

Intellectual Property Crime of Counterfeiting in India: A Critical Evaluation

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Abstract

The study takes a critical evaluative approach to examine the impact, issues and the magnitude of concern of counterfeiting in relation to the rapidly increasing standards of international intellectual property right (IPR) protection regime and anti-counterfeiting enforcement. Since available literature on this topic fails to look at the issue of counterfeiting as a whole, it becomes very difficult to determine the real magnitude of the problem and ensure enforcement of the anti-counterfeiting remedies accordingly.

Within the conceptual framework, the author investigates the intellectual property crime of counterfeiting in reality. Further, drawing on the analysis of the current statistics of counterfeiting in India in the microcosm of Pune with the various problems which are presented to multiple stakeholders involved in the procedure, this study posits that the current laws pertaining to anti-counterfeiting enforcement are inadequate to tackle the issue. The poor enforcement machinery in India is only aiding to escalate the magnitude of the issue.

Based on the exploratory study targeting intellectual property experts based on empirical approach, qualitative and quantitative analysis; the researcher further proposes reforms and suggestions towards effective enforcement of anti-counterfeiting laws.

KEYWORDS: Counterfeiting, Intellectual Property Crime, Anti-Counterfeiting Laws, Magnitude, Impact, Enforcement, Remedies

Introduction:

At the end of 2015, Ray-Ban sought injunction from court to stop Shop clues from selling counterfeit sunglasses online. Likewise, US based company Skull candy which deals with headphones sued Paytm for allegedly selling counterfeits. Further, in January 2016, lawyers from Tommy Hilfiger, Superdry, Lacoste, Levi's and Calvin Klein along with other foreign brands with the aid of court-raided warehouse of online retailer Stylemyway.com which is situated in Delhi and seized thousands of fake apparels. In the same month 18 lawyers and commissioners appointed by court raided Vasant Kunjware house of Rubicon Exim that owns Stylemyway.com and confiscated counterfeit products. These events are the burning examples of how devastating the issue of counterfeiting in India is.¹

¹<http://articles.economictimes.indiatimes.com/2014-03-25> (Last visited on 28th June,2016)

In the current knowledge economy; intangible assets, intellectual property, brand value and goodwill constitute a significant share of the companies' equity. These are generated after heavy investments in human resources, research and development, careful and proactive brand management maintaining standard quality and reliability in the eyes of the customers. Counterfeiting is one of the most alarming and fastest growing economic crimes faced by IP Attorneys, Investigators and Brand Managers. It devalues goodwill, deters foreign investment, funds terrorism and has a potential to harm human life. Statistics provided by International Chamber of Commerce (ICC) indicates that the total global value of counterfeiting has reached US\$ 2 trillion by the end of 2015 and India is no exception to this. However, in emerging markets like India, China, Hong-Kong and Africa with every passing day it is becoming difficult to enforce intellectual property (IP hereafter) rights because of growing economic phenomenon of IP crime counterfeiting.

Counterfeiting is affecting global economy in every possible way that is why it has come into limelight in the last two decades. Else, ever since people started producing valuables there has been counterfeiting. Early incidences of counterfeiting applied to coins, pre-coin precious metals or shells used as money, and marks or symbols used on one's objects to distinguish from others.² Prior to the inception of the intellectual property system, counterfeiting was regulated under various criminal laws.

Counterfeiting In India

As a result of globalization, positive effects such as increased commerce, international trade and coming direct foreign investment are seen. On the other hand, India is being seen as a low cost manufacturing base where human labor is cheap, investment for setting up a manufacturing unit is very low. Hence, counterfeiters often think of India as a potential location for the production of counterfeit products which can be sold in domestic markets as well as be exported outside India. No industry is left unharmed by the crime of counterfeiting; however the most affected industries are pharma, movies and music industry, electronics, software, books etc.

US Department of Homeland Security in their annual report of 2013 says,

“Chinese counterfeit and pirated goods seized in the US accounted for a total value of USD 1.1 billion, representing 68 per cent of all such goods seizures by the Customs and Border Protection. The number of intellectual property right (IPR) seizures increased nearly seven per cent from 22,848 in fiscal 2012 to 24,361 in fiscal 2013. The MSRP of seized goods increased from USD 1.26 billion in FY 2012 to USD 1.74 billion in FY 2013. DHS averaged slightly over 66 seizures per day, with an average MSRP of each seizure being slightly more than USD 71,500.”³

According to the report China holds first rank in counterfeited and pirated goods whereas Hong Kong holds second by accounting for about 25% of the total goods seized. India comes on the third position to contribute 3% of the total goods

²As early as in the Roman era, trademarks have been found on lead pipe, marble, bronze instruments, gold and silverware, knives and other iron articles, and gems. France and England even issued royal edicts to require bread bakers, cheese makers, or metal smiths to use a distinctive mark on their products. For details on the early history of trademarks, see, eg, Benjamin G. Paster, 'Trademarks - Their Early History: Part I' (1969) 59 *TrademarkReporter* 551; Edward S. Rogers, 'Some Historical Matter Concerning Trademarks' (1910) 9(1) *Michigan Law Review* 29.

³<http://articles.economictimes.indiatimes.com/2014-03-25> (Last visited on 28th June, 2016)

seized."Together with our IPR partners, CBP continues to guard the nation's borders against counterfeit products," said CBP Commissioner R Gil Kerlikowske.⁴

As compared to China, where large factories are dedicated to production; India manufactures and produces through small and medium sized industries. These industries operate through sophisticated operations. Purpose of this production is to cater to overseas market.

The National Intellectual Property Rights Centre started with an initiative Operation "In Our Sites" in FY 2013 to curb rogue websites trading in counterfeits and pirated goods. Under this initiative they have seized control of 1,413 websites dealing in counterfeit goods or contrabands in FY 2013 alone.⁵

The office of the US Trade Representative (USTR) named more than 30 internet sites and actual markets which deal with pirated products or counterfeits. According to this list,

*"The US has identified Nehru Place and Gaffar Market in New Delhi along with four others in India as "notorious markets" in global piracy and violation of intellectual property rights (IPR). Manish Market and Lamington Road in Mumbai, and Cheney Trade Center and Hong Kong Bazar in Hyderabad are the other four "notorious markets" identified by the US Trade Representatives in its report. Nehru Place is reportedly one of the many markets in major cities throughout India that are known for dealing in large volumes of pirated software, optical media and counterfeit goods," the USTR report released on Monday said. The list also includes China's popular website Baidu, Silk Market in Beijing, Pakistan's Urdu Bazaars and Thailand's Red Zones shopping areas."*⁶

At international level, India holding a third rank to provide for counterfeit products will affect the foreign direct investment in India negatively. This in turn will mar the make in India campaign as well. Whereas, the number of legal proceedings in Indian court for seizure of counterfeit goods and infringement suits at national level is increasing at alarming rate. It will discourage promotion of innovation to increase number of domestic IP owners.

In India during last two years huge numbers of cases are being filed by domestic IP owners as well as foreign companies looking for investment in India. Siddhi Vinayak Knots and Prints which is a Surat based company which deals in Saree manufacturing and retail has filed cases against Amazon, Flipkart and several other sellers for infringing upon their rights by selling copies of their copyrighted designs.⁷

French Luxury brand Hermes and Indian retailer in leather goods Da Milano are fighting a battle over alleged similarity between Da Milano's handbag and Hermes' Birkin range. Hermes was successful to get an injunction order from Delhi High Court to stop Da Milano from selling these counterfeit handbags. However Indian firm denied the charge sought vacation from ex-parte order saying that there is no similarity in

⁴<http://articles.economictimes.indiatimes.com/2014-03-25> (Last visited on 28th June,2016).

⁵<http://articles.economictimes.indiatimes.com/2014-03-25> (Last visited on 28th June,2016).

⁶<http://articles.economictimes.indiatimes.com/2011-03-02> (Last visited on 28th June,2016).

⁷<http://economictimes.indiatimes.com/industry/services/retail/siddhi-vinayak-knots-prints-drags-flipkart-amazon-to-court-for-copying-saree-designs/articleshow> (Last visited on 28th June,2016).

shape or design. Additionally, it costs around Rs. 10,000 while later about Rs. 6.5 lakhs.⁸

A Mumbai based furniture manufacturing company Housefull International filed a complaint with Mumbai police charging Bangalore based Mebelkart for selling counterfeit products. Housefull claimed compensation of Rs. 150 crores for damaging their reputation in public and affecting their goodwill.⁹

Similarly, Shree Meena Creations sued Amazon, eBay and Flipkart for selling the counterfeit Sarees with their protected designs. Likewise Shopclues was alleged for listing counterfeits by Harman International which deals with JBL brand of headphones.¹⁰

Diljeet Titus, founding partner at law firm Titus & Co says, *"Despite all efforts to check the sale of counterfeit products in India, estimates suggest that the counterfeit market for luxury products is growing at about 40% per annum, i.e., twice the growth of genuine luxury products,"*¹¹

Pravin Anand, managing partner at Anand & Anand, says, *"the growth of counterfeit business is directly proportional to the amount of fear brands are able to generate in the minds of the perpetrators. Popular brands such as Gucci, Police, Louis Vuitton (mainly purses), Bvlgari diamonds, Rolex watches and Prada dresses are counterfeited and sold widely in India. Many such products come from China. That's not all one can find luxury brands even in product categories not manufactured by the original brands. One such example is Harley Davidson deodorants."*¹²

In 2006, under the guidance of the department of consumer affairs joint secretary Jayashree Gupta a committee was formed to study counterfeit, fake, spurious and contraband products. In the final report, the committee showed that counterfeiting results in loss of Rs. 30,000 crore to the industry and Rs. 15,000 crore to the government annually.¹³

Assocham report suggests food safety regulator FSSAI should have guidelines for nutraceuticals their manufacturing and monitoring. Nutraceuticals and diet supplements are gaining popularity day by day and has potential to grow to USD 12.2 billion in the next 5 years. However, 60-70% of these supplements are fake and do not abide by the standards.¹⁴

While talking about India's new IPR Policy Ram Vilas Paswan said,

"India's role as a global economic powerhouse and status of an investment destination are increasingly linked to its ability to ensure IPRs are protected with strong IPR rules and enforcement of laws and regulations, the minister said. Paswan, who is incharge of the Food and Consumer Affairs Ministry, also noted that on the one hand the

⁸<http://articles.economictimes.indiatimes.com/2013-08-28> (Last visited on 28th June,2016)

⁹<http://economictimes.indiatimes.com/industry/services/retail/housefull-pushes-mebelkart-to-court-for-fakes/articleshow> (Last visited on 28th June,2016)

¹⁰ ibid

¹¹ ibid

¹² ibid

¹³<http://articles.economictimes.indiatimes.com/2006-06-08> (Last visited on 28th June,2016)

¹⁴<http://health.economictimes.indiatimes.com/news/industry/fssai-should-form-rules-for-nutraceuticals-diet-supplements-asso-cham-report/48176001> (Last visited on 28th June,2016)

value of 'Indian made' intellectual rights is on the rise while on the other rising counterfeit and fake products are posing as a key threat to the country's economic growth."¹⁵

Scale of the problem:

*"Auto Component Manufacturers' Association of India (ACMA) estimates Indian automotive components aftermarket to be around Rs. 250 billion whereby counterfeit parts constitute upto 36%."*¹⁶

Prime Minister Narendra Modi's Make in India campaign will succeed only if products manufactured in the country are reliable and authentic, a top official of a pan India association of manufacturers of anti-counterfeiting solutions has said, adding that FMCG (Fast Moving Consumer Goods), especially packaged drinking water, were the most counterfeited in India.

U.K. Gupta, also said that authentication of goods using simple and cost effective techniques such as holograms and tamperproof seals would save the Indian economy several billion rupees annually. "The Make in India campaign needs authentication of products to make it complete. A scenario where goods manufactured in India are counterfeited will only harm the campaign. There is a constant need to ensure that the Made in India label products are of highest quality, genuine and secured till delivered to the end consumer," Gupta said.

Quoting statistics from a report of the Federation of Indian Chambers of Commerce and Industry (FICCI), Gupta said that in the financial year 2013-14, counterfeiting caused a loss of Rs.21,957 crores (\$3.3 billion) to Representational Image the FMCG packaged goods industry, while in the same year, counterfeiting and duplication of products caused a loss of Rs.39,239 to the state exchequer in forms of tax and duty evasion. According to Gupta, counterfeiting in industries like FMCG (packaged and personal goods), mobile phones, alcoholic beverages, tobacco, auto components and computer hardware caused a cumulative loss of Rs.1,05,381 crores in 2013-14 to the companies involved in their manufacture.

"The matter is so serious that if no immediate measures are taken, then the counterfeit market will, in the next five years, grow beyond imagination and will cause a very substantial loss to the Indian Government, industry and may impact the health of consumers, as well as in their belief in Made in India products," he said. Nearly 70 manufacturers of authentication solution providers in India are members of the ASPA which is also affiliated with global associations such as the International Hologram Manufacturers Association (IHMA), Counterfeit Intelligence Bureau.

India does not have any special legislation dedicated to tackle the issue of intellectual property crime of counterfeiting. Even though there is no specific legislation in India to monitor crime of counterfeiting, there are sufficient provisions made in all the legislations. If all the provisions are read together they can provide for the protection of IP from counterfeiters. Therefore, question arises that why are these provisions found to be ineffective in practice?

¹⁵<http://articles.economicstimes.indiatimes.com/2016-01-15> (Last visited on 28th June,2016)

¹⁶ACMA report 2012

After referring to various legal frameworks for anti-counterfeiting laws of countries like US, China, France, Germany, UK and Kenya; it can be concluded that civil remedies available in all other legislations in comparison with India are similar in availability of the reliefs offered. Enforcement of remedies in other countries differ largely with respect to the criminal sanctions given for the crime of counterfeiting. Taking rigorous actions civil as well as criminal will help improve enforcement of remedies in the country; it serves two-fold purpose: Government needs rigorous criminal sanctions to ensure nation's security, safety and health of its subject and on the other hand it also deters habitual offenders.

Indian anti-counterfeiting regime is closer to China, wherein law does have provisions for prevention of anti-counterfeiting but because of inefficient administration and enforcement it is being noted as a potential market for counterfeiting.

The lacunae found in Indian anti-counterfeiting regime after this comparative study are further discussed in line with the empirical data collected and opinions given by the experts on this behalf to calculate the magnitude of this problem. Looking at the UK anti-counterfeiting laws and strategies applied by them to tackle the issue it is safe to say that current Indian laws need many reforms. Recommendations in this regard have been compiled in the conclusion on the basis of Experts opinion.

Rationale behind the study:

One of the objectives of this study is to examine the issues and the magnitude of crime of counterfeiting. The findings of the survey carried out to investigate the same in Pune city, are analysed to study the impact of counterfeiting on economic, social and legal level. With the aid of the critical analysis of these findings and Expert's valued opinion, the researcher has compiled the suggestions to form the scheme of improvement in current legislation and enforcement of remedies. The other important objective of this exploratory study is to compile possible reforms in present laws and enforcement of remedies against counterfeiting.

Present study covers counterfeiting related to industrial property. Due to paucity of time, the study could not cover all the aspects of counterfeiting as it is only limited to the dimension of crime. It does not cover other IP offenses such as piracy. Further, aside from the IP expert as stakeholders the access to data from enforcement personnel could not be procured. Therefore, data on actual criminal cases or cases or their trend could not be extrapolated.

To understand the basic concept of counterfeiting and to be able to distinguish it from other forms it is necessary to study and analyze the issues and magnitude of counterfeiting as a problem on social, economic and legal level.

Empirical Survey Methodology:

Exploratory study with empirical method was conducted to test, confirm and validate findings of the doctrinal research. In this study, Intellectual property law experts were targeted and sample size was 25.

The study was conducted by following a survey method. A questionnaire was prepared and respondents were requested to fill up the information in the required format. Survey method was used to collect qualitative as well as quantitative data including opinions

regarding intellectual property crime of counterfeiting in India. First part of the questionnaire contained close ended questions so as to collect empirical data to substantiate the findings of the doctrinal research. The other part of the questionnaire consisted descriptive questions to get authentic expert opinion on the subject matter.

Findings of this survey are represented in tabular and graphical format in the next section of the chapter to analyze the same.

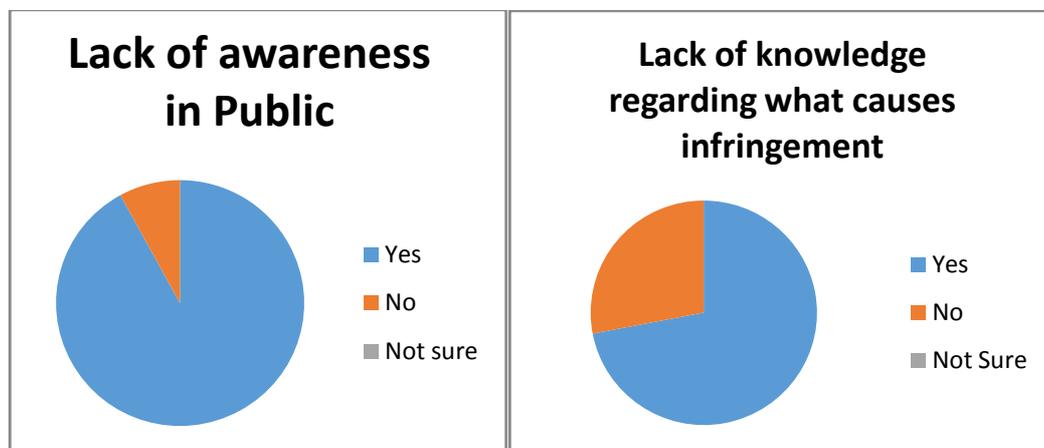
Findings:

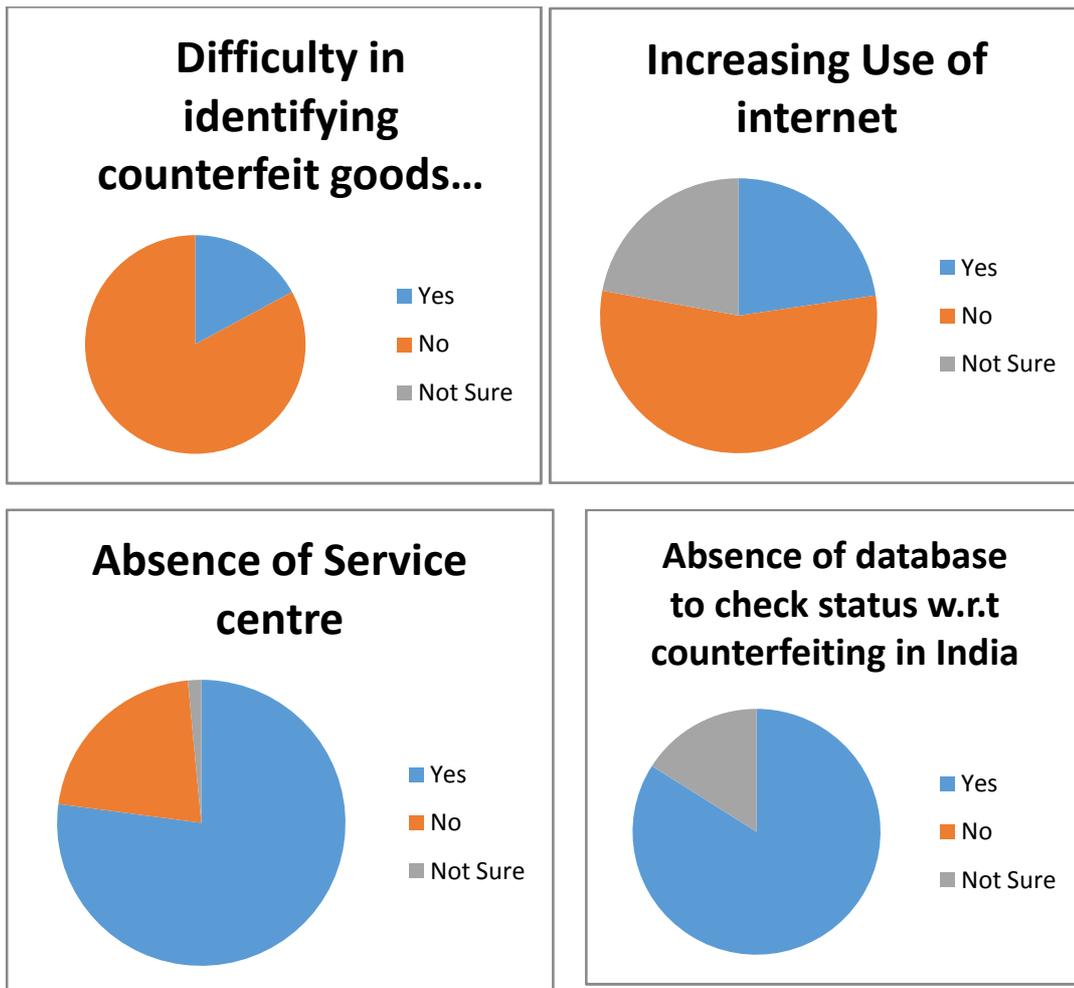
Part I: Issues and Magnitude of the Crime of Counterfeiting

A. Respondents were asked if following issues promote counterfeiting and they responded as follows-

| S.N o. | Probable Issues | Yes | No | Not sure |
|--------|---|-----|----|----------|
| 1 | General Public is not aware of Intellectual Property rights | 23 | 2 | 0 |
| 2 | No knowledge regarding what exactly causes its infringement | 18 | 7 | 0 |
| 3 | Counterfeits and pirated products being widely accepted by public | 25 | 0 | 0 |
| 4 | Difficulty in identifying counterfeit goods in the market | 15 | 10 | 0 |
| 5 | No database available at present to check the case status and statistics of IP crime w.r.t counterfeiting in India. | 21 | 0 | 4 |
| 6 | Look –alikes and counterfeits are difficult to distinguish | 25 | 0 | 0 |
| 7 | Increasing internet use | 18 | 5 | 2 |
| 8 | No public service center established | 18 | 5 | 2 |

Table 1: Issues promoting counterfeiting





All of the respondents answered in 100% affirmation regarding

1. Acceptance of the counterfeited goods by general public.
2. Look –alike and counterfeits are difficult to distinguish

Comments

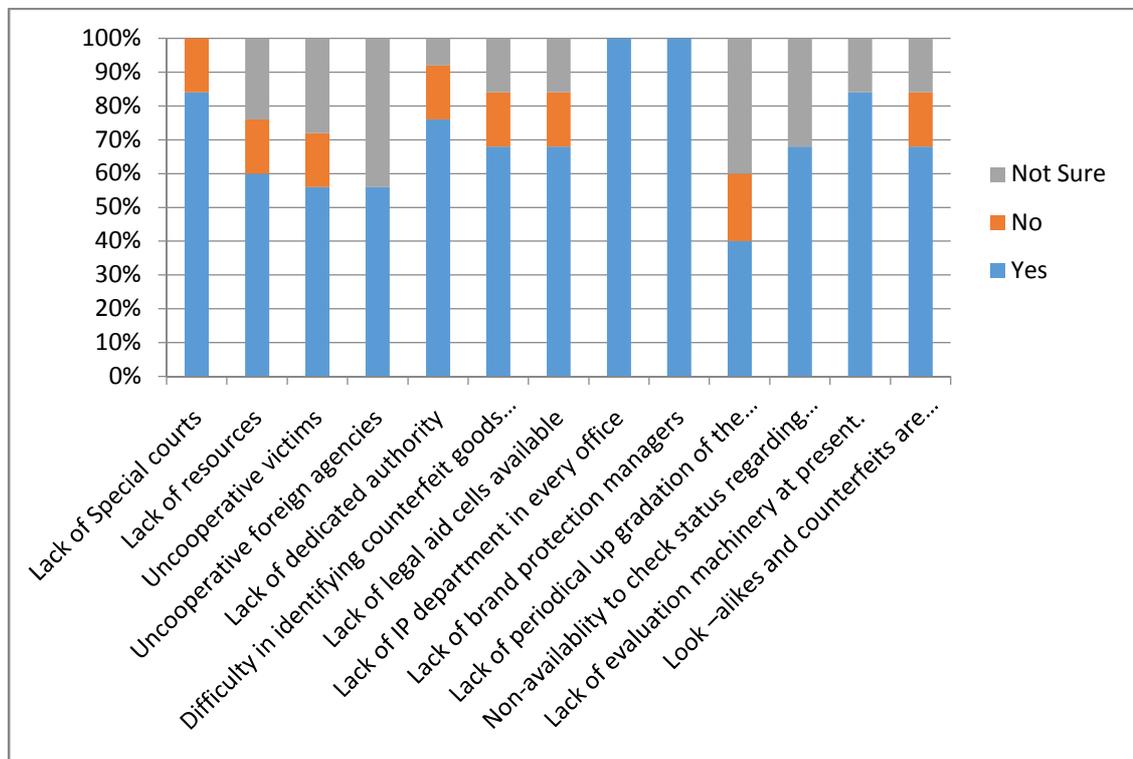
Hence, it can be concluded that with the advent of technology it is becoming difficult to identify counterfeits manufactured by using sophisticated technologies and online display of merchandise and ready availability is posing a great threat to economy by giving rise to counterfeiting. However, the fact that such an advanced technology is not being used to create and update a database to show statistics for crime of counterfeiting is another ironic issue.

B. Respondents were requested to answer if following issues were leading to increase in counterfeiting as a crime, and their collective response is as follows-

| Sr No. | Issue | Yes | No | Not sure |
|--------|--|-----|----|----------|
| 1 | No special courts established for IP matters | 21 | 4 | 0 |
| 2 | Cases require resources that are not available | 15 | 4 | 6 |

| | | | | |
|----|--|----|---|----|
| 3 | Uncooperative victims | 14 | 4 | 7 |
| 4 | Uncooperative foreign agencies | 14 | 0 | 11 |
| 5 | Lack of appropriate authority tackle IP Crimes w.r.t counterfeiting | 19 | 4 | 2 |
| 6 | Difficulty in identifying counterfeit goods in the market | 17 | 4 | 4 |
| 7 | No legal aid cells available | 17 | 4 | 4 |
| 8 | Lack of IP department in every office | 25 | 0 | 0 |
| 9 | Lack of brand protection managers | 25 | 0 | 0 |
| 10 | No periodical up gradation of the system | 10 | 5 | 10 |
| 11 | Lack of database to check the case status and statistics of IP crimes w.r.t counterfeiting in India. | 17 | 0 | 8 |
| 12 | Lack of evaluation machinery at present. | 21 | 0 | 4 |
| 13 | Look –alikes and counterfeits are difficult to distinguish | 17 | 4 | 4 |

Table 2: Factors leading to increase in counterfeiting



According to the respondents’ lack of IP departments in every office and brand protection managers to monitor IP issues are the leading causes for escalating levels of IP crime of counterfeiting.

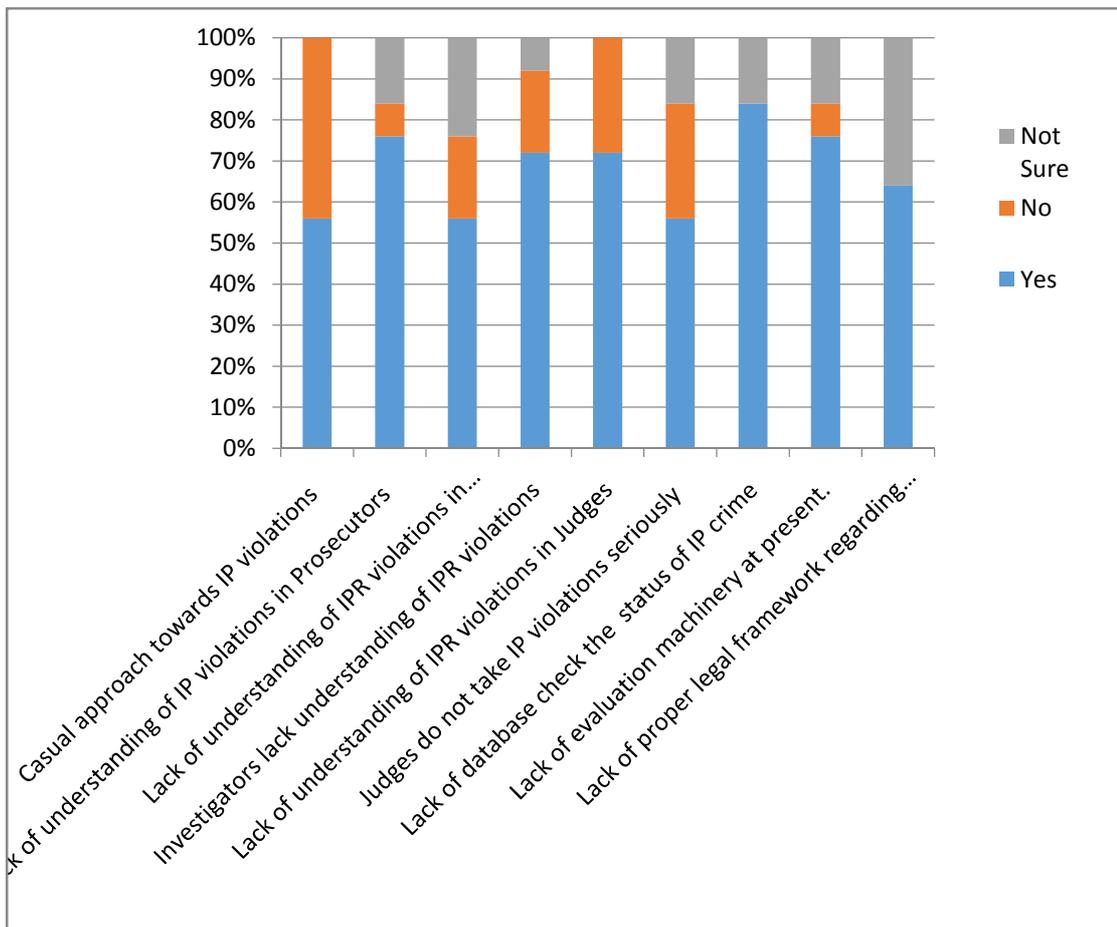
Part II: Impact on economic, social and legal level

Respondents were asked to evaluate if following issues cause delay or inefficiency in justice delivery and they answered-

| Sr No. | Issue | Yes | No | Not sure |
|--------|---|-----|----|----------|
| 1 | Prosecutors do not take IP violations seriously | 14 | 11 | 0 |

| | | | | |
|---|--|----|---|---|
| 2 | Prosecutors lack understanding of IP violations | 19 | 2 | 4 |
| 3 | Investigators lack understanding of IPR violations | 14 | 5 | 6 |
| 4 | Investigators lack understanding of IPR violations | 18 | 5 | 2 |
| 5 | Judges lack understanding of IP violations | 18 | 7 | 0 |
| 6 | Judges do not take IP violations seriously | 14 | 7 | 4 |
| 7 | No database available at present to check the case status and statistics of IP crime in India. | 21 | 0 | 4 |
| 8 | Lack of evaluation machinery at present. | 19 | 2 | 4 |
| 9 | Lack of proper legal framework regarding counterfeiting | 16 | 0 | 9 |

Table 3: Factors leading to delay in justice delivery



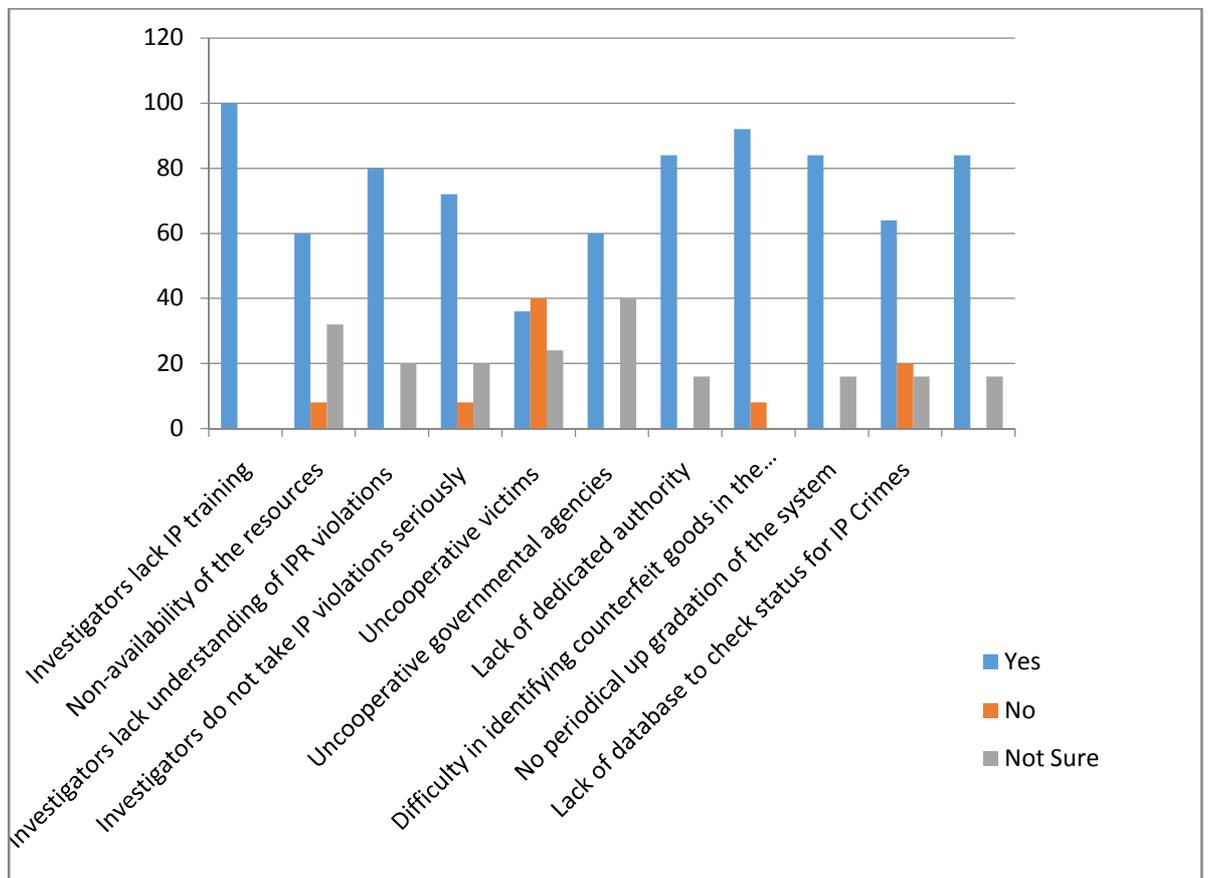
Majority of the respondents suggested that lack of a particular database to check statistics and current status of counterfeiting cases lead to inefficient justice delivery in this matter.

Part III: Efficiency of the remedies available under present laws

Respondents were asked if following issues and poor enforcement of remedies have cause and effect relationship, and they respondents as follows-

| Sr No. | Issue | Yes | No | Not sure |
|--------|--|-----|----|----------|
| 1 | Investigators lack IP training | 25 | 0 | 0 |
| 2 | Cases require resources that are not available | 15 | 2 | 8 |
| 3 | Investigators lack understanding of IPR violations | 20 | 0 | 5 |
| 4 | Investigators do not take IP violations seriously | 18 | 2 | 5 |
| 5 | Uncooperative victims | 9 | 10 | 6 |
| 6 | Uncooperative governmental agencies | 15 | 0 | 10 |
| 7 | No appropriate authority designated for tackling IP Crimes w.r.t counterfeiting | 21 | 0 | 4 |
| 8 | Difficulty in identifying counterfeit goods in the market | 23 | 2 | 0 |
| 9 | No periodical up gradation of the system | 21 | 0 | 4 |
| 10 | No database available at present to check the case status and statistics of IP crimes w.r.t counterfeiting in India. | 16 | 5 | 4 |
| 11 | Look –alikes and counterfeits are difficult to distinguish | 21 | 0 | 4 |

Table 4: Factors responsible for poor enforcement



According to experts, following issues are leading to poor enforcement of remedies-

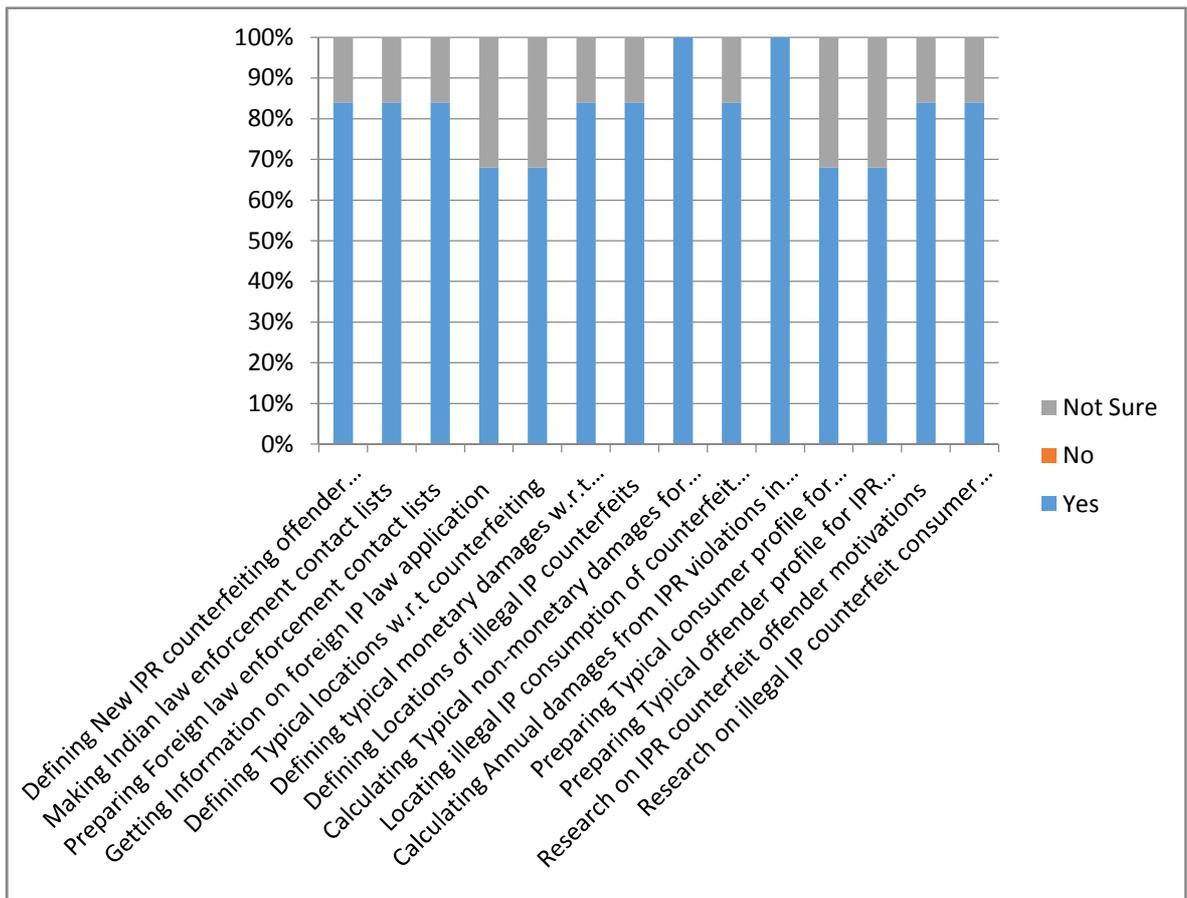
- ✓ Lack of IP training to investigators
- ✓ Difficulty in identifying counterfeit goods
- ✓ Lack of understanding of what causes IPR violations and counterfeiting.

These factors are considered further in compiling recommendations for suggesting reforms suitable to Indian Laws.

Part IV: Suggested reforms

| S. No | Probable Remedies | Yes | No | Not sure |
|-------|--|-----|----|----------|
| 1 | Find out New IPR counterfeiting offender techniques | 21 | 0 | 4 |
| 2 | Prepare Indian law enforcement contact lists | 21 | 0 | 4 |
| 3 | Prepare Foreign law enforcement contact lists | 21 | 0 | 4 |
| 4 | Get Information on foreign IP law application | 17 | 0 | 8 |
| 5 | Define Typical locations of IPR violations w.r.t counterfeiting | 17 | 0 | 8 |
| 6 | Define Typical monetary damages from IPR violations by way of counterfeiting | 21 | 0 | 4 |
| 7 | Define Locations of illegal IP counterfeits | 21 | 0 | 4 |
| 8 | Calculate Typical non-monetary damages from IPR violations in counterfeiting | 25 | 0 | |
| 9 | Find out Locations of illegal IP consumption of counterfeit products. | 21 | 0 | 4 |
| 10 | Calculate Annual damages from IPR violations in counterfeiting | 25 | 0 | 0 |
| 11 | Prepare Typical consumer profile for IPR violations by way of counterfeiting | 17 | 0 | 8 |
| 12 | Prepare Typical offender profile for IPR counterfeiters | 17 | 0 | 8 |
| 13 | Research on IPR counterfeit offender motivations | 21 | 0 | 4 |
| 14 | Research on illegal IP counterfeit consumer motivations | 21 | 0 | 4 |

Table 5: Suggested reforms



According to the experts following reforms are must for improvement of the enforcement of remedies-

- ✓ Need to define Typical monetary damages from IPR violations by way of counterfeiting
- ✓ Need to define Locations of illegal IP counterfeits
- ✓ Need to Calculate Typical non-monetary damages from IPR violations in counterfeiting

Based on these findings, the objective on understanding counterfeit as a crime and the objective of recommending suitable legal reforms are proposed. If one converges the doctrinal data of best practices in comparative jurisdiction in UK, EU and China, calculated damages alongside the criminal liability will prove to be more effective in controlling such a serious infringement of IP.

On the foundation of the findings from the doctrinal research pertaining to issues, concerns, magnitude and impact of counterfeiting; variances found in the various anti-counterfeiting laws from other countries and results from empirical data collected from exploratory study conducted in the microcosm of Pune, India the challenges in better enforcement of anti-counterfeiting remedies are enumerated and suggestions and recommendations for desired reforms are compiled.

The forces driving counterfeiting are profitability, cheap labor, employment, recession driven bargain from customers etc. However, no compromise can be made in case of

concerns relating to right to life in terms of safety and health or nation's security involved in defense or terrorism-related issues, on account of these factors.

Conclusions

Given the serious impact of counterfeiting, these were further probed in empirical study. The empirical data analyzed, shows the impact of counterfeiting along with its types and suggestions for combating it. As shown in the empirical data certain enforcement challenges exist.

These are as follows:

- A. Resources available with government are inadequate to tackle the issue of IP crime of counterfeiting
 - The enforcement infrastructure suffers from dual challenges at both the executive (police investigations and enforcement) and at judicial levels
 - Both challenges pivot on resource prioritization and utilization
 - The central-state division means resource prioritization, utilization and appropriateness of enforcement will vary from jurisdiction to jurisdiction.
 - Lack of IP training to investigators
 - Difficulty in identifying counterfeit goods
 - Lack of understanding of what causes IPR violations and counterfeiting.
- B. Attention is not given to understand Supply and demand chain of counterfeit products leading to increase in number of counterfeiting cases
 - Both imports (particularly from China) and domestic production are counterfeiting sources in the market.
 - A thriving and growing grey market in counterfeit goods exists to supply a bargaining population
 - There is lack of public and government awareness
 - Government is also a buyer of counterfeits due to lack of checks at the entry point and corruption
 - Research indicates minor amendments to the Trademark law needed to improve other challenges in the market.
- C. Enforcement of anti-counterfeiting remedies in India is poor because of following challenges faced by police enforcement authorities:
 - Lack of prioritization by police authorities of commercial crimes.
 - Quality of enforcement varies greatly from region to region.
 - ✓ Size of enforcement action
 - ✓ Lack of simultaneous action and adequate resources
 - ✓ Multi-Jurisdictional aspect
 - ✓ Interpretation of the law with a holistic approach
 - Underfunded resources and a lack of dedicated IPR enforcement unit/cell for investigation.

- Police authorities rarely conduct raids based on their own investigations under powers given to them u by way of Section 115(4) of the Trademark Act.
 - Lengthy procedures for initiating action, resulting in evidence disappearances and less effective enforcement.
 - Corruption and collusion
 - Post Enforcement debriefing of infringers and follow up actions
- D. There is a inadequacy and delay in justice delivery system because of the challenges faced by court system, which are:
- The court system is overburdened. The backlog of existing and new cases results in lengthy delays between the time a case enters the court and the time it reaches a sentence.
 - It takes 2 – 3 years to issue a summons and 6 – 8 years to conclude.
 - Tribunal level cases may be pending for 7 – 10 years without resolution. Not only is the process costly but evidence disappears and criminals go free in interim years.¹⁷
 - Reluctance to apply strong penalties and deterrence level sentencing
- E. Enforcement of anti-counterfeiting remedies in India is poor because of following challenges faced by custom officials trans-boundary issues:
- Customs has not prioritized trademark related seizures and there is no clarity with the registration process.
 - Resources constraints limit the number of seizures to be conducted. Document forgery regarding invoices is another major issue. Non-mention or misrepresentation of brand name and/or misrepresentation in description of goods and low examination rates also contribute to this problem.
 - The indemnity bond for Customs actions is inflexible and thus ineffective.
 - Seized trademark goods sometimes find its way back into the supply chain in grey markets like “chor bazaars”.
 - China represents a critical concern and threat by producing cheap look alikes.
 - Border problems are intensified by trade in parallel goods which are imported.
 - Custom officials are frustrated with industry for “failure to follow-up on seized shipments in a timely manner and failure to follow-up on legal cases by legal or technical members.
- F. IP crime of counterfeiting is increasing because of the domestic manufacture of counterfeits:
- Authorized packaging materials find their way into counterfeit distribution channels.
 - Low cost original products being used for high quality counterfeit products.
 - Diversion of OEM Products

¹⁷ APAAI Anti-counterfeiting Committee Report, Philippines, November 2014

- Ease in availability of raw ingredients and counterfeit packaging material.

G. Other issues which add to growing concern of IP crime of counterfeiting are:

- Trade issues
 - ✓ Involvement of Authorized Trade because of lacunae in organizational structure
 - ✓ Opposition from Trade Associations
- Brand Protection
 - ✓ Lack of awareness about scope of the problem and its magnitude
 - ✓ Clarity in objective and procedures
 - ✓ Seriousness in approach and Expectations
- Agency issues
 - ✓ Lack of bandwidth
 - ✓ Absence of big players taking initiative
 - ✓ Still disorganized
 - ✓ Complainants lose interest before reaching the end of litigation process.
 - ✓ Brand Protection treated like a product and not a process
 - ✓ Corruption and Collusion

Certain recommendations for law reform and suggestions for other support measures are as follows:

- Market Survey need to be conducted to study spread and acceptability of counterfeited products and consumer behaviour towards it
- Scoping and Mapping of the extent of the Problem for better understanding of the magnitude.
- Detailed Investigations and training to be provided to the investigators.
- Supply Chain Integrity Audits and use of latest technology for the same
- Investigations, Surveillance and Coordination with Customs for operations against illegal imports/ exports
- Internet Investigations and monitoring of E – Commerce of counterfeit products.
- Enforcement Actions need to be redefined
- Spreading awareness by consolidating initiatives and campaigns through PR and Utilization of Media.
- Educating the Trader Association in potential Markets for confronting this issue.
- Issue of Cease and Desist letters /notices
- Court Orders
- Comprehensive Legal measures

- Establish a Toll Free Number for obtaining information regarding counterfeit products like the best practices followed in other countries
- Educating company officials about Anti-counterfeiting strategies
Any company whose products are at risk of counterfeiting should have proper policies and standard operating procedures in place to manage this threat. For formulating an effective anti-counterfeiting strategy, protect brand products and customers from the risks of counterfeiting and protect brand value and goodwill, every company should use techniques which:
 - making it difficult to counterfeit its products; and
 - enable its products to be distinguished from counterfeit products.

Some measures which may be adopted in order to formulate an effective strategy against counterfeiting include the following.-

- ✓ Use of visible features and Hidden features
- ✓ Packaging and labeling techniques like holograms

In response to these challenges, the researcher provides following recommendations for law reform.

Recommendations:

1. There should be improved coordination between all the government agencies such as police, custom officials, court system and legislation
As noted previously, the National IP Strategy does not adequately address counterfeiting and piracy, and ignores issues pertaining to enforcement of existing IP laws and regulations. This further aggravates the lack of central coordination of India's strategies and actions need to be to stop the growth of counterfeiting and piracy.
2. Establishment of Task force trained and specialized to tackle Counterfeiting
Researcher suggests initiating the establishment of a National Intellectual Property Enforcement Task Force with the responsibilities outlined in the National IP Strategy Plan. Among its responsibilities, the Task Force should:
 - maintain database on criminal enforcement measures instituted for trademark infringement and copyright piracy. Besides this information on civil cases filed should also be assembled with the IP cases.
 - be mandated to deliberate upon operational issues of enforcement with the concerned Central and State agencies
 - to conduct periodic industry wise infringement surveys to update the database and the statistics
 - coordinate capacity building programmes for the Central and State enforcing agencies and personnel
3. Inclusion and strict implementation of strong penalties and deterrent-level sentencing.

The Trademark Act (1999) provides targets of counterfeiting both civil and criminal remedies to infringement, though a number of factors play into which avenue makes the most sense in each case. No matter which remedy is used, or some

different types of injunctions are allowed, the courts need to implement stronger penalties for an effective enforcement of remedies.

A special attention should be given to aspects of crime of counterfeiting affecting basic human rights like health and safety. For example, Anti-counterfeiting laws in New Zealand increases the term of imprisonment as well as amount of compensation five times for crime of counterfeiting involving concerns related to human rights.

In India, suitable changes to Indian Penal Code and Criminal Procedure Code could be brought about. Customs officials should be empowered to act by suitable changes in law.

➤ Reforms in Administrative and executive actions

- Give political importance to IPR crimes at the central and state level of government.
- Provide additional funding to existing IP cells at the state level for acquisition of resources needed.
- Expand the number of individuals dedicated to IPR cells in police jurisdictions around the country.
- Work with municipalities to help prioritize enforcement related concerns among enforcement infrastructure in individual jurisdictions.
- Increase existing funding and propose paying rewards to include an incentive rewarding police officers for focusing on economic crimes.
- Establish a national and regularized system of education and training of police officials on the negative impact of IPR crimes. Prioritize education resources on key municipalities such as Delhi and NCR.¹⁸
- Increase the number of independent investigations by police and *suo-moto* raids under Trademarks Act.
- Ensure transparency in data by providing ease of access to Registrar of Trademarks data as well as updated records; automatically accountability and efficiency will follow

➤ Reforms in Judiciary and Legislative actions

- Establish specialized IPR courts in every state in India and increase resources to enhance IPR expertise of judicial benches and prosecutors to deal with these cases more expeditiously.
- Include provision for establishment of mediation centers or alternative dispute resolution to reduce the backlog of trademark cases.
- Enhance and promote automation and updating of IPR crimes related as well as judicial processes.
- Amend laws to adopt statutory damages in civil cases.
- Develop a national level database to track IP criminal cases and update the same timely

➤ Inviting and encouraging more public-private collaborations

Inviting public and industry participation for better co-ordination like anti-counterfeiting laws of EU countries.

¹⁸Indianexpress.com/article/india/india-news-india

➤ Adapting provisions from proven effective anti-counterfeiting laws

Anti-counterfeiting legislations such as Kenyan Law and Anti-counterfeiting Trade Agreement can be studied at depth and with few modifications suitable to Indian Scenario; they can be adapted to Indian laws for better enforcement of anti-counterfeiting remedies.

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