

Developing an effective anti-counterfeiting strategy for India

Anti-counterfeiting efforts in India are often dismissed as 'luxury litigation', but an effective strategy can benefit both rights holders and the country

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India is home to multiple cultures and languages, and corresponding regional sensitivities, and consequently presents a unique challenge for rights holders seeking to protect their rights in the country. On the one hand, Indian IP laws largely mirror international practice and precedent; but on the other, the challenges of enforcement often serve to render the largely favourable statutory framework near-ineffective in real terms.

In a country beset with challenges well beyond effective IP law enforcement, anti-counterfeiting efforts are often dismissed as 'luxury litigation' in a poor country. However, this view ignores the major losses that counterfeiting causes to the Indian exchequer through the loss of direct and indirect tax revenue and the leakage of customs duty, not to mention the consequent adverse impact on the economy and on employment in the legitimate market.

Therefore, in order to stand a chance of being effective in practice, an anti-piracy or anti-counterfeiting campaign must take into account some key factors and address the challenges which directly affect the effectiveness of such campaigns in India. In crafting a robust and effective anti-counterfeiting and anti-piracy strategy, rights holders must give careful consideration to:

- the fluid nature of the existing counterfeiting landscape;
- factors affecting anti-counterfeiting campaigns, such as the nature of trading around specific product types, geographical considerations, time sensitivities and the assessment of pirate profiles;
- selection of the correct remedy or remedies to assert IP rights in a given campaign;
- how best to inform stakeholders, including law enforcement authorities, of the latest anti-counterfeiting remedies, trends and challenges faced by rights holders in their anti-counterfeiting efforts, in order to build a sustainable legal marketplace; and
- how to ensure flexibility.

Understanding the changing counterfeiting landscape

The counterfeiting terrain in India has changed substantially over the past decade, with counterfeiting activity and networks adapting to the challenges posed by rights holders determined to protect their IP rights. This 'adaptable animal' has thus thrown up fresh challenges for rights holders to enforce their rights in India effectively.

On the retail side, counterfeiting is confined to major identified marketplaces/locations in specific major Indian cities such as Mumbai, Delhi, Chennai, Kolkata and Bangalore. Some industries – such as pharmaceuticals, fast-moving consumer goods and electronics – continue to face challenges on the wholesale side from infringing activity emerging from the various demarcated 'industrial zones' across India. This is coupled with the fact that cheap, high-end products are often imported from China – in the case of smaller items such as memory cards and software, via human couriers, making successful prevention difficult. The availability

of pirated goods in the larger Indian cities further allows for the eventual dissemination of pirated goods to the smaller cities.

The *modus operandi* of retail pirates in such urban centres has also undergone substantial changes, with such activity becoming more covert. The growth of active market and trader associations also complicates enforcement, given that many legitimate shopkeepers are unhappy with their places of business being associated with counterfeiting and its negative connotations, and thus often resist aggressively any anti-counterfeiting activity in their locales of business.

A decade ago Delhi's Palika Bazaar and Ghafaar Market (popular for pirated software, film, music and electronic items) and the Tank Road and Gandhi Nagar markets (known for the apparel/garments trade and counterfeiting) saw an almost open trade in fake goods. Today, however, the same marketplaces – which have always also been bustling centres for legitimate trade – have infringers operating covertly within them through the adoption of ingenious methods to escape detection, including:

- the use of roving couriers to deliver infringing products; and
- a personal referral system to access infringing goods in larger than retail quantities.

Similarly, Nehru Place in Delhi – long a source of infringing media with thousands of copies of pirated software openly on display – today looks like any other shopping centre. However, pirated software can still be purchased, albeit with a little more effort, since pirates do not store pirated software on site but rather take orders and deliver to customers via couriers. In other industry sectors, the on-site storage of pirated goods is likewise no longer the norm.

These changing circumstances require more flexible anti-counterfeiting perspectives and strategies targeted at the wholesale and storage sides of the counterfeiting business, rather than the retail side, as has previously often been the focus. Thus, any anti-counterfeiting campaign must be multi-layered and focused on developing active intelligence, rather than the often-used basic market surveys (often limited to

random purchases from well-known retail shopping areas) and client-developed business intelligence which resulted largely from the inherent limitations in actionable intelligence in retail-oriented campaigns.

Understanding factors affecting anti-counterfeiting campaigns

No two anti-counterfeiting campaigns targeting different products or based on different IP rights are likely to be the same. Apart from available remedies differing across relevant statutes, various other factors can impact on anti-counterfeiting campaigns, including:

- the type of product affected;
- the geographical region targeted; and
- an understanding of the profile of the businesses or people targeted by a campaign.

Product type

There is often a tendency in India for business around product types and industries to be localised in specific areas or cities. Thus, for a single industry sector, the sources of retail counterfeiting for different products in that sector may be diffuse. It is thus important to be able to identify the hub for each specific product type. For example, while automotive spare parts businesses may be localised in one area of a city, the businesses for automobile headlight lamps and automotive electronic accessories such as audio equipment may be localised in different areas. In order to achieve maximum impact, it is therefore important to ensure careful identification of a market or locality with a concentration of specific product types to be targeted as a part of an anti-counterfeiting campaign. The identification of market areas will also often allow for the development of intelligence related to importers, supply chains, storage and warehouses, allowing for a more effective campaign.

Geographical region and timing sensitivities

It is also critical to take into account the geographical region(s) to be targeted, since the availability of law enforcement and access to such areas may be issues of concern while crafting an anti-counterfeiting campaign. For instance, the finished leather trade – a

long-term cause of counterfeiting-related concerns for luxury goods makers such as Louis Vuitton – operates in the Dharavi slum area in Mumbai. Dharavi is Asia's largest slum and accessing this neglected area – comprising residential dwellings, small workshops and factories intermingling with each other and mostly lacking any formal addresses – presents major challenges in addition to securing adequate police protection when executing an anti-counterfeiting raid. Even in established urban market centres, trade associations hostile to anti-counterfeiting actions can and do create obstacles, and in many cases are successful in thwarting legal action in such areas. Consequently, it is critical to assess location issues when crafting an anti-counterfeiting campaign.

Given India's various public holidays and religious festivals (national and local), timing also has the potential to affect the success of an anti-counterfeiting campaign in India. Often, sensitive religious festivals in particular areas or, for that matter, the lack of law enforcement manpower arising from the movement of VIPs, the conduct of local, state or national elections or deployment for festival security will mean that law enforcement authorities are unable or unwilling to spare manpower to assist in anti-counterfeiting actions. This can undermine or frustrate anti-counterfeiting actions due to information leakage or changed circumstances as a result of the delay in execution of actions. It is therefore vital to be aware of such sensitivities in order to ensure an effective campaign.

Target profiles

Previously, the overt nature of counterfeiting provided ample opportunity for successful campaigns. Given the aggressive assertion of IP rights by rights holders across India, the now covert nature of counterfeiting and the growing sophistication of pirates present a sizeable challenge to success. For instance, the trend of mixing genuine and high-end counterfeit products often requires careful examination of seizures, often by technical experts, made during an anti-counterfeiting action. Accordingly, it is critical to assess carefully the profiles and nature of the activity of intended targets, in order to identify

particular facts which may affect the success of a given action and thus the whole campaign.

Crafting the correct remedy

The Copyright Act 1957 allows for recourse to civil and/or criminal remedies in relation to copyright infringement, whereas the remedy against design piracy under the Designs Act 2000 is only civil in nature. Further, while the Trademarks Act 1999 allows for both civil and/or criminal remedies in relation to trademark infringement, recourse to a criminal remedy requires an opinion from the Trademarks Office on the facts of a particular case. This is cumbersome and non-conducive from a confidentiality point of view. Although recourse can also be had to the criminal remedies available under the Trademarks Act by a direct private complaint before a competent criminal court (as opposed to a complaint lodged before the competent police station), it is often cumbersome and time consuming to ask the court to direct the police to conduct investigations under Section 156 (3) of the Criminal Procedure Code 1973. This often results, effectively, in limiting anti-counterfeiting actions to actions based on trademark violations before the competent civil court in order to use the Anton Piller (search and seizure) order process.

Recourse to a specific remedy will also depend on the area to be targeted. Thus, for safety/security and other reasons, an area or locality notorious for infringing activities will often require recourse to a police action under the available criminal remedies, whereas an action directed at an upmarket urban shopping complex could easily be handled under a civil court process, given that the profile of the infringing party may be less risky or prone to aggressive opposition. The civil remedies available for IP violations may also be more advisable given procedural and legal issues which have proved to be an obstacle to effective enforcement. Thus, for instance, in order to initiate action via the criminal route, many law enforcement agencies require copies of copyright registrations secured by the rights holder, even though the Berne Convention (to which India is a party) and the Copyright Act do not require copyright registration in order to enforce a copyrighted

work. In addition, the non-bailable nature of the offence of copyright infringement does not allow for the withdrawal or private settlement of a copyright-based criminal complaint registered as a first information report with the police, requiring writ petitions to competent high courts seeking quashing of the report registered on the basis of settlement, which is often opposed by the state prosecution agencies. In view of the restricted exit options, even though a limited plea bargaining ability option is now included in the Criminal Procedure Code, 1973, it is often efficacious to resort to the civil route in such instances. The application of a specific remedy, informed by these factors, thus requires careful consideration when crafting an anti-counterfeiting strategy for India.

Sensitising law enforcement agencies to counterfeiting trends and challenges

Any anti-counterfeiting strategy must include efforts to ensure that law enforcement authorities are regularly made aware of trends in counterfeiting and the challenges that it poses to rights holders. Thus, aspects such as new technology or brand security features and tools that help to identify pirated goods and training, and updating law enforcement and customs authorities on how to recognise pirated products, require rights holders to play a role via industry and trade associations in order to make the law enforcement agencies more aware of such aspects on an ongoing basis. Therefore, an anti-counterfeiting strategy must provide for sustaining engagement with the authorities in order to raise awareness.

Ensuring genuine products fill void in aftermath of anti-counterfeiting campaigns

A sustained campaign against a specific locality will, at least for a short period of time, result in a void in the widespread availability of counterfeit goods. Any anti-counterfeiting strategy must include an intention and effort to capitalise on this 'lead time' by ensuring the availability of genuine products.

The initiation of outreach programmes targeted at local trader associations will also help in leveraging enforcement actions to dissuade counterfeiting on the retail side. The 'naming and shaming' factor, based on

instances of enforcement is still relevant in many markets and this can be used to dissuade trading in counterfeiting products.

Retaining flexibility

Given the fluid nature of counterfeiting in India, it is important that any anti-piracy or anti-counterfeiting strategy be flexible enough to deal with changing circumstance and situations. For instance, some innovative campaigns have successfully united disparate agencies in order to address counterfeiting concerns. In one instance, a well-known Indian music label highlighted various violations in a market known for piracy, including a lack of municipal permissions, infractions of the building and zoning bylaws, excise tax violations and income tax violations, apart from IP rights violations.

As a result of this sustained effort, the municipal authorities demolished many of the illegal structures and shops in the market, the revenue authorities instituted multiple proceedings against individuals and law enforcement authorities seized a sizeable quantity of pirated goods, as well as making arrests, dealing a fatal blow to pirates operating there. If anti-counterfeiting strategies are flexible, they can allow for the options available to rights holders to be 'mixed and matched' in order to address counterfeiting in India in a strategic manner.

Comment

India may be a complex and difficult marketplace, but the enforcement of IP rights is still possible, provided that rights holders recognise challenges and craft flexible and innovative strategies to deal with counterfeiting. While a need to establish uniformity in strategy may be conducive from a company process perspective, the on-the-ground realities in India require anti-counterfeiting strategies to account for various factors, many of which can, if taken into account, lead to a successful anti-counterfeiting campaign. ●●●●●●

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Law enforcement agencies such as Customs and the police regularly invite Mr Singh to share his experiences and expertise in intellectual property with their officials.