

Eastern promises

⊗ Border enforcement of copyright in India

Latha R. Nair and Priya Rao of K & S Partners discuss the protection of copyright at the customs level in India

Copyright piracy is a major trade barrier for developing countries as well as least developed countries. The recent boost in international trade owing to technological advancements has led to an increase in trans-border flow of pirated goods into countries like India, causing immense loss to rights owners and the exchequer. Importation of pirated CDs, DVDs, entertainment software and pirated optical disc products from Pakistan, Malaysia and other countries has substantially remained unchecked by customs and other enforcement authorities in India. There has been a growing need to step up the parallel import and rental of legitimate DVDs entering India prior to a film's domestic theatrical run. As per the 2006 "Special 301" Report¹, India continues to remain on the 'Priority Watch List' in 2006, which means that the Government of India, in order to overcome the stigma, will need to:

- establish specialised IP Courts or IP judges, increase speed of adjudication of criminal and civil cases and increase deterrence;
- create a National Anti-Piracy Task Force;
- increase the number of *suo moto* raids; and
- empower Customs to effectuate seizures and destruction of pirated goods.

This article seeks to provide a brief overview of the current position regarding protection of copyright at the customs level in India vis-à-vis its international obligations under the WTO's Agreement on the Trade Related

Aspects of Intellectual Property Rights (TRIPS Agreement), and analyses whether the proposed amendments to the Copyright Act relating to border enforcement enhance the current position.

International obligations under the TRIPS Agreement

The TRIPS Agreement, which came into effect on 1st January 1995, is to date the most comprehensive multilateral agreement on intellectual property rights. Being a minimum standards agreement it allows members to provide for more extensive protection of intellectual property if they so wish. Members are left free to determine the appropriate method of implementing the provisions of the Agreement within their own legal system and practice.

Part III of TRIPS covers guidelines for "Enforcement of Intellectual Property Rights". Section 4 therein deals with the "Special Requirement Related to Border Measures", which requires member countries to adopt procedures to enable a right holder, who has valid grounds for suspecting that the importation of counterfeit trademark or pirated copyright goods may take place, to seek recourse before a competent authority for the suspension of the infringing goods. The broad enforcement provisions provide the basic standard (covered under Articles 51 to 60), while adopting the procedures of the

member countries. Briefly, the TRIPS provisions may be summarised as follows:

- *Application*: the right holder must provide adequate evidence that there is *prima facie* infringement of his intellectual property rights. On the application being accepted, the customs authority shall inform the applicant, and where determined, the period for which the customs authorities will take action;
- *Security or equivalent assurance*: the competent authorities shall have the authority to require an applicant to provide a security or equivalent assurance sufficient to protect the defendant and the competent authorities and to prevent abuse;
- *Notice of suspension*: the importer and the applicant shall be promptly notified of the suspension of the release of goods;
- *Duration of suspension*: the applicant, within 10 working days of being served notice of the suspension, shall initiate proceedings leading to a decision on the merits of the case, or the customs authority shall have the right to release the goods;
- *Indemnification of the importer and of the owner of the goods*: appropriate compensation for any injury caused to them through the wrongful detention of goods or through the detention of goods released;
- *Right of inspection and information*: the right holder should be given sufficient opportunity to inspect the detained goods in order to substantiate the right holder's claims;

In summary

- ⊗ The recent boost in international trade owing to technological advancements has led to an increase in trans-border flow of pirated goods into countries like India, causing loss to rights owners and the exchequer
- ⊗ This article provides a brief overview of the current position on the protection of copyright at the customs level in India, and analyses whether the proposed amendments to the Copyright Act relating to border enforcement will improve the situation

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- *Ex Officio action*: competent authorities may also act upon their own initiative and suspend the release of goods in respect of which they have acquired *prima facie* evidence that an intellectual property right is being infringed.

The key feature of the TRIPS Agreement is 'the obligation' it places on WTO members to adequately and effectively enforce intellectual property rights including copyright. The transition period allowed for developing countries to comply with the obligations under the TRIPS Agreement ended on 1st January 2000, while the transition period allowed for the least developed countries has been extended from 1st January 2006 to 1st July 2013.

Current provisions for border enforcement in India

At present, the provisions for border enforcement in India are found in two pieces of legislation, namely the Customs Act 1962 and the Copyright Act 1957. These two acts empower the executive authorities to prevent infringing copies from crossing the borders and entering the commercial channels of trade.

The Customs Act 1962

Section 11 Customs Act empowers the Central Government to prohibit the import or export of goods for "the protection of patent, trade marks and copyright" by way of notification in the Official Gazette, specifying goods of such class or description.

The Customs Act therefore gives a customs officer express and implied power *suo moto* or on a formal complaint being lodged by the right owner to confiscate infringing goods by giving prior notice to the concerned importer of the said action.

However, due to the absence of provisions for indemnity, security and compensation in the case of wrong detention, customs officers are invariably reluctant to exercise their power. Hence this provision has remained a paper tiger and has not been enforced effectively.

The Copyright Act 1957

Section 53 Copyright Act also provides for a procedure to restrain importation of infringing copies into India. The said provision reads as follows:

"(1) The Registrar of the Copyrights, on application by the owner of the copyright in any work or by his duly authorised agent and on payment of the prescribed fee, may, after making such inquiry as he deems fit, order that

copies made out of India of the work which if made in India would infringe copyright shall not be imported.

(2) Subject to any rules made under this Act, the Registrar of Copyrights or any person authorised by him in this behalf may enter any ship, dock or premises where any such copies as are referred to in sub-section (1) may be found and examine such copies.

(3) All copies to which any order made under sub-section (1) applies shall be deemed to be goods of which the import had been prohibited or restricted [under section 11 of the Customs Act, 1962 (51 of 1952),] and all the provisions of the Act shall have effect accordingly...

Provided that all such copies confiscated under the provisions of the said Act shall not vest in the Government but shall be delivered to the owner of the copyright in the work."

Therefore the Act provides that a copyright owner can directly or through his authorised representative file an application before the Registrar of Copyrights along with prescribed fees informing him of the infringing goods entering the country and thereby violating his rights.

The Registrar of Copyrights shall make the required inquiry and on being satisfied of such violations, restrain the importation of the infringing goods by notifying the same in the Official Gazette under section 11 Customs Act 1962. The Customs Act shall apply *mutatis mutandis* and empowers the customs authorities to keep surveillance and seize the infringing copies crossing the boundaries of the country.

The Copyright Act also empowers the Registrar of Copyrights or any person authorised by him to enter any ship, dock or premises where any such infringing goods may be found and examine such copies.

The current provisions under the Customs Act and the Copyright Act are certainly not in conformity with the TRIPS Agreement and also suffer from various practical limitations, especially in situations where a prompt order of suspension of infringing goods is required to be passed. In such cases the whole provision of the Act is vitiated as the law is cumbersome. The statute also requires that the customs authorities be empowered to destroy the pirated goods.

Proposed amendment to the Copyright Act

The Ministry of Human Resource Development, Government of India –

Copyright Division has proposed certain amendments to the Copyright Act 1957 that have been in preparation for the last five years. The proposed amendments have finally been notified by the government for views and suggestions from interested members of the public^e. These proposed amendments will have to be passed by both the Houses of Parliament and then receive the assent of the President of India before they are implemented into law. The amendments are yet to be introduced before Parliament.

One of the provisions proposed to be amended is Section 53 Copyright Act. The proposed amendment reads as follows:

"(1) The owner of any right conferred by the Act in respect of any work or of any performance embodied in such work directly or through its authorised agent, may give notice in writing to the Commissioner of Customs, or to any other officer authorised in this behalf by the Central Board of Excise and Customs,

(a) that he is the owner of the said right, with proof thereof; and

(b) that he requests the Commissioner for a period not exceeding one year, to treat infringing copies of goods as prohibited goods; and

(c) that infringing copies of the work are expected to arrive in India at a time and a place specified in the notice.

(2) The Commissioner on being satisfied, after scrutiny of the evidence furnished by the owner of the right, may, subject to the provisions of sub-section (3), treat infringing copies of work as prohibited goods that have been imported into India, excluding goods in transit.

Provided that the owner of work deposit such amount as the Commissioner may require as security having regard to the likely expenses on demurrage, cost of storage and compensation to the importer in case it is found that the works are not infringing copies.

(3) When any goods treated as prohibited under sub-section (2) have been detained, the Custom Officer detaining them shall inform the importer as well as the person who gave notice under sub-section (1) of the detention of such goods within forty-eight hours of their detention.



(4) *The Custom Officer shall release the goods, and they shall no longer be treated as prohibited goods, if the person who gave notice under sub-section (1) does not produce any order from the court having jurisdiction as to the temporary or permanent disposal of such goods within fourteen days from the date of their detention.*"

With the clear provision under the statute and direct power to the customs authorities, the law for border enforcement of copyright shall upon being amended be less cumbersome, time consuming and more effective.

While the amendment to the existing provision is certainly in-line with Section 4 of the TRIPS Agreement, the Government of India will be required to put in place an infrastructure to support the statutory requirements and this will include:

- the creation of a special customs team which is equipped and well trained to effectuate seizure;
- fast track specialised IP courts for speedy trials.

An obvious lacuna in the proposed provision is the exclusion of 'goods in transit' from the category of imported goods. This exclusion may raise grave concerns among copyright holders internationally due to the violation of intellectual property rights by 'trans-shipment' and 'in transit goods'. Trans-shipped and in transit goods enter the customs territory of a country intended to be sent to another destination. Such goods are sometimes diverted for consumption into the customs territory through which they are shipped and the customs procedure may be used to disguise the true country of origin of the goods or to enter goods into customs territories where border enforcement for trans-shipped or in transit goods is weak. Therefore the exclusion of infringing goods in transit from the provision as proposed can be fatal. Considering these ramifications, it is rather strange that the proposed amendment intends to exclude the goods in transit from the category of imported goods.

It is also pertinent to mention here that the proposed exclusion of goods in transit also overrules the judgment of the Supreme Court of India in *Gramophone Co. of India vs. Birendra Bhardur Pandey*³. In this case, the question before the Hon'ble Supreme Court was: 'What does 'import' mean under section 53 of the Copyright Act?'

The brief facts in this case were that Gramophone Company, a well-known manufacturer of musical records and cassettes,

received information from the customs authorities at Calcutta that a consignment of pre-recorded cassettes sent by Universal Overseas Private Ltd., Singapore to M/s Sungawa Enterprises, Katmandu, Nepal had arrived at Calcutta Port by ship and was awaiting dispatch to Nepal. Gramophone Company learnt that a substantial number of cassettes were 'pirated works'. Based upon the information, Gramophone Company sought the intervention of the Registrar of Copyrights for action under Section 53 Copyright Act. Since the Registrar was not taking prompt action and apprehending that the pirated goods would be released for transportation to Nepal, Gramophone Company filed a writ petition before the High Court of Calcutta to compel the Registrar to pass an appropriate order under Section 53 Copyright Act and to prevent release of the cassettes from the custody of the customs authorities.

The High Court made an *interim* order permitting the company to inspect the consignment of cassettes and if any of the cassettes were thought to infringe the company's copyright, they were to be kept apart until further orders of the Registrar, and also directed the Registrar to deal with the application within eight weeks. The consignee preferred an appeal against the orders of the single judge before the Division Bench of the High Court of Calcutta. The Division Bench held that the word 'import' did not merely mean bringing the goods into India, but comprehending something more, that is "incorporating and mixing, or mixing up of the goods imported with the mass of the property in the local area". The learned judges thought it would be wrong to say that there was importation into India the moment the goods crossed the India customs barrier, and held while allowing the appeal that 'there was no importation when the goods entered India en route to Nepal'. Gramophone Company appealed against the order before the Supreme Court of India.

The Hon'ble Supreme Court of India, while considering the International law and vis-à-vis the Indian law, noted that the Transit Trade

Convention and the bilateral Treaty make exceptions enabling the transit state to take measures to protect copyright and further clarified that the word 'import' in Section 51 and Section 53 Copyright Act means 'bringing into India from outside India', and it is not limited to importation for commerce only, but includes importation for transit across the country.

This ruling was delivered with the intention to protect the landlocked neighbouring countries of India.

Conclusion

Considering the fact that the import of counterfeit and pirated goods to India is constantly on the rise despite the existing provisions for border enforcement, the proposed amendment is certainly a reprieve for rights holders. Further, it is undoubtedly a step to meet India's international obligations by providing for clear regulation of border enforcement measures in the copyright legislation itself. The suggested amendment, if it is strictly enforced by the customs authorities backed by strong infrastructure, would certainly act as a deterrent and also as an effective tool to fight back piracy. #

Notes

- 1 The United States Congress created "Special 301" when it passed the Omnibus Trade and Competitive Act 1988, which amended the Trade Act 1974. Special 301 requires the U.S. Trade Representative to identify those countries that deny adequate and effective protection for intellectual property rights or deny fair and equitable market access for persons that rely on intellectual property protection. Countries which have the most onerous or egregious acts, policies or practices and which have the greatest adverse impact on relevant U.S. products are designated "Priority Foreign Countries", and at the end of an ensuing investigation, risk having trade sanctions levied against them. Countries can also be placed on other lists which do not result in immediate trade sanctions, such as "Priority Watch List" and "Watch List."
- 2 The proposed amendments are available on www.copyright.gov.in
- 3 AIR 1984 SC 667

About the authors

Latha R Nair (near right) is a partner at K&S Partners in New Delhi. She specialises in the protection and enforcement of trademarks and copyrights, WTO related issues, protection of geographical indications, domain name disputes and the intellectual property aspects of the entertainment industry and the internet.



Priya Rao (far right) is a senior associate at K & S Partners. She has vast experience in organising and leading various police actions all over India as part of the anti-piracy and anti-counterfeit campaign.