



CUSTOMS AND INTELLECTUAL PROPERTY RIGHTS

FOREWORD

Counterfeiting strikes deep at entrepreneurial spirit by weakening the benefits to the innovator. Counterfeit goods adversely affect consumer interest and often stay out of the tax net. Intellectual property protection has therefore been widely acknowledged as a vital factor for economic growth, encouraging innovation and attracting investment.

The Indian Customs' presentation on IPRs has been developed for ease of understanding of the border measures in place and is intended to be used by right-holders, officers, importers and other interested parties.

This presentation brings together features of IPR registration, enforcement, interdiction, determination and disposal processes and includes references to relevant laws, rules and circulars. The laws, rules and procedures have been paraphrased for the sake of simplicity and ease of reference of the readers. Right-holders, officers and other interested parties are advised to study the actual text of the cited laws or rules before making decisions.

We believe that this document will prove to be of great value and welcome suggestions from readers for any additions, deletions or corrections. Please forward any correspondence concerning this document to:

Director (International Customs Division)
Central Board of Excise and Customs
North Block, New Delhi
Email: diricd-cbec@nic.in

(Sandeep Kumar)
Commissioner (Customs)

What are the various types of IPRs protected by Indian Customs?

Import of goods infringing specific provisions of:

- Trademarks Act, 1999
- Patents Act, 1970
- Geographical Indications of Goods (Registration and Protection) Act, 1999
- Copyright Act, 1957
- Designs Act, 2000

Note: Please refer to Notification 51/2010 Customs (N.T) dated 30th June 2010

Will Customs interdict goods violating IPRs?

- Under **Section 11 of the Customs Act**, the Central Government has the power to prohibit importation or exportation of goods that, *inter alia*, violate patents, trade marks, copyrights, designs and geographical indications.
- Currently, **Notification No. 51/2010-Cus. (NT)** issued under Section 11 of the Customs Act prohibits the import of goods intended for sale or use in India, that are in violation of specified provisions of the above parent IP statutes.
- The prohibition is subject to following conditions and procedures as specified in the **Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007** (IP Rules).

What is the Procedure for IPR recordation with Indian Customs?

- An application for recordal of a valid intellectual property right can be submitted electronically on www.ipr.icegate.gov.in;
- The rights holder's representative will need to create a unique id and a password on the website and fill the online forms and upload the relevant documents;
- Separate forms must be completed for each IP right sought to be recorded;
- A Unique Temporary Registration Number is then generated (UTRN);
- A hard copy of the documents must be submitted to the IPR cell of the Custom House of the representative's choosing, along with a cover letter quoting the UTRN;
- Within 30 days a Unique Permanent Registration Number (UPRN) will be issued which confirms the recordation.

What documents are to be submitted online?

- A scanned copy of the registration certificate or proof of title/ ownership of the intellectual property right.
- The serial number and details of the demand draft in favour of the Commissioner of Customs at the opted location
- A copy of Power of Attorney in favour of counsel / advocate / agent who is filing the Application, if applicable.
- A statement of exclusivity outlining the scope of the IP right sought to be recorded.
- Digital images of genuine goods (for trademarks, product patents and designs).
- Digital images of infringing goods (if applicable/ available).
- A statement on the differentiating features of genuine and infringing goods (not mandatory but advisable for trademarks, patents and designs).
- The IEC code of the right holder and/or other authorized importers (not mandatory but advisable).
- In case of geographical indications - description of the GI, the area of production.

Are hard copies are to be submitted?

- Hard copies of the complete set of documents uploaded online have to be submitted at the Customs Office of the opted location*.
- A demand draft of INR 2000/- in favour of the Commissioner of Customs of the opted location.
- An Indemnity Bond
- The General Bond or Centralised Bond.

* Each Customs House has an IPR Cell, which shall receive the correspondence relating to IPR Recordation.

Please refer to Circular 41/2007 Customs

What is the purpose of the Indemnity Bond?

The indemnity bond protects the Customs authorities against all liabilities and expenses they may incur as a result of having detained the goods. In other words, the person importing the goods will not be able to claim damages from the Customs authorities on account of the clearance of the goods having been suspended. Any such liability will be borne by the rights holder.

What is the difference between a General and Centralised Bond ?

General Bond + Consignment-Specific Bond

- Rights Holder need to provide consignment-specific Bond of an amount equivalent to 110% of the value of the detained goods, along with security, in the form of a bank guarantee or fixed deposit, equivalent to 25% of the bond value at the port of interdiction.

Centralised Bond

- Customs will debit the applicable amount (equivalent to 110% of the value of the detained goods) along with a security equivalent to 25% of the bond value from the Centralised Bond Account.
- In case of inadequate balance, the same can be supplemented by the Rights Holder executing a supplementary bond with necessary security at the Customs Office where registration has taken place.

How would this choice affect the Right Holder?

- At the time of registration, the right holder may opt to submit a **General Bond** in the nature of an undertaking that s/he will submit specific consignment-wise bond backed by a security at the time of interdiction of infringing goods.

Alternatively,

- The right holder may file a **Centralised Bond** (which will be a running bond) for a value that is sufficient in their judgment, to correspond to the value of allegedly infringing goods, all over India. The particulars of the **Centralised Bond** will be uploaded online and applicable to all the ports in India with an online facility of debit and credit. This security amount would then be used against future interdictions of goods that infringe the Applicant's IP. The right holder would have the ability to "top up" the Centralised Bond at any time without the worry of needing to produce a Consignment-specific Bond in a short time period when infringing goods are interdicted.

What facility will a Right Holder enjoy as a Centralized Bond Holder?

- 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 rights holder with the Customs.
- All future correspondence shall be with reference to the Bond Registration No. (BRN) issued by the Customs Office to the Rights Holder/ Applicant.

Note: To enable linking of all UPRNs of a rights holder, the rights holder has to be the same in all the UPRNs which are to be so linked. Thus, if the rights holder is the same for two trademarks but by virtue of licenses/ assignments the rights holder as registered with the Custom Authorities are different, then both these UPRNs cannot be linked through a single bond as the rights holder in the two UPRNs would be different.

What is the procedure followed when goods suspected to be infringing are detained?

- Once goods suspected to be infringing are detained, the Deputy Commissioner of Customs or Assistant Commissioner of Customs, shall inform the importer and the right holders (or their Authorized Representatives) by speed post/ email of the suspension of clearance of the goods and shall state the reasons for such suspension [**Rule 7 (2)**].
- At this stage, the right holder or its Authorized Representative shall, in order to join the proceedings **under Rule 3**, either provide the BRN (General Bond Number) or execute a Specific Bond indemnifying the Custom authorities and provide documentary proof of the validity of UPRNs.
- The right holder's Authorized Representative is then provided with photographs/ serial numbers of the products/ samples of the products for examination, testing and analysis to assist in determining whether or not they are infringing (**under Rule 8**).

What is the maximum period of detention of goods suspected to be infringing?

- The right holder must join the proceedings in 5 days of receipt of communication from Customs.
- The right holder must inspect the goods and take follow-up action within 10 working days from the date of notice. This period may, for sufficient cause, be extended by another 10 days

(However, in the case of perishable goods, the period of suspension of release is 3 working days, which may be extended by another 4 days).

- If no steps are taken by the right holder within the above period, the goods may be released.

Does Customs law permit *ex officio* action?

- Yes, Customs can on its own initiative suspend the clearance of the imported goods if there is *prima facie* evidence or reasonable grounds to believe the goods are infringing IPRs.
- In such a scenario, the rights holder or its agent will have to comply with the requirements of recordal within 5 days; else the goods may be released.

What if the Right Holder does not join the proceedings?

If the rights holder does not join the proceedings within the stipulated time period, then the goods may be released to the importer, provided all other conditions of import of such goods under the Customs Act, 1962, have been complied with.

What is the procedure after detention?

- After receiving a reply from the right holder and evidence of infringement coming forth, Customs will issue a show cause notice to the importer.
- Copy of the show cause notice will be provided to the Right holder.
- Determination of the infringement shall be made following the process of adjudication which includes an opportunity for the importer to reply to the notice and present his case in a personal hearing.
- Where the goods are found to have infringed the IPRs, the adjudicating authority shall pass an order of confiscation.
- A copy of the order shall be conveyed to the Right Holder.
- Appeal provisions under the Customs Act apply to these Orders.

What is the procedure for Disposal/ Destruction of infringing goods?

- If Customs concludes that the goods are infringing the rights holder's IPR and no other legal proceeding is pending, then, after confiscation, they will have the said infringing goods destroyed or disposed of outside the normal channels of commerce.
- Such destruction/ disposal will be done after obtaining a "no objection" or concurrence from the rights holder.
- Prior to destruction, samples of goods may be provided to the rights holder or the importer on request.

How can the right holder inform Customs of an infringing consignment?

- The right holder can inform by e-mail/fax/post, the Commissioner of Customs at the Customs Station where the infringing goods are likely to be imported
- The right holder can also inform the Risk Management Division of CBEC at 13, Sir Vitthaldas Thackersey Marg, New Marine lines, Mumbai – 400020 (Fax: +91 22 22061014)

Thank you

Central Board of Excise and Customs places on record its appreciation for
Japan External Trade Organization (JETRO)
for organizing the Seminar on IPR at New Delhi on
26th Sept. 2016
where this presentation was first released.