

# Conflicting views on recordation of patents, designs and geographic indications

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## **IP Rights Enforcement Rules Suspending clearance of goods Comment**

Rights holders in India have consistently had to deal with the issue of counterfeiting. While India has several infamous markets that manufacture and offer for sale counterfeit goods, in the last few years counterfeit goods have increasingly been imported into India. Counterfeit goods imported into India are diverse in nature, including automobile parts, industrial parts, toys, clothes and watches.

### **IP Rights Enforcement Rules**

In order to implement a system to counter the import of counterfeit goods, the IP Rights (Imported Goods) Enforcement Rules 2007 (via Notification 49/2007 Customs (NT)) came into force on May 8 2007.

Under the rules, a rights holder may provide a written notice to the commissioner of customs or any customs officer authorised to act on the commissioner's behalf requesting that the clearance of allegedly infringing goods be suspended. The rules apply to copyrights, trademarks, patents, designs and geographical indications and prescribe a procedure for requesting the suspension of clearance. The rules have a much broader scope than the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs), as patents, designs and geographical indications are not covered in the border enforcement measures provided in TRIPs.

### **Suspending clearance of goods**

The procedure for notifying the commissioner of trademark and copyright infringement is fairly straightforward. For trademarks, rights holders must produce, among other things, the registration certificate issued by the Trademarks Registry. For copyrights, rights holders must produce, among other things, documents proving ownership of the work concerned.

However, patents, designs and geographical indications are technical and complex IP rights and notification of Customs is thus not as easy. Further, Customs' ability to detect infringements and suspend the clearance of allegedly infringing goods is made more difficult as Customs may not possess the knowledge required to assess patents, designs or geographical indications.

In light of this difficulty, the government issued Circular 41/2007 on October 29 2007. Clause 4 of the circular clarifies that Customs must wait for a court order before suspending the clearance of goods allegedly infringing a patent, design or geographical indication. However, the circular goes on to state that Customs must exercise extreme caution when determining patent, design or geographical indication infringement. There is a contradiction here, as on one hand Customs must wait for a court order before suspending clearance of goods; while on the other, Customs can make infringement determinations if it exercises extreme caution.

This apparent contradiction has further been confounded by two contradictory 2012 Delhi High Court judgments. By chance, the two judgments were passed on the same day by two different

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benches of the Delhi High Court, which were oblivious to the fact that the other judgment was being issued.

On July 13 2012, in *LG Electronics India Pvt Ltd v Bharat Bhogilal Patel*,<sup>(1)</sup> a single judge of the Delhi High Court observed that under Clause 4 of the circular, Customs cannot suspend the clearance of goods that allegedly infringe patents, designs and geographical indications without a prior court order to that effect. On the same day, in *Telefonaktiebolaget LM Ericsson v Union of India*,<sup>(2)</sup> the Division Bench of the Delhi High Court noted that although determining patent violation may pose a problem for Customs, it still has power to determine whether a given consignment of goods infringes a patent, as long as it exercises extreme caution. In other words, Customs can act of its own accord and without a court order if it exercises extreme caution.

To add to this inconsistency, on May 28 2014 in *Nokia Corporation v Bharat Bhogilal Patel*<sup>(3)</sup>, a single judge of the Delhi High Court concurred with the view taken in *LG Electronics India*, without referring to the Division Bench's decision in *Ericsson*.

## **Comment**

While conflicting orders were passed, the Division Bench is the higher bench; thus, its decision in *Ericsson* is undoubtedly the applicable law and is binding on the lower courts. Further, a harmonious reading of the circular clarifies that Customs can determine whether a given consignment infringes a patent, design or geographical indication. That said, as these IP rights are more technical and complex – coupled with the fact that Customs may not possess the knowledge and understanding required to determine infringement – Customs should seek assistance from the courts before suspending clearance of goods. While the government (through its various agencies) is actively engaging with Customs and the Customs Academy to help educate and train agents to detect IP infringement, the difficulty faced by Customs on the ground is certainly a cause for concern. Given the enormity of the challenges that rights holders face, this is certainly an area of IP enforcement and protection worth following closely.

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## **Endnotes**

(1) 2012 (51) PTC513 (Del).

(2) 2012 (52) PTC494 (Del).

(3) CS(OS) 3071/2011.

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