

Updated as on 21.02.2016

[Training Material for Departmental Use]

E-BOOK

On

*Enforcement of  
Intellectual Property Rights  
at Border*

**Legal Provisions under Customs Act, 1962**

**(Book No.03)**

---

**Note:**

1. In this E-book, attempts have been made to understand the concept of ***Enforcement of Intellectual Property Rights (IPRs) at Border; Legal Provisions under Customs Act, 1962***. It is expected that it will help the new entrants into the service.
2. Though all efforts have been made to make this document error free, but it is possible that some errors might have crept into the document. If you notice any errors, the same may be brought to the notice to the NACEN, RTI, Kanpur on the Email address: [rtinacenkanpur@yahoo.co.in](mailto:rtinacenkanpur@yahoo.co.in). This may not be a perfect E-book. If you have any suggestion to improve this book, you are requested to forward the same to us.
3. If any officer is interested in preparing E-book on any topic relating to Customs, Central Excise or Service Tax, he may forward the E-book prepared by him to the Email addresses mentioned above. After necessary vetting, we will include the same in our E-book library for benefit of all Departmental officers.
4. The matter in this e-Book is based on variety of sources. The purpose of this e-Book is primarily education and training. It is not our intention to infringe any copyrights. However, if anybody has any issue with regard to any of the material used in this e-Book, the same may kindly be brought to my notice on the email address mentioned above.
5. If you feel that this e-book has really helped you in improving your knowledge or understanding of the subject matter, we request you to take few minutes out of your precious time and provide us your valuable feedback. Your feedback is important and will help us in improving our e-books.

Sd/-

(C. P. Goyal)  
Additional Director General  
NACEN, RTI, Kanpur  
E-mail: [goyalcp@hotmail.com](mailto:goyalcp@hotmail.com)

**INDEX**

1. Introduction.....	1
2. Summary of Relevant legal Provisions under Customs Act, 1962 at a glance ....	2
3. Text of relevant Section/ Rules/ Notifications/ Circulars/ Instructions .....	3
3.1 Text of Section 11 of the Customs Act, 1962.....	3
3.2 Text of Section 111 of the Customs Act, 1962 .....	4
3.3 Text of Section 113 of the Customs Act, 1962.....	5
3.4 Text of Section 112 of the Customs Act, 1962.....	7
3.5 Text of Section 114 of the Customs Act, 1962.....	7
3.6 Text of IPR Enforcement Rules, 2007, notified vide notification No.47/2007-Customs (NT), dated 8.5.2007.....	8
4. Conditions for registration. -.....	10
5. Prohibition for import of goods infringing intellectual property rights.- .....	10
6. Suspension of clearance of imported goods.-.....	10
7. Examination of goods by right holder.- .....	12
8. Supply of information to the right holder. – .....	12
9. Supply of information to the importer. – .....	13
10. Disposal of infringing goods. –.....	13
11. Exclusion of baggage and De-minimis Imports.- .....	14
12. Protection of action taken under the Rules.-.....	14
3.7 Text of Notification No. 51/2010 - Customs (N.T.), dated 30.06.2010.....	16
3.8 Text of Circular No. 41 /2007-Customs, dated 29.10.2007.....	17
3.9 Text of Circular No. 10 /2011-Customs, dated 24.02.2011.....	21
3.10 Text of Circular No.13/2012-Customs, dated 08.05.2012.....	25
3.11 Text of CBEC Instruction F.No.26000/1/2012-OSD(ICD), dated 27.03.2012 .....	27

---

## 1. Introduction

- 1.1. The clause (n) of sub-section (2) of Section 11 of the Customs Act, 1962 specify the protection of patents, trademarks and copyrights as the purpose for which the Central Government may issue notification under sub-section (1) of Section 11, prohibiting import or export of goods of specified description, either absolutely or subject to such condition as may be specified in the notification. Further, the clause (u) of sub-section (2) of Section 11 of the Customs Act, 1962 specify the prevention of the contravention of any law for the time being in force as the purpose for which similar notification may also be issued by the Government.
- 1.2. For the purposes specified in Clauses (n) and (u) of sub-section (2) of Section 11 of the Customs Act, 1962, the Government has issued following two notifications under Sub-section (1) of Section 11 of the Customs Act, 1962 prohibiting import and export of goods of specified description which are in contravention of specified IPR Laws in India:-
  - (i) Notification No.51/2010-Customs (NT), dated 30.06.2010 prohibiting import of goods intended for sale or use in India which contravenes the specified provisions of Trade Marks Act, 1999; the Designs Act, 2000; the Patents Act, 1970; the Geographical Indications of Goods (Registration and Protection) Act, 1999 or the Copy right Act, 1957.
  - (ii) Notification No.50/2007-Customs, dated 08.05.2007 prohibiting export of goods which contravenes provisions of Trade Marks Act, 1999.
- 1.3. Further, the Government has also notified the IPR (Imported goods) Enforcement Rules, 2007 *vide* notification No. 47/2007-Customs, dated 08.05.2007 laying down detailed procedures to be followed by right holders as well as Customs officers for enforcement of IPRs of the right holders at Customs Border points.
- 1.4. For the purposes of explanation of legal mechanism for enforcement of IPRs in India, time to time, the CBEC has also issued several circulars for guidance of the departmental officials.

## 2. *Summary of Relevant legal Provisions under Customs Act, 1962 at a glance*

Summary of relevant legal provisions in the form of provisions of Sections, rules framed by the Government, notifications, Circulars and instructions issued by the Government has been given in the **Table- I** below:-

**Table-I**

<b>Sr. No.</b>	<b>Relevant Section/ Rules/notification Circulars</b>	<b>Subject</b>
1.	Section 11 of the Customs Act, 1962	This section empowers Central Government to prohibit import or export of goods either absolutely or conditionally for specified purposes.
2.	Section 111 of the Customs Act, 1962	This section deals with confiscation of goods imported or attempt to be imported improperly.
3.	Section 113 of the Customs Act, 1962	This section deals with confiscation of goods <b>attempted to be improperly exported</b>
<b>Notifications</b>		
4.	Notification No. 47/2007-Customs(NT), dated 08.05.2007	It notifies the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007.
5.	Notification No. 50/2007-Customs (NT), dated 08.05.2007	It prohibits export of goods which contravenes provisions of Trade Marks Act, 1999.
6.	Notification No. 51/2010-Customs (NT), dated 30.06.2010	It prohibits the import of goods intended for sale or use in India which contravenes the specified provisions of Trade Marks Act, 1999; the Designs Act, 2000; the Patents Act, 1970; the Geographical Indications of Goods (Registration and Protection) Act, 1999 or the Copy right Act, 1957.
<b>Circulars issued by CBEC</b>		
7.	Circular No. 41/2007-Customs, dated 29.10.2007	Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007-Instruction for Implementation
8.	Circular No. 10/2011-Customs, dated 24.02.2011	Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 -Instructions for implementation
9.	Circular No. 13/2012-Customs, dated 08.05.2012	Enforcement of Intellectual Property Rights on imported goods - Clarification on the issue of Parallel Imports
<b>Instructions issued by CBEC</b>		
10.	Instruction F. No. 26000/1/2012-OSD (ICD), dated 27.03.2012	CS (OS) No. 2982/2011 in the matter of L.G. Electronics India Pvt. Ltd. (petitioner) vs. Bharat Bhogilal Patel, Commissioner of Customs, Mumbai / Delhi before the Hon'ble High Court of Delhi

### 3. *Text of relevant Section/ Rules/ Notifications/ Circulars/ Instructions*

#### 3.1 *Text of Section 11 of the Customs Act, 1962*

#### 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:-
  - (a) the maintenance of the security of India;
  - (b) the maintenance of public order and standards of decency or morality;
  - (c) the prevention of smuggling;
  - (d) the prevention of shortage of goods of any description;
  - (e) the conservation of foreign exchange and the safeguarding of balance of payments;
  - (f) the prevention of injury to the economy of the country by the uncontrolled import or export of gold or silver;
  - (g) the prevention of surplus of any agricultural product or the product of fisheries;
  - (h) the maintenance of standards for the classification, grading or marketing of goods in international trade;
  - (i) the establishment of any industry;
  - (j) the prevention of serious injury to domestic production of goods of any description;
  - (k) the protection of human, animal or plant life or health;
  - (l) the protection of national treasures of artistic, historic or archaeological value;
  - (m) the conservation of exhaustible natural resources;
  - (n) the protection of patents, trademarks and copyrights;
  - (o) the prevention of deceptive practices;
  - (p) the carrying on of foreign trade in any goods by the State, or by a Corporation owned or controlled by the State to the exclusion, complete or partial, of citizens of India;
  - (q) the fulfilment of obligations under the Charter of the United Nations for the maintenance of international peace and security;
  - (r) the implementation of any treaty, agreement or convention with any country;

- (s) the compliance of imported goods with any laws which are applicable to similar goods produced or manufactured in India;
- (t) the prevention of dissemination of documents containing any matter which is likely to prejudicially affect friendly relations with any foreign State or is derogatory to national prestige;
- (u) the prevention of the contravention of any law for the time being in force; and
- (v) any other purpose conducive to the interests of the general public.

### 3.2 Text of Section 111 of the Customs Act, 1962

#### Section 111: Confiscation of improperly imported goods, etc.:-

The following goods brought from a place outside India shall be liable to confiscation: -

- (a) any goods imported by sea or air which are unloaded or attempted to be unloaded at any place other than a customs port or customs airport appointed under clause (a) of section 7 for the unloading of such goods;
- (b) any goods imported by land or inland water through any route other than a route specified in a notification issued under clause (c) of section 7 for the import of such goods;
- (c) any dutiable or prohibited goods brought into any bay, gulf, creek or tidal river for the purpose of being landed at a place other than a customs port;
- (d) any goods which are imported or attempted to be imported or are brought within the Indian customs waters for the purpose of being imported, contrary to any prohibition imposed by or under this Act or any other law for the time being in force;
- (e) any dutiable or prohibited goods found concealed in any manner in any conveyance;
- (f) any dutiable or prohibited goods required to be mentioned under the regulations in an import manifest or import report which are not so mentioned;
- (g) any dutiable or prohibited goods which are unloaded from a conveyance in contravention of the provisions of section 32, other than goods inadvertently unloaded but included in the record kept under sub-section (2) of section 45;
- (h) any dutiable or prohibited goods unloaded or attempted to be unloaded in contravention of the provisions of section 33 or section 34;
- (i) any dutiable or prohibited goods found concealed in any manner in any package either before or after the unloading thereof;

- (j) any dutiable or prohibited goods removed or attempted to be removed from a customs area or a warehouse without the permission of the proper officer or contrary to the terms of such permission;
- (k) any dutiable or prohibited goods imported by land in respect of which the order permitting clearance of the goods required to be produced under section 109 is not produced or which do not correspond in any material particular with the specification contained therein;
- (l) any dutiable or prohibited goods which are not included or are in excess of those included in the entry made under this Act, or in the case of baggage in the declaration made under section 77;
- (m) any goods which do not correspond in respect of value or in any other particular with the entry made under this Act or in the case of baggage with the declaration made under section 77 in respect thereof, or in the case of goods under transshipment, with the declaration for transshipment referred to in the proviso to sub-section (1) of section 54;
- (n) any dutiable or prohibited goods transited with or without transshipment or attempted to be so transited in contravention of the provisions of Chapter VIII;
- (o) any goods exempted, subject to any condition, from duty or any prohibition in respect of the import thereof under this Act or any other law for the time being in force, in respect of which the condition is not observed unless the non-observance of the condition was sanctioned by the proper officer;
- (p) any notified goods in relation to which any provisions of Chapter IVA or of any rule made under this Act for carrying out the purposes of that Chapter have been contravened.

### **3.3 Text of Section 113 of the Customs Act, 1962**

#### **Section 113: Confiscation of goods attempted to be improperly exported, etc.:-**

The following export goods shall be liable to confiscation:-

- (a) any goods attempted to be exported by sea or air from any place other than a customs port or a customs airport appointed for the loading of such goods;
- (b) any goods attempted to be exported by land or inland water through any route other than a route specified in a notification issued under clause (c) of section 7 for the export of such goods;

- (c) any goods brought near the land frontier or the coast of India or near any bay, gulf, creek or tidal river for the purpose of being exported from a place other than a land customs station or a customs port appointed for the loading of such goods;
- (d) any goods attempted to be exported or brought within the limits of any customs area for the purpose of being exported, contrary to any prohibition imposed by or under this Act or any other law for the time being in force;
- (e) any goods found concealed in a package which is brought within the limits of a customs area for the purpose of exportation;
- (f) any goods which are loaded or attempted to be loaded in contravention of the provisions of section 33 or section 34;
- (g) any goods loaded or attempted to be loaded on any conveyance, or water-borne, or attempted to be water-borne for being loaded on any vessel, the eventual destination of which is a place outside India, without the permission of the proper officer;
- (h) any goods which are not included or are in excess of those included in the entry made under this Act, or in the case of baggage in the declaration made under section 77;
- (i) any goods entered for exportation which do not correspond in respect of value or in any material particular with the entry made under this Act or in the case of baggage with the declaration made under section 77;
- (ii) any goods entered for exportation under claim for drawback which do not correspond in any material particular with any information furnished by the exporter or manufacturer under this Act in relation to the fixation of rate of drawback under section 75;
- (j) any goods on which import duty has not been paid and which are entered for exportation under a claim for drawback under section 74;
- (k) any goods cleared for exportation which are not loaded for exportation on account of any willful act, negligence or default of the exporter, his agent or employee, or which after having been loaded for exportation are unloaded without the permission of the proper officer;
- (l) any specified goods in relation to which any provisions of Chapter IVB or of any rule made under this Act for carrying out the purposes of that Chapter have been contravened.

### **3.4 Text of Section 112 of the Customs Act, 1962**

#### **Section 112: Penalty for improper importation of goods, etc.:-**

Any person, -

(a) who, in relation to any goods, does or omits to do any act which act or omission would render such goods liable to confiscation under section 111, or abets the doing or omission of such an act, or

(b) who acquires possession of or is in any way concerned in carrying, removing, depositing, harbouring, keeping, concealing, selling or purchasing, or in any other manner dealing with any goods which he knows or has reason to believe are liable to confiscation under section 111, shall be liable, -

- (i) in the case of goods in respect of which any prohibition is in force under this Act or any other law for the time being in force, to a penalty not exceeding the value of the goods or five thousand rupees, whichever is the greater;
- (ii) in the case of dutiable goods, other than prohibited goods, to a penalty not exceeding the duty sought to be evaded on such goods or five thousand rupees, whichever is the greater;
- (iii) in the case of goods in respect of which the value stated in the entry made under this Act or in the case of baggage, in the declaration made under section 77 (in either case hereafter in this section referred to as the declared value) is higher than the value thereof, to a penalty not exceeding the difference between the declared value and the value thereof or five thousand rupees, whichever is the greater;
- (iv) in the case of goods falling both under clauses (i) and (iii), to a penalty not exceeding the value of the goods or the difference between the declared value and the value thereof or five thousand rupees, whichever is the highest;
- (v) in the case of goods falling both under clauses (ii) and (iii), to a penalty not exceeding the duty sought to be evaded on such goods or the difference between the declared value and the value thereof or five thousand rupees, whichever is the highest.

### **3.5 Text of Section 114 of the Customs Act, 1962**

#### **Section 114: Penalty for attempt to export goods improperly, etc.:-**

Any person who, in relation to any goods, does or omits to do any act which act or omission would render such goods liable to confiscation under section 113, or abets the doing or omission of such an act, shall be liable, -

- (i) in the case of goods in respect of which any prohibition is in force under this Act or any other law for the time being in force, to a penalty not exceeding three times the value of the goods as declared by the exporter or the value as determined under this Act, whichever is the greater;
- (ii) in the case of dutiable goods, other than prohibited goods, to a penalty not exceeding the duty sought to be evaded or five thousand rupees, whichever is the greater;
- (iii) in the case of any other goods, to a penalty not exceeding the value of the goods, as declared by the exporter or the value as determined under this Act, whichever is the greater.

### **3.6 Text of IPR Enforcement Rules, 2007, notified vide notification No.47/2007-Customs (NT), dated 8.5.2007**

G.S.R. 331(E) - In exercise of the powers conferred by sub-section (1) of section 156 of the Customs Act, 1962 (52 of 1962), read with clauses (n) and (u) of sub-section (2) of section 11 of the said Act, the Central Government hereby makes the following rules, namely:-

#### **1. Short title, commencement and application. -**

- (i) These may be called the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007.
- (ii) They shall come into force on the date of their publication in the Official Gazette.
- (iii) They shall apply to imported goods.

#### **2. Definitions. -**

- (a) “**goods infringing intellectual property rights**” means any goods which are made, reproduced, put into circulation or otherwise used in breach of the intellectual property laws in India or outside India and without the consent of the right holder or a person duly authorized to do so by the right holder;
- (b) “**intellectual property**” means a copyright as defined in the Copyright Act, 1957, trade mark as defined in the Trade Marks Act, 1999, patent as defined in the Patents Act, 1970, design as defined in the Designs Act, 2000 and geographical indications as defined in the Geographical Indications of Goods (Registration and Protection) Act, 1999;
- (c) “**Intellectual property law**” means the Copyright Act, 1957, the Trade Marks Act, 1999, the Patents Act, 1970, the Designs Act, 2000

or the Geographical Indications of Goods (Registration and Protection) Act, 1999 ;

- (d) "**right holder**" means a natural person or a legal entity, which according to the laws in force is to be regarded as the owner of protected intellectual property right, its successors in title, or its duly authorized exclusive licensee as well as an individual, a corporation or an association authorized by any of the aforesaid persons to protect its rights.

**3. Notice by the right holder. -**

- (1) A right holder may give notice in writing to the Commissioner of Customs or any Customs officer authorised in this behalf by the Commissioner, at the port of import of goods infringing intellectual property rights in accordance with the procedures and under the conditions as set out in these Rules, requesting for suspension of clearance of goods suspected to be infringing intellectual property right.
- (2) The notice in respect of goods infringing intellectual property rights shall be given in the format prescribed in the Annexure to these Rules.
- (3) Every such notice shall be accompanied by a document as specified by the Commissioner, evidencing payment of application fee of Rs. 2000 (two thousand rupees only).
- (4) If any of the information as required in the format under sub-rule (2) is not provided, the Deputy Commissioner of Customs or Assistant Commissioner of Customs may, as the case may be, ask the right holder or his authorised representative to provide the same within 15 days, which may be extended on sufficient reasons being shown.
- (5) The right holder shall inform customs authority when his intellectual property ceases to be valid or if he ceases to be the owner of such intellectual property right.

**4. Registration of notice by the Commissioner.—**

- (1) Within 30 working days from the date of receipt of the notice under sub-rule(1) of Rule 3, or from the date of expiry of the extended time as contemplated in sub-rule (4) of Rule3, as the case may be, the Commissioner shall notify the applicant whether the notice has been registered or rejected.
- (2) In a case where the notice has been registered, the Commissioner shall indicate the validity period of the registration during which assistance by Customs shall be rendered. The minimum validity period shall be one year unless the noticee or right holder requests for a shorter period for customs assistance or action.

(3) The Commissioner granting the registration of the notice under sub-rule (2) shall inform, immediately through a letter by speed post or through electronic mode, all Custom offices covered by the notice of the details of the notice.

#### ***4. Conditions for registration. -***

The grant of registration under rule 4 shall be subject to following conditions, namely: -

(a) the right holder or his authorised representative shall execute a bond with the Commissioner of Customs for such amount with such surety and security as deemed appropriate by the Commissioner, undertaking to protect the importer, consignee and the owner of the goods and the competent authorities against all liabilities and to bear the costs towards destruction, demurrage and detention charges incurred till the time of destruction or disposal, as the case may be;

(b) the right holder shall execute an indemnity bond with the Commissioner of Customs indemnifying the Customs authorities against all liabilities and expenses on account of suspension of the release of allegedly infringing goods.

#### ***5. 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.

#### ***6. 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 fulfill 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.

#### ***7. Examination of goods by right holder.-***

The Commissioner or the officer duly authorized in this behalf shall allow a right holder and the importer or their duly authorized representatives to examine the goods, the clearance of which has been suspended, and may provide representative samples for examination, testing and analysis to assist in determining whether the goods are pirated, counterfeit or otherwise infringe an intellectual property right, without prejudice to the protection of confidential information.

#### ***8. Supply of information to the right holder. –***

At the request of the right holder, the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, shall inform the name and address of the importer and without prejudice to the protection of confidential information the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, may also provide additional relevant information relating to the consignment which has been suspended from clearance.

**9. *Supply of information to the importer. –***

At the request of the importer or his duly authorized representative, Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, shall inform the name and address of the right holder and without prejudice to the protection of confidential information the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, may also provide additional relevant information relating to the consignment which has been suspended from clearance.

**10. *Disposal of infringing goods. –***

(1). Where upon determination by the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, it is found that the goods detained or seized have infringed intellectual property rights, and have been confiscated under section 111 (d) of the Customs Act, 1962 and no legal proceedings are pending in relation to such determination, the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, shall, destroy the goods under official supervision or dispose them outside the normal channels of commerce after obtaining 'no objection' or concurrence of the right holder or his authorized representative:

**Provided** that if the right holder or his authorized representative does not oppose or react to the mode of disposal as proposed by the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, within twenty working days after having been informed, or within such extended period as may have been granted by the Commissioner at the request of the right holder, not exceeding another twenty working days, he shall be deemed to have concurred with the mode of disposal as proposed by the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be:

**Provided further that** the costs toward destruction, demurrage and detention charges incurred till the time of destruction or disposal, as the case may be, shall be borne by the right holder.

- (2) There shall not be allowed the re-exportation of the goods infringing intellectual property rights in an unaltered state.
- (3) The Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, may on his own, or at the request of the right holder, retain samples of goods infringing intellectual property rights prior to their destruction or disposal and provide the same to the right holder or importer if such samples are needed as evidence in pending or future litigations.

**11. *Exclusion of baggage and De-minimis Imports.-***

Goods of a non-commercial nature contained in personal baggage or sent in small consignments intended for personal use of the importer are not subject to the above Rules.

**12. *Protection of action taken under the Rules.-***

Customs officers when acting in good faith and having followed the procedures set out in these Rules shall not be liable for:

- (a) any failure to detect goods infringing intellectual property rights,
- (b) the inadvertent release of such goods, and
- (c) any other action in respect of such goods.

**ANNEXURE**

(see sub-rule(2) of rule 3)

Format for notice in respect of goods infringing intellectual property rights under Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007

1	Name of the Applicant:
2	Contact Details of the applicant: (A) Office address: (B) Residence address (C) E-mail address (D) IEC No
3	Applicant's Telephone numbers( including mobile number)
4	Name and contact details of authorized representative of the right holder. (please attach authorization from the right holder)
5	Proof of the existence and ownership of a valid intellectual property right by the right holder
6	A statement of the grounds for the notice of suspension of release of the goods allegedly infringing intellectual property rights
7	In the case of a specific consignment of goods allegedly infringing intellectual property rights, details of the consignment and a statement of the ground for the notice including prima facie evidence of infringement
8	Detailed description of the goods with Customs Tariff Heading in respect of which an intellectual property right applies, together with a sample, model or photograph of a genuine product
9.	Name of customs airport/ customs port/land customs station to be covered

I/We declare that the particulars furnished above are true to the best of my/our knowledge and the documents enclosed herewith are genuine.

Signature of the right holder or his authorized representative

Office Seal

Place:

Date:

**3.7 Text of Notification No. 51/2010 - Customs (N.T.), dated 30.06.2010**

G.S.R.\_\_\_\_ - In exercise of the powers conferred by section 11 of the Customs Act, 1962 (52 of 1962) , and in supersession of the notification No. 49/2007-Customs (N.T.), of the Government of India, Ministry of Finance, Department of Revenue, Central Board of Excise and Customs, dated the 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. 333(E), dated the 8<sup>th</sup> May, 2007, except as respects things done or omitted to be done before such supersession, the Central Government, being satisfied that it is necessary in the public interest so to do, for the purposes specified in clauses (n) and (u) of sub-section (2) of that section, hereby prohibits the import of the following goods intended for sale or use in India, subject to following conditions and procedures as specified in the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007, namely:-

- (i) goods having applied thereto a false trade mark as specified in section 102 of the Trade Marks Act, 1999 (47 of 1999);
- (ii) goods having applied there to a false trade description within the meaning of clause (i) of sub-section (1) of section 2 of the Trade Marks Act, 1999(47 of 1999), otherwise than in relation to any of the matters specified in sub- clauses (ii) and (iii) of clause (za) of that sub-section;
- (iii) goods made or produced beyond the limits of India and having applied thereto a design in which copyright exists under the Designs Act, 2000(16 of 2000), in respect of the class to which the goods belong or any fraudulent or obvious imitation of such design except when the application of such design has been made with the licence or written consent of the registered proprietor of the design or where such importation or use is allowed under the Designs Act, 2000(16 of 2000);
- (iv) the product made or produced beyond the limits of India for which a patent is in force under the Patents Act,1970 (39 of 1970), except in cases where the consent from the patentee in India has been obtained provided that such prohibition is not applicable to the cases where such importation is allowed under the Patents Act,1970(39 of 1970);
- (v) the product obtained directly by the process made or produced beyond the limits of India where patent for such process is in force under the Patents Act,1970 (39 of 1970), except in cases where the consent from the patentee in India has been obtained provided that such prohibition is not applicable to the case where such importation is allowed under the Patents Act,1970 (39 of 1970);
- (vi) goods having applied thereto a false Geographical Indication within the meaning of section 38 of the Geographical Indications of Goods (Registration and Protection) Act, 1999 (48 of 1999);
- (vii) goods which are prohibited to be imported by issuance of an order issued by the Registrar of Copyrights under section 53 of the Copyright Act,1957 (14 of 1957).

**Explanation-** For the purposes of this notification, the terms and expressions used in various clauses of the notification shall have the meanings assigned to them in the respective Acts, namely, the Trade Marks Act, 1999(47 of 1999), the Designs Act, 2000(16 of 2000), the Patents Act,1970 (39 of 1970), the Geographical Indications of Goods (Registration and Protection) Act, 1999 (48 of 1999) and the Copyright Act,1957 (14 of 1957).

2. This notification shall come into force on the date of its publication in the Official Gazette.

[F.No 305/159/2005-FTT]

(Director to the Government of India)

Text of Circulars issued by CBEC

**3.8 Text of Circular No. 41 /2007-Customs, dated 29.10.2007**

*[Issued from F. No. 305/96/2004-FTT (Pt-I)]*

**Subject: Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 – instructions for implementation –reg.**

Section 11 of the Customs Act, 1962 provides that the Central Government may, by issuance of notification in the official Gazette, prohibit either absolutely or subject to such conditions as may be specified, import or export of goods for the purposes specified in sub-section (2) of section 11 of the Customs Act, 1962. The Central Government may restrict or prohibit import and export of goods infringing trademarks, patents and copyrights under clause (n) of subsection (2) of section 11 of the Customs Act, 1962. Similarly, the Central Government may restrict import and export of goods for the purpose of prevention of the contravention of any law for the time being in force, under clause (u) of subsection (2) of section 11 of the Customs Act, 1962.

2. Prior to 8-5-2007, notification no. 1/64-Cus dated 18-1-64 prohibited import of goods infringing trademarks and designs under the Trade and Merchandise Marks Act 1958 and Indian Patents and Designs Act, 1911 respectively.

3. Representations were received from the trade for issuance of a notification to prohibit import of goods infringing other IPR laws as well. Further, considering our obligation to implement border measures as envisaged in Articles 51 to 60 of the WTO Treaty on Trade Related Aspects of Intellectual Property Rights (TRIPS), a need was felt to define the role of Customs precisely in combating IPR infringements at the borders. Accordingly, notification No 49/2007-Customs dated 8-5-2007 has been issued, which prohibits import of goods infringing intellectual property rights of the right holders under The Copyright Act, 1957, the Trade Marks Act, 1999, the Patents Act, 1970, the Designs Act, 2000 and the Geographical Indications of Goods (Registration and Protection) Act, 1999. Besides, the procedure for registration of a notice with the Customs by right holders and the conditions for such registration, etc. have been laid down in the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 notified under notification 47/2007-Customs (NT) dated the 8th May, 2007 (hereinafter referred to as the said Rules). The said Rules lay down a detailed procedure to be followed by the right holders or their authorized representatives as also by the Customs for seeking suspension of release of suspect imported goods.

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 said Rules, inter alia, provide for:-

- (i) the filing of a notice by the right holder;
- (ii) registration of said notice by the Customs;
- (iii) a time limit for right holders to join proceedings;
- (iv) a single point for registration of the notice filed by the right holder;
- (v) adequate protection to the rightful importer;
- (vi) adequate protection to the Customs for bonafide act;
- (vii) suo-moto action by the Customs in specified circumstances;
- (viii) disposal of the confiscated goods.
- (ix) no action against goods of non-commercial nature contained in personal baggage or sent in small consignments intended for personal use of the importer.

5. The right holders would be required to give a notice for registration in the manner detailed in para 10 of this circular, to any one of the Commissioners of Customs at the ports where counterfeit goods are likely to be imported infringing the IPR in respect of any trademark, copyright, patent, design or geographical indication. The grant of registration by Customs is subject to the execution of a bond, along with surety and security by the right holder or his authorized representative in terms of Rule 5(a), undertaking to protect the importer, consignee, the owner of the goods and the competent authorities against all liabilities and to bear the costs towards destruction, demurrage and detention charges incurred till the time of destruction or the disposal of the infringing goods. The registration is also subject to execution of an indemnity bond by the right holder in terms of Rule 5(b), indemnifying the Customs authorities against all liabilities and expenses on account of suspension of the release of allegedly infringing goods.

6. At the time of registration but prior to importation, it may be difficult to fix the bond amount corresponding to the value of suspected infringing goods not yet imported. Further, this would lock in right holders' money in the form of security. Therefore, it has been decided that, the right holders may furnish a General Bond without security to the Commissioner of Customs in the format as prescribed at Annexure-A to this circular prior to the grant of registration, undertaking to execute the Bonds with the jurisdictional Commissioner of Customs at the port of interdiction as per the format specified under Annexure-B and Annexure-C within three days from the date of interdiction of any allegedly infringing imported consignment. Prior to grant of registration, the right holder shall also be required to furnish an indemnity bond under Rule 5(b) in the format as specified at Annexure-C to this circular, in addition to the General bond. Thus, the registration would be subject to execution of the General Bond as specified at Annexure-A and indemnity bond as specified at Annexure-C. The specimens for consignment-specific Bond to be executed in terms of Rule 5(a) and the indemnity bond to be executed in terms of Rule 5(b) are enclosed for guidance at Annexure-B and Annexure-C respectively. Necessary amendments may be made to suit the requirements, on case to case basis.

7. The surety and security shall be on consignment basis and shall be furnished along with the bond (Annexure B) consequent upon interdiction of the consignment allegedly infringing rights of the right holder. Keeping in view the value of the goods and other incidental expenses, it has been decided that the bond amount shall be equal to 110% of the value of goods. However, the amount of security to be furnished along with the bond shall be 25% of the bond value. The right holder may furnish security in the form of bank guarantee or fixed deposit. However, if the right holder fails to execute the consignment specific bond and to furnish security within three days from the date of interdiction of the goods, the same must be released forthwith.

8. In case it is found at any stage that the right holder furnished wrong or false information, the registration accorded under Rule 4 of the said Rules may be cancelled forthwith.

9. If, after the registration is granted, the right holder wants any modification on account of any amendment in registration granted to them by the respective registry of the departments enforcing the parent IPR law or on account of any other reason, the right holder shall be required to seek fresh registration in place of the old registration and shall be required to undergo all the processes of registration again, like making fresh application, payment of fees, execution of bond etc.

10. The said Rules provide that notice would be given by the right holders in the format prescribed in the Annexure to the Rules. However, as a trade facilitation measure enabling right holders to file the notice electronically, a user friendly web-enabled application form is being devised. The right holders would be required to log into <http://www.icegate.gov.in>. Thereafter, they can choose the Custom House where they wish to record their notice, from among the ports of importation of the suspected infringing goods. Option has been provided to separately register different IPR's viz., Copyrights, Trade Marks, Patents, Designs and Geographical Indications. As regards payment of registration fees, option has been given to the applicants either to use on-line credit card mode of payment or the conventional mode of Demand Drafts, drawn in favour of Commissioner of Customs of the Custom House where they wish to get their notice registered. For every separate right, the right holder shall be required to submit a separate notice (application). After completing the formalities on-line, the application can be "submitted" on the website. A Unique Temporary Registration Number (UTRN) will be generated by the System. The System would also prompt the applicant to take a print-out of the application. This printed application form, along with the Demand Draft and physical copies of Bond and indemnity Bond (as prescribed under Rule 5 of the said Rules) and as detailed above, would be required to be submitted to the Commissioner of Customs along with samples, models or photographs.

11. After the receipt of the application, the Commissioner of Customs shall verify the veracity of declarations made therein. If required, cross-verification of particulars furnished may be carried out with the concerned authorities with whom the rights are registered in accordance with the parent enactments. The Commissioner may call for any additional information from the applicant(s). After verification of the application, the Bond (general) and the indemnity bond as required under the said Rules, the particulars would be required to be entered in the CBEC web-site duly furnishing the details. The System would then automatically generate a **Unique Permanent Registration Number (UPRN)**, which will be communicated to the applicant for all future correspondence. Simultaneously, a formal communication to this effect shall be sent, within 24 hours, to the **Risk Management Division (RMD)**, Mumbai and all other Custom Houses, who can access the details through the user names and pass-words given to them. On the contrary, if the Commissioner or his authorized officer of Customs has to reject the application leading to denial of protection, principles of natural justice may be followed. It may be noted that the temporary registration number granted by the System does not accord any protection to the right holders. The temporary registration is only an acknowledgment of the application filed by the right holders and cannot be taken as actionable. The registration will be granted only after the Commissioner of Customs has completed verification of the documents and facts and after the right holder has furnished the General Bond and Indemnity Bond. The protection of rights will be accorded only on grant of a permanent registration number to the right holders.

12. To begin with, while the web-enabled electronic registration system is being put in place, the field Commissioners are advised to accept the applications in the format as prescribed in the Annexure to the said Rules. However, in order to have a centralized registration, it will be mandatory for all applicants to file applications on-line, once the system is geared up for accepting electronic on-line registration. The trade will be intimated the date of coming into force of the electronic regime.

13. It may be noted that though the notice/application for registration may be submitted to the Commissioner of Customs at any of the ports where counterfeit goods are likely to be imported infringing the IPR in respect of any trademark, copyright, patent, design or geographical indication and all formalities associated with the registration are undertaken by that Commissioner, protection will be accorded at all the ports as specified in the notice. Therefore, there is no apparent need for the right holders to make several notices/applications with all the Commissioners of Customs covered under the notice. It may be emphasized that for protection of separate rights under any IPR law, the right holder would be required to apply for separate registration for each such right.

14. In case of suspension of clearance of goods by Customs on its own initiative, the right holder is required to give notice as laid down under rule 3 of the said Rules and to execute the Bonds as specified in rule 5 of the said Rules within five days from the date of suspension of clearance. The procedure of registration would be as stated in the foregoing paragraphs. However, the right holder would be required to execute a Bond in the format as specified in Annexure-B along with security and the indemnity Bond in the format as specified in Annexure-C, prior to grant of registration.

15. Rule 4(2) provides that registration may be granted for a minimum period of one year unless the right holder wants the same for a lesser period. It has been decided that the period of validity of the registration under the said Rules would be 5 years. The Commissioners, therefore, may keep a watch on the expiry of this period. Once the period of validity of registration has lapsed, the right holder would be required to furnish fresh notice, pay the fees as applicable, execute general Bond etc. as done at the time of initial registration.

16. It may be appreciated that systematic enforcement of IPRs is new to Customs. Further, the nature of implementation of IPR regime is different in EDI and non-EDI locations. Besides, RMS has not been implemented in all EDI locations. It may be noted that while national-level targeting of consignments can be handled by RMD, Mumbai on the basis of the information furnished by the applicants, and, under normal circumstances, consignments suspended by the national targets will be sent with appropriate instructions to the officers to handle the suspect consignments, any intelligence driven interdictions on the own initiative of officers cannot be discouraged. However, such ex-officio intervention by officers needs to be regulated and exercised with utmost caution, given the fact that the liability for wrong detention in an ex-officio case would rest entirely with the department. In EDI locations where RMS is not implemented, all the consignments are necessarily assessed before clearance. Therefore, officers in Groups and Sheds at such locations may be sensitized about the IPR registration database so that they can keep a watch on suspect imports. Apropos, the non-EDI locations, where officers do not have access to the “icegate”, copies of the applications along with the accompanying documents shall be sent without delay by the Commissioners who are handling the registration of Rights to such locations by e-mail or by speed post.

17. It may be noted that the terms and the phrases used in the notification and the Rules made in terms of section 11, have the meanings, with all grammatical variations and cognate expressions,

assigned to them in the respective parent enactments like The Copyright Act, 1957, The Trade Marks Act, 1999, The Patents Act, 1970, The Designs Act, 2000 and The Geographical Indications Act, 1999. Thus, it may be emphasized that determination of the fact whether a particular consignment infringes the rights of the right holder would be done taking into account the provisions of the parent acts.

18. It is important to adhere to the time lines prescribed in Rule 7. The Customs and the right owners/holders seeking protection are under obligation to follow the time lines indicated in various sub-rules that cover practical situations that may arise in the field. Since every suspension of clearance has its concomitant legal implications, the trade as well as field officers dealing with the infringing goods, may be adequately sensitized about the importance of timely action.

19. Sub-rule (9) of Rule 7 of the said Rules, provides for seizure of infringing goods, if there are reasons to believe that the goods are liable to confiscation in terms of section 111 of the Customs Act, 1962. In this context, it may please be borne in mind that Customs is enforcing laws in *personam* while protecting intellectual property rights. Thus it is important to make sure that the right holder participates in the Customs proceedings. In case the right holder abstains, the Customs have no obligation to continue with the detention and the goods shall be released forthwith, if otherwise in order.

20. Rule 8 enables examination of goods and drawal of samples on the request of right holders or importers. The regular procedure for sampling may be followed. Representative samples must be kept in the safe custody of Customs till the proceedings are concluded. The expenses involved in sampling, testing of samples etc. have to borne by the right holders.

21. For smooth implementation of the IPR regime, it is desirable that an IPR Cell may be constituted in each Custom House. The IPR Cell may be vested with the responsibility of verifying the applications, completing web-enabled registration formalities and making correspondence with the Risk Management Division and other Customs formations. Further, any import involving suspected infringement of IPRs may have to be invariably handled by the IPR Cell. Any instance of *suo-moto* interdiction of the import consignments by the Customs, involving possible infringements, should also be referred to such IPR Cell. The job is time – bound and sensitive and hence it is advised that officers of proven calibre may only be posted in the IPR Cells.

22. Wide publicity to this Circular may be given by way of issuance of public notice and standing order.

23. Difficulties , if any, faced in the implementation of this circular, may be immediately brought to the notice of the Board.

24. Please acknowledge receipt.

25. Hindi version follows.

**Annexure A, B and C. [for text of Annexures, refer e-book No.04]**

### **3.9 Text of Circular No. 10 /2011-Customs, dated 24.02.2011**

**[Issued from F. No. 305/1/2008-FTT]**

**Subject: Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 - Instructions for implementation -reg.**

Attention is invited to Board's Circular No 41/2007-Customs, dated 29-10-2007 on the above subject. In the said Circular, it was provided that the right holders may furnish a General Bond without security to the Commissioner of Customs prior to the grant of registration, undertaking to execute consignment specific Bonds with the jurisdictional Commissioner of Customs at the port of interdiction within three days from the date of interdiction of any allegedly infringing goods. This arrangement was prescribed considering the fact that at the time of registration but prior to importation, it may be difficult to ascertain and fix the Bond amount corresponding to the value of suspected infringing goods that are to be imported. Further, this would lock in right holders' money in the form of security.

2. However, representations have been received from the trade requesting for a centralized bond valid for all ports, as execution of bond at the port of interdiction within three days of interdiction of allegedly infringing goods is stated to be a cumbersome process. The opinion of Law Ministry on legal implications of a single Bond across different customs locations was sought. The Ministry of Law and Justice clarified as under:-

*"The language of the Bond clearly indicates that the Bond is executed in favour of President of India and the same is enforceable by any authorised Commissioner(Customs). If the right holder is allowed to furnish one time Bond along with security at the time of Registration and all the ports to have access to this centralized account, there appears to be no legal objection for introduction of the same as Bond to be executed is in favour of President of India and not in favour of Commissioner (Customs)."*

3. The issue has been considered in the Board. Currently, the right holders are required to give a notice for registration in the manner detailed in the Circular No. 41/2007-Customs dated 29.10.2007 to the Commissioner of Customs at any one of the ports where allegedly infringing goods are likely to be imported. The right holder can mention the details of other ports where he suspects that allegedly infringing goods may be imported and where he desires to get protection of his right. The right holders are required to furnish a General Bond with or without security to the Commissioner of Customs [along with indemnity bond] prior to the grant of registration, undertaking to execute consignment specific Bond along with security, as may be prescribed by the Commissioner of Customs at the port of interdiction within three days from the date of interdiction of any allegedly infringing goods.

4. Considering the genuine difficulties expressed by the right holders and keeping in view the opinion of the Law Ministry, it has been decided to implement an on-line, system driven, centralized bond management module as part of the existing **Automated Recordation and Targeting System(ARTS)**. The main objective of this system is to provide for a single centralized bond account with security that can be used at all ports in India, so that the right holders do not have to rush to different customs formations to execute consignment specific bonds with securities in case of interdiction of allegedly infringing consignments at the different Customs formations. The highlights of this module are as below:-

- (i) The right holders will have the option to furnish either a general bond before registration followed by a consignment specific bond at the port of interdiction of allegedly infringing goods or a centralized bond at the port of registration which will be valid at all ports in India. The general bond and the consignment specific bond, which are off-line, will be in the formats prescribed hitherto as per Annexure-A and Annexure-B to Circular No. 41/2007-

Customs, dated 29<sup>th</sup> October 2007. Alternatively, as stated above, the right holders can furnish a Centralized Bond (which will be a running bond) at the port of registration for an amount sufficient in their judgment, to correspond to value of suspected allegedly infringing goods, all over India, as per Annexure-I to this circular. The existing right holders, who have registered their rights with customs authorities (equipped with a valid UPRN and UTRN) can migrate to the centralized bond management system by communicating their willingness and submitting the centralized bond with Security in the prescribed format to the same Commissioner of Customs, where the general bond was initially furnished. Otherwise, they will continue to operate in the system of general bond and consignment specific bonds.

- (ii) The right holders exercising the option of a Centralised Bond will have to necessarily furnish a security for an amount equivalent to 25% of the value of the Centralized Bond with the customs formation, where the right holder is registered.
- (iii) Upon fulfillment of requirements by the right holders, the customs formation, where the right holders are registered, will create an on-line centralized bond account and security account. The system will generate a unique Bond Registration Number (BRN) and the same will be e-mailed to the right holder or his/her authorised representative, whose e-mail id is provided in the notice given by the right holders. All future correspondence relating to bond management shall be with reference to this BRN only. There will be a single BRN for a right holder which may cover more than one Unique Permanent Registration Number (UPRN). In other words, a centralized bond account can cover one or more rights registered by a right holder with the Customs. However, to enable linking of all UPRNs of a right holder, the applicant (whether the right holder or the service-provider/ consultants / law firms) has to be the same in all the UPRNs which are to be so linked. Thus, if the right-holder chooses two different law firms to register his Trademarks with the Custom Authorities or registers one trademark himself and other through a service provider, then both these UPRNs cannot be linked through a single Bond as the applicants in the two UPRNs would be different.
- (iv) In case of interdiction of allegedly infringing goods, if the amount of Centralised Bond and the security are not sufficient to cover the value of the goods interdicted, then within three days of interdiction, the right holders would be required to execute a supplementary bond (as per Annexure - II to this circular) and furnish security for the corresponding amount. The supplementary bond, along with security has to be executed invariably with the Commissioner of Customs where the centralized bond has been executed. Commissioners of Customs at other ports where the allegedly infringing goods are interdicted cannot accept the supplementary bonds.
- (v) The ARTS has been so designed that while the creation of Centralized Bond account, credit (top-up) of the amounts to the bond and the security and cancellation thereof are operated only by the officers of the customs formation where the Centralized Bond is executed, the debit of amounts and re-credit of the amounts pertaining to those debits can be done only by officers at the ports where the allegedly infringing goods are interdicted, The re credit shall be done after verification of the fact that no legal proceedings and dues are pending in relation to the debit.

- (vi) While the right holders who choose to execute general bond have to execute the consignment specific bond at the port of interdiction within 3 days of interdiction of the consignment allegedly infringing the right of the right holders in terms of Circular No 41/2007-Customs dated 29th October 2007, the right holders who have opted for the Centralized bond and in whose case a BRN has been generated, have to inform in writing the jurisdictional IPR Cell, where the allegedly infringing goods have been interdicted, duly mentioning the BRN along with the particulars of debits to be made in the bond and security accounts so that the same can be verified and debited by the IPR cell. If the right holder fails to submit such a letter, customs authorities will be under no obligation to suspend the clearance of the allegedly infringing goods. It shall be responsibility of the right Holders to ensure that that the Centralized Bond and security account has sufficient balance. In case of inadequate balance, the same can be supplemented by executing a supplementary bond with necessary security at the Custom House where registration has taken place and the BRN has been generated. To enable this, the right holders have been given an on-line facility to view and check their balance using the BRN-
- (vii) Irrespective of availment of either option i.e. execution of General Bond and consignment specific Bond or Centralised Bond, the rights holders would be required to furnish an indemnity bond in the format prescribed at Annexure-C to the Circular No 41/2007 - Customs dated 29th October 2007.

5. In case of suspension of clearance of goods by Customs on its own initiative, the right holder is required to give notice as laid down under rule 3 of the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 and to execute Bonds as specified in Rule 5 of the Rules. The right holder will now have the option to execute a general bond or a centralized bond, as the case may be, following the procedure detailed in the foregoing paragraphs.

6. The Deputy/Assistant Commissioner of Customs while intimating the right holder about interdiction of any goods, will also intimate the value of the goods to the right holder so as to enable him to work out the required bond amount or supplementary bond amount, along with the security.

7. The IPR Cells will accept the requests for migration of existing IPR holders to the new system. The IPR cells should properly monitor the work relating to execution of bonds. Monitoring of the Bonds and securities including their closure and expiry is the prime responsibility of the Commissioner with whom the right is registered. The closure of bond will require checking and confirmation of the fact that there are no debits in the centralized bond account pertaining to any of the UPRNs by any other Custom House. All steps to renew the bank guarantees, wherever executed, shall be initiated by the IPR Cells well within time and at least 15days before the expiry of the bank guarantee.

8. The Board's Circular 41/2007-Customs dated 29-10-2007 stands modified to the above extent.

9. Wide publicity to this Circular may be given by way of issuance of public notice and standing order. The Additional Director General, Risk Management Division shall inform the actual date of commencement of this new system and will issue separate set of instructions for smooth operation of the centralized bond management module to the Commissioners of Customs.

10. Difficulties, if any, faced in the implementation of this circular, may be immediately brought to the notice of the Board.

11. Please acknowledge receipt.
12. Hindi version follows.

### **3.10 Text of Circular No.13/2012-Customs, dated 08.05.2012**

*[Issued from F. No. 528/21039/08-Cus/ICD*

**Subject: Enforcement of Intellectual Property Rights on imported goods - Clarification on the issue of parallel imports – regarding.**

I am directed to invite your attention to the Notification No.51/2010-Customs (N.T.), dated 30.6.2010 and Board's Circular No. 41/2007-Customs, dated 29.10.2007 prescribing certain conditions and procedures in implementation of Intellectual Property Rights (IPR) such as trade mark, design, patent, geographical indication and copyright under the IPR (Imported Goods) Enforcement Rules, 2007. In this regard, certain representations have been received in the Board from the trade as well as the field formations seeking clarification on the matter of import of original/genuine products (not counterfeit or pirated) which are sold/ acquired legally abroad and imported into the country, by persons other than the intellectual property right holder without permission/authorisation of the IPR holder, which in trade parlance is known as 'parallel imports'.

2.1. It may be recalled that the notification No.51/2010-Customs (N.T.), dated 30.6.2010 prohibits import of goods for sale or use in India, which are covered under specified legal provisions of the following statutes that regulate products with false trade mark, fraudulent or obvious imitation of design, patent obtained without consent, false Geographical indication or product which infringe registered copyright etc.

- (i) Trade Marks Act, 1999
- (ii) Designs Act, 2000
- (iii) Patents Act, 1970
- (iv) Geographical Indications of Goods (Registration and Protection) Act, 1999 and
- (v) Copyright Act, 1957.

2.2. In terms of the legal provisions under the IPR (Imported Goods) Enforcement Rules, 2007 read with notifications and circulars issued in this regard, the determination of the fact that whether particular consignment of imported goods infringes the rights of the IPR holder would be done by the Customs authorities taking into account the provisions of the aforesaid parent Acts.

2.3. It may also be noted that all infringements and consequential offences stated in the aforesaid parent Acts is not limited to import of goods, as the scope of these Acts are wide, interalia, covering enforcement of the legal provisions of these Acts in the country. Hence, it may be noted that the prohibition of imported goods for the purpose of protecting intellectual property rights as specified under Notification No.51/2010-Customs (N.T.), does not relate to all infringements under the parent Acts but only to those imports that infringe the specific provisions of various parent Acts governing IPR, mentioned in the notification No.51/2010-Customs (N.T.).

2.4. To illustrate, in case of the Trade Marks Act, 1999, prohibitions against infringement of trade marks on import of goods intended for sale or use in India, that attract the provisions IPR (Imported Goods) Enforcement Rules, 2007, have been given in para (i) and (ii) of aforesaid notification, viz.:

- (i) imported goods having applied thereto a false trade mark, as specified in section 102 of the Trade Marks Act, 1999 [for para (i)]
- (ii) imported goods having applied thereto any 'false trade description' within the meaning of definition provided in clause (i), in relation to any of the matters connected to description, statement or other indication direct or indirect of the product but not including those specified sub- clauses (ii) and (iii) of clause (za), of sub-section (1) of section 2 of the Trade Marks Act, 1999[for para (ii)].

Thus, the prohibition under the para (i) and (ii) of aforesaid Notification No.51/2010-Customs (NT) would be applicable only when the imported goods fall within the purview of the above referred provisions of Trade Marks Act, 1999.

3. In this context, the issue of permitting import of original/genuine products (not counterfeit or pirated) which are sold/ acquired legally abroad and imported into the country, by persons other than the intellectual property right holder without permission/ authorisation of the IPR holder, known in the trade as 'parallel imports' was referred to the administrative Ministry i.e. Department of Industrial Policy and Promotion (DIP&P), Ministry of Commerce & Industries, seeking their clarification.

4. In this regard, the Department of Industrial Policy and Promotion which is nodal authority for all matters relating to (i) Trade Marks Act, 1999 (ii) Patents Act, 1970 and (iii) Designs Act, 2000 has, *interalia*, stated that:

- (i) Section 107A (b) of the Patents Act, 1970 provides that importation of patented products by any person from a person who is duly authorised under the law to produce and sell or distribute the product shall not be considered as an infringement of patent rights. Hence, in so far as Patents are concerned, Section 107A (b) provides for parallel imports.
- (ii) Section 30(3)(b) of the Trade Marks Act, 1999 provides that where the goods bearing a registered Trade Mark are lawfully acquired, further sale or other dealing in such goods by purchaser or by a person claiming to represent him is not considered an infringement by reason only of the goods having been put on the market under the registered Trade Mark by the proprietor or with his consent. However, such goods should not have been materially altered or impaired after they were put in the market.
- (iii) In so far as designs are concerned, it is clarified that parallel imports are not allowed as indicated by Section 22 (1)(b) of the Designs Act, 2000.
- (iv) As regards geographical indications, it is stated that there are no identical or similar provisions as in Section 107A(b) of Patents Act, 1970 on parallel imports under the Geographical Indications of Goods (Registration and Protection) Act, 1999. The said Act does not address the issue of parallel import at all. Hence, parallel imports are not covered under this Act.
- (v) As regards 'copyright' since the clarification is awaited from the nodal authority i.e., Department of Higher Education, the field formations may follow the extant provisions of the Copyright Act, 1957 until further instructions are issued in this regard.

5.1. In view of the above, the field formations are directed to decide cases of import of 'parallel imports' on the basis of aforesaid legal provisions of parent Acts, the provisions of Notification No.

51/2010-Customs(N.T.), dated 30.6.2010 and the clarification given by the administrative Ministry as detailed in para 4 above.

6. The above instructions may be brought to the notice of all concerned immediately and wide publicity of this circular may given through appropriate Public Notice.

7. Receipt of this Circular may kindly be acknowledged.

### **3.11 Text of CBEC Instruction F.No.26000/1/2012-OSD(ICD), dated 27.03.2012**

***[Issued from F. No. 26000/1/2012-OSD(ICD)]***

**Subject: CS (OS) No. 2982/2011 in the matter of L.G. Electronics India Pvt. Ltd. (petitioner) vs. Bharat Bhogilal Patel, Commissioner of Customs, Mumbai / Delhi before the Hon'ble High Court of Delhi – Reg.**

Shri Bharat Bhogilal Patel has Unique Permanent Registration Number (UPRN) A0241 INBOM4PR and A0241INBOM4PR with Commissioner of Customs (Import), Air Cargo Complex for the following two patents in terms of Rule 4 of the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007:

- (a) No. 188787 dated 21.09.1998 for an improved laser marking and engraving machine and
- (b) No. 189027 dated 21.09.1998 for 'process for manufacturing engraved design articles on metals and non-metals';

2. L.G. Electronics India Pvt. Ltd. vide petition CS (OS) No. 2982/2011 in the matter of L.G. Electronics India Pvt. Ltd. (petitioner) vs. Bharat Bhogilal Patel, Commissioner of Customs, Mumbai / Delhi before the Hon'ble High Court of Delhi has submitted that Bharat Bhogilal Patel filed a complaint with the Commissioner of Customs, Mumbai against L.G. Electronics India Pvt. Ltd. and various other importers alleging that such importers were importing products inter alia GSM handsets (Phones), using laser marking and engraving process which infringe his [Bharat Bhogilal Patel's] patent rights under patent No.189027 and the Commissioner of Customs, Mumbai has restricted clearance of consignments of L.G. Electronics India Pvt. Ltd.

3. The Hon'ble Delhi High Court vide order dated 30th November, 2011 opined in Para 21 that "in case clause 4 of the notification dated 29.10.2007 is read in a meaningful manner, it becomes clear that as far as the case of other three violations, i.e., Patents, Design and Geographical Indications, are concerned, unless the offences have already been established by a judicial pronouncement in India, the custom department cannot take action contrary to clause 4 of the notification."

3.1. The Court further stated that mere reading of clause 4 makes it clear that as far as three violations, i.e. Patents, Design and Geographical Indications, are concerned, the defendants 2 and 3 are merely implementing agencies to enforce the orders, if passed by the Court in favour of the party pertaining to above mentioned three subjects and the custom department would be entitled to enforce the same.

3.2 The Court ruled that as far as the present case is concerned, prima facie it appears that the defendants 2 and 3 (Customs Mumbai & Delhi) cannot restrict clearance of the plaintiff's

consignments on the basis of alleged patent obtained or on the complaint made by defendant No.1 (Bhogilal Patel).

4. In this connection, it may be noted that the Central Government has been empowered under Section 11 of the Customs Act, 1962 to issue notifications for prohibiting either absolutely or subject to such conditions as may be specified in the notification, the import or export of goods of any specified description. Section 11(2) of the Customs Act, 1962 details the purpose for which such a notification may be issued by the Central Government which, inter-alia, covers the following purpose:

- (i) The protection of patents, trademarks and copyrights. [Section 11 (2) (n)]; and
- (ii) The prevention of the contravention of any law for the time being in force.[Section 11 (2) (u)]

4.1 Notification No. 51/2010-Cus(NT), dated 30.06.2010 prohibits import of goods infringing specified provisions of Trademarks Act, Copyrights Act, Designs Act, Geographical Indications Act and Patent Act subject to following the procedure prescribed under the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 (IPR Rules) issued under Notification No. 47/ 2007-Cus.(NT), dated 08.05.2007. The explanation to the notification states that for the purpose of this notification, the terms and expressions used in various clauses of the notification shall have the meanings assigned to them in the respective Acts, including the Patents Act, 1970.

4.2 Thus, the provisions of the Customs Act, 1962 clearly empower the Central Government to prohibit import of goods to protect infringement of patents. Accordingly, the Central Government had issued notification No. 51/2010-Customs (NT) to prohibit import of goods, inter-alia, infringing specified provisions of Patent Act, 1970. The conditions and procedure based on which the prohibition would operate is listed in the IPR Rules.

4.3 The above legal position, which is unambiguous and explicit, should alone suffice to conclude that the Customs authority is empowered to enforce prohibition of imported goods that contravene the specified provisions of the Patent Act, 1970. In fact, IPR Rules empower Customs authority to take action on own initiative (ex officio action), even without prior recordation of Rights by the Right holder.

4.4 Hence, the interpretation that Customs authority is not empowered to take action to prohibit import of goods infringing the patent Act does not appear to be proper and correct in law. The Hon'ble High Court has relied on the following provision of Circular No. 41/2007-Customs dated 29th October, 2007, in support of the judgement pronounced:

*"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". [underlined/ in bold for emphasis]*

4.5 As is evident from the above wording of the Circular No. 41/2007-Customs dated 29th October, 2007, that the Circular merely seeks to drive a note of caution with regard to the determination of infringement in case of patents, designs and Geographical Indications and does not in any manner, take away the powers of Customs authorities to act on imported goods infringing Patents Act, conferred by Section 11 of Customs Act, 1962 and Notification 51/2010-Customs (N.T). Further, a Circular cannot nullify provisions of an Act and Notification issued under the Act. Circulars are issued to clarify the legal provisions and to bring in uniformity in implementation. They are not intended to alter the scope or meaning of the existing statutory provisions.

5. In view of the foregoing, the order dated 30th November, 2011 of High Court of Delhi, in the matter of CS (OS) No. 2982/2011 - L.G. Electronics India Pvt. Ltd. does not appear to be proper in law. Since, the aforesaid order of the Hon'ble Delhi High Court would have wider ramifications on the interpretation of Para 4 of Circular 41/2007, dated 29th October, 2007, the jurisdictional Chief Commissioner has been directed to defend the case by filing appropriate reply/review application against the order and to reiterate to the field formations the policy intent as reflected in Section 11(2) (n) of the Customs act, 1962 and notification 51/2010-Customs (N.T) which empower the Customs authorities to take action on patent infringement also.

\*\*\*\*\*