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GLOBAL ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS WITH SPECIAL REFERENCE TO COUNTERFEITING AND PIRACY

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ABSTRACT

Modern age has come upon several occasions when nations have been instrumental in the making of international law. But the nature and influence of the current actors on States, and characterised by a global network of wealthy private corporations working in tandem from across boundaries of affluent nations, is extraordinary. Indeed, today's most widely accepted international intellectual property law was a perfectly constructed norm-setting schema of just twelve global corporations working collectively behind closed doors, for the sake of addressing counterfeiting and piracy.

The world has been witness to intellectual property counterfeiting and piracy since a very long time and currently this apparent reality has grown in proportion. Counterfeiting is principally linked to the external manifestation of goods or products. The internal, constitutional component of any product involved, are generally not deemed to be falling within the ambit of counterfeiting. Thus, as far as intellectual property (IP) is concerned, counterfeiting is essentially a trademark issue. Similarly, in intellectual property parlance, piracy is essentially associated with the domain of copyright. The copying or using of the content of a creation or matter that there are references to piracy having taken place during the ancient Greek and Roman periods.

This Research paper is rather an endeavour to establish an analogy between offences related to IP infringements such as counterfeiting and piracy.

Keywords- Counterfeiting, Piracy , Intellectual property

INTRODUCTION

Developing nations today are mostly at the receiving end of the technological ladder derived from the rich Western economies. In an attempt to learn, gain in skills and catch up with the contemporary technologies, individuals or entities in developing economies may imitate certain technological proceeds to create replicas. These facsimiles are often perceived to be counterfeit products. Legislative steps such as laws, byelaws, rules or regulations have been dynamically introduced in many countries including India by applying the existing international standards. IP counterfeiting and piracy have been sought to be dealt with by legislations that have their foundation in the centuries-old industrial revolution in Europe.

Most of the IP laws in developing nations, that have been erstwhile colonies of the Western powers until the last century, have elements of colonial inheritance incorporated within them.

At the international level also, it was the Western economies that together decided the fate of the intellectual property system for over a century; both the former conventions on intellectual property- the Paris Convention and the Berne Convention, bear testimony to this reality. As a matter of fact, even the origin of the present international legal regime on intellectual property governed by the Agreement on Trade Related Aspects of Intellectual Property (TRIPS)²⁶⁰⁴ has been attributed to the

²⁶⁰⁴ Trade Related Aspects of Intellectual Property (TRIPS)-

phenomenon of worldwide counterfeiting (Matthews 2002; Sell 2003).

A variety of studies have been carried out to evaluate the outcomes of counterfeiting and piracy. A study by the Organisation for Economic Cooperation and Development (OECD), an economic organisation of advanced economies, estimated that about a decade ago global trade in counterfeit and pirated products was about US \$ 200 billion (OECD 2008: 13). It was revised the following year to US \$ 250 billion covering around 1.95% of world trade (OECD 2009: 3).³ A recent study commissioned by Business Action to Stop Counterfeiting and Piracy (BASCAP) – a group working under the auspices of the International Chamber of Commerce (ICC), and the International Trademark Association (INTA) points towards a big leap in such unlawful trade. It states that the total value of illegal goods and products in the year 2013 was globally somewhere between US \$ 923 billion and \$ 1.13 trillion. It projects this figure to grow further worldwide between US \$ 1.90 and \$ 2.81 trillion by the year 2022 (BASCAP-INTA 2017: 8). The Europol (European Police Office) report on European Union (EU) Serious and Organised Crime Threat Assessment 2017 (SOCTA 2017) states that 40 million articles worth an estimated EUR 642 million. Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organisation⁴ were seized across the EU in the year 2015. It adds that while 'China is the biggest source of imports to the EU by far', a majority of counterfeit goods arriving at the EU also originate in China (Europol 2017: 46).

These studies conclude that counterfeiting and piracy are economically detrimental and suggest that developing economies are more susceptible to this phenomenon. In recent times, intellectual property piracy has been attempted to be correlated with organised crime by certain UN organisations (UNODC 2010, UNICRI 2012). It has even been suggested that IP infringing activities are associated with funding terrorism (UNICRI 2012: 34).

It has been pointed out that counterfeiting imperils the reputation of a manufacturer's good manufacturing practices and environmental standards. The reason for such apprehension being the present out-sourcing of manufacturing mainly to Asian economies, which supposedly has given rise to counterfeiters who cut down on the cost of production as their products sell cheaper in the market (UNODC 2010: 9-10). Moreover, 'counterfeit pharmaceuticals' have not only been associated with the assumed 'crime' of 'consumer fraud' but have also been presumed to acquire 'catastrophic' proportions in future as they may 'fuel the breeding of drug-resistant strains of pathogens with global implications' (UNODC 2010: 11). Even when India happens to serve as the pharmacy to the developing world, the source of such (counterfeit) medicines has been unequivocally attributed to it, along with China (UNODC 2010: 11; UNICRI 2012: 51). Counterfeiting is generally perceived to compromise with quality and safety of a product.

However, there have been incidents recently that indicate an increasing lack of safety or quality standards by reputed manufacturers themselves. On the other hand, there are instances lately, where piracy has been indeed found to be associated with biological or cultural resources by the name, 'biopiracy'. It is well established that most of the world's biological resources are situated in developing countries. Biopiracy happens upon the misappropriation of biological or genetic resources or the traditional knowledge that concern such resources in developing countries. Western corporations collect such resources and information from the local sources in developing nations without their knowledge or providing any compensation; these often act as key ingredients of products manufactured by pharmaceutical or crop corporations from developed countries. It has therefore been characterised as such: 'Biopiracy' has emerged as a term to describe the ways that corporations from the developed world free-

ride on the genetic resources and traditional knowledge and technologies of the developing countries. While these and other corporations complain about 'intellectual piracy' perpetrated by people in developing countries, the latter group of nations counters that their biological, scientific and cultural assets are being 'pirated' by these same businesses. Counterfeiting and piracy, in the context of this study, have been referred to as offences related with infringement of intellectual property. The definition of both has been provided in today's most widely accepted global legislation on intellectual property – the TRIPS Agreement. The earlier international intellectual property conventions, namely the Paris and Berne Conventions, although provided for procedures for IP infringements, did not provide for any definition for counterfeiting and piracy as such. The Collin's Law Dictionary associates the term with illegal duplication of currency with the objective of passing it off as valid (Stewart and Burgess 2002: 103). The Gale Encyclopaedia of Everyday Law defines it as a "process of fraudulently manufacturing, altering, or distributing a product that is of lesser value than the genuine product" (Phelps 2003: 1168). 7 Staake and Fleisch, have provided the working definition of 'counterfeiting'. According to them counterfeiting is, "the unauthorized reproduction of goods, services, or documents in relation to which the state confers upon legal entities a statutory monopoly to prevent their exploitation by others" (Staake and Fleisch 2008:17).

According to this definition, the reproduction i.e. producing the replica or facsimile of any goods or service is not legally permitted by the state. Counterfeiting has also been simply defined as "illegally copying authentic goods with a brand name" Counterfeiting is essentially a trademark offence. TRIPS Agreement in Art 51, footnote 14, refers to the definition of 'counterfeit trademark goods'. It says that, counterfeit trademark goods: ... shall mean any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or

which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation.⁸ Since the act of counterfeiting pertains to a trademark offence, it is evident that only the commercial use of any distinctive mark can constitute an infringement. As Blair and Cottier state, it is only when any business is deceptively identified or any goods or service is marketed as such, that it amounts to infringement.⁹ An explanation, as to how the trade in counterfeit goods or counterfeiting of goods occurs, has been provided by the UNCTAD-ICTSD Resource Book on TRIPS and Development. It refers to trademark counterfeiting as being the "straightforward misappropriation of the persona of a producing enterprise" The study also helps us to understand the "basic case of trademark counterfeiting". It suggests that three conditions must be found to determine whether any infringement has occurred. These are:- (1) whether the trademarks are "similar", (2) whether the goods or services are

"similar", and (3) whether the "likelihood of confusion" exists.²⁶⁰⁵ An issue of interpretation of the TRIPS Agreement might arise if a Member State decides to apply very strict standards of comparison between allegedly infringing marks making it difficult for a trademark owner to prove infringement by similar, but not identical, signs. As an illustration it states that any Member could adopt a rule under which "Coco-Cola" was not considered similar to "Coca-Cola". This may mean that any local producer may take advantage of the well-known mark. Finally it infers that the notion of similarity may be flexible like many other forms of IPRs, yet, there is a certain limit beyond which this concept may not be stretched (UNCTAD-ICTSD 2005: 236).

Definition of Piracy:

Piracy has been defined in many ways. Historically, and as a general term, it could be

²⁶⁰⁵ UNCTAD-ICTSD 2005: 236

related with marine pirates, slave traders or torturers. The Oxford Dictionary of Law provides three meanings of 'piracy'. They are: Any illegal act of violence, detention, or robbery committed on a private ship for personal gain or revenge, against another ship, people, or property on the high seas... (Martin 2003: 367). It also provides another similar meaning in terms of marine insurance. The third and closest relevant meaning however, is given as: Infringement of *copyright, *trade marks, or other *intellectual property rights. The first two meanings relate to crimes on the high seas like slave trading or torture committed by the marine pirates, and thus seem to imply that, the offence of intellectual property infringement may be construed by offering similar connotations. Certain observations have been made by scholars who view replication legitimately from the perspective of various phases of economic advancements made by nations. Zhang and Bruun, for instance, observe that: At the early stages of industrialization, imitation is a common means to catch up with advanced countries. To some extent, counterfeiting, piracy and IP infringement may be tolerated by policymakers. However, when domestic innovators have increasingly gained achievements in innovation and have The UNCTAD-ICTSD Resource Book (2005: 216) in footnote 234 mentions that such a phenomenon, where the consumers benefit, may occur when the counterfeiter offers high quality substitute goods at lower prices. The authors, albeit from a marketing perspective, admit that: 'A high counterfeit market share of counterfeit software products in emerging economies can, for example, constitute a barrier of entry for low-end competitors.

TRIPS Agreement and IP enforcement:

One of the main reasons that were stated by major parties for the commencement of negotiations to the TRIPS Agreement was the increase in the amount of product counterfeiting and copyright piracy at an international level. This was perceived especially in those countries where

technologically superior American, European and Japanese products were being exported (Evans 1994; Gervais 1998). Now, the participants in the various WTO conferences recognized the need for provisions on enforcement by procedural law were already at an early stage. The Paris 45 and the Berne Conventions, that were governing the international IPR enforcement regime till the time when TRIPS arrived, were perceived by these parties to be lacking in the following five areas: (1) deficiency in personnel support and insufficient means of control by seizures at the border, (2) apathetic access to the courts or authorities, (3) extremely strict rules of evidence for the IPR holders, (4) perceived requirement of preliminary legal protection and (5) absence of criminal provisions that were to act as a deterrent.⁴⁶ 'Border measures' have been regarded as an important tool to regulate counterfeit and pirated goods.

A known and identified counterfeit or pirated good that violates IPRs is not expected to be allowed to cross the international borders of a country. These measures or regulations that are to be taken at the borders, however, are subject to national laws of the respective authority concerned. The Preamble of the WTO's TRIPS Agreement lays down one of the justifications of the agreement as being "the need for a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods"³⁸. Article 1.1 of the TRIPS Agreement provides as: Members shall give effect to the provisions of this Agreement. In *Sirona Hygiene Private Limited v. Parulben Navnath Chothani Trading as Shiv Enterprise & Ors*⁵, Justice Pratibha M. Singh of Hon'ble Delhi Court condemning the online sale of Counterfeit goods stated, "The sale of such counterfeit/knock-off products has become prolific on the internet and needs to be arrested in order to protect the owners of the trade marks as also the customers who purchase these products."

THE LAWS-

The Consumer Protection Act, 2019¹², define "spurious goods" as closely associated with previous definitions of Counterfeit goods as "such goods which are falsely claimed to be genuine." The Consumer Protection Act, 2019 prescribes punishment for manufacturing for sale or for storing or selling or distributing or importing spurious goods under Section 91.

Rule 5 of The Consumer Protection (E-Commerce) Rules, 2020, provides that "every marketplace e-commerce entity shall require the sellers through an undertaking to ensure that descriptions, images, and other content pertaining to goods or services on their platform is accurate and corresponds directly with the appearance, nature, quality, purpose and other general features of such good or service in a clear and accessible manner, displayed prominently to its users at the appropriate place on its platform"¹³

Section 79 of Information Technology Act, 2000, comes as a rescue to genuine intermediaries which states that an intermediary shall be protected and shall not be held liable for third-party content on its platform provided that the said intermediary observed 'due diligence' as prescribed by the Central Government. This immunity to intermediaries is termed as the 'Safe Harbour' Principle.¹⁴

The Delhi High Court in *Christian Louboutin Sas versus Nakul Bajaj*, CS(COMM) 344/2018¹⁵ held that the intermediary should not knowingly host information which is contrary to the Information Technology (Intermediaries Guidelines) Rules, 2011. When an e-commerce website is conspiring, abetting, aiding or inducing, or contributing to selling counterfeit products, it could be said to cross the line from being an intermediary to an active participant. In such a case, the website would be liable for infringement in view of its active participation. If any intermediary initiates transmission, selects the receiver of the transmission or selects the information contained in the transmission, it may lose exemption which it is entitled to.

Counterfeiting is defined and penalized under the Indian Penal Code, 1860¹⁶. Section 28 of the Indian Penal Code states "A person is said to "counterfeit" who causes one thing to resemble another thing, intending by means of that resemblance to practise deception, or knowing it to be likely that deception will thereby be practised." Punishments relating to counterfeiting of coins, government stamps and articles of national interest are elaborated under Chapter XII, whereas, counterfeiting of marks comes under the ambit of Chapter XVIII of the Indian Penal Code, 1860.

Additionally, the Drugs and Cosmetics Act and the Food Safety and Standards Act, also gives a significant contribution in preventing counterfeit products, especially in respect of pharmaceutical and food products, thereby, empowering officers and enforcement agencies to seize false imitations of branded goods as well as to take away manufacturing licenses of those involved in such activities. Similarly, import of infringing goods is prohibited under Chapter XIV of the Customs Act 1962¹⁷ and Section 6 of the Intellectual Property Rights (Imported Goods) Enforcement Rules 2007¹⁸. Registered holders of trademarks also have the rights to register their trademarks with custom offices with an intent to put a stop on import/export of counterfeited products.

Prima facie, counterfeiting is a sort of intellectual property infringement in which the owner's rights are abused. The Trade Marks Act, 1999¹⁹ does not explicitly characterize counterfeit in connection to trade marks, however, Section 29 of the Act states that "A registered trade mark is infringed by a person who, not being a registered proprietor or a person using by way of permitted use, uses in the course of trade, a mark which is identical with, or deceptively similar to, the trade mark concerning goods or services in respect of which the trade mark is registered and in such a manner as to render the use of the trade."

Punishment for use of false trademarks, filing false trademark applications, untrue trade

depictions and selling merchandise or services carrying false trademarks or trade depictions have been elaborately mentioned under Section 102-107 of the Trade Marks Act, 1999.

Conclusion

With the increasing reliance on e-commerce and the rise in incidents of counterfeiting in digital environment, a diverse range of statutes that indirectly provide a remedy for counterfeiting is proving to be insufficient. In the present scenario of uncertainty, e-commerce has become an aide and enemy at the same time. There is a need for change in reforms and to bring about a consolidated law that directly aims at redressing the menace called 'Counterfeiting'. Although the practice of counterfeiting is addressed in the Indian Penal Code, 1860, Consumer Protection Act, 2019, and Trademarks Act, 1999, there needs to be an introduction of a new law that provides for cogent solutions to battle against counterfeiting in the digital world. Additionally, e-commerce platforms must make use of the futuristic technologies and sign up for counterfeit detectors and other mechanisms that help in detection of counterfeiters, thereby, benefiting both the proprietors and the consumers.

Over the years, many have come up with solutions shedding light on anti-counterfeiting arrangements and mechanisms. With the help of computer technologies and big data, the Chinese e-commerce giant, Alibaba has rolled out a sophisticated system governed by technology, business practices and law, for detecting counterfeit products. Such includes fake product identification modelling, image recognition techniques, semantic recognition algorithms, product information databases, and real-time interception systems and data collaboration platforms, with an accuracy rate of 97.6%⁶. Likewise, in India e-commerce companies such as Flipkart and Snapdeal are diligent in catching fake products by use of algorithms detecting price gaps thereby comparing it with original prices. On the similar lines, Amazon also launched its anti-

counterfeiting tool, Project Zero that stands for zero tolerance for counterfeit goods⁷ thereby consisting of three separate measures for combating counterfeiting, namely, automatic protection which engages artificial intelligence software that aids in identification, blockage and removal of counterfeited goods, self-service counterfeit removal that allows genuine brand owners to remove counterfeit products directly and product serialization wherein Amazon provides unique serial numbers for each product in order to ensure authenticity of the same.