

## **DECODING THE RELATIONSHIP BETWEEN CUSTOMS AND PATENTS**

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*(Disclaimer: This research paper has been written by the Author while they were  
interning at Stratjuris Law Firm)*

### **HISTORY**

With opening of Indian economy to globalisation in early 90's, innumerable positive implications on the Indian economy has led to its growth ever since. In the background of constantly changing trade environment and frequent innovations, Intellectual Property has become a very important facet of overall development of the country. Intellectual property (IP) is the term that describes the ideas, inventions, technologies, artworks, music and literature, that are intangible when first created, but become valuable in tangible form as products.<sup>1</sup> Eventually, there had been some problems that have seeped so deep into the economy that today; they pose a threat to our commercial and economic sectors, both at national and international levels. One of such problems is the counterfeiting and infringement of Intellectual Property.

As per a latest report published by US Trade Representative (Executive office of the President), *China and India are reportedly leading sources of counterfeit medicines distributed globally and studies have suggested that up to 20 percent of drugs sold in the Indian market are counterfeit and could represent a serious threat to patient health and safety.*<sup>2</sup>

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<sup>1</sup> Intellectual Property: A Power Tool for Economic Growth, (WIPO Publication No 888) p10-11.

<sup>2</sup> 2018 Special 301 Report, USTR, available at <https://ustr.gov/sites/default/files/files/Press/Reports/2018%20Special%20301.pdf>.

Here comes into picture, the role of Customs in India. Earlier, the customs authorities were primarily responsible for collecting tariffs and regulating the exports and imports at the borders. But today, they are the first line of defence against the cross-border movements of goods that infringe intellectual property rights. Previously, the Central Government made several endeavours at issuing notifications in this respect. One such notification was released in 1960 that prohibited export through sea and land of goods that attracted Section 78 (Penalty for applying false trademarks, trade descriptions, etc.) and Section 117 of the Trade and Merchandise Marks Act, 1958 (The Central Government may by notification require that any goods specified in the notification imported into India shall indicate the country in which they were made or the name and address of the manufacturer of the said goods).

### **ISSUE ON CUSTOM-PATENT RELATION**

Import of goods that infringe intellectual property into India is prohibited under the Customs Act, 1962. But, its' actual implementation and enforcement took place only after *Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 (IPR Rules, 2007)* came into effect, in order to implement the border measures as provided in Articles 51 to 60 of the WTO Treaty on Trade Related Aspects of Intellectual Property Rights (TRIPS).

As per the power of the Central government under Section 156(1) of the Customs Act, 1962 (Law No. 52 of 1962, to make rules consistent with the Act, Ministry of Finance (Department of Revenue) issued rules in order to amend *IPR Rules, 2007* notified by the Government of India in the Ministry of Finance (Department of Revenue)<sup>3</sup> dated the 8th May, 2007. These new Rules are called *Intellectual Property Rights (Imported Goods) Enforcement Amendment Rules, 2018 (IPR Rules, 2018)*.<sup>4</sup>

These earlier Rules were based on the model legislation by the Geneva based World Customs Organization and seek to empower the Customs authorities to suspend the clearance of goods that are infringing intellectual property in India.<sup>5</sup> Further, they empower the Customs

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<sup>3</sup> 8<sup>th</sup> May, 2007, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 331 (E)

<sup>4</sup> Notification No. 56/2018 – Customs (Non-Tariff).

<sup>5</sup> Rule 7, IPR Rules, 2007

authorities to adjudicate on the issue of infringement and to seize [Section 7(9)] or dispose (Section 9) the goods on finding in favour of the right holder.

## **CUSTOM-PATENT LINKAGE: LEGISLATURE AT A GLANCE**

The custom-patent linkage is governed by the following legislations (including clauses from circulars and TRIPS Agreement):

### ***I. The Customs Act, 1962***

Section 11(1) of the Customs Act gives power to the Central Government to prohibit import and export of goods that can infringe a patent, trademark or copyright. Section 11(2)(n) specified about the protection of patents, trademarks and copyrights earlier but after the implementation of the new amendment, it excludes patent from protection. Section 11(2)(u) gives power to Central Government to stop import/export if it contradicts any other law. The power to make rules under the Customs Act is derived from Section 156.

“Section 11. Power to prohibit importation or exportation of goods:

(1) If the Central Government is satisfied that it is necessary so to do for any of the purposes specified in sub-section (2), it may, by notification in the Official Gazette, 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.

(2) The purposes referred to in sub -section (1) are the following:-

(n) The protection of patents, trademarks and copyrights;

(u) The prevention of the contravention of any law for the time being in force;”

“Section 156. General power to make rules. –

(1) Without prejudice to any power to make rules contained elsewhere in this Act, the Central Government may make rules consistent with this Act generally to carry out the purposes of this Act.

(2) In particular and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely: -

(a) The manner of determining the price of imported goods under sub-section (1A) of section 14;<sup>6</sup>

(b) The conditions subject to which accessories of, and spare parts and maintenance and repairing implements for, any article shall be chargeable at the same rate of duty as that article;

(c) [Omitted]<sup>7</sup>

(d) the detention and confiscation of goods the importation of which is prohibited and the conditions, if any, to be fulfilled before such detention and confiscation and the information, notices and security to be given and the evidence requisite for the purposes of such detention or confiscation and the mode of verification of such evidence;

(e) The reimbursement by an informant to any public officer of all expenses and damages incurred in respect of any detention of any goods made on his information and of any proceedings consequent on such detention;

(f) The information required in respect of any goods mentioned in a shipping bill or bill of export which are not exported or which are exported and are afterwards re - landed;

(g) The publication, subject to such conditions as may be specified therein, of names and other particulars of persons who have been found guilty of contravention of any of the provisions of this Act or the rules.<sup>8</sup>

(h) The amount to be paid for compounding under sub -section (3) of section 137.<sup>9</sup>

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<sup>6</sup> Substituted w.e.f. 1.8.1988 by Notification No. 50/88 - Cus (NT) dated 18.7.1988 by Customs (Amendment) Act, 1988.

<sup>7</sup> Omitted by Finance Act, 1988.

<sup>8</sup> Inserted by Customs, Gold (Control) and Central Excise and Salt (Amendment) Act, 1973

<sup>9</sup> Inserted vide Finance Act, 2004

## ***II. The Patents Act, 1970***

Section 48 of the Patents Act gives rights to the right holders to stop their patented goods or process form being infringed by a third party without their consent.

“Section 48. Rights of patentees - Subject to the other provisions contained in this Act and the conditions specified in section 47, a patent granted under this Act shall confer upon the patentee—

(a) where the subject matter of the patent is a product, the exclusive right to prevent third parties, who do not have his consent, from the act of making, using, offering for sale, selling or importing for those purposes that product in India;

(b) where the subject matter of the patent is a process, the exclusive right to prevent third parties, who do not have his consent, from the act of using that process, and from the act of using, offering for sale, selling or importing for those purposes the product obtained directly by that process in India. “

## ***III. IPR Rules, 2007***

Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 came into existence through a notification<sup>10</sup> by Department of Revenue, Ministry of Finance, dated 8<sup>th</sup> May, 2007. Section 156 of the Customs Act gives power to the Central Government to make rules under the Act. Rules 6 and 7 are important to know more about the suspension of clearance of goods infringing intellectual property rights by custom authorities before the IPR Rules, 2018 came into existence.

6.Prohibition for import of goods infringing intellectual property rights- After the grant of the registration of the notice by the Commissioner on due examination, the import of allegedly infringing goods into India shall be deemed as prohibited within the meaning of Section 11 of the Customs Act, 1962.

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<sup>10</sup> Notification No. 47/2007-Customs (N.T.)

7.Suspension of clearance of imported goods- (1)(a) Where the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, based on the notice given by the right holder has a reason to believe that the imported goods are suspected to be goods infringing intellectual property rights, he shall suspend the clearance of the goods.

(b)The Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, may, on his own initiative, suspend the clearance of goods, in respect of which he has prima-facie evidence or reasonable grounds to believe that the imported goods are goods infringing intellectual property rights.

(2) The Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, shall immediately inform the importer and the right holder or their respective authorised representatives through a letter issued by speed post or through electronic mode of the suspension of clearance of the goods and shall state the reasons for such suspension.

(3) Where clearance of the goods suspected to be infringing intellectual property has been suspended and the right holder or his authorised representative does not join the proceedings within a period of ten working days from the date of suspension of clearance leading to a decision on the merits of the case, the goods shall be released provided that all other conditions of import of such goods under the Customs Act, 1962, have been complied with:

Provided that the above time-limit of ten working days may be extended by another ten days in appropriate cases by the Commissioner or an officer authorized by him in this behalf.

(4) Where the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, has suspended clearance of goods on his own initiative and right holder does not give notice under rule 3 of the Rules or does not fulfil the obligation under Rule 5, within five days from the date of suspension of clearance, the goods shall be released provided that all other conditions of import of such goods under the Customs Act, 1962, have been complied with.

(5) Where the clearance of goods has been suspended, customs may, where it acts on its own initiative, seek from the right holder any information or assistance, including technical

expertise and facilities for the purpose of determining whether the suspect goods are counterfeit or pirated or otherwise infringe an intellectual property right.

(6) Where the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, has suspended clearance of goods on his own initiative and right holder has given notice under rule 3 of the Rules and fulfilled the obligations under Rule 5, but , the right holder or his authorised representative does not join the proceedings within a period of ten working days from the date of suspension of clearance leading to a decision on the merits of the case, the goods shall be released provided that all other conditions of their import under the Customs Act, 1962, have been complied with:

Provided that the above time- limit of ten working days may be extended by another ten working days in appropriate cases by the Commissioner or an officer authorized by him in this behalf.

(7) In the case of perishable goods suspected of infringing intellectual property rights, the period of suspension of release shall be three working days which may be extended by another four days subject to the satisfaction of the Commissioner or the officer authorized by him in this behalf that such extension shall not affect the goods.

(8) Notwithstanding anything contained in these Rules, in the case of suspension of clearance of perishable goods on the basis of notice of the right holder or his authorized representative, the right holder or his authorized representative shall join the proceedings as required under these Rules within three working days or the extended period as provided in sub-rule (7) and in case of suspension of clearance of perishable good by the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, on his own initiative, the right holder shall give notice, execute a bond and join the proceedings as required under these Rules within three working days or the extended period as provided in sub- rule (7), as the case may be, failing which the goods shall be released.

(9) If within ten working days or the extended period under sub-rule (6), as the case may be, and within three working days or the extended period as provided in sub-rule (7) of this rule in the case of perishable goods, the right-holder or his authorized representative joins the proceedings, the Deputy Commissioner of Customs or Assistant Commissioner of Customs ,

as the case may be, having reasons to believe that the goods are goods infringing intellectual property rights and liable to confiscation under section 111 (d) of the Customs Act, may seize the same under section 110 of the Customs Act.

#### ***IV. IPR Rules, 2018***

Central Board of Excise & Customs<sup>11</sup>: Notification No. 56 /2018 – Customs, brought into existence the Intellectual Property Rights (Imported Goods) Enforcement Amendment Rules, 2018. These rules amended the *IPR Rules, 2007* to exclude patents from protection under Customs Act. The following changes have been made to the *IPR Rules, 2007*:

1 (i) These rules may be called the Intellectual Property Rights (Imported Goods) Enforcement Amendment Rules, 2018.

(ii) They shall come into force on the date of their publication in the Official Gazette.

2. In the said rules, –

(A) in rule 2, –

(i) in clause (b), the words and figures “patent as defined in the Patents Act, 1970,” shall be omitted;

(ii) in clause (c), the words and figures “the Patents Act, 1970,” shall be omitted;

(B) in rule 5, after condition (b), the following conditions shall be inserted, namely:-

“(c) the right holder or his authorised representative shall inform the Commissioner of Customs at the time of giving notice about any amendment, cancellation, suspension, or revocation of the Intellectual Property Right by the authorities under the Intellectual Property Laws or any Court of Law or Appellate Board, subsequent to its registration with the authorities under the Intellectual Property Law and in case of any such amendment, cancellation, suspension or revocation of the Intellectual Property Right during the validity of the notice registered under rule 4, the same shall be brought to the notice of the Commissioner of Customs by the right holder within a period of one month of the date of communication of any such amendment,

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<sup>11</sup> Ministry of Finance, Department of Revenue.

cancellation, suspension or revocation of the Intellectual Property Right to the right holder or any person authorised by him in this regard;

(d) in the event of any amendment, cancellation, suspension or revocation of the Intellectual Property Right by the authorities under the Intellectual Property Law or by any Court of Law or Appellate Board, the Commissioner of Customs may accordingly amend, suspend or cancel the notice and the corresponding protection.”.

#### ***V. CBIC Circular***

Central Board of Excise & Customs<sup>12</sup>: Circular No. 41 /2007 - Customs<sup>13</sup> gave instructions for implementation of *IPR Rules, 2007*. Clause 4 of the Circular talks about difficulty faced by Customs Officers in examining infringement of patents, designs and geographical indications.

Clause 4: It is pertinent to mention that while the mandatory obligations under Articles 51 to 60 of the TRIPS dealing with border measures are restricted to Copyright and Trade Marks infringement only, the said Rules 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 is not 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 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 needs to be exercised at the time of determination of infringement of these three intellectual property rights. The Central Board of Excise and Customs (CBEC) implemented an IPR Module to facilitate right holders to file IPR notices.

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<sup>12</sup> Ministry of Finance, Department of Revenue.

<sup>13</sup> Dated 29<sup>th</sup> October, 2007, F. No. 305/96/2004-FTT (Pt-I)

## ***VI. TRIPS Agreement***

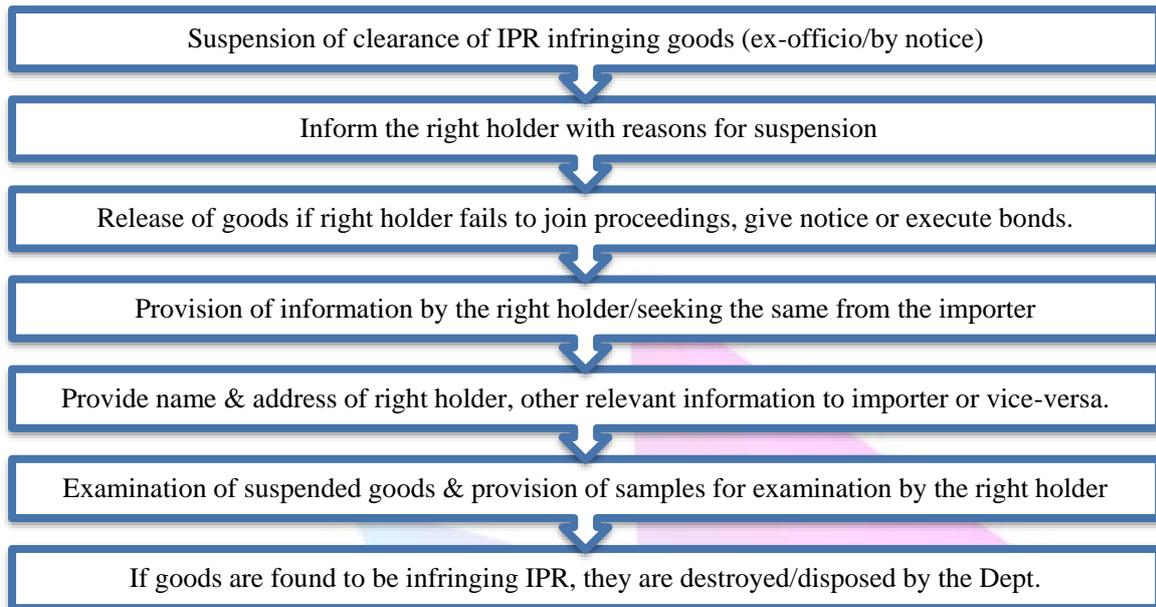
Part IV of the TRIPS Agreement talks about enforcement of intellectual property rights. Section 4 of Part IV states the special requirements related to border measures. Article 51 of Section 4, relating to suspension of release by customs, has been extracted below for reference.

### **Article 51: Suspension of Release by Customs Authorities**

Members shall, in conformity with the provisions set out below, adopt procedures <sup>(13)</sup>to enable a right holder, who has valid grounds for suspecting that the importation of counterfeit trademark or pirated copyright goods may take place, to lodge an application in writing with competent authorities, administrative or judicial, for the suspension by the customs authorities of the release into free circulation of such goods. Members may enable such an application to be made in respect of goods which involve other infringements of intellectual property rights, provided that the requirements of this Section are met. Members may also provide for corresponding procedures concerning the suspension by the customs authorities of the release of infringing goods destined for exportation from their territories.

### **PROCESS FOLLOWED BY CUSTOM AUTHORITIES**

The process that is followed by custom authorities after interception of infringing goods is as follows:



## JUDICIAL DECISIONS

The implementation of *IPR Rules, 2007* had already led to the beginning of a number of matters which involved the discussions on various points of conflicts such as:

- Need to re-evaluate the *IPR Rules, 2007*
- Constitutional validity of the *IPR Rules, 2007*
- The authority of the Customs to act on the notice of the right-holder, if a revocation proceeding for the same patent is going on in the civil court?
- The competency of the Custom authorities while deciding on the suspension of clearance of goods.

## THE RAM KUMAR PATENT SAGA: THE CASE THAT PUBLICISED THE PATENT-CUSTOM LINKAGE

It all began in 2008, when a Chennai-based engineer *Somasundaram Ramkumar* was granted a patent<sup>14</sup> by the Chennai Patent Office on “*Mobile telephone with a plurality of SIM cards allocated to different communication networks*”. It came to be followed by an oddly famous

<sup>14</sup> Patent Application No. 161/MAS/2002

patent rivalry between the proprietors of *Vikas Technologies*, of which Ram Kumar was a partner, and importers of mobile phones with dual SIM cards into India. Here, began the '*The Ram Kumar Patent Saga*'!

The case is called so, because of the involvement of multiple cases both before the customs authorities and before the Madras and the Delhi High Court. It became one of the most publicized intellectual property litigation in India which focussed on the need to re-evaluate the *Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007*.

After being granted the patent by the Chennai Patent Office, Ram Kumar then filed an application under Rule 3 of the *IPR Rules, 2007*, which mentions Notice by the Right-holders to the Commissioner of Customs or any Customs officer authorised in this behalf by the Commissioner. In 2009, Officer of Commissioner of Customs, Intellectual Property Cell on January 27, 2009 communicated to Mr. Ram Kumar that his notice has been registered

Subsequently, his patent rights were sought to be enforced by the suspension of clearance of goods imported by both small-scale importers and multinational corporations at the Mumbai and Chennai ports. He earned royalties from the importers in order to get the permission for importing their goods in the country. While the smaller importers paid the royalties to obtain the NOCs', the bigger ones such as Hansum and Samsung refused and challenged his claims before the customs authorities.

The first line of legal action before the Indian Courts was with respect to the constitutionality of the *IPR Rules, 2007*. Samsung filed a writ petition before the *Delhi High Court* challenging the constitutional validity of the *IPR Rules, 2007*, contending that these are violative of Article 14. In this petition, Samsung raised the issue of lack of expertise of the Customs authorities. Eventually, lack of territorial jurisdiction led to the withdrawal of the petition by Samsung.

The second line of legal action was before the *Madras High Court*, wherein Mr. Ram Kumar sought a restraining order against manufacturers such as Samsung, Mirc Electronics and Spice Mobile, restraining them from manufacturing and selling multiple SIM holding mobile phones. The Madras High Court issued an ex-parte injunction, preventing the said manufacturers from

manufacturing and selling the infringing mobile phones in India, which was operational till March 23, 2009 and was further extended to June 9, 2009.

The third line of litigation highlights the concerns on behalf of the importers, and was before the *customs authorities*.<sup>15</sup>

1. In May, 2009, after hearing the parties, the *Mumbai Commissioner of Customs*, held in favour of Samsung holding, that the claim made by Mr. Ram Kumar was vexatious and the impugned goods are not infringing the patent granted to him. The claims related to dual SIM which allowed simultaneous communication *via* multiple headsets. The customs officer relied on a number of technical points of patent law such as unity of invention, the all elements rule, dependency of claims and file wrapper estoppel.
2. Similarly, the *Chennai customs authority* upheld the contentions of Hansum India Ltd. holding that the claim of Mr. Ram Kumar patent had limited scope. His claims had a provision for a plurality of SIM cards, a plurality of SIM sockets, a plurality of headphone/earphone jacks or a plurality of bluetooth devices should be present in the mobile phones. The claims in the patent of Ram Kumar therefore, were held not to be infringed by the cell phones manufactured by Hansum since these cell phones used a single headphone/earphone jack.
3. Similarly, the *New Delhi customs authority*, in an order dated 8th June, 2009, the Assistant Commissioner of Customs, found that claim made by Mr. Ram Kumar was vexatious and the impugned goods were covered by the prior art declared by him. The customs authorities further ordered him to pay demurrage and warehousing charges.

Mr. Ram Kumar filed writ petition in the Madras High Court against these orders of the customs authorities. In an interim order, he was given an *ex parte* stay on the customs orders. However, after a full hearing of the parties, the Court proceeded to hold in favour of the importers citing that the proper forum for the redressal was the Customs Appellate Tribunal, an authority envisaged as the appellate authority under the Customs Act, 1962. Thus, an alternative remedy being available, the petition was dismissed. Therefore, at present, the orders

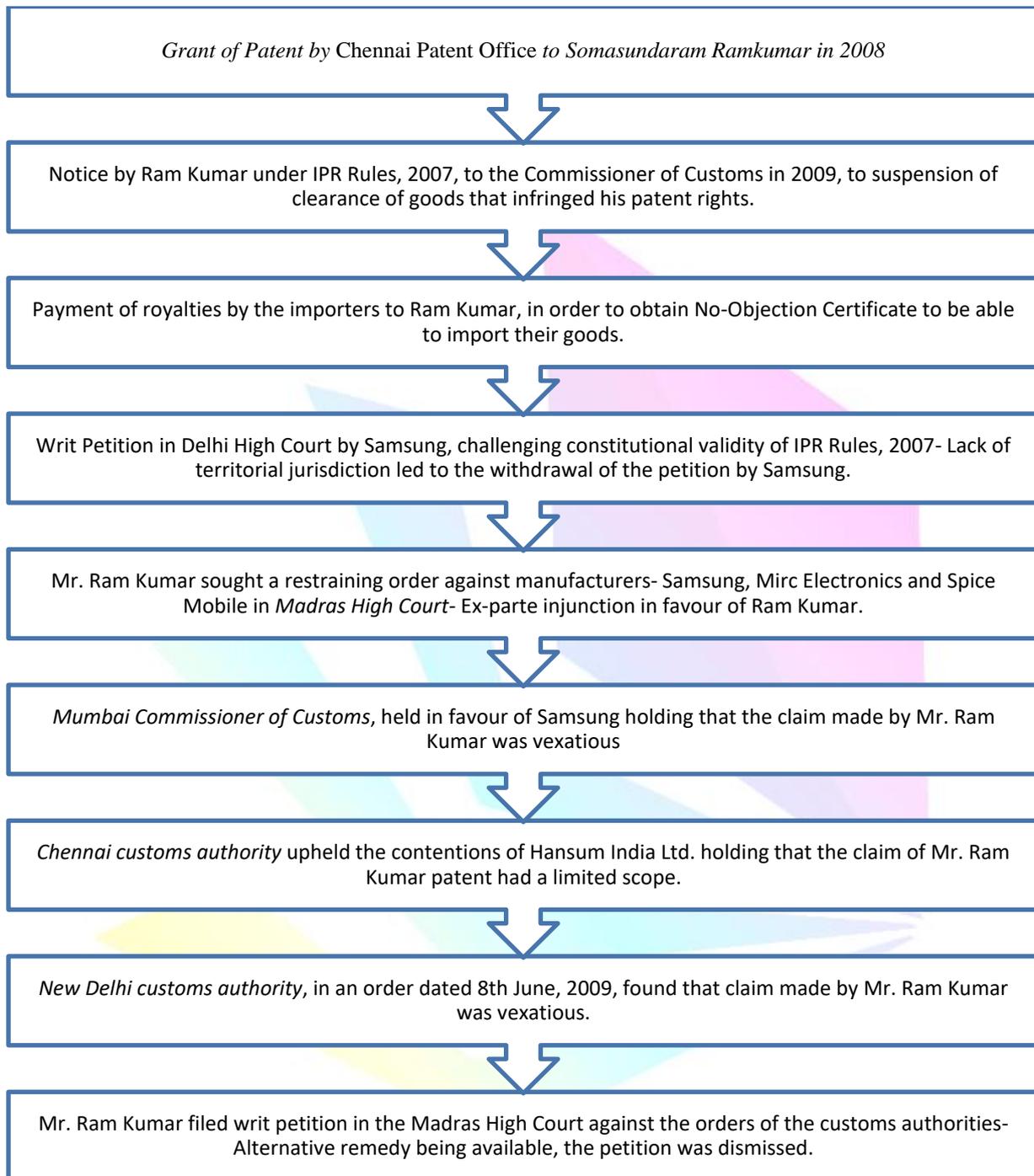
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<sup>15</sup> Trade, Law and Development, Vol. 1, No. 2, p. 192, 2009

of the Customs administration allowing the clearance of the goods from the Mumbai, Chennai and Delhi ports stand affirmed and, the stand of the importers has been upheld.

*The number of litigations revolving Ram Kumar's patent put the focus on the shortcomings of the 2007 Rules, for the first time. One could easily witness the tendency for abuse, wherein the importers had to be involved in multiple litigations in order to obtain clearance for their goods.*



**FLOW CHART: LINE OF CASES IN THE RAM KUMAR SAGA****L.G. ELECTRONICS PVT. LTD. v. BHARAT BHOGILAL PATEL**

L.G. Electronics, plaintiff, claimed to have obtained a patent in respect of “*Process of manufacturing engraved design articles on metals or non-metals*”. It approached the Hon’ble

Delhi High Court on the premise that the complaint preferred by *Defendant No. 1, Bharat Bhogilal Patel*, against the Plaintiff before *Defendant No.2, Customs Office*, on the basis of which Customs department is acting upon and interdicting the goods imported by the plaintiff without approaching the Court in accordance with Patents Act, 1970 amounts to ***groundless threats***.

The plaintiff, after perusing the documents of the patent, found that the claims of the impugned patent<sup>16</sup> allegedly lacked ***novelty***<sup>17</sup> as well as any ***inventive step***<sup>18</sup>. Accordingly, plaintiff filed revocation petition before the Intellectual Property Appellate Board (IPAB) challenging validity of the impugned patent. The Customs department continued interdicting the consignments of the plaintiff despite having been informed of the pendency of revocation proceedings. Subsequently, the case came up for hearing and the Court passed interim order in favour of plaintiff, staying the operation of complaint of the Customs office.

The Court in its order explained the role of Customs officer in view of clause 4 of IPR rules, 2007 and under para 95 of the judgement, “*I do not agree with the statement made in the written statement by the Custom department that unless the stay orders are passed in the Revocation petition, they can proceed with the complaint filed by the owner of patent despite of any merit or demerit in the Revocation proceedings*”.<sup>19</sup>

The Court further explained the aspects of ***groundless threat*** and stated that “*the custom shall act on the notice of the court, therefore if any proprietor or the right holder issues a notice to the custom officials and the custom officials act upon the same by causing restricting the imports of consignments of any party without the determination (prima facie or otherwise) of the factum of infringement of patent by the appropriated designated authority which is civil court under the governing law, then such notice by the right holder to the third party which is customs and the actions thereof by the customs either in the form of notice to that party or otherwise calling upon the party to explain its stand which no such position exists in law are all unnecessary illegal threats to that party*”.

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<sup>16</sup> CS(OS) No.2982/2011 Page No.3 of 10

<sup>17</sup> Section 2(j), “Invention”, The Patents Act, 1970

<sup>18</sup> Section 2(ja), “Inventive Step”, The Patents Act, 1970

<sup>19</sup> 2012 (51) PTC 513 (Del)

Therefore, it can be fairly concluded that an alleged infringer of the patent, if first, takes the civil remedy and file for revocation of the same, it is only after stay orders are passed in the revocation proceedings, that the Custom authority can act on the complaint filed by a right-holder.

## **THE ERICSSON CASE**

TELEFONAKTIEBOLAGET LM ERICSSON TORSHAMSGATAN v. UNION OF INDIA AND ORS (“The Ericsson Case”)<sup>20</sup>

The appellant ‘*Ericsson*’ is the registered owner of patents relating to certain models of G“Five brand of mobile phones and thus claims exclusive right in the said technology. It was in accordance with the *IPR Rules, 2007* (Rule 7) that the appellant registered its five patents and requested the respondents Custom Office, to suspend the clearance of goods that infringe the patents right of the patentee i.e. the appellant herein.

On 30.3.2011, the Custom Office sent communication informing the appellant that M/s Kingtech Electronics (India) Ltd. (Respondent no.4 herein) had imported 1900 mobile phones, which appears to infringe the said patents rights of the appellant and accordingly said consignment was suspended under Rule 7 (1)(a) of the *IPR Rules, 2007*. The Custom Office vide another decision dated 30.3.2011, also suspended the said consignment. The respondent no.4 filed writ petition under Article 226 of the Constitution of India in this Court, challenging the order of suspension passed by the Custom Office, and detaining the goods on the ground that such an order or direction was ultra vires of its authority or power under the *IPR Rules, 2007*.

The question as regards the authority of the Deputy Commissioner to determine whether importer has infringed upon the right-holder of the patent, came up for the first time, in this case. Remember, that this is the point of issue which today, led to the formulation of the *Intellectual Property Rights (Imported Goods) Enforcement Amendment Rules, 2018*.

The defendants argued since, the appellant herein, had not approached the patent court to assert its claim to patent and to seek injunction against the release of the consignment of respondent

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<sup>20</sup> 13/07/2012 in LPA No.1104/2011, Delhi High Court

no.4, the Dy. Commissioner of Customs had no authority to pass order of suspension of clearance of its goods.

Also, it was argued that examining the infringement is a very technical aspect which again could not be gone into by the Dy. Commissioner of Customs. Although, the appellant had placed on record 12,000 pages to establish its patent rights, there was no mechanism with the Dy. Commissioner of Customs to examine the issue that patent was rightly registered and to compare it with so called infringing goods of the respondent and record "reason to believe"<sup>21</sup> that there was such infringement. He thus, argued that "*reasons to believe*" could be only when there was a pronouncement by the Court of law or injunction granted in favour of the patent holder.

The appellant however, contradicted the same by stating that the onus was on the other person questioning such a registration to move for revocation of the patent by filing appropriate petition before the Intellectual Property Right Board. He also argued that the *very purpose of framing IPR Rules, 2007 would be defeated if the persons like the appellant is first forced to approach the Civil Court and obtain injunction and thereafter only permitted to ask for suspension of clearance of goods*

*The question of competency of the custom authority that apparently led to the IPR Rules 2018 coming into picture, was already posed and answered in this judgement of ("Ericsson").*

Whether the competent authority under the *IPR Rules, 2007* is not competent and therefore, is debarred from passing any order of suspension of clearance of goods sought to be imported merely because the case relates to the **patent**?

It is emphasized by the court that the case of patent violation may pose problem for Custom Officers and unless the offence has already been established by the judicial pronouncements and the Customs is called upon or required to merely implement such order, it would not pose any difficulty. Otherwise, there may be difficulties and in the absence of judicial

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<sup>21</sup> Rule 4, IPR Rules, 2007

pronouncement, *extreme caution*<sup>22</sup> is to be exercised at the time of determination of infringement of such a right.

The correct interpretation of Rule 4 of the *IPR Rules, 2007* is that, the power of determination is not taken away from the Custom Officers in case of violation of patent right and even when there is no judicial pronouncements. But, it would be incumbent for the patentee to just approach the Court and obtain a judicial order and therefore, there would be no need to invoke the machinery under these rules.

## CURRENT SCENARIO

In the background of the hierarchy of all the three cases of *Ram Kumar, Bhogilal and Ericsson*, it becomes partially easier to understand as to why the Central government must have come up with the latest Rules of 2018 (*IPR Rules, 2018*). Focussing on what we are left with, after the *Ericsson* judgement, view of the judges that firstly, it would be better if patent-holder first approach the Court and get a court order of an injunction, and secondly, it will be the discretion of the Custom authority to direct the parties to the Civil proceedings, points out to the fact that unlike other IPR's, patent-claims are too technical for the authorities to determine. Hence, anyways, the onus has been shifted onto the Courts already. Thus, keeping the patents under the purview of the Customs was nothing but a deadweight and a formality.

Therefore, the current *IPR Rules, 2018* omitted the terms "*patent as defined in the Patents Act, 1970*" and "*the Patents Act, 1970*" from the definitions of "intellectual property" (Clause 2(a)) and "intellectual property law" (Clause 2(b)).

As regards the present law, though it is clear that the *patents* have been removed from the scope of IPR that the Custom authority looks for Border Control measures, but it remains unclear as to whether the relevant High Court will be the authority to pass the order for suspension of clearance of goods which allegedly infringe patent rights of right-holder. Therefore, what should follow the *IPR Rules, 2018*, is a clear mandate for the civil courts or any other authority to adjudicate upon the cases for border control of the infringing patents. Now, how difficult

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<sup>22</sup> *Ibid.*

will it be for the courts as well as for the right-holder to enforce his rights through this medium is a subject to ponder, for the Central Government. As of today, the same issue has been left to be open-ended to different interpretation.

### **POSSIBLE REASONS FOR THE AMENDMENT**

The CBIC notification does not mention any reasons for the amendments and has left us to think about the right ones. An attempt to decipher the reasons for the amendment leads one to Rule 7 of the *IPR Rules, 2007*. Rule 7 of the *IPR Rules, 2007* states that the Commissioner can suspend clearance of goods if he has a 'reason to believe' on the basis of a notice given by the right holder or he has 'prima facie evidence' or 'reasonable grounds to believe' that the imported goods are infringing intellectual property rights on his own initiative. This basis of suspension was not strong enough as it favoured the right holder and a mere notice by him is sufficient to suspend the clearance of goods. The earlier rules can be said to be inclined more towards the right holder and thus, unfair towards the importer.

India is one of the founding members of WTO which makes it inescapable for India to not be TRIPS compliant. Article 51 of the TRIPS Agreement mandates provisions involving trademark and copyrights only when it comes to suspension of release of infringing goods by border forces or custom authorities. India had established rules that went one step ahead of TRIPS when it incorporated patents as well in the ambit of examination by custom authorities. This might be considered unnecessary by fellow WTO members and other nations.

It is imperative to understand that patents are a type of intellectual property that require certain level of competence and deftness to examine and understand the complex nature of a patent. It is not deemed fit by many that the custom authorities were left with the power to adjudicate whether a good is infringing a patented product or not.

Section 104 of the Patents Act, 1970 states that no suit for infringement of a patent shall be instituted in any court which is inferior to a district court. This leads to the understanding that obtainment of orders from a competent authority of district court level is necessary when it comes to infringement of a patent. This could not have been possible with the earlier law in force.

With powers vested in more than one authority to adjudicate patent infringement matters, it leads to multiplicity of litigation as well which cannot be welcomed by Indian judicial system, looking at the already heavy backlog of cases.

## **CRITICISM TO THE AMENDMENT**

Patent right holder, importer/exporter and the custom authorities including the Commissioner of Customs are the three pillars on which this discussion about custom-patent linkage is based. The removal of patents from the scope of custom authorities is beneficial for those who consider it tedious and troublesome to establish infringement of patents before the Commissioner of Customs or by the Commissioner. However, an executive notification by Central Board of Indirect taxes and Customs (CBIC) is not a holistic address to this problem and the Department of Revenue should have called for suggestions from stakeholders in this matter.

The custom authorities have various texts available for reference which deal with the process and procedure of registration, disposal etc. The basics of the process and the relation between customs and intellectual property rights can be understood by a reading of the Central Board of Excise & Customs: Customs Manual 2015. Federation of Indian Chambers of Commerce & Industry (FICCI) has also prepared a 'Intellectual Property Tool Kit for Customs Officials' which provides guidance to the custom officials to act as effective enforcement agencies. Chapters 3 and 4 of the Tool Kit talk about 'how customs can distinguish between original and fake?' and 'checklist for customs officials' respectively and are a comprehensive guide on how to check for IPR infringing goods.<sup>23</sup>

An alternative remedy or course of action should have been given to the patent holders to protect their rights against export and import of patent infringing goods since their deletion from the purview of Commissioner of Customs. It is common understanding that the court can still direct the Commissioner to take action against patent infringing goods but the Commissioner is only expected to enforce the directions of the judicial authority and would

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<sup>23</sup> Available at <http://ficci.in/events/22219/ISP/IP-Tool-Kit-for-Custom-Officials.pdf>.

not have the power to apply his own discretion or adjudicate any matter. The commissioner is just a toothless tiger now as even if he intercepts patent infringing goods, he does not have power under any statutory provision to take action against the same.

Instead of absolute removal, higher standard of requirements could have been added through the amendment rules. The right holder always has the option of approaching the court if he is not satisfied with the decision of the Custom Adjudicating Authority. Obtainment of orders from a district court level competent authority could have been inserted as a compulsory requirement for the right holders to stop import or export of infringing goods.

The ARTS is an e-application system for effective implementation of the IPR border measures.<sup>24</sup>

The IPR cells which have been set up in each Custom House in India and the Automated Recordation and Targeting System (ARTS) should be equipped with state of the art infrastructure to be able to examine each of the suspected patent infringing goods with expertise. A composition similar to the one of the Intellectual Property Appellate Board shall be appropriate to handle the wide array of intellectual property matters.<sup>25</sup>

## **QUESTIONS TRIGGERED BY THE AMENDMENT**

Q1. The Commissioner will only have the limited power to enforce the decision of court and no adjudicating power in patent matters. At the entry points of India, who will check the patent infringing goods? Will they be allowed to pass through the custom check post and enter the Indian market?

Q2. Irrespective of the mode of transport, custom officials man all points of entry in the country. Therefore, it is a fitting opportunity for inspection of patent-infringing goods at the

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<sup>24</sup> Enforcement of Intellectual Property Rights: Role of Customs Authorities, Document No. 1.7.14.IPR, prepared by National Academy of Customs, Excise and Narcotics (NACEN), Kanpur.

<sup>25</sup> Gupta Aditya, 'BORDER ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS IN INDIA: RECENT DEVELOPMENTS', Trade, Law and Development, Vol. 1, No 2 (2009).

very onset of their arrival in India. If the patent infringing goods are not detected and stopped at the entry level, then the right holder might institute infringement proceedings against the third party selling the alleged patent infringing goods at a later stage whenever it will come to know about the sale of the same. Wouldn't this be unfair to the right holder as he is missing a chance to stop those infringing goods at the very start from entering the Indian market?

