

F. No. 305/96/2004-FTT (Pt-I)
Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise & Customs
New Delhi

Circular No. 41/2007-Customs

Dated 29th October, 2007

**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 Sub-Section (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 Sub-Section (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 No. 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.

Sd/-
(P. S. PRUTHI)
Commissioner (Customs &EP)

Member-exporters can avail the Annexure - A, Annexure - B and Annexure - C from the following link :

<http://www.cbec.gov.in/customs/cs-circulars/cs-circulars07/ipr-circ-annx-a.pdf>

<http://www.cbec.gov.in/customs/cs-circulars/cs-circulars07/ipr-circ-annx-b.pdf>

<http://www.cbec.gov.in/customs/cs-circulars/cs-circulars07/ipr-circ-annx-c.pdf>