

Updated as on 21.02.2016

[Training Material for Departmental Use]

E-BOOK

On

*Enforcement of
Intellectual Property Rights
at Border*

[Exercises]

(Book No.05)

Note:

1. In this E-book, attempts have been made to understand the concept of *Enforcement of Intellectual Property Rights (IPRs) at Border; [Exercises]*. It is expected that it will help the new entrants into the service.
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Sd/-

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1. Exercise-I

A specific intelligence has been received that the importer 'A' is engaged in importing counterfeit good of well-known brand (registered with Customs Authorities for enforcement of their IPR) in violation of provisions of the Trade Mark Act, 1999 and Customs Act, 1962 by declaring the goods as 'unbranded' goods and after clearance of the same, the goods are being sold in the market.

Acting on intelligence, the consignment of commodity 'X' sought to be cleared by B/E No. 111111 dated xx/yy/zzzz by importer "AA" was intercepted and subjected to 100% examination by the officer of Special Intelligence and Investigation Branch (SIIB).

On examination of goods, the goods were found to be carrying brand "B" while in the B/E, the goods was declared as 'unbranded' one. On examination of IPR application registered with Customs Authorities, it was noted that right holder of brand "B" has filed application for enforcement of their IPR at border under IPR (Imported Goods) Enforcement Rules, 2007.

Now, on the basis of the above said facts, imagine that you are an officer of SIIB and investigating this case. Various actions to be taken to complete the investigations and issue SCN have been specified in the list given below and have been jumbled up. As an investigating officer, as per your opinion, what would be the most appropriate logical sequence of these individual actions?

- (a) Inform the IPR right holder about the shipment and request to examine the goods for ascertaining the genuineness of goods or otherwise.
- (b) Adjudication of the SCN by the competent authority.
- (c) Issuance of Summons to the importer.
- (d) Execution of Consignment specific bond along with security by the right holder.
- (e) Suspend the clearance of the goods under IPR.
- (f) submission of the Report by the right holder stating that the goods are counterfeit explain in details the basis of such conclusion including the difference of impugned counterfeit goods and original goods.
- (g) Seizure of the goods under the provisions of the Customs Act, 1962.
- (h) Issuance of the SCN to the importer asking him to show cause as to why the goods imported and found to be counterfeit goods should not be confiscated under section 111(d) of the Custom Act, 1962 and penalty should not be imposed on him under section 112 of the Customs Act, 1962.
- (i) Recording of the statement of the importer and record his statement after confronting him with the report given by the right holder.
- (j) Examination of the goods by the right holder and drawal of sample.

Answer: Correct Sequence of actions to be carried out:

(e), (a), (j), (f), (d), (c), (i), (g), (h), and (b)

2. *Exercise-2*

In the following text, which is basically a draft SCN (over simplified version), some blank fields have been left out. Please fill in the blank with the most appropriate choice out of four options given.

[Time Scheduled: 45 minutes]

Model SCN for IPR Case:

A specific intelligence was received that the importer 'A' is engaged in importing counterfeit goods of well-known brand (registered with Customs Authorities for enforcement of their IPR) in violation of provisions of the Trade Mark Act, ____ (1970/ 1957 /1999/ 2000) and Customs Act, _____ (1944/ 1994/1962/1977) by declaring the goods as 'unbranded' goods and after clearance of the same, the goods are being sold in the market.

2. Acting on intelligence, the consignment of commodity 'X' sought to be cleared *vide* B/E No. XXXX dated DD/MM/YYYY by importer 'A' was intercepted and subjected to 100% examination by the officer of Special Intelligence and Investigation Branch (SIIB).

3. On 100% examination of goods conducted in the presence of the importer and CHA, the goods were found to be carrying brand 'B' while in the B/E No. XXXX, dated DD/MM/YYYY, the goods was declared as 'unbranded' one. Further, the value of goods declared to very low *vis-a-vis* value of similar imported goods of brand 'B'. On checking up with IPR Cell of Custom House regarding registration of IPR application of right holder of Brand 'B' with Customs authorities, it was disclosed that right holder of brand 'B' has filed application for enforcement of their IPR at border under _____[Trade Mark Act, 1999 /Patent Act, 1970/ IPR (Imported Goods) Enforcement Rules, 2007/ Copyright Act, 1957] and the same has been registered with Customs Authority. It was also disclosed that IPR right holder has furnished _____ [General Bond (with security)/ *General Bond (without Security)* / Centralized Bond (without Security)/ Centralized Bond (with security equal to the value of bond)]. Further, the Right Holder has also furnished indemnity bond against any claim of damages or demurrage against the _____ [importer /Custom officer/CHA/airline] in terms of rule _____ (3/4/5/7) of the IPR Enforcement Rules, 2007. The IPR Branch informed that the Brand "b" is registered with the department vide _____ [UTRN/UPRN/BE/IPR APPLICATION] No.ZZZZ, dated DD/MM /YYYY. The examination of the goods was done under Panchnama in the presence of two independent witnesses and a panchnama was drawn.

4. Accordingly, the officer suspended clearance of the imported consignment and informed the IPR right holder, through IPR cell, about the imported consignment and it's suspected of being counterfeit. The IPR right holder was also requested to inspect/ examine the imported consignment in terms of Rule ____ [7/8/9/10] of the IPR

Enforcement Rules, 2007 and to draw the reprehensive sample(s) of the goods imported for ascertaining the genuineness of the imported branded goods in terms of ___ (7/8/9/10) of the IPR Enforcement Rules, 2007, which were notified by notification No. _____ [47/48/49/50] /2007- Customs (NT), dated DD/MM/YYYY in exercise of power given under Section ___ [11/110/111/113] read with Section 156 of the Customs Act, 1962.

5. Authorised representative of the IPR right holder immediately responded to the communication received from the Customs Authorities and appeared for inspection/examination of the imported consignment and for drawing representative samples. The inspection/examination of the imported consignment was done by the authorized representative of the IPR right holder in the presence of the CHA and representative sample was withdrawn to ascertain the genuineness of the goods in accordance with the rule ___ [7/8/9/10] of the IPR Enforcement Rules, 2007.

6. After examination of the sample of the goods, the IPR right holder informed the Custom authorities in writing that imported goods are counterfeit goods of their registered product and also explained in details as to how and why the imported goods in question and sought to be cleared vide B/E No. XXXX, dated DD/MM/YYYYA is not a genuine product, but counterfeit goods. The authorized representative of the IPR right holder also informed that they wanted to join the proceeding and requested Customs authorities about the value of the consignment-specific bond and bank guarantee to be executed for the purpose. *Vide* letter No. ___, dated DD/MM/YYYY, the authorized representative of the IPR right holder submitted a consignment-specific bond for value Rs. M, equal to _____ [100%/ 110%/ 25%/ 50%] of value of imported consignment along with bank guarantee equal to ___ [100%/ 110%/ 25%/ 50%] of the value of the Bond in accordance with rule ___ [4/5/6/7] of the IPR Enforcement Rules, 2007

7. Summons dated DD/MM/YYYY were issued to the importer and his statement was recorded on DD/MM/YYYY under Section _____ [104/105/108/110] of Customs Act, 1962 in which he, *inter alia*, stated as under :-

- (i) that on DD/MM/YYYY, his consignment imported vide B/E No. XXXX, dated DD/MM/YYYY was examined by the Customs Officers of SIIB Branch in his presence and in presence of two independent witnesses and that as a result of examination, branded goods of brand 'B' were recovered;
- (ii) that the goods has been wrongly sent by the supplier as he had ordered for unbranded goods only and made payment for unbranded goods;
- (iii) that it is the mistake on part of the supplier that the consignment meant for some other buyer has been sent to him;
- (iv) that he is ready to send the consignment back to the supplier and requested for permission to re-export the same back to the supplier.

8. Since the goods, *prima facie*, indicated violation of the provisions of the Customs Act, 1962 and it appeared that the importer attempted to clear the counterfeit goods by

declaring the same as unbranded goods, the imported consignment was seized under section ____ [104/105/110/111] of the Customs Act, 1962.

Note: Readers may note that there may be varying practices by the field formations on the stage at which contraband goods would be seized under Section 110 of the Customs Act, 1962. Some may do it immediately after the examination of goods, while others may wait till the report of the IPR Right holder. Some authorities may do so after giving opportunity to the importer to offer his explanation i.e. after recording of statement.]

9. After seizing the consignment, the Investigating officer may carry out further investigation with regards to previous imports, disposal of these imported goods, any other violation of the provisions of the Customs Act, 1962, inquiries with bank, statement of buyers of the previously imported goods, receipt of the payment for the goods sold in market after import, remittance for the past imports as well as import in question, compliance with other tax laws etc. These investigations may be incorporated in the SCN.

Note: Readers may note that to keep model SCN as simple as possible and to focus readers attention on IPR, the above mentioned aspects are being overlooked or not being discussed in the present case.]

10. From the above, it appears that the goods imported vide B/E No. XXXXX, dated DD/MM/YYYY are counterfeit goods of brand 'B' and appears to be prohibited for import under notification No. ____ [47/48/50/51] /2010-Custom (NT), dated DD/MM/YYYY, issued under Section ____ [10/11/111/113] of the Customs Act, 1962. Further, the goods appear to be liable for confiscation under clause ____[(c)/(d)/(n)/(o)] of Section ____ [111/112 /113 /114] of the Customs Act, 1962.

11. The importer also appears to be liable for imposition of penalty under Section ____ [111/112/113/114] of the Customs Act, 1962 as he not only failed to declare the branded nature of the goods, but also attempted to clear the counterfeit goods of brand 'B', which are prohibited for import under notification No. ____ [47/48 /50/51] /2010-Customs (NT), dated DD/MM/YYYY read with section ____ [53/ 102/111/113/ of the Trade Mark Act, 1999.

12. In view of above, M/s A, the importer of the consignment under B/E No. XXXX, dated DD/MM/YYYY is hereby called upon to Show Cause to the Commissioner/ADC/JC/AC/DC, having office located at ZZZZ, as to why,-

- (i) the goods imported vide B/E No. XXXX, dated DD/ MM /YYYY should not be held to be counterfeit goods of Brand 'B' and should not be held to be prohibited goods for import under notification No. ____ [47/48/49/50/51]/ 2010-Customs(NT), dated DD/MM/YYYY.
- (ii) the goods imported vide B/E No. XXXX, dated DD/MM/YYYY should be confiscated under clause ____((a)/(b)/(c)/(d)) of Section ____ (110/111/113/114) of the Custom Act, 1962;

- (iii) the penalty should not be imposed under Section ____ [110/111/112/114] of the Customs Act, 1962.

Note 1: *Adjudicating authority has to be decided in terms of Section 122 of the Customs Act, 1962.*

Note 2: *In the portion of SCN, miscellaneous paragraphs requiring furnishing of reply in 30 days; asking noticee (s) to indicate whether Personal hearing is required or not; asking noticee (s) to submit evidence, if any, in support of his convention; indicating that the present proceeding are without prejudice to proceeding under any other law for the time being in force, list of RUDs, return of Non-RUDs, etc., are required to be added here to make it complete.]*

[Name and designation
of issuing authority]

To,

- (i) Importer name and address
- (ii) IPR Right holder

Copy to:

- (i) Adjudication section
- (ii) Master folder
- (iii)

Note:- *Readers may note that draft SCN consists of only relevant parts of SCN, which require testing the knowledge of the participant and to improve their understanding of IPR laws. It may be mentioned here that the actual SCN may be more detailed and, inter alia, have details of investigations into past imports by the importer, financial investigations, inter alia, covering payment for imported goods as well as sale of imported goods in market, compliance with other tax laws; verification or search of importer's business premises/godowns, seizure of goods imported in the past and lying at business premises; summary of investigations; detailed discussion of legal provisions relevant to the case and convened by the importer; specific role of different individuals and justification for imposition of penalty on such persons under Customs Act, 1962; miscellaneous paragraphs requiring furnishing of reply in 30 days; asking noticee (s) to indicate whether Personal hearing is required or not; asking noticee (s) to submit evidence, if any, in support of his convention; indicating that the present proceeding are without prejudice to proceeding under any other law, list of RUDs, return of Non-RUDs, etc.]*

ANSWER

PARA-1. A specific intelligence was received that the importer 'A' is engaged in importing counterfeit goods of well-known brand (registered with Customs Authorities for enforcement of their IPR) in violation of provisions of the Trade Mark Act, **1999** and Customs Act, **1962** by declaring the goods as 'unbranded' goods and after clearance of the same, the goods are being sold in the market.

PARA-2. Acting on intelligence, the consignment of commodity 'X' sought to be cleared *vide* B/E No. XXXX dated DD/MM/YYYY by importer 'A' was intercepted and subjected to 100% examination by the officer of Special Intelligence and Investigation Branch (SIIB).

PARA-3. On 100% examination of goods conducted in the presence of the importer and CHA, the goods were found to be carrying brand 'B' while in the B/E No. XXXX, dated DD/MM/YYYY, the goods was declared as 'unbranded' one. Further, the value of goods declared to very low *vis-a-vis* value of similar imported goods of brand 'B'. On checking up with IPR Cell of Custom House regarding registration of IPR application of right holder of Brand 'B' with Customs authorities, it was disclosed that right holder of brand 'B' has filed application for enforcement of their IPR at border under **IPR(Imported Goods) Enforcement Rules, 2007** and the same has been registered with Customs Authority. It was also disclosed that IPR right holder has furnished **General Bond (without Security)**. Further, the Right Holder has also furnished indemnity bond against any claim of damages or demurrage against the **Custom officer** in terms of rule **5** of the IPR Enforcement Rules, 2007. The IPR Branch informed that the Brand "b" is registered with the department *vide* **UPRN** No.ZZZZ, dated DD/MM/YYYY. The examination of the goods was done under Panchnama in the presence of two independent witnesses and a panchnama was drawn.

PARA-4. Accordingly, the officer suspended clearance of the imported consignment and informed the IPR right holder, through IPR cell, about the imported consignment and it's suspected of being counterfeit. The IPR right holder was also requested to inspect/ examine the imported consignment in terms of Rule **8** of the IPR Enforcement Rules, 2007 and to draw the reprehensive sample(s) of the goods imported for ascertaining the genuineness of the imported branded goods in terms of **8** of the IPR Enforcement Rules, 2007, which were notified by notification No.**47/2007**- Customs (NT), dated DD/MM/YYYY in exercise of power given under Section **11** read with Section 156 of the Customs Act, 1962.

5. Authorised representative of the IPR right holder immediately responded to the communication received from the Customs Authorities and appeared for inspection/examination of the imported consignment and for drawing representative samples. The inspection/examination of the imported consignment was done by the authorized representative of the IPR right holder in the presence of the CHA and representative sample was withdrawn to ascertain the genuineness of the goods in accordance with the rule **8** of the IPR Enforcement Rules, 2007.

6. After examination of the sample of the goods, the IPR right holder informed the Custom authorities in writing that imported goods are counterfeit goods of their registered product and also explained in details as to how and why the imported goods in question and sought to be cleared vide B/E No. XXXX, dated DD/MM/YYYYA is not a genuine product, but counterfeit goods. The authorized representative of the IPR right holder also informed that they wanted to join the proceeding and requested Customs authorities about the value of the consignment-specific bond and bank guarantee to be executed for the purpose. *Vide* letter No. ____, dated DD/MM/YYYYY, the authorized representative of the IPR right holder submitted a consignment-specific bond for value Rs. M, equal to **110%** of value of imported consignment along with bank guarantee equal to **25%** of the value of the Bond in accordance with rule **5** of the IPR Enforcement Rules, 2007

7. Summons dated DD/MM/YYYY were issued to the importer and his statement was recorded on DD/MM/YYYY under Section **108** of Customs Act, 1962 in which he, *inter alia*, stated as under :-

- (i) that on DD/MM/YYYY, his consignment imported vide B/E No. XXXX, dated DD/MM/YYYY was examined by the Customs Officers of SIIB Branch in his presence and in presence of two independent witnesses and that as a result of examination, branded goods of brand 'B' were recovered;
- (ii) that the goods has been wrongly sent by the supplier as he had ordered for unbranded goods only and made payment for unbranded goods;
- (iii) that it is the mistake on part of the supplier that the consignment meant for some other buyer has been sent to him;
- (iv) that he is ready to send the consignment back to the supplier and requested for permission to re-export the same back to the supplier.

8. Since the goods, *prima facie*, indicated violation of the provisions of the Customs Act, 1962 and it appeared that the importer attempted to clear the counterfeit goods by declaring the same as unbranded goods, the imported consignment was seized under section **110** of the Customs Act, 1962.

Note: *Readers may note that there may be varying practices by the field formations on the stage at which contraband goods would be seized under Section 110 of the Customs Act, 1962. Some may do it immediately after the examination of goods, while others may wait till the report of the IPR Right holder. Some authorities may do so after giving opportunity to the importer to offer his explanation i.e. after recording of statement.]*

9. After seizing the consignment, the Investigating officer may carry out further investigation with regards to previous imports, disposal of these imported goods, any other violation of the provisions of the Customs Act, 1962, inquiries with bank, statement of buyers of the previously imported goods, receipt of the payment for the goods sold in market after import, remittance for the past imports as well as import in

question, compliance with other tax laws etc. These investigations may be incorporated in the SCN.

[Note: *Readers may note that to keep model SCN as simple as possible and to focus readers attention on IPR, the above mentioned aspects are being overlooked or not being discussed in the present case.]*

10. From the above, it appears that the goods imported vide B/E No. XXXXX, dated DD/MM/YYYY are counterfeit goods of brand 'B' and appears to be prohibited for import under notification No. **51**/2010-Custom (NT), dated DD/MM/YYYY, issued under Section **11** of the Customs Act, 1962. Further, the goods appear to be liable for confiscation under clause (d) of Section **111** of the Customs Act, 1962.

11. The importer also appears to be liable for imposition of penalty under Section **112** of the Customs Act, 1962 as he not only failed to declare the branded nature of the goods, but also attempted to clear the counterfeit goods of brand 'B', which are prohibited for import under notification No. **51**/2010-Customs (NT), dated DD/MM/YYYY read with section **102** of the Trade Mark Act, 1999.

12. In view of above, M/s A, the importer of the consignment under B/E No. XXXX, dated DD/MM/YYYY is hereby called upon to Show Cause to the Commissioner/ADC/JC/AC/DC, having office located at ZZZZ, as to why,-

- (i) the goods imported vide B/E No. XXXX, dated DD/ MM /YYYY should not be held to be counterfeit goods of Brand 'B' and should not be held to be prohibited goods for import under notification No.**51**/ 2010-Customs(NT), dated DD/MM/YYYY.
- (ii) the goods imported vide B/E No. XXXX, dated DD/MM/YYYY should be confiscated under clause (d) of Section **111** of the Custom Act, 1962;
- (iii) the penalty should not be imposed under Section **112** of the Customs Act, 1962.
