchandise Marks Act, 1958 (hereinafter referred to as TMMA).

I. Import of Trade Marked Goods

The Central Government is empowered[1] to prohibit, by notification in the official gazette, the import or export of any goods for the protection of the patents, trade marks and copyrights. The Central Government has prohibited by notification[2] issued under Section 11 of Customs Act *inter alia* the import into India of the following goods:

i. ...

ii. ...

iii. ...goods having applied thereto a false trade mark within the meaning of Section 77 of the TMMA;

iv. goods having applied thereto a false trade description within the meaning of clause (f) of sub-section (1) of Section 2 of the TMMA, otherwise than in relation to any of the matters specified in sub-clauses (ii) and (iii) of clause(u) of that sub-section;

v. goods made or produced beyond the limits of India and having applied thereto any name or trade mark being, or purporting to be, the name or the trade mark of any person who is a manufacturer, dealer or trader in India unless—

(a) the name or trade mark is, as to every application thereof, accompanied by a definite indication of the goods having been made or produced in a place beyond the limits of India, and

(b) the country in which that place is situated is in that indication, indicated in letters as large and conspicuous as any letter in the name or trade mark, and in the English language;

vii. goods which are required by a notification under Section 117 of the TMMA to have applied to them an indication of the country or place in which they were made or produced or the name and address of the manufacturer or the person for whom the goods were manufactured, unless such goods show such indication applied in the manner specified in the notification;

viii. ...

The notification does not prohibit import of any goods into India for the reason that they are applied with a trade mark but the trade mark on goods imported should not be false.[3] The law also prohibits importation of goods bearing a false trade description as required by the notification under Section 117 of the TMMA.

II. Import of Goods Applied with a Name or Trade Mark Similar to one Already Operating in India

Presently, even the goods applied with Foreign Registered Trade Marks which are similar or identical to the trade marks of any person in India, irrespective of the fact that the Indian person has any affiliation, business connection or parent- subsidiary relationship with the foreign supplier, are allowed to be imported subject to two conditions. In other words, clause V of the above referred notification specifically allows the parallel importation[4] of the same or identical Foreign Registered Trade Mark into India.

The conditions on 'parallel importation' of goods applied with a Foreign Registered Trade Mark are, that such goods should have an indication of the country, where the Foreign Registered Trade Mark enjoys protection, in letters as large and conspicuous as any letters in the trade mark and in the English language.

If these two conditions are not fulfilled, such a Foreign Registered Trade Mark having an identical or similar Indian counterpart, may amount to falsification of the Indian trade mark.[5] The notification issued under the Customs Act, 1962 allows importation of goods applied with identical or similar trade marks but can not mitigate the rights of identical trade mark right holder in India.

There is a need to protect the trade mark rights holder in India whether it be a FTM or domestic trade mark. The trend in the United States and the United Kingdom is not to allow parallel imports, of the identical or similar trade mark, even when parties derive the title to the trade mark from same source without the permission of the right holder in the country of import.

III. Import of Goods Bearing False Trade Marks

The goods bearing false trade marks cannot be imported into India.[6] The trade marks of foreign origin which enjoy protection in India are essentially Indian trade marks, but are popularly known as FTMs. The goods applied with FTMs, and covered within Section 77 of the TMMA, cannot therefore be parallely imported into India. If a FTM is falsified abroad, such goods will not be released by the customs into the territory of India. Necessarily false trade mark would be considered with reference to the marks in India under Section 77 and not the marks registered elsewhere.

Intervention By Custom Officers

Section 118 of the TMMA, facilitates the stoppage of entry of goods bearing false trade marks into India. Any person can make a representation to the Chief Customs Officer that the trade marked goods being imported into India are applied with a false trade mark.[7] The goods bearing a false trade mark or false trade description are prohibited to be imported into India, and are liable to be confiscated.[8]

The Chief Customs Officer upon such representation, if he has reason to believe that the trade mark may be false, may require the importer or his agent to produce any documents in his possession relating to the goods and to furnish information as to the names and addresses of the consigner and consignee of the goods.[9] If the importer fails in furnishing the documents and information, he is punishable with fine.[10]

The Chief Customs Officer is permitted to part with the above information in favour of the registered proprietor or registered user[11] implying thereby that the proprietors of unregistered trade mark may not be entitled to receive the information. Narayanan opines that the Customs Officer is not prohibited from communicating the information to the proprietor of an unregistered trade mark.[12] The proprietors of Indian trade marks including the FTMs are facilitated to take action against the overseas counterfeiters.

The proprietor of a Foreign Registered Trade Mark not registered or used in India may not be in a position to complain to the Customs Officer under this provision. The falsification of the Foreign Registered Trade Mark does not come in the purview of the definition of the False Trade Marks under the TMMA.[13] Equally, the Foreign Registered Trade Mark goods being imported pursuant to clause V of the notification, shall not amount to importation under a false trade mark, inspite of the fact that the Foreign Registered Trade Mark is similar to the Indian trade mark.

It is suggested that the notification issued under the Customs Act is obsolete and does not protect the trade marks including FTMs of this country. The notification which is a piece of delegated legislation is in conflict, with Sections 11, 12 and 28 of the TMMA. The Government should suitably amend the notification to safeguard the trade marks right holders in India whether of the FTM or a domestic trade mark. If it so desires it may provide for international exhaustion of the trade mark rights,[14] but allowing the imports simpliciter of an identical foreign mark is not fair in the interest of the trade marks rights holders in India. It needs to be emphasised that the TMMA is binding on the Government[15] and any notification under the Customs Act can not be allowed to conflict with the TMMA.

It is further suggested that if the Indian trade mark owner derives title from the same source or owner of the mark, his capacity to object to parallel imports should be curtailed; more so if the denial of parallel imports will increase the price of those goods in India. On the other hand, if the Indian trade mark owner is independent of foreign right holder, it is the duty of the Government to protect his exclusive right in the Indian territory. Such imports may cause confusion and deception in the public mind and the market. The independent Indian right holder should be in a position to restrain the import of goods with a similar mark. In any case it appears that such an independent right holder would be in position to obtain injunction against sale and advertising of such imported trade marked goods. Such imports would also constitute unfair competition to the Indian right holder.

IV. Prohibition as to Representation as Registered Trade Mark

In India, only those trade marks can be represented as registered which are entered in the 'register'[16] of the Trade Marks referred to in Section 6 kept at the Trade Mark Registry. Section 81 (2) enacts penalty for falsely representing that a trade mark is registered in India if it is not so entered in the register.[17]

A trade mark which has been registered elsewhere than India can be represented as registered trade mark in India as follows: Section 81(3) carves out an exception. The goods bearing the trade mark of foreign registration representing the trade mark as registered in another country, should sufficiently indicate so.[18] If the word or expression, used to suggest a foreign registration is delineated in as large characters as that of the trade mark, it is not treated as false representation as to registration of the trade mark.[19]

Section 81(3) of the TMMA does not envisage any preventive or punitive action against the parallel presence in the market of the trade marks registered in foreign countries which might be similar to Indian trade marks (including FTMs). As stated above, imports under the trade marks of foreign origin, identical to that of the Indian trade marks are authorised as per the notification issued under the Customs Act, 1962.

Though the TMMA in Section 81(3) enacts that a trade mark registered in a foreign country would not offend the law if the country of registration is conspicuously stated. But Section 81(3) does not purport to impinge the monopoly right conferred by Section 28(1) as to the use of the trade mark registered in India. If the title to the trade mark is not derived by the Indian owner from the same source, as that of the exporter of identical Foreign Registered Trade Mark,[20] there is no justification for diluting the exclusive right of Indian rights holder. It also amounts to implied recognition of all the trade marks registered in foreign countries without paying even the registration fee to the Indian Trade Marks Registry.

V. Border Measures Under Trips Agreement

The Agreement on TRIPs is divided into eight parts and each part is divided into sections containing 73 Articles in all.

Part I of the Agreement, containing Articles[21] 1 to 8, contains general provisions and basic principles. Article 1 details with the nature and scope of the obligations by stating that member countries[22] shall be free to determine an appropriate method of implementing the provisions within their own legal system and practice. Members are not obliged to give more protection than required by this Agreement[23] which is the touchstone for the intellectual property protection.

A. Enforcement of the Intellectual Property Rights (IPRs)

Part III (Articles 40 to 61) of the proposals on the TRIPs concerns with the enforcement of the IPRs in member countries. Article 41 lists the general principles which run through the rest of articles requiring the members to provide for the following in their national laws so as to ensure effective action for enforcement of the IPRs with a view to :

1. curbing the infringement of the IPRs (Article 41 (1));
2. deterrents to curb further infringements (Article 41 (1));
3. avoid the creation of barriers to legitimate trade (Article 41 (1));
4. provide safeguards against the abuse of the IPRs;
5. to avoid unnecessary costs or delays (Article 41 (2));
6. to avoid unreasonable time limits (Article 41 (2));
7. reasoned decisions, after hearing and furnishing of the evidence (Article 41(3));

8. minimum one review by the judicial authority except in the cases of acquittal in criminal cases (Article 41 (4)).

Para 5 of Article 41, recognises the sovereignty[24] of the members, by stating that there is no obligation on the members to create a separate judicial system for the IPRs protection distinct from that for the enforcement of laws in general. Nor does it prescribe any distribution of resources between the enforcement of the IPRs and the enforcement of other laws.

B. Border Measures

Articles 51 to 60 list special requirements to be taken as border measures. More important of the obligations contained in TRIPs Agreement are as follows.

Subject to *de minimis* rule enshrined in Article 60, to exclude small quantities of goods of non-commercial nature contained in travellers' luggage or in small consignments, Article 51 prescribes that national laws of member countries should protect industrial property rights at the borders by suspending the release of infringing goods by the custom authorities. A mechanism is proposed wherein the customs are required to suspend the release of goods, into free circulation if a right holder applicant alleges them to be counterfeit trade mark or pirated copyright goods. It purports to stop the delivery of such goods to the importer, if the applicant right holder[25] states that his rights in the trade mark under the law of the country of import, is likely to be infringed.

Article 51 desires the member countries that they may make such provisions for curbing the infringement of other IPRs. They may also make provision to suspend the release of infringing goods destined for exports from their territories. In case of counterfeit trade marks or pirated copyright goods such enabling provision is made essential.

Articles 52 to 60 endeavour to prescribe the detailed model law for effective implementation of the principle enshrined in Article 51. The definition of 'counterfeit trade mark' reads:

For the purposes of this Agreement:

> ... counterfeit trade mark goods shall mean any goods, including packaging, bearing without authorisation a trade mark which is identical to the trade mark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trade mark, and which thereby infringes the rights of the owners of the trade mark in question under the law of the country of importation.[26]

Essentially, this means that the parallel imports can be restricted by the right holder[27] as they may not be authorised by the right holder in the country of importation. It has been seen that more often the restriction on parallel imports operates against the interests of the developing countries, and in such a situation instead of source/origin function, the trade mark rights perform a property function. The attempts to mitigate against restriction on parallel imports by the application of international exhaustion of rights are also frustrated by insertion of Article 6. An authorised application of the trade mark in one country could be unauthorised in another importing country, and as per the present definition it may be treated as counterfeit trade mark goods.

It is submitted that there ought to be provision like preferential treatment in case of parallel exports to the developed countries from the developing countries. It should also be appreciated that parallel imports into the developing countries normally introduce cheaper prices except in case the margin is pocketed by the parallel importers.

In relation to counterfeit trade marked goods, there is no conflict of opinion and no country officially encourages such an activity. Though, in many developing countries including India such a practice is on an increase. There are no data available except as asserted by various United States studies as to the quantum loss caused to them by counterfeit activity in various countries including India. Such a practice is prevalent in cases of the trade marks which are in actual use in India. The counterfeits are also available in the market where the foreign manufacturer, infact, is not supplying trade mark goods to Indian market.

The above referred notification prohibits false trade marks, but is doubtful that a trade mark validly placed under the authority of the same trade mark owner in a foreign country and carrying the name of that country as place of origin of goods can be treated as the false trade mark, when objected to by an exclusive licensee (right-holder) in India. Whether common control exception as applied in the United States would be followed or there shall emerge an Indian jurisprudence based on the aspirations and needs of the people of India cannot be precisely stated. The exhaustion principle has been ruled out in Article 6. In the present context, when the political authority in the country is weak, it appears that the Government shall fall in line with the demands of the developed economies disallowing any meaningful exercise by the Courts or experts in the country.

The procedure for suspension of release may be summed up as Article 51 enabling an application by the right holder with sufficient description of the goods to make these recognisable by the customs officials. Under Article 52, the customs officers may require, the applicant for suspension of release of goods, to furnish security to protect the defendant from any loss as also to curb the abuse of the IPRs. It is desired by United States that the security should not be unreasonable which may deter recourse to these procedures. The right holder applicant may request the custom authorities to take ex-officio measures or act on their own initiative to suspend such release of counterfeit trade marked goods.[28] In such a situation, the right holder shall be relieved of the payment of security requirement or payment of compensation for the losses suffered by the defendant importer.[29]

While importer and applicant are to be notified of the suspension of the release,[30] Article 55 prescribes a period of ten working days, for the applicant, after notice of suspension to initiate proceedings to obtain a decision or provisional decision on merits of the case, otherwise the goods shall be released by the customs officials. However, they can in appropriate cases extend the period by ten working days.[31]

Curiously, in case of the IPRs relating to the industrial designs, patents, integrated circuits etc. the suspension provisions in Article 53(2) require that while releasing the goods in favour of the importer on the lapse of period provided in Article 55, the customs authorities can require the defendant importer to furnish security to protect the right holder from any infringement; but no such payment of security by importer is envisaged in relation to the trade marked or copyright goods.

Notes and References

* Reader, Law Centre-I, Faculty of Law, University of Delhi, Delhi.

1. Section 11(1) read with sub-section 2(n) of the Customs Act, 1962. Sections 90 and 92 of TMMA refer to Section 18 of the Customs Act, 1878, (since repealed) Section 11 of the Customs Act, 1962 is a corresponding provision to Section 18 of the Customs Act, 1878.
2. *MF(D.R.) notification No. 1, (Customs) dt. 18th January, 1964* as cited by P. Narayanan, Law of Trade Marks and Passing Off (Calcutta: Eastern Law House, 1991) at 664.
3. The trade marks being territorial in nature, the term false trade mark would derive its meaning from TMMA.
4. Parallel imports have a technical meaning, i.e. when the goods with an identical mark are imported. Normally the identical mark is placed under the authority of the same owner in different countries. Whether the difference in the name of producing country written in as large letters as that of the trade mark, would amount to parallel imports or not, has not been commented upon. If it is to be treated differently, then in India there can be two types of parallel imports.
5. *Infra.*
6. Section 118 of TMMA.
7. Section 118(1) of TMMA.
8. Section 11 of Customs Act read with referred notification.
9. Section 118(1) of TMMA.
10. Section 118(2) of TMMA.

11. Section 118(3) of TMMA.
12. Narayanan *supra* n. 2 at 667.
13. Section 77 of TMMA.
14. Composite view will have to be taken keeping in view Article 6 of the TRIPs and conclusions in relation to the exhaustion principle.
15. Section 130 expressly declares that the provisions of the TMMA are binding on the Government. Even, without this provision the TMMA would be binding.
16. Section 81(1)(a) read with Section 2(p) of the TMMA and explained in Section 81(3) of TMMA.
17. Under Section 81(2) penalty can be imprisonment upto six months or fine upto Rs. 500/- or both.
18. Section 81(3)(b) of TMMA.
19. Section 81(3)(a) of TMMA.
20. That too if it is decided to apply the principle of exhaustion of rights.
21. The references to the Articles in this section are to the Articles of URUGUAY FINAL TEXT, GENEVA, 15th December, 1993.
22. The expression member country will be used as against PARTIES as the term PARTIES can have two meanings - one, used in the sense of referring to any of the members and the other, as PARTIES acting jointly as an organisation, for example, under Article XXV of GATT or as Council in Article 68 of this draft Agreement on the TRIPs.
23. Article 1, para 1.
24. It might be recalled that the GATT under the auspices of which the agreement was negotiated did not prescribe the enactment of new legislation and the compliance was necessary to the extent of executive authority of the Government.
25. Footnote 13 to Article 51, wherein it is the option of right holder.
26. Footnote 14 to Article 51, Annex 1C of TRIPs AGREEMENT of WTO Text.
27. See Ashwani Kumar, *Markets Allocation by IPRs: Grey Goods, Exhaustion principle and India*, in P.S. Sangal and Ponnuswami, ed., INTELLECTUAL PROPERTY LAW, (Delhi, 1994) at 107-119.
28. Article 58.
29. Article 56 requires the applicant to pay compensation to defendant importer for wrongful suspension of release.
30. Article 54 of the TRIPs.
31. Article 55 of the TRIPs.