

# **Lg Electronics India Pvt Ltd vs Bharat Bhogilal Patel & Others on 13 July, 2012**

**Author: Manmohan Singh**

**Bench: Manmohan Singh**

. \* HIGH COURT OF DELHI : NEW DELHI

+I.A. Nos.19079/2011 & 19081/2011 in CS (OS) No.2982/2011

% Judgment Pronounced on : 13.07.2012

LG ELECTRONICS INDIA PVT LTD ..... Plaintiff  
Through Mr. Hemant Singh, Adv. with  
Mr. Sachin Gupta & Mr. Shashi  
P. Ojha, Advs.

Versus

BHARAT BHOGILAL PATEL & OTHERS ..... Defendants  
Through Mr. Amey Nargolkar, Adv. for D-1.  
Mr. A.S. Chandhiok, ASG with  
Mr. Kamal Nijhawan, Senior  
Standing Counsel & Mr. Sumit  
Gaur, Advs. for D-2 & 3.

Coram:

HON'BLE MR. JUSTICE MANMOHAN SINGH

MANMOHAN SINGH, J.

1. By this order, I shall dispose of IA No.19079/2011 filed in the CS(OS) No.2982/2011 by the plaintiff under order XXXIX Rules 1 and 2 CPC and I.A. No.19081/2011 filed under Section 80(2) CPC.

2. The brief facts of the case are referred as under:

2.1 The plaintiff has filed a suit seeking declaration and consequential reliefs of injunction on the premise that the complaint preferred by the defendant no. 1 against the plaintiff before the defendant no. 2 on the basis of which, the defendant no. 2 is acting upon and interdicting the consignments which are being imported by the plaintiff without preferring an infringement action in accordance with Patents Act 1970 amounts to groundless threats and ought to be prevented by the court. 2.2 The plaintiff claims the following reliefs in the suit:

a) An order of declaration, declaring that the complaint filed by the Defendant no. 1 dated 29th September 2010 before Defendant No. 2 for an alleged infringement of Patent no.

189027 dated 21st September 1998 against the plaintiff constitutes groundless threat.

b) An order for declaration, declaring that the impugned order dated 16th November 2011 passed by Defendant no. 2 is void ab initio and is in breach of the provisions of Patents Act 1970, the Customs Act 1962 and The Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 and the same is liable to be quashed and set aside.

c) An order of permanent injunction restraining the Defendant No.1 from issuing any further groundless threats to the Plaintiff by way of issuance of any circulars, communications or complaints before the Defendants or any other authority.

d) An order for permanent injunction restraining the Defendant Nos.2 & 3 and other Commissioners of Customs (import) at all other Indian Ports from interdicting the import of consignments of goods by the Plaintiff which are otherwise is permitted being in accordance with Plaintiff's holding status of Accredited Client under the "Accredited Client Programme" issued pursuant to Circular 42/2005 - Cus dated 24th November, 2005, in F.No.450/66/2005-Cu.IV.

e) A decree for damages in excess of Rs.20 lac be awarded against the Defendant No.1 for having lodged frivolous complaints before the Defendant No.2 and causing interference of legitimate business of the Plaintiff as averred in the plaint.

f) An order for cost of proceedings in favour of Plaintiff and against the Defendants.

3. The plaintiff claims in the plaint that it is a renowned company carrying on business under the name and style of LG Electronics India Private Limited, is a company incorporated under the Companies Act, 1956, having its registered office at A-27, Mohan Cooperative Industrial Area, Mathura Road, New Delhi.

4. It is stated that the defendant No.1 is an individual, who claims to have obtained a patent for process titled as "A Process of manufacturing engraved design articles on metals or non-metals"

under patent No.189027 dated 21st September, 1998.

5. The defendants No.2 and 3 are Commissioners of Customs (Import), Officers of Customs under Section 3 of Customs Act, 1962 located at Mumbai and Delhi, responsible for, inter alia, levy of an exemption from customs duty, clearance of imported goods, detection of illegally imported goods and prevention of the disposal thereof etc.

6. It is stated that the goods of the plaintiff's parent company, namely, LG Electronics Inc., have been available in India since 1995 through imports from Korea.

7. On 10th March, 1997, the LG Electronics Inc. entered into a foreign collaboration agreement.
8. The plaintiff is an importer at various Indian ports one of them being Mumbai Air Cargo Complex, holding status of an "Accredited Client" under Accredited Client program (ACP) of the Ministry of Finance, Government of India enjoying privileges and using Green Channel for clearance of all its goods imported without examination at Indian Ports on the basis of self-assessment (declaration).
9. On 29th September, 2010, the defendant No.1 filed a complaint by issuance of written notice with the defendant No.2 against the plaintiff and various other importers namely Sony India, Motorola India Private limited, Nokia India, Samsung India Electronics Pvt. Ltd. Videocon Mobile Phone Division, Spice Mobiles Ltd, Bharti Airtel Limited etc. alleging that such importers were importing products inter alia GSM handsets (Phones), using laser marking and engraving process which infringe his patent rights under patent No.189027. The defendant No.1 also sought issuance of circular to inform the CHA (Custom House Agents) and importers/exporters about the infringement of his Patent rights.
10. The plaintiff received a show cause notice SIIB/GEN- 42/2010-11 ACC(I) dated 15th February, 2011, from the defendant No.2 appointing a hearing on the complaint filed by the defendant No.1 for 7th March, 2011.
11. In between the hearing dates between March 2011 to September 2011, the plaintiff, vide its letter dated 23rd April, 2011, requested defendant No.2 to forward the documents pertaining to the impugned patent, which was provided by the defendant No.2 under the cover of letter dated 8th August, 2011. After studying the documents, the plaintiff found that the claims of the impugned patent lacked novelty as well as any inventive step being obvious to person skilled in the art of applying of laser engraving.
12. The plaintiff filed a revocation petition challenging the validity of the impugned patent as on 21st September, 2011 before the appropriate forum, namely, Intellectual Property Appellate Board, Chennai under the Case No.302/2011/PT/MUM under Section 64 of the Patent Act, 1970.
13. It is alleged by the plaintiff that the office of defendant No.2 is restricting clearance of plaintiff's consignments despite the plaintiff holding status of an "Accredited Client" under the Accredited Client Programme (ACP) of Government of India and interdicting with the consignments of imports effected by the plaintiff.
14. The plaintiff has assailed the communication/order bearing F. No.SIIB/Gen-43(E)/2010-11 ACC (I) dated 16th November, 2011 from the defendant No. 2 and consequential actions of the defendant No. 2 whereby the defendant No. 2 took the samples by interdicting the consignments. The plaintiff has filed this suit based on further threats and apprehensions that the defendant No. 2 is likely to interdict the other consignments as well when the defendant No. 2 has been informed about the filing of the revocation petition as well as the tenable grounds to challenge the patent.

15. It is stated by the plaintiff that the impugned order is in breach of Clause 4 of Circular No.41/2007-CUSTOMS(N.T.) which pertains to instructions for implementation of IPR Enforcement Rules.

16. Clause 4 of Notification No.305/96/2004-FTT vide Circular No.41/2007-Customs dated 29th October, 2007 is reproduced as under:

"4. It is pertinent to mention that while the mandatory obligations under Articles 51 to 60 of the TRIPS dealing with border measures are restricted to Copyright and Trade Marks infringement only, the said Rules deal with Patents, Designs and Geographical Indications violations as well, in conformity with the practice prevailing in some other countries, notably EU countries. While it is not difficult for Customs officers to determine Copyright and Trade Marks infringements at the border based on available data/inputs, it may not be so in the case of the other three violations, unless the offences have already been established by a judicial pronouncement in India and the Customs is called upon or required to merely implement such order. In other words, extreme caution needs to be exercised at the time of determination of infringement of these three intellectual property rights."

17. In view of the above said facts stated in the plaint, there is no dispute that the jurisdiction to determine the aspect of infringement of the patent lies with the civil court under Section 104 of the Patent Act, 1970. The jurisdiction further vests with High Court once the validity of the patent is assailed in the infringement proceedings as per the statutory mandate.

18. The plaintiff submits that no such suit was filed by the defendant No.1. It is stated that instead of filing the suit for infringement of patent, the defendant No.1 has filed issued a notice or filed a complaint dated 29th September, 2010 before defendant No.2.

19. Section 106 of the Patent Act, 1970 provides the power to the Court to grant the relief in cases of groundless threat of infringement of proceedings.

20. The plaintiff has admittedly informed the defendant No.2 about the filing of the revocation petition against the patent granted in favour of the defendant No.1.

21. It is the case of the plaintiff that the defendant no. 1's complaint before the defendant No. 2 cannot be acted upon by the defendant No. 2 once the plaintiff has informed the defendant No. 2 about the tenable grounds which establish prima facie lack of novelty. It is averred that the furtherance of the actions by the defendant No. 2 at the behest of the defendant no. 1 are neither in the existence of the power conferred upon the defendant no. 2 in the clause 4 of the notification nor the defendant no. 2 is permitted under the governing law of Patents Act 1970 to proceed to adjudicate the same, the jurisdiction of which exclusively vests with the civil court. Thus, the defendant No. 1 and defendant 2 by continuing to pursue the complaint as well as acting thereupon respectively are causing damage to the reputation of the plaintiffs and the said proceeding has now become frivolous and vexatious leads to groundless threats when no such powers exist under the

law.

22. The defendant No. 2 is otherwise by way of said notification is an implementing authority and cannot proceed to adjudicate the infringement claims there and then. The IPR Rules of 2007 and the circular issued thereafter on 29th October, 2007 make it apparent that the defendant no. 2 is an implementing authority which will only act consequent upon the orders of the court and cannot keep on interdicting with the consignments and proceed to adjudicate the infringement claims before the same.

23. The plaintiff's suit came up for hearing on 30th November, 2011 when this court after analyzing the clause 4 of the notification No.305/96/2004-FTT vide Circular No.41/2007-Customs dated 29th October, 2007 passed the interim order whereby after hearing plaintiff's counsel and defendant No.3, the operation of the complaint filed by the defendant No.1 dated 29th September, 2010 was stayed.

24. Pursuant to the passing of the said order dated 16th December, 2011, the defendants (1 and 2) have filed the written statement in the case and they have inter alia taken the following defences:

a) That this court has no territorial jurisdiction to entertain and try the present proceedings as no part of cause of action qua the said complaint has arisen within the jurisdiction of this court. The defendant no. 1 is carrying on business in Mumbai and the defendant no. 2 is the commissioner of customs (Import) Special Investigation and is also having office in Mumbai. The chief commissioner of customs is added as defendant in order to create jurisdiction of this court.

b) The plaintiff, if aggrieved by the order of Defendant no. 2 had an efficacious remedy available to it under Section 128 of the Customs Act 1962 and could have approached the commissioner of the customs (Appeals) for redressal of its grievances. Therefore, the plaintiff has approached the wrong forum.

c) The plaintiff's suit is barred under section 9 of the code of civil procedure as the plaintiff has already opted to file the cancellation petition against the patent before Intellectual Property Appellate Board.

d) That the defendant no. 2 has done nothing wrong in law as the defendant no. 2 passed all the orders under the rules of 2007 after according the opportunity of being heard to the parties. Thus, the plaintiff suit is bad in law.

e) On earlier occasion, the right holder approached the Commissioner of custom for enforcement of the patent rights. At that point of time, the custom officials did not suspend the clearance of the goods and thereafter a writ petition bearing no. 1353/2010 was preferred before Bombay High Court which stood withdrawn by the defendant no. 1 wherein the court directed that the matter would be decided in accordance with the provisions of law. The customs officials are thus doing their duty

under the law and nothing else.

f) It is stated as per the Rule 7 of the Rules of 2007, it is found that the patents granted to the right holders that the process of manufacturing engraved design articles on metals and non metals and improved laser markings and engraving machines is infringed. Thus, the prima facie case has been established by the right holder and nothing wrong has been done by the defendant no. 2.

The custom officials have judged the same in those parameters. The plaintiff has filed the replication and rejoinder thereof. The matter thereafter came up for hearing of the pending applications.

25. Mr. Hemant Singh, learned counsel appearing on behalf of the plaintiff has made his submissions which can be outlined in the following manner:

I) Firstly, Mr. Singh has argued that the present case is maintainable within the jurisdiction of this court as the plaintiff case is based on the threats given by the defendants by way of the complaints and all other actions and there are clear apprehensions that the defendants are likely to interdict the consignments of plaintiff within the jurisdiction of this court. The said fact has been pleaded in the plaint. Mr. Singh has read para 29 of the plaint which reads as under:

"This Hon'ble Court has the jurisdiction to try and entertain the present suit under section 20 (c) of the Code of Civil Procedure, 1908 on account of plaintiffs having its registered office at Delhi and is carrying on business at Delhi. The frivolous complaint filed by the defendant no. 1 before defendant no. 2 at Mumbai has adversely affected and caused irreparable injury to the business of the plaintiff at Delhi, due to the dynamic effect of the threat of alleged infringement of the Defendant no. 1 impugned Patent and wrongful interdiction of the plaintiff's import consignments by the Defendant no. 2. The Defendant no. 3 is also located at Delhi. The part of cause of action has also arisen at Delhi and within the jurisdiction of this Hon'ble Court."

Mr. Singh therefore argued that the averments made in the plaint clearly reflect that the plaintiff's grievance is based on apprehensions that the threats extended by the defendants would have dynamic effect which means that the said threats are/ will consequently harming/ harm the plaintiff in Delhi as well which they have done in Mumbai and thus, this court has jurisdiction to entertain and try the present proceedings. II) Mr. Singh, learned counsel has further argued that this court recognized the said principle in the similar cases where there is a likelihood or apprehension that the defendant will harm or injure the plaintiff by exercising a jurisdiction over the subject matter when the plaint avers so.

In order to buttress his argument, Mr. Singh relied upon the following the judgments

i) Jawahar Engineering Company and Ors. v. Jawahar Engineers Pvt. Ltd. reported in 1983 PTC 207.

ii) Pfizer Products, Inc. v. Rajesh Chopra & Ors.

reported in 2006 (32) PTC 301 (Del.).

In Pfizer v. Rajesh Chopra (supra) wherein the learned single judge of this court after analyzing the law on the subject of jurisdiction has clearly preserved the actions premised on the threats and has observed that the judgments rendered by the courts in Dhodha House and subsequent line of authorities did not overrule the judgment rendered in Jawahar case (supra) and thus the suit based on the apprehensions or likelihood of injury within the jurisdiction of the court is maintainable. The learned single judge in paras 6, 7 and 8 observed as under:

"6. Considering the arguments advanced by the counsel for the parties, it becomes clear that the point which requires resolution in this matter is what is the ratio of Dhodha House (supra) and whether Dhodha House (supra) in any way unsettles and what has been laid down in Jawahar Engineering (supra). For this purpose, it would be necessary to examine both these decisions in some detail.

7. I shall take up Jawahar Engineering (supra) first.

Amongst other grounds and issues raised in that case, a Division Bench of this court was faced with the question of territorial jurisdiction in the context of Order 7 Rule 10 of the CPC. The court observed as under:

"There is another ground for holding that the Court has jurisdiction. Section 20 of the Code of Civil Procedure shows that a suit like the present can be filed wherever the cause of action wholly or partly arises. The plaintiff has prayed for an injunction regarding a threatened breach of a registered trade mark. The learned Single Judge held that the Delhi court does not have jurisdiction on the ground of any sale having been made in Delhi, but does have jurisdiction on account of the advertisement having appeared in the Trade Marks Journal. The real point which gives the Court jurisdiction is not the place where the advertisement has appeared, but the fact that the trade mark is sought for sale in Delhi amongst other places. Furthermore, when an injunction is sought, it is not necessary that the threat should have become a reality before the injunction is sought, it is not necessary that the threat should have become a reality before the injunction and it can even be sought for a threat that is still to materialise.

An injunction being prohibitive in nature is intended to prevent something that is likely to happen. Once the plaintiffs have learnt that the defendants have applied for registration of trade mark in Delhi, they can claim an injunction to prevent any sale of the infringing product in Delhi. In this sense, the Court will have jurisdiction

whether any sale in Delhi has taken place or not. In any case, as already stated, the decision is of a preliminary nature, once the exact scope of what the defendants intend to do is known, it is open to the court to return the plaint. In that sense, it is not a final decision and is not open to appeal at the preliminary stage being not a final adjudication."

8. In that case what had happened was that the plaintiffs had learnt that the defendants had applied for registration of the trade mark in Delhi. The advertisement had also appeared in the Trade Mark Journal in various places including Delhi. The Single Judge in that case held that the advertisements in the Journal were not sufficient to confer jurisdiction on the courts in Delhi. A preliminary issue was framed when the matter was before the Single Judge and the issue was :

'Has this court jurisdiction to try the suit? This issue was taken up and on an examination of the evidence, it was found that there was no sale of diesel oil engines in Delhi. The defendants also had claimed that they had not advertised their products in Delhi. The Single Judge hearing the matter held that the jurisdiction of the court could not be invoked as there was no actual sale. He held that there was an advertisement in a Journal called "Parwez" which is published in Ludhiana. He further held that these advertisements were not sufficient to confer jurisdiction on the courts in Delhi. The learned Single Judge also observed that apart from these advertisements, the same had been advertised in the Trade Mark Journal published by the Registrar of Trade Marks at Delhi as a result of which the jurisdiction was conferred in the courts at Delhi. The learned Single Judge hearing the matter did not say anything with regard to the filing of the application at Delhi. It is in this context that the aforesaid observation of the Division Bench was made and it is, Therefore, clear that the observation made by the Division Bench that the place where the advertisement has appeared does not give the court jurisdiction, is in line with what has been decided by the Supreme court in *Dhodha House* (supra) as will be apparent hereinbelow. However, the Division Bench observed that when an injunction is sought it is not necessary that the threat should have become a reality before an injunction is prayed for and it can even be sought when there is a threat that is still to materialise. Therefore, the ratio in *Jawahar Engineering* (supra) is that mere advertisement in the Trade Mark Journal would not give a court jurisdiction. However, a threat that the offending goods could be sold at a particular place would definitely give jurisdiction to the court in such a place. An important aspect of the matter is that the Division Bench also held that an injunction being prohibitive in nature is intended to prevent something likely to happen and once the plaintiffs had learnt that the defendants had applied for registration of a trade mark in Delhi, they could claim an injunction to prevent any sale of the infringing product in Delhi. The Division Bench, Therefore, held that the filing of an application for registration of a trademark in Delhi would give rise to a threat perception in the minds of the people that the offending goods would be sold in Delhi and that would be sufficient to give the courts in Delhi jurisdiction to entertain a suit for passing off."



Accordingly, Mr. Singh submitted that the present suit is maintainable before the jurisdiction of this court as the same is covered by the observations of this court in Jawahar (Supra) and Pfizer(supra).

III) Thirdly, Mr. Singh has argued that the actions of the defendant no. 2 by interdicting the consignments which are being imported on the basis of the complaint of the defendant no. 1 are illegal and vexatious as the defendant no. 2 is not within its power to hold the consignments on the basis of the infringement of the patents. Further, this is more so when the defendant no. 2 has been informed about the grounds of the challenge of the patent, therefore, the actions of the defendant no. 2 pursuant to such notice by the plaintiff are illegal. This is due to the reason that clause 4 of the notification provides for very limited powers to the defendant no. 2 which is to act as an implementing authority so far as the patent infringement is concerned.

Mr. Singh argued that Patent Act and the rules made thereunder nowhere provides for the adjudicatory functions assigned to the custom controller or commissioner. Nor, the Custom Acts provide for the same (except the section 11 which does not provide any such powers) and the IPR rules of 2007 which if read with the circular No.41/2007 dated 29th October 2007 would make it clear that the custom authorities are merely acting as implementing authority and would not indulge into the adjudicatory enquiry as to infringement.

On the other hand, Mr. Singh submitted that Section 104 of the Patent Act 1970 (as amended on 2005) clearly provides that once the challenge to the validity of the patent is set up in an infringement proceedings, the matter shall be immediately transferred to the High Court for adjudication. Therefore, the jurisdiction to determine the cases where the challenge is laid in the infringement proceedings vests exclusively with the High Court. Therefore, even assuming that there is any such power to determine the said infringement to the custom controller, once the said challenge is laid before the controller, which is an administrative body cannot proceed to adjudicate the infringement claim and should await the decision of the competent court on merit by adjourning such complaint and should relegate the parties to the civil court. Till that time, the defendant no. 2 should not proceed to act upon the complaint of the defendant no. 1. The continuance of the same by the defendant no. 2 is thus completely illegal and without jurisdiction and consequently causing irreparable harm to the plaintiff.

IV) Mr. Singh, learned counsel for the plaintiff has argued that it is the question of the interpretation of the Rules of 2007 along with the circular which have to be interpreted together. It is argued that the defendant no. 2 besides being not the appropriate authority under the law to determine the infringement of patent issues is also institutionally incompetent to determine the said infringement. Therefore, the said domain of determination of infringement of patent cannot be assigned to the custom controller though it is a different matter that somehow the customs are given the powers to interdict the goods being imported on the basis of patents as an implementing authority.

26. Mr. Singh, learned counsel thereafter concluded his submissions by urging that the order passed on 30th November, 2011 may be confirmed as the said order has been passed by giving correct interpretation to the regulations and the circular.

27. Per Contra, Mr. Amarjit Singh Chandhiok, learned ASG and Senior counsel along with Mr. Kamal Nijhawan, learned counsel for the defendant no. 2 and Mr. Amey Nargolkar, learned counsel for the defendant No.1, have made their submissions which can be summarized in the following manner:

a) Firstly, learned counsel for the defendants has argued that this court does not have jurisdiction to entertain and try the present proceedings. It is argued that no part of cause of action has arisen in Delhi. The defendant no. 2 Delhi office has been added in order to make the jurisdiction of the court which this court otherwise does not possess.

It is argued by the learned counsel that the court does not exercise jurisdiction where the small fraction of the cause of action arises. Rather, the judicial trend leans towards the court's exercising jurisdiction at the places where the substantial part of the cause of action arises.

The defendant nos. 2 and 3 are not necessary parties, they have been impleaded in the suit only for the purpose of invoking jurisdiction. No notice under Section 80 was served upon them nor leave granted by the Court at the time of registering the suit, Mr. Chandhiok submitted they may be deleted from the array of the parties.

b) Secondly, learned counsel appearing for the defendants argued that the actions of the defendant no. 2 by suspending the release of the goods on the basis of the infringement of the patents is a legally permissible scope of enquiry by virtue of section 11 of the Customs Act read with the Rules of 2007. Thus, the said actions of the defendant no. 2 cannot be categorized as groundless threat or what can be called as frivolous action. Therefore, the suit of the plaintiff in the present form is not maintainable as there is no groundless threat extended by the defendant no. 1 by approaching the defendant no. 2. The defendant no. 1 has rather taken the recourse to the law by approaching the custom officials who have to perform their duties as per Act. Therefore, it is not proper for the plaintiff to call the said process as groundless threat and the remedy of the plaintiff lies somewhere else but not certainly by filing the suit.

c) Thirdly, learned counsel for the defendants have argued that the powers of the custom officials or defendant no. 2 in relation to suspension of the release of the goods on the grounds of the infringement of the patent is the mandate of the International obligations of India with WTO (World Trade Organization) regime. The TRIPS (Trade Related Aspects of Intellectual Property Rights) agreement of 1994 mandates the member countries to make such measures. In pursuance to the same, the said measures are taken and the said rules of 2007 are framed and circular dated 29th October 2007 is issued.

In these circumstances, the defendant no. 2 is well within its powers to suspend the release of the goods on the grounds of the infringement of the patents and the plaintiff's submission on the ground that the defendant no. 2 is an implementing authority on the basis of the circular is incorrect as the circular only adds a note of caution which is that extreme care should be exercised while detaining the goods on the basis of the infringement of the patents. But the import of the said clause in the

circular does not imply that the defendant no 2 is powerless to detain the goods. This is clearly the misreading of the circular as well as the notification. Thus, the plaintiff's interpretation of the notification is incorrect and illegal.

d) Fourthly, it is argued that the custom officials are empowered not merely to detain the goods on the basis of infringement of the patent but the powers are wide enough enabling the officials to go on to see whether any such imports effected will violate or contravene any law for the time being in force. This would mean that the general powers of the custom officials are wide enough to check and detain goods on any grounds and the same cannot be fettered in the manner in which the plaintiff is contending. Thus, if that is so, then, there is no reason why the same should also not hold good for patent. Further, the interpretation must be given to the Rules and the circular which would preserve such powers of the custom officials rather than to say that the custom officials are powerless to detain the goods when the powers are wide enough enabling them to do so.

e) It is argued that the plaintiff had an efficacious alternative remedy available under Section 128 of the Customs Act, 1962 and the plaintiff could have approached the Custom Commissioners (Appeals) for redressal of its grievances.

28. By making all these submissions, learned counsel for the defendants have urged that the interim order dated 30th November, 2011 ought to be vacated by adopting the aforementioned interpretation mentioned above and the plaint ought to be returned to be plaintiff by exercising powers under order VII Rule 10 of the Code.

29. I have gone through the plaint, written statement and the documents filed therewith. I have also given the careful consideration to submissions advanced by the learned counsel for the parties at the bar. I shall now proceed to discuss the legal aspects raised by the parties in the case alongside their due application to the facts of the case in hand.

Re: Jurisdiction The submissions have been advanced by the learned counsel for the Defendants that this court has no territorial jurisdiction to entertain and try the present proceedings as no part of cause of action has occurred within the territorial jurisdiction of this court.

30. It is trite law that for the purpose of testing the jurisdiction of the court in the civil suit on the basis of the objection which has been taken on demurer, the court should see the averments made in the plaint and the same must be assumed to be correct.

The reference is invited to the Supreme Court dictum of *Expfar S.A & Anr v. Eupharma Laboratories Ltd*, (2004) 3 SCC 688 wherein Hon'ble Justice Ruma Pal (as her lordship then was) speaking for the apex court observed as under:

"Besides when an objection to jurisdiction is raised by way of demurrer and not at the trial, the objection must proceed on the basis that the facts as pleaded by the initiator of the impugned proceedings are true. The submission in order to succeed must show that given those facts the Court does not have jurisdiction as a matter of law. In

rejecting a plaint on the ground of jurisdiction, the Division Bench should have taken the allegations contained in the plaint to be correct. However, the Division Bench examined the written statement filed by the respondents in which it was claimed that the goods were not at all sold within the territorial jurisdiction of the Delhi High Court and also that the respondent No. 2 did not carry on business within the jurisdiction of the Delhi High Court. Having recorded the appellants' objections to these factual statements by the respondents, surprisingly the Division Bench said:

"Admittedly the goods are being traded outside India and not being traded in India and as such there is no question of infringement of trademark within the territorial limits of any Court in India what to of Delhi".

Apart from the ex-facie contradiction of this statement in the judgment itself, the Division Bench erred in going beyond the statements contained in the plaint." (Emphasis Supplied).

From the bare reading of the afore quoted observations of the apex court in *Exphar* (supra), there seems to be settled position in the law that the averments made in the plaint have to be seen as a correct while testing the jurisdiction of the court and the court should proceed to return the plaint only when the court does not have the jurisdiction as a matter of the law and not when it requires an enquiry into facts.

31. Let me now test the present case on the basis of the averments made in the plaint with regard to cause of action and jurisdiction of this court. The relevant paragraphs in the plaint by way of which the jurisdiction of this court has been invoked are reproduced hereinafter:

"28. The cause of action arose on 16th November, 2011 when the defendant No.2, at the behest of defendant No.1, interdicted plaintiff's consignment at Mumbai and proceeded to obtain representative samples to ascertain if such goods are infringing the defendant No.1's impugned patent. The plaintiff is apprehensive that the plaintiff's other consignments reaching at other Indian ports including Delhi may also be interdicted by the defendant No.3 and their officers for the same purpose. The cause of action also continues for such time as the defendant No.1 continues to file and peruse its frivolous complaint dated 28th September, 2010. The cause of action is a continuous one and continues to subsist till such time as the defendant No.2 and 3 are restrained from interdicting plaintiff's consignment.

29. This Hon'ble Court has the jurisdiction to try and entertain the present suit under Section 20 (c) of the Code of Civil Procedure, 1908, on account of plaintiff having its registered office at Delhi and is carrying on business at Delhi. The frivolous complaint filed by the defendant No.1 before defendant No.2 at Mumbai, has adversely affected and caused irreparable injury to the business of the plaintiff at Delhi, due to the dynamic effect of the threat of alleged infringement of defendant No.1's impugned patent and wrongful interdictions of the plaintiff's import consignment by defendant No.2. The defendant No.3 is also located at Delhi. The

part of cause of action has also arisen at Delhi and within the jurisdiction of this Hon'ble Court."

32. It is equally well settled law that the cause of action qua jurisdiction for the purposes of applicability of order VII Rule 10 and 11 has to be seen while according meaningful reading of the plaint as a whole and not by reading one paragraph in isolation.

33. Upon giving the meaningful reading of the said paragraphs stated above in the plaint, it is clear that the jurisdiction of this court has been invoked by the plaintiff on following two counts namely:

a) The threat or the apprehension that the actions of the defendants are likely to cause prejudice to the plaintiff within the territorial jurisdiction of this court as the notice of defendant no. 1 to the defendant no. 2 extends to All India ports and there is a likelihood of extension of the said threat to Delhi within the jurisdiction of this court.

b) That the plaintiff is damaged by the dynamic effect of the prejudice caused to the plaintiff in the other jurisdiction.

34. So far as the count (a) is concerned relating to threat or apprehended damage to the plaintiff within the jurisdiction of this court.

35. The position of law seems to be recognizing the actions or the suits which are premised on the threat or apprehension of likely damage to be extended to the jurisdiction of this court. This is more often recognized by the court, when the plaint sufficiently avers such likely damage or apprehension in order to seek protection before the said damage actually occurs as a matter of curative measure.

36. The case of Jawahar Engineering (supra), the Division Bench of this court laid down the said exposition of the law which clearly recognizes the suit seeking injunctions as a preventive relief, which may not necessarily await the perfection of the tort. The learned Division Bench of this court observed:

"There is another ground for holding that the Court has jurisdiction. Section 20 of the Code of Civil Procedure shows that a suit like the present can be filed wherever the cause of action wholly or partly arises. The plaintiff has prayed for an injunction regarding a threatened breach of a registered trade mark. The learned Single Judge held that the Delhi court does not have jurisdiction on the ground of any sale having been made in Delhi, but does have jurisdiction on account of the advertisement having appeared in the Trade Marks Journal. The real point which gives the Court jurisdiction is not the place where the advertisement has appeared, but the fact that the trade mark is sought for sale in Delhi amongst other places. Furthermore, when an injunction is sought, it is not necessary that the threat should have become a reality before the injunction is sought, it is not necessary that the threat should have become a reality before the injunction and it can even be sought for a threat that is

still to materialise.

An injunction being prohibitive in nature is intended to prevent something that is likely to happen. Once the plaintiffs have learnt that the defendants have applied for registration of trade mark in Delhi, they can claim an injunction to prevent any sale of the infringing product in Delhi. In this sense, the Court will have jurisdiction whether any sale in Delhi has taken place or not. In any case, as already stated, the decision is of a preliminary nature, once the exact scope of what the defendants intend to do is known, it is open to the court to return the plaint. In that sense, it is not a final decision and is not open to appeal at the preliminary stage being not a final adjudication.

(Emphasis Supplied)

37. The said observations of the Division Bench of this court in Jawahar (Supra) make the following things clear:

a) That the suits premised on apprehended wrong or threatened damage finds a place in the law and can be entertained by the court even if the tort itself might not have been perfected or the said threat actually does not have culminated into reality

b) The observations of the Division Bench of this Court in Jawahar (Supra) were made again in similar circumstances wherein the objection relating to territorial jurisdiction of this court was taken as a matter of demurer and the court's determination to return the plaint as a matter of law in the preliminary stage like in the present case was inconclusive and that is the reason why the division bench raised a note of caution that the plaint can be returned if in the later stage, it is discovered otherwise.

c) The careful reading of the observations of the Division Bench in Jawahar(Supra) would also make it clear that when the averments made in the plaint do not ex facie make it clear that the territorial jurisdiction cannot be invoked as a matter of law, the court should not return the plaint. Then, the same very question of jurisdiction becomes a mixed question of fact and law which has to be necessary postponed till the time, the said fact is conclusively established one way or other in the trial. In the case of Jawahar (Supra) too, the court was unclear about the establishment of the fact as to whether such threat which was likely at that time would be going to be reality in the jurisdiction court or not, that is why the court said that at the preliminary stage, it is not wise to return the plaint treating it to be mixed question of fact and law.

Now, it is to be seen as to whether the judgment of Division Bench of this court in Jawahar (Supra) holds the field or not.

The discussion relating to the same has been done in extenso by the learned Single Judge of this court (Hon'ble Badar Durrez Ahmed J) in the case of Pfizer Products, Inc (supra) wherein the learned single judge proceeded to analyze the observations of the Jawahar (Supra) alongside the recent line of authorities emanating from Supreme Court like Dhodha House & Patel Field Marshal Industries vs. S.K. Maingi & P.M. Diesel Ltd., 2006 (32) PTC 1 (SC) which clearly defines what is called "carrying on business" and "part of cause of action". The learned Single Judge after carefully analyzing the case of Jawahar (Supra) proceeded to observe that the Dhodha House (supra) and other line of authorities do not overrule expressly the decision of Jawahar (Supra) and rather Dhodha House distinguishes Jawahar on the ground that it is not applicable to Dhodha's facts, thus, the decision of Jawahar (supra) is a good law. In the words of the learned Single Judge, it has been observed thus:

"Now, I come to the decision of the Supreme Court in the case of Dhodha House (supra). In Dhodha House (supra), the Supreme court was concerned with two civil appeals; one in respect of Dhodha House and the other in respect of PM Diesel. In the case of Dhodha House, which came up to the Supreme Court from the Allahabad High Court, no application for registration had been filed by the defendants anywhere in India. Insofar as the case of PM Diesel Limited is concerned, the application was filed in the Trade Mark Registry at Bombay and the parties were also residents of Rajkot. That was a case which came to the Supreme Court via the Delhi High Court. In fact, before the Division Bench of the Delhi High Court three contentions as regards the jurisdiction of the Delhi High Court were raised.

The first being under Section 62 of the Copyright Act, 1957 on the ground that the suit was a composite suit under the Copyright Act as well as under the Trade and Merchandise Marks Act, 1958. The second contention being that the defendants had sought registration of the trademark at Delhi. The third contention was that the defendants were selling goods under the impugned trademark at Delhi. Insofar as the third contention was concerned, the Division Bench made no observation and the suit continues before the Delhi High court as would be apparent from a reading of paragraph 59 of the said decision. Insofar as the first question is concerned that pertains to the intricacies of a composite suit being filed under two separate causes of action and with regard to the joinder of causes of action under Order 2 Rule 3 of the Civil Procedure Code with which we are not concerned in the present proceedings. On the second aspect that is that the defendants had sought registration of the trade mark at Delhi, it is clear that no application had, in point of fact, been made in Delhi. The application was made in Bombay and the parties were residents of Rajkot. The Supreme Court in the case of Dhodha House (supra) held that the second contention for conferring jurisdiction on the court at Delhi was not available.

Referring to the decision of the Division bench in the case of Jawahar Engineering (supra), the Supreme Court observed as under:

31. The said decision has no application in the instant case for more than one reason. For the purpose of registration of a trade mark, an application must be filed in the branch office of the Registrar of Trade Marks. It is not in dispute that under Section

5(3) of the 1958 Act, the Central Government has issued a notification in the Official Gazette defining the territorial limits within which an office of the Trade Marks Registry may exercise its functions. The office of the Trade Marks Registry at New Delhi exercises jurisdiction over the States of Haryana, Himachal Pradesh Jammu & Kashmir, Punjab, Rajasthan and Uttar Pradesh and the Union Territory of Chandigarh and National Capital Territory of Delhi. Whereas in *M/s Dhodha House v S.K. Maingi*, no such application has been filed, admittedly in *M/s Patel Field Marshal Industries & Ors v M/s P.M. Diesels Ltd.*, the Delhi office has no jurisdiction as parties are residents of Rajkot and an application was filed by the Appellant for registration of its trade mark at Bombay. If an objection is to be filed, the same has to be filed at Bombay. Page 0714 An advertisement by itself in a journal or a paper would not confer jurisdiction upon a court, as would be evident from the following observations of this Court in *Oil and Natural Gas Commission v Utpal Kumar Basu and Others* : (Emphasis Supplied) Therefore, broadly speaking, NCCO claims that a part of the cause of action arose within the jurisdiction of the Calcutta High Court because it became aware of the advertisement in Calcutta, it submitted its bid or tender from Calcutta and made representations demanding justice from Calcutta on learning about the rejection of its offer. The advertisement itself mentioned that the tenders should be submitted to EIL at New Delhi; that those would be scrutinised at New Delhi and that a final decision whether or not to award the contract to the tenderer would be taken at New Delhi. Of course, the execution of the contract work was to be carried out at Hazira in Gujarat. Therefore, merely because it read the advertisement at Calcutta and submitted the offer from Calcutta and made representations from Calcutta would not, in our opinion, constitute facts forming an integral part of the cause of action. So also the mere fact that it sent fax messages from Calcutta and received a reply thereto at Calcutta would not constitute an integral part of the cause of action.

11. From the aforesaid extract, it becomes clear that the decision in the *Jawahar Engineering* (supra) was not disapproved by the Supreme court. It merely said that the decision has no application in the case before it. One of the reasons granted was that the application had not been filed in Delhi. Although the Supreme Court had noted that the office of the Trade Marks Registry at New Delhi exercised jurisdiction over the States of Haryana, Himachal Pradesh, Jammu & Kashmir, Punjab, Rajasthan and Uttar Pradesh and the Union Territory of Chandigarh and National Capital Territory of Delhi, the Supreme Court categorically observed that in the case of *Dhodha House* no application at all had been filed whereas in the case of *P.M. Diesels Ltd* the Delhi office of the Registrar of Trade Marks had no jurisdiction as the parties were residents of Rajkot and the application for registration itself had been filed at Bombay. It is in this context that the Supreme court held that the decision in *Jawahar Engineering* (surpa) would not be applicable to the facts of the case before it. To make it clear, since the application for registration in the two cases before it had not been made within the territory of Delhi, the Supreme court found the decision in the case of *Jawahar Engineering* (wherein such an application was made



in Delhi) to be inapplicable to the facts of the case before it. The ratio of the Supreme Court decision in Dhodha House (supra) therefore, in my view, is not that the filing of an application at the Registrar of Trade Marks at a particular place would not clothe courts at that place with territorial jurisdiction to entertain the matter.

The ratio is that an advertisement by itself in a Trade Mark Journal would not confer jurisdiction upon a court within whose territorial limits the advertisement is published or is seen. That ratio does not militate against what has been held in Jawahar Engineering (supra). Therefore, the arguments advanced by the learned counsel for the defendants are not tenable and I find that the decision in the case of Jawahar Engineering (supra) covers the present case which has not been unsettled by the Supreme Court in Dhodha House(supra)." (Emphasis Supplied)

38. The afore quoted observations of the learned single judge in Pfizer (supra) make it clear that the Jawahar Engineering(Supra) has not been overruled by the Apex court in Dhodha House and thus the same is still holding the field. The observations made in Pfizer(supra) in this context are time and again relied upon by this court and other court and finds approval of learned judges of this court very often.

39. If Jawahar Engineering(Supra) is the good law, then the observations made in Jawahar recognizing the threat proceedings and decision thereon not to return the plaint at the preliminary stage treating the threat as a mixed question of law are equally apposite to the present case too.

40. The learned Single Judge in Pfizer (supra) too independently recognized the threat action by observing following:

"The other aspect of the matter is that a threat of selling the offending goods in Delhi would in itself confer jurisdiction in the courts in Delhi to entertain a suit claiming an injunction in respect thereof. Whether the threat perception is justified or not is another matter which has to be considered and decided upon in the application filed by the plaintiff under Order 39 Rules 1 and 2 or on merits when the suit is taken up for disposal. Insofar as Order 7 Rule 10 is concerned, assuming that whatever is stated in the plaint is correct, one would have to also assume that the threat or the intention of the defendants to sell and offer for sale the offending goods in Delhi is also correct. Therefore, if the threat exists then this court would certainly have jurisdiction to entertain the present suit." (Emphasis Supplied)

41. Once again, it is noteworthy that the learned Single Judge in Pfizer (supra) defers the question of examining the correctness of threat perception or establishment of the same pending the trial. Therefore, in effect, learned single judge treats the question of establishment of threat in the same way as a mixed question of fact and law which has to be postponed till the time the chance is given to the parties to establish the same in the trial.

42. The threat perception or apprehension is thus a wider term and the said term may include certain sets of events which may determine the cause of action one way or the other. At the

preliminary stage, one cannot make out of on the reading of averments set out in the plaint that as a matter of law, this court does not have territorial jurisdiction to entertain and try the present proceedings. The said threat whether valid or invalid shall be determined by establishment of certain sets of facts in the trial and cannot be conclusively determined on the basis of the mere application of the law.

43. The said threat perception per se also cannot also be said to be acting as an escape route to invoke the jurisdiction of the courts by just averring so in the plaint. The judgments rendered in the *Jawahar* (supra) and *Pfizer* (supra) as well as the observations made herein have to be read in the context. The threats are accepted by the courts for the purposes of invocation of jurisdiction as a mixed question of fact and law when there are some facts indicating towards likelihood of the perfection of the said threats or furtherance of the threats becoming reality. The said nexus of the initial facts will allow the court to determine the likelihood aspect in such threat and will lead to the court drawing the inference treating it as a mixed question of fact and law.

44. Thus, the real test would be when the court seized of such a matter is under doubt as to whether there is a possibility of threat becoming reality though the possibility of the same not becoming the reality is also not ruled out. In such cases, the question of jurisdiction on the basis of apprehension becomes a mixed question of fact and law and the same is thus deferred until the establishment of further facts in the trial

45. Just as in the case of filing of trade mark application on all India basis that too in Delhi jurisdiction in *Jawahar* (supra) or *Pfizer* (supra) case or in the present case validity of the complaint notice to the custom controller on all ports including Delhi (which the defendants also do not deny), the custom office having branch in Delhi and the likelihood of the controller acting upon such complaint on all India basis including Delhi (Defendants also do not dispute the same) are all the relevant facts leading towards the likelihood of perfection of such wrong. The said initial supporting facts once correlated or are read with the averments made in the plaint would act as the tests for determining whether such likelihood is real or sham, imaginary. This note of caution is essential as there exists a thin line between the real likelihood or falsity in the claims relating to threat and that not in every case, it would be proper to treat the same within the part of cause of action under Section 20 (c) of the Code.

46. The different kinds of eventualities occurring when the court is faced with the issue of jurisdiction for adjudication and the appropriate recourse to be adopted has been finely laid down by the learned Division Bench of this court in the case of *State Trading Corporation of India Limited v. Government of the Peoples Republic of Bangladesh* (DB), 63 (1996) DLT 971, wherein Hon'ble Justice R.C. Lahoti (as his lordship then was) observed thus:

"A court seized of a suit and a prayer for the grant of ad interim relief may be faced with a doubt or challenge as to the availability of jurisdiction to try the suit in a variety of circumstances. The court has to act as under :- (a) In the case of inherent lack of jurisdiction apparent on the face of the record, court cannot exercise jurisdiction over the suit so as to pass any interlocutory order or grant interim relief;

(b) If it appears from a bare reading of the plaint that the court does not have jurisdiction to try the suit, the plaint itself may be returned for presentation to a proper court under Order 7 Rule 10 CPC; (c) If the suit appears to be barred by any law, the plaint may be rejected under Order 7 Rule 11 Civil Procedure Code ; (d) It may be a disputed question of fact or law or both- whether court has jurisdiction over the suit or not. Such a question if it be a pure question of law it can be decided on hearing the parties on a preliminary issue. Such a challenge to the jurisdiction of the court to entertain the -suit being laid by the defendant as a pure question of law, it is incumbent upon the Judge to determine that question as a preliminary issue before making absolute the rule issued earlier; (e) If the determination of jurisdiction of the Court is a question of fact or mixed question of fact and law requiring evidence to be adduced before recording a finding, the determination of the question may in appropriate, cases be liable to be postponed till after the determination of all or several other issues if the evidence to be adduced by the parties may be common on the issue of jurisdiction and such other issues."

(Emphasis Supplied)

47. If the present case is tested on the above discussed exposition of law relating to cases involving apprehensions which are to be treated as mixed question of fact and law coupled with the fact that there is valid apparent reason of likelihood of extension of such interdiction of the goods of the plaintiffs to the Delhi ports, there seems no reason to deviate from the same approach treating such threat perception or apprehension as mixed question of fact and law. Following the dictum of Division Bench in State Trading Corporation (Supra), the correct recourse in such cases would be to postpone the determination of such question till the conclusion of trial as it requires determination some facts along side the application of law. Thus, it cannot be said at this stage that as a matter of law, this court has no territorial jurisdiction to entertain and try the present proceedings.

48. As I have discussed the jurisdiction question one count which clearly mandates to postpone the decision making pending trial, there is no need to discuss the another count averred in the plaint. The objection qua jurisdiction is thus rejected at this preliminary stage on the basis of the averments made in the plaint.

Re: Possible Interpretation of IPR (Imported Goods) Enforcement Rules and Circular

49. I shall now proceed to examine the possible interpretation of the Rules and the circular made therein in order to find out what can be the nature of the proceedings which have been contemplated under the Custom Act, Rules of 2007 and circular made thereunder and what is the interpretation of the same which can be said to be giving the powers to the commissioner of customs to interdict the consignment.

50. The relevant clauses under the Rules of 2007 and the circular made thereunder are reproduced hereinafter:

(a) "goods infringing intellectual property rights" means any goods which are made, reproduced, put into circulation or otherwise used in breach of the intellectual property laws in India or outside India and without the consent of the right holder or a person duly authorized to do so by the right holder;

(b) "intellectual property" means a copyright as defined in the Copyright Act, 1957, trade mark as defined in the Trade Marks Act, 1999, patent as defined in the Patents Act, 1970, design as defined in the Designs Act, 2000 and geographical indications as defined in the Geographical Indications of Goods (Registration and Protection) Act, 1999;

(c) "Intellectual property law" means the Copyright Act, 1957, the Trade Marks Act, 1999, the Patents Act, 1970, the Designs Act, 2000 or the Geographical Indications of Goods (Registration and Protection) Act, 1999 ;

(d) "right holder" means a natural person or a legal entity, which according to the laws in force is to be regarded as the owner of protected intellectual property right, its successors in title, or its duly authorized exclusive licensee as well as an individual, a corporation or an association authorized by any of the aforesaid persons to protect its rights.

### 3. Notice by the right holder. -

(1) A right holder may give notice in writing to the Commissioner of Customs or any Customs officer authorised in this behalf by the Commissioner, at the port of import of goods infringing intellectual property rights in accordance with the procedures and under the conditions as set out in these Rules, requesting for suspension of clearance of goods suspected to be infringing intellectual property right. (2) The notice in respect of goods infringing intellectual property rights shall be given in the format prescribed in the Annexure to these Rules.

(3) Every such notice shall be accompanied by a document as specified by the Commissioner, evidencing payment of application fee of Rs. 2000 (two thousand rupees only).

(4) If any of the information as required in the format under sub-rule (2) is not provided, the Deputy Commissioner of Customs or Assistant Commissioner of Customs may, as the case may be, ask the right holder or his authorised representative to provide the same within 15 days, which may be extended on sufficient reasons being shown.

(5) The right holder shall inform customs authority when his intellectual property ceases to be valid or if he ceases to be the owner of such intellectual property right

### 4. Registration of notice by the Commissioner. -

(1) Within 30 working days from the date of receipt of the notice under sub-rule(1) of Rule 3, or from the date of expiry of the extended time as contemplated in sub-rule (4) of Rule3, as the case may be, the Commissioner shall notify the applicant whether the notice has been registered or rejected.

(2) In a case where the notice has been registered, the Commissioner shall indicate the validity period of the registration during which assistance by Customs shall be rendered. The minimum validity period shall be one year unless the notice or right holder requests for a shorter period for customs assistance or action.

(3) The Commissioner granting the registration of the notice under sub-rule (2) shall inform, immediately through a letter by speed post or through electronic mode, all Custom offices covered by the notice of the details of the notice.

5. Conditions for registration. - The grant of registration under rule 4 shall be subject to following conditions, namely:

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(a) the right holder or his authorised representative shall execute a bond with the Commissioner of Customs for such amount with such surety and security as deemed appropriate by the Commissioner, undertaking to protect the importer, consignee and the owner of the goods and the competent authorities against all liabilities and to bear the costs towards destruction, demurrage and detention charges incurred till the time of destruction or disposal, as the case may be;

(b) the right holder shall execute an indemnity bond with the Commissioner of Customs indemnifying the Customs authorities against all liabilities and expenses on account of suspension of the release of allegedly infringing goods.

6. Prohibition for import of goods infringing intellectual property rights.- After the grant of the registration of the notice by the Commissioner on due examination, the import of allegedly infringing goods into India shall be deemed as prohibited within the meaning of Section 11 of the Customs Act, 1962.

7. Suspension of clearance of imported goods.-

(1)(a) Where the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, based on the notice given by the right holder has a reason to believe that the imported goods are suspected to be goods infringing intellectual property rights, he shall suspend the clearance of the goods.

(b) The Deputy Commissioner of Customs or Assistant Commissioner of Customs , as the case may be, may, on his own initiative, suspend the clearance of goods , in respect of which he has

prima-facie evidence or reasonable grounds to believe that the imported goods are goods infringing intellectual property rights.

(2) The Deputy Commissioner of Customs or Assistant Commissioner of Customs , as the case may be, shall immediately inform the importer and the right holder or their respective authorised representatives through a letter issued by speed post or through electronic mode of the suspension of clearance of the goods and shall state the reasons for such suspension.

(3) Where clearance of the goods suspected to be infringing intellectual property has been suspended and the right holder or his authorized representative does not join the proceedings within a period of ten working days from the date of suspension of clearance leading to a decision on the merits of the case, the goods shall be released provided that all other conditions of import of such goods under the Customs Act, 1962, have been complied with:

Provided that the above time-limit of ten working days may be extended by another ten days in appropriate cases by the Commissioner or an officer authorized by him in this behalf.

(4) Where the Deputy Commissioner of Customs or Assistant Commissioner of Customs , as the case may be, has suspended clearance of goods on his own initiative and right holder does not give notice under rule 3 of the Rules or does not fulfill the obligation under Rule 5, within five days from the date of suspension of clearance, the goods shall be released provided that all other conditions of import of such goods under the Customs Act, 1962, have been complied with.

(5) Where the clearance of goods has been suspended, customs may, where it acts on its own initiative, seek from the right holder any information or assistance, including technical expertise and facilities for the purpose of determining whether the suspect goods are counterfeit or pirated or otherwise infringe an intellectual property right.

(6) Where the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, has suspended clearance of goods on his own initiative and right holder has given notice under rule 3 of the Rules and fulfilled the obligations under Rule 5, but , the right holder or his authorized representative does not join the proceedings within a period of ten working days from the date of suspension of clearance leading to a decision on the merits of the case, the goods shall be released provided that all other conditions of their import under the Customs Act, 1962, have been complied with:

Provided that the above time- limit of ten working days may be extended by another ten working days in appropriate cases by the Commissioner or an officer authorized by him in this behalf.

(7) In the case of perishable goods suspected of infringing intellectual property rights, the period of suspension of release shall be three working days which may be extended by another four days subject to the satisfaction of the Commissioner or the officer authorized by him in this behalf that such extension shall not affect the goods.

(8) Notwithstanding anything contained in these Rules, in the case of suspension of clearance of perishable goods on the basis of notice of the right holder or his authorized representative, the right holder or his authorized representative shall join the proceedings as required under these Rules within three working days or the extended period as provided in sub-rule (7) and in case of suspension of clearance of perishable good by the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, on his own initiative, the right holder shall give notice, execute a bond and join the proceedings as required under these Rules within three working days or the extended period as provided in sub-rule (7), as the case may be, failing which the goods shall be released.

(9) If within ten working days or the extended period under sub-rule (6), as the case may be, and within three working days or the extended period as provided in sub-rule (7) of this rule in the case of perishable goods, the right-holder or his authorized representative joins the proceedings, the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, having reasons to believe that the goods are goods infringing intellectual property rights and liable to confiscation under section 111 (d) of the Customs Act, may seize the same under section 110 of the Customs Act.

8. Examination of goods by right holder.- The Commissioner or the officer duly authorized in this behalf shall allow a right holder and the importer or their duly authorized representatives to examine the goods, the clearance of which has been suspended, and may provide representative samples for examination, testing and analysis to assist in determining whether the goods are pirated, counterfeit or otherwise infringe an intellectual property right, without prejudice to the protection of confidential information.

9. Supply of information to the right holder. - At the request of the right holder, the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, shall inform the name and address of the importer and without prejudice to the protection of confidential information the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, may also provide additional relevant information relating to the consignment which has been suspended from clearance.

10. Supply of information to the importer. - At the request of the importer or his duly authorized representative, Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, shall inform the name and address of the right holder and without prejudice to the protection of confidential information the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, may also provide additional relevant information

relating to the consignment which has been suspended from clearance.

11. Disposal of infringing goods. - (1). Where upon determination by the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, it is found that the goods detained or seized have infringed intellectual property rights, and have been confiscated under section 111 (d) of the Customs Act, 1962 and no legal proceedings are pending in relation to such determination, the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, shall, destroy the goods under official supervision or dispose them outside the normal channels of commerce after obtaining 'no objection' or concurrence of the right holder or his authorized representative:

Provided that if the right holder or his authorized representative does not oppose or react to the mode of disposal as proposed by the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, within twenty working days after having been informed, or within such extended period as may have been granted by the Commissioner at the request of the right holder, not exceeding another twenty working days, he shall be deemed to have concurred with the mode of disposal as proposed by the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be:

Provided further that the costs toward destruction, demurrage and detention charges incurred till the time of destruction or disposal, as the case may be, shall be borne by the right holder.

(2) There shall not be allowed the re-exportation of the goods infringing intellectual property rights in an unaltered state.

(3) The Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, may on his own, or at the request of the right holder, retain samples of goods infringing intellectual property rights prior to their destruction or disposal and provide the same to the right holder or importer if such samples are needed as evidence in pending or future litigations.

12. Exclusion of baggage and De-minimis Imports.- Goods of a non-commercial nature contained in personal baggage or sent in small consignments intended for personal use of the importer are not subject to the above Rules.

13. Protection of action taken under the Rules.- Customs officers when acting in good faith and having followed the procedures set out in these Rules shall not be liable for:

(a) any failure to detect goods infringing intellectual property rights,

(b) the inadvertent release of such goods, and



(c) any other action in respect of such goods.

The circular has been issued by the central government on 29.10.2007 wherein clause 4 reads as under:

"4. It is pertinent to mention that while the mandatory obligations under Articles 51 to 60 of the TRIPS dealing with border measures are restricted to Copyright and Trade Marks infringement only, the said Rules deal with Patents, Designs and Geographical Indications violations as well, in conformity with the practice prevailing in some other countries, notably EU countries. While it is not difficult for Customs officers to determine Copyright and Trade Marks infringements at the border based on available data/inputs, it may not be so in the case of the other three violations, unless the offences have already been established by a judicial pronouncement in India and the Customs is called upon or required to merely implement such order. In other words, extreme caution needs to be exercised at the time of determination of infringement of these three intellectual property rights."

51. On the conjoint reading of the rules of 2007 read with the circular made thereunder, the following position relating to scheme of suspension of clearance of goods become clear:

a) That the commissioner of customs is empowered to suspend the clearance of the goods on the ground when "he has a reason to believe" on the basis of the notice given by the right holder and the said suspension of the clearance of the goods based on the suspicion that the said goods are infringing the intellectual rights of the right holder. This is provided under rule 7 meaning thereby that the custom commissioner will suspend the clearance on the basis of reason to believe and suspicion of the infringement.

b) The later part of rule 7 further mandates that the custom commissioner has to immediately inform the importer about the said suspension. Further sub rule (3) and (4) also indicates once the proprietor does not join the proceedings, the goods shall be released after the time limit fixed under sub rule (3) and rule (4) of the rules. Further sub rules (6) to (8) also provides for the similar provisions of release of goods where the right holder does not join the proceedings, the goods shall be released. All these provisions are indicators of the scheme relating to the working of this suspension mechanism provided under the customs.

On the one hand, the custom officials are empowered to suspend the clearance basing upon their suspicion of infringement, likewise the corresponding the safeguards are provided for the importer so that there should not be any abuse of the powers and the suspended goods must be released immediately if the suspicion which formed the basis does not culminate into the conclusive reason to believe.

Only once the customs have reason to believe after their suspicion has actually become their opinion or reason to believe that the goods are infringing the intellectual property rights by exercising the enquiry on the subject suspended goods, the customs are further empowered to confiscate the goods under the sub rule 9 of the Rule 7.

For the purpose of the formation of the opinion post the suspension, the rule 5 provides only a guideline so far it relates to determination of infringement intellectual property right whereby the customs can seek assistance from the right holder technical or otherwise in order to form of his opinion as to whether the goods infringe the intellectual property rights of the holder or not. The said assistance or information or technical expertise as per the rules can be taken from the right holder by the custom for the purposes of forming their opinion. Further Rule 8 provides some light relating to such opinion formation by enabling the parties to do the examination of the suspended goods. Rule 8 thus provides that the customs shall allow a right holder and the importer or their duly authorized representatives to examine the goods, the clearance of which has been suspended, and may provide representative samples for examination, testing and analysis to assist in determining whether the goods are pirated, counterfeit or otherwise infringe an intellectual property right, without prejudice to the protection of confidential information.

Thus, the custom officials are empowered mainly exercise their discretion to form the opinion as to infringement basing upon the version of the right holder and the importer.

There is only a limited scope of enquiry whereby the customs can either call upon the right holder to assist or the importer or the right holder to take the samples for testing and then determine. Such kind of limited scope of enquiry may be sufficient for the formation of the opinion relating to the intellectual property rights where the eye is sole arbiter or where by testing the article in the laboratory, it can be found that the said article is genuine or counterfeit or by looking into the article carefully.

The said Rules of 2007 thus provide for bare minimum provisions for determination of complex nature of intellectual property rights like patent infringement. The said rules primarily are meant for those kinds of intellectual property rights where infringement is easy to determine on the basis of the look and feel of the article where either eye is sole arbiter or where limited enquiry is required for determination. The said rules nowhere guides the custom commissioner as to how to read the specification of patent, how to arrive at the positive finding of the patent infringement and also nowhere guides the commissioner as to what he has to do once the challenge is set up against the infringement of patent claim by the importer. The said rules also overlook the participation of the civil court which has jurisdiction to determine infringement claims under the patent act. Thus, overall the said rules overlook the scheme of infringement of patents enquiry as provided under the Patent Act. All the factors are indicators to the effect that the role of the commissioner in such cases of infringement of patent is extremely limited as no such powers are either conferred or vests in the commissioner of the customs.

The said Rules of 2007 nowhere provide the detailed mechanism of determination of complex intellectual properties issues like validity of the patent which corresponds to the mechanism

provided under the Patent Act. Under the Patents Act, the jurisdiction to decide the infringement of the patent rests exclusively with the civil court and it is decided in favour of the right holder only once the patent is found to be valid one by the civil court after setting aside the challenge laid to the validity of the patent. This is due to the reason that there is no presumption of the validity of the granted patent under the law of patents unlike trade mark act or copyright act. (kindly see the judgment of the Bishwanath Prashad Radhey Shayam Vs. Hindustan Metal Industries, AIR 1982 SC 1444 of Supreme Court where the Apex court opines so) Thus, if the goods are suspended on the basis of the suspicion of the customs authority on the allegations of grounds of infringement of patent, the customs cannot straightway allowed to believe that the said allegations are in fact true unless the grounds of the validity of the patent are determined. This is unlike the scheme of other intellectual property rights, where the certificate of the registration shall form prima facie proof of validity.

Thus, the Rules 7 to 11 by themselves nowhere provide the mechanism for determination of the validity of the patent nor gives the ample chance to the importer to raise such grounds of the validity of the patent before the customs. This scheme under the rules as it is couched in the present form raises doubts as to how in the absence of such rules and mechanism of determination, the customs can be given such powers of adjudication of the claims relating to patents without amendments to the Patents Act relating to the same. Thus, it raises further doubts as to how the interpretation given by the customs that they are empowered to determine the infringement of the patent after the formation of the rules is correct.

c) The doubts which arise after reading of the rules of 2007 seem to be clarified somehow by the circular dated 29th October, 2007 by providing the note of the caution as well as some indications as how the custom authorities are allowed to act under the rules relating to infringement of patent claims. The said circular provides that while the mandatory obligations under Articles 51 to 60 of the TRIPS dealing with border measures are restricted to Copyright and Trade Marks infringement only, the said Rules deal with Patents, Designs and Geographical Indications violations as well, in conformity with the practice prevailing in some other countries, notably EU countries. While it is not difficult for Customs officers to determine Copyright and Trade Marks infringements at the border based on available data/inputs, it may not be so in the case of the other three violations, unless the offences have already been established by a judicial pronouncement in India and the Customs is called upon or required to merely implement such order. In other words, extreme caution needs to be exercised at the time of determination of infringement of these three intellectual property rights.

The reading of the said guidelines under the circular again makes it clear that the customs are allowed to make the enquiry relating to the patent acting as an implementing authority of the orders of the civil court. However, the another sentence in the same circular provides that an extreme caution to be exercised by the customs again enables the customs to argue that such cannot be the interpretation of the rules as this noting in the circular only acts as a note of caution nowhere eliminates or take away the powers of the customs of suspend the goods on the basis of infringement of the patent.

52. The afore noted discernible position makes it clear that on the one hand, there is no mechanism provided under the rules of 2007 which enables the custom officials to determine the infringement of the patent claims which require more complex enquiry than the other forms of intellectual properties as the validity of the patent is always vulnerable to challenge and on the other hand, the custom authorities continue to insist that the rules framed thereunder are sufficient to form an opinion relating to all form of intellectual properties including patents which is no different from the other forms of intellectual properties. The defendant no.2/customs further argue that the said rules are provided in view of the obligation of India mandated under the TRIPS Agreement. Thus, the ambiguity in the interpretation of the rules along with the circular continues to remain as circular in one sentence seems to clarify the same but in another sentence again retains the confusion intact. Thus, it has become necessary to revisit the TRIPS regime as to see what has been provided there under as a matter of practice Re: Analysis of Border Regime relating to patents under TRIPS Agreement.

53. This has persuaded to go into more in depth analysis in order to find out as to what is the scheme relating to border measures mandated under the international regime as per the TRIPS agreement. The answer to the same will also act as the aid to the possible interpretation of the rules of 2007 as framed by the Central Government as the customs case is that the said rules are framed in order to implement the TRIPS agreement.

54. The rules relating to Border measures are provided under Article 51 to Article 56 of TRIPS agreement. The said articles are reproduced below:

ARTICLE 51: Suspension of Release by Custom Authorities Members shall, in conformity with the provisions set out below, 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 lodge an application in writing with competent authorities, administrative or judicial, for the suspension by the customs authorities of the release into free circulation of such goods. Members may enable such an application to be made in respect of goods which involve other infringements of intellectual property rights, provided that the requirements of this Section are met. Members may also provide for corresponding procedures concerning the suspension by the customs authorities of the release of infringing goods destined for exportation from their territories.

ARTICLE 52: Application Any right holder initiating the procedures under Article 51 shall be required to provide adequate evidence to satisfy the competent authorities that, under the laws of the country of importation, there is prima facie an infringement of the right holder's intellectual property right and to supply a sufficiently detailed description of the goods to make them readily recognizable by the customs authorities. The competent authorities shall inform the applicant within a reasonable period whether they have accepted the application and, where determined by the competent authorities, the period for which the customs authorities will take action.

**ARTICLE 53: Security or Equivalent Assurance:**

1. 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. Such security or equivalent assurance shall not unreasonably deter recourse to these procedures.

2. Where pursuant to an application under this Section the release of goods involving industrial designs, patents, layout-

designs or undisclosed information into free circulation has been suspended by customs authorities on the basis of a decision other than by a judicial or other independent authority, and the period provided for in Article 55 has expired without the granting of provisional relief by the duly empowered authority, and provided that all other conditions for importation have been complied with, the owner, importer, or consignee of such goods shall be entitled to their release on the posting of a security in an amount sufficient to protect the right holder for any infringement. Payment of such security shall not prejudice any other remedy available to the right holder, it being understood that the security shall be released if the right holder fails to pursue the right of action within a reasonable period of time.

**ARTICLE 54: Notice of Suspension** The importer and the applicant shall be promptly notified of the suspension of the release of goods according to Article 51.

**ARTICLE 55: Duration of Suspension** If, within a period not exceeding 10 working days after the applicant has been served notice of the suspension, the customs authorities have not been informed that proceedings leading to a decision on the merits of the case have been initiated by a party other than the defendant, or that the duly empowered authority has taken provisional measures prolonging the suspension of the release of the goods, the goods shall be released, provided that all other conditions for importation or exportation have been complied with; in appropriate cases, this time-limit may be extended by another 10 working days. If proceedings leading to a decision on the merits of the case have been initiated, a review, including a right to be heard, shall take place upon request of the defendant with a view to deciding, within a reasonable period, whether these measures shall be modified, revoked or confirmed. Notwithstanding the above, where the suspension of the release of goods is carried out or continued in accordance with a provisional judicial measure, the provisions of paragraph 6 of Article 50 shall apply.

**ARTICLE 56: Indemnification of the Importer and of the Owner of the Goods** Relevant authorities shall have the authority to order the applicant to pay the importer, the consignee and 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 pursuant to Article 55.

55. From the collective reading of the Articles provided under the TRIPS agreement, the following aspects can be said to have come to light relating to the scheme of border measures mandated by the TRIPS agreement:

a) Article 51 provides for the different kind of treatment relating to border measures when it comes to trade mark, copyright infringement on the one hand vis-a-vis the infringement of the other forms of intellectual property rights. The said article 51 uses the expression "shall" making it obligatory upon the member states to provide for the procedure for the suspension of the goods on the basis of the suspicion of the right holder relating to the infringement of the trade mark or copyright pirated goods. Curiously, the same very article uses the expression "may" which making it optional for the member countries to provide such mechanism for other forms of intellectual properties with the proviso that the conditions set out in this chapter are met with.

The closer reading of the article 51 reflects the intention of the draftsmen which is that they are conscious about the nature of intellectual property rights and corresponding enforcement of the same by custom authorities as an institution. Further, the draftsmen are also conscious that the same kind of treatment cannot be accorded to trade mark, copyright, patent and all other forms of intellectual properties when it comes to border measures by empowering the custom officials in the same manner. That is the reason why, the mandate under the TRIPS is obligatory qua the trade mark and copyright infringement and optional qua the patent and other forms of intellectual property.

Furthermore, the said article 51 is also indicative of the intention of the draftsmen to provide for extra safeguards in relation to border measures in case the member countries opts to provide for the procedures relating to border measures in relation to the "other forms of intellectual properties". These extra safeguards are in the form of insistence that "the requirements of this section are met". Thus, the said differential treatment under article 51 which is optional for the member state is further conditioned by the fact that the requirements of this section are to be complied with.

b) Now the question arises what are the requirements of this section which articles 51 insist that to be satisfied. The answer can be traced by further reading the entire section especially by conjoint reading of article 53 and article 55. The said collective reading of articles make the entire scheme complete, workable and all comprehensive relating to border measures when it comes to the enforcement of the other forms of intellectual property rights.

c) The scheme of border measures which is emerging from the collective reading of article 53 and 55 can be summarized in the following manner:

There is classification of the suspensions of the goods which can be affected by the custom officials in relation to border measures in respect of patents etc into two parts. First, is the kind of suspensions done by the custom officials on the basis of the decision of judicial authority or other independent authority and the second one is relating to the suspension of the release of the goods done by the custom authorities other than basing on the decision of the judicial authority or independent authority. The said distinction is apparent from the reading of article 53(2).

So far as it relates to suspension of the release of goods conducted other than on the basis of the decision of judicial authority or independent authority, the treatment of such goods are conditioned by two distinct independent eventualities.

First is the case, where such goods were suspended from the release for a stipulated time period as provided under article 55 which is 10 days which is further extendable as provided within which the right holder has to inform that whether right holder or any other party other than the importer has lodged the infringement proceedings before the competent court or the proceedings before the competent authority leading to the merits of the case has been lodged and upon such information, the custom officials can review the decision of suspension.

However, if the right holder does not inform within the period provided or extended as per article 55 about the launch of infringement proceedings within the competent court or authority, then the said proceedings before the custom official shall lapse and the goods shall be released.

Second, is the case where the infringement proceedings are launched within the time provided under article 55 before the competent court and authority and thereafter, the provisional relief or interim relief or directions are given or issued to the custom officials to continue with the said suspension order until further orders. Then, the custom officials shall act accordingly, for the purposes of provisional measures, the provisions of article 55 and article 50 (6) are relevant. This is again clear by reading article 53 and 55 together.

56. Thus, the sum and substance of the entire scheme which is emerging by reading of the articles of TRIPS agreement relating to the border measures for the enforcement of intellectual property rights other than trade marks and copyright is that the custom officials can suspend the release of the goods on the premise of infringement of patents either acting as an implementing authorities on the basis of directions or orders of the judicial court or in the alternative, the said suspension is allowed only for the limited period of time as provided under article 55 basing upon their suspicion which is 10 days and further extendable to 10 more days in the manner provided under article 55, the said limited period shall act as breathing space or as a safeguard for the right holder within which he or anyone interested in the intellectual property right can approach the civil court by launching the infringement proceeding and also can seek for interim order, the failure of launch of infringement proceedings before the competent court within a limited period or extended period may lead to release of the goods.

57. All this makes it evident that the scheme provided under TRIPS agreement itself adopts two kinds of approaches in relation suspension of the goods on the basis of infringement of patents, first where the custom officials shall act as implementing authorities, second, where the custom officials shall aid the right holder by temporarily suspending the consignment enabling the right holder to approach the competent court where after the proceedings shall continue either as per the orders of the court or review shall be made depending upon the nature of the orders passed by the court.

58. Excepting these two kinds of limited powers conferred by the TRIPS agreement upon the custom officials, which have been insisted upon in article 51 as the measures which are conditions precedent for the members countries to provide for the regime relating to border measures relating to patents, there is no third kind of power either in the form of custom officials themselves assuming the role of the adjudicatory authority or otherwise becoming competent to adjudicate the patent claims is either mandated or prescribed by the TRIPS agreement.

59. Therefore, the Indian rules of 2007 and circular made thereunder which read at many places that they are TRIPS compliant rules and it is mandated by the TRIPS that such rules be made and the custom officials are to be empowered accordingly are not the ones which follow the TRIPS regime as contemplated by the agreement in the letter and spirit. In fact, the said rules do not take care of the safeguards provided under article 51 in the form of proviso which states that the requirements of this section are met.

60. As stated above, it was also optional and not obligatory for the member countries including India to adopt such regime of border measures relating to patents and other forms intellectual property rights except trade marks and copyright but in case of exercise of such option, the countries including India should have framed the rules only in consonance with the conditions and the manner set out in the agreement. Thus, neither it was obligatory for the government or the customs to frame such rules under the international law or to implement TRIPS agreement by framing the same in the present form treating all forms of Intellectual properties alike and assuming the role of the adjudicatory authority nor the government or the customs have followed the manner or requirements as set out under the TRIPS agreement for the purposes of conferring such power to the custom officials as per the agreement.

61. The reading of TRIPS agreement further reveals that world over, the underlying intention and the purpose of the countries signatories to TRIPS to provide border measures for the enforcement of the patent and other forms of intellectual properties (except trade marks and copyrights) is to provide the safeguard to the right holder in a limited sense by treating the custom officials either as an implementing authorities under the orders of the court or otherwise giving the powers of temporary suspension so as to enable the right holder to approach the civil court within the time prescribed. Thus, the participation of civil court or the appropriate authority to determine the patent claims has never been interfered or divested and rather amplified by the TRIPS agreement by insisting the compliance of the said section of the agreement.

62. Thus, in international law or in the international covenant basing upon which the rules of 2007 claim to have been deriving their force do not suggest any such kind of interpretation whereby the custom officials are either given such powers equivalent to adjudicatory authority or determining authority to conduct hearing for determining infringement of patent nor such intention has been emerging by analyzing the relevant articles of the agreement.

Re: Border Regime In European Union relating to Patents



63. This was the position under the TRIPS agreement. Let me also take one example of European Union as the circular also reads that India follow the said practice prevalent like in EU countries. It is also necessary to examine for the purpose of comparison as to how EU being a TRIPS member has followed the regime under TRIPS agreement.

64. The relevant regulations made by the European union are called as Council Regulation (EC) No 1383/2003 of 22nd July 2003 titled as "concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights". The relevant regulations are reproduced hereinafter:

#### Article 1

1. This Regulation sets out the conditions for action by the customs authorities when goods are suspected of infringing an intellectual property right in the following situations:

(a) when they are entered for release for free circulation, export or re-export in accordance with Article 61 of Council Regulation (EC) No 2913/92 of 12 October 1992 establishing the Community Customs Code(4);

(b) when they are found during checks on goods entering or leaving the Community customs territory in accordance with Articles 37 and 183 of Regulation (EEC) No 2913/92, placed under a suspensive procedure within the meaning of Article 84(1)(a) of that Regulation, in the process of being re-exported subject to notification under Article 182(2) of that Regulation or placed in a free zone or free warehouse within the meaning of Article 166 of that Regulation.

2. This Regulation also fixes the measures to be taken by the competent authorities when the goods referred to in paragraph 1 are found to infringe intellectual property rights.

#### Article 2

1. For the purposes of this Regulation, "goods infringing an intellectual property right" means:

(a) "counterfeit goods", namely:

(i) goods, including packaging, bearing without authorisation a trademark identical to the trademark validly registered in respect of the same type of goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the trademark-holder's rights under Community law, as provided for by Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trademark(5) or the law of the Member State in which the application for action by the customs authorities is made;

(ii) any trademark symbol (including a logo, label, sticker, brochure, instructions for use or guarantee document bearing such a symbol), even if presented separately, on the same conditions as the goods referred to in point (i);

(iii) packaging materials bearing the trademarks of counterfeit goods, presented separately, on the same conditions as the goods referred to in point (i);

(b) "pirated goods", namely goods which are or contain copies made without the consent of the holder of a copyright or related right or design right, regardless of whether it is registered in national law, or of a person authorised by the right-holder in the country of production in cases where the making of those copies would constitute an infringement of that right under Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs(6) or the law of the Member State in which the application for customs action is made;

(c) goods which, in the Member State in which the application for customs action is made, infringe:

(i) a patent under that Member State's law;

(ii) a supplementary protection certificate of the kind provided for in Council Regulation (EEC) No 1768/92(7) or Regulation (EC) No 1610/96 of the European Parliament and of the Council(8);

(iii) a national plant variety right under the law of that Member State or a Community plant variety right of the kind provided for in Council Regulation (EC) No 2100/94(9);

(iv) designations of origin or geographical indications under the law of that Member State or Council Regulations (EEC) No 2081/92(10) and (EC) No 1493/1999(11);

(v) geographical designations of the kind provided for in Council Regulation (EEC) No 1576/89(12).

### CHAPTER III CONDITIONS GOVERNING ACTION BY THE CUSTOMS AUTHORITIES AND BY THE AUTHORITY COMPETENT TO DECIDE ON THE CASE Article 9

1. Where a customs office to which the decision granting an application by the right-holder has been forwarded pursuant to Article 8 is satisfied, after consulting the applicant where necessary, that goods in one of the situations referred to in Article 1(1) are suspected of infringing an intellectual property right covered by that decision, it shall suspend release of the goods or detain them.

The customs office shall immediately inform the competent customs department which processed the application.

2. The competent customs department or customs office referred to in paragraph 1 shall inform the right- holder and the declarant or holder of the goods within the meaning of Article 38 of Regulation (EEC) No 2913/92 of its action and is authorised to inform them of the actual or estimated quantity and the actual or supposed nature of the goods whose release has been suspended or which have been detained, without being bound by the communication of that information to notify the authority competent to take a substantive decision.

3. With a view to establishing whether an intellectual property right has been infringed under national law, and in accordance with national provisions on the protection of personal data, commercial and industrial secrecy and professional and administrative confidentiality, the customs office or department which processed the application shall inform the right-holder, at his request and if known, of the names and addresses of the consignee, the consignor, the declarant or the holder of the goods and the origin and provenance of goods suspected of infringing an intellectual property right.

The customs office shall give the applicant and the persons involved in any of the situations referred to in Article 1(1) the opportunity to inspect goods whose release has been suspended or which have been detained.

When examining goods, the customs office may take samples and, according to the rules in force in the Member State concerned, hand them over or send them to the right-holder, at his express request, strictly for the purposes of analysis and to facilitate the subsequent procedure. Where circumstances allow, subject to the requirements of Article 11(1) second indent where applicable, samples must be returned on completion of the technical analysis and, where applicable, before goods are released or their detention is ended. Any analysis of these samples shall be carried out under the sole responsibility of the right-holder. Article 11

1. Where customs authorities have detained or suspended the release of goods which are suspected of infringing an intellectual property right in one of the situations covered by Article 1(1), the Member States may provide, in accordance with their national legislation, for a simplified procedure, to be used with the right-holder's agreement, which enables customs authorities to have such goods abandoned for destruction under customs control, without there being any need to determine whether an intellectual property right has been infringed under national law. To this end, Member States shall, in accordance with their national legislation, apply the following conditions:

- that the right-holder inform the customs authorities in writing within 10 working days, or three working days in the case of perishable goods, of receipt of the notification provided for in Article 9, that the goods concerned by the procedure infringe an intellectual property right referred to in Article 2(1) and provide those authorities with the written agreement of the declarant, the holder or the owner of the goods to abandon the goods for destruction. With the agreement of the customs authorities, this information may be provided directly to customs by the declarant, the holder or the owner of the goods. This agreement shall be presumed to be accepted when the declarant, the holder or the owner of the goods has not specifically

opposed destruction within the prescribed period. This period may be extended by a further ten working days where circumstances warrant it;

- that destruction be carried out, unless otherwise specified in national legislation, at the expense and under the responsibility of the right-holder, and be systematically preceded by the taking of samples for keeping by the customs authorities in such conditions that they constitute evidence admissible in legal proceedings in the Member State in which they might be needed.

2. In all other cases, for example where the declarant, holder or owner objects to or contests the destruction of the goods, the procedure laid down in Article 13 shall apply.

#### Article 13

1. If, within 10 working days of receipt of the notification of suspension of release or of detention, the customs office referred to in Article 9(1) has not been notified that proceedings have been initiated to determine whether an intellectual property right has been infringed under national law in accordance with Article 10 or has not received the right-holder's agreement provided for in Article 11(1) where applicable, release of the goods shall be granted, or their detention shall be ended, as appropriate, subject to completion of all customs formalities.

This period may be extended by a maximum of 10 working days in appropriate cases.

2. In the case of perishable goods suspected of infringing an intellectual property right, the period referred to in paragraph 1 shall be three working days. That period may not be extended.

#### Article 14

1. In the case of goods suspected of infringing design rights, patents, supplementary protection certificates or plant variety rights, the declarant, owner, importer, holder or consignee of the goods shall be able to obtain the release of the goods or an end to their detention on provision of a security, provided that:

(a) the customs office or department referred to in Article 9(1) has been notified, in accordance with Article 13(1), that a procedure has been initiated within the period provided for in Article 13(1) to establish whether an intellectual property right has been infringed under national law;

(b) the authority empowered for this purpose has not authorised precautionary measures before the expiry of the time limit laid down in Article 13(1);

(c) all customs formalities have been completed.

2. The security provided for in paragraph 1 must be sufficient to protect the interests of the right-holder. Payment of the security shall not affect the other legal remedies available to the right-holder.

Where the procedure to determine whether an intellectual property right has been infringed under national law has been initiated other than on the initiative of the holder of a design right, patent, supplementary protection certificate or plant variety right, the security shall be released if the person initiating the said procedure does not exercise his right to institute legal proceedings within 20 working days of the date on which he receives notification of the suspension of release or detention.

Where the second subparagraph of Article 13(1) applies, this period may be extended to a maximum of 30 working days.

65. On perusal of the aforementioned regulations enlisted above, it is amply clear that EU regulations seem to be totally in compliance of the TRIPS mandate as contemplated by the TRIPS agreement. The salient features of the said regulations which are relevant for the purposes of present discussion on the reading of Article 11, 13, 14 of the regulations can be highlighted as under:

a) Article 11 provides that the members of EU countries can provide the simplified process whereby the goods suspended can straightaway be forwarded for the destruction. But that simplified process shall be only in consonance with Article 11(1) where under there is a mutual agreement between the right holder and importer to enable the customs to proceed for destruction by way of admission of rights. Thus, instead of determining the infringement, the customs can proceed to destroy the goods on the basis of admission of the rights by the importer as per Article 11 (1). The said procedure is provided under article 11 (1) where within 10 days a written agreement from declarant or the importer can be furnished wherein he can express his intention to abandon those goods and basing upon which the customs can proceed. In all other cases where there is a contest, article 13 shall apply.

b) Under Article 13 mandates the right holder to inform the customs , "within 10 days of the suspension that the right holder has initiated the proceedings before the competent court for determination of infringement of intellectual property rights failing which the goods shall be released.

c) The Article 14 of the said regulations deals with the suspected goods which are suspended on the basis of infringement of patents, designs rights etc shall be released provided the information about the initiation of infringement proceedings is given as per Article 13 (1) and no precautionary measures are ordered by the said competent authority and time limit prescribed under article 13 has expired. Thus, if the competent court does not extend the protection by granting the interim relief, the said goods shall be released.

66. Thus, the said regime relating to border measures in patent operating in EU is in consonance with TRIPS agreement which mainly rests on the scheme wherein custom authorities are either acting as an implementing authorities or otherwise giving the parties the time to approach the appropriate authority to decide the dispute on merits or acting under the compromise of the parties where parties agree to abandon the suspended goods. No where, the said regulations empower the custom official to assume the role of adjudicatory authorities.

67. The regulations in EU use the expression "authority" or "authority empowered" where in the proceeding for determination of rights shall be lodged and intimated to the custom official. There was a confusion for some time. The authorities on the subject clarify that the word "authority" means the patent court.

68. The similar are the observations made in the book titled as "The Modern Law of Patents" by Roughton, Johnson, Cook & Fysh, 2011 Edition, (Lexis Nexis), which is an authority on the subject when it comes to looking at the new conceptions and facets in patent law. The learned author in the said book analyses the scheme of the regime under Border Controls in relation to patent matters by identifying the participants in the regime, one of which is the patent court. The learned author observes thus:

"19.2 The regime includes various players. First, the competent custom service or authority (in the United Kingdom, the Commissioners), which may include a central administrative office and local ports offices. Secondly, there is an applicant who is the right holder, meaning the proprietor of the patent in question (or his licensee or their respective representative). Thirdly, is the person who makes the custom declaration, who is usually the importer. Fourthly, there is a consignee. Finally, there is the authority competent to determine the certain matters under the regime, whose position, existence and status is somewhat unclear. (foot note appended to this sentence provides that probably, the domestic court having jurisdiction in relation to patent disputes, see C-223/1998 in Re : Adidas, 1999 ECR I-

7081) (Emphasis Supplied)

69. In another paragraph of the same book at para 19.47, the learned author clarifies that the said authority relates to patents court. The learned author observes as follows:

"19.47 A Patent proprietor (or holder of a supplementary protection certificate) must commence infringement proceedings before the Patent Court or patents county court within ten days (footnote provides basic regulation article 13(1)) of being notified of the goods being detained by the customs. (footnote provides basic regulation Article 13 (1)). The proceedings are not commenced until in England, the claim form has been issued. A failure to commence such proceedings means that customs will release the goods or cease to detain them....."

(Emphasis Supplied)

70. On reading of the aforementioned observations of the learned author, it is clear that the proceedings must be initiated before the competent court of law which is described as authority under the regulations in EU and not before any other authority. Thus, again in EU too, the court is one of the participant in the customs regime relating to patent.

71. The analysis done above became necessary in order to understand as to what kind of regime has been contemplated by TRIPS agreement in relation to the Patents and How the members of TRIPS have adopted and applied the said regime into their respective national laws. It is clear also that TRIPS never contemplated a regime wherein custom authorities shall assume the role of adjudicatory authorities relating to patents and also the same was never applied by the signatory countries like EU based on which the circular in India claims that the rules are framed. This is the position as per the international law and the international covenant.

72. Let me now see the municipal law of Patents and Customs. The Patents Act of 1970 (as amended in 2005) nowhere provides for the jurisdiction of customs to adjudicate the patent claims and not the jurisdiction to examine the validity of the patent in the infringement proceedings vests with the civil court. (kindly see section 104 of the Patents Act 1970). (There are certain provisions under the patent act which uses the words imports or importation but they are otherwise not relevant except to the extent of defining the rights when it comes to importation under various heads.)

73. Further in Customs Act, the relevant provisions read as under:

CHAPTER IV PROHIBITIONS ON IMPORTATION AND EXPORTATION OF GOODS SECTION 11. Power to prohibit importation or exportation of goods. - (1) If the Central Government is satisfied that it is necessary so to do for any of the purposes specified in sub-section (2), it may, by notification in the Official Gazette, prohibit either absolutely or subject to such conditions (to be fulfilled before or after clearance) as may be specified in the notification, the import or export of goods of any specified description.

(2) The purposes referred to in sub-section (1) are the following :-

(a) the maintenance of the security of India;

(b) the maintenance of public order and standards of decency or morality;

(c) the prevention of smuggling;

(d) the prevention of shortage of goods of any description;

(e) the conservation of foreign exchange and the safeguarding of balance of payments;

- (f) the prevention of injury to the economy of the country by the uncontrolled import or export of gold or silver;
  - (g) the prevention of surplus of any agricultural product or the product of fisheries;
  - (h) the maintenance of standards for the classification, grading or marketing of goods in international trade;
  - (i) the establishment of any industry;
  - (j) the prevention of serious injury to domestic production of goods of any description;
  - (k) the protection of human, animal or plant life or health;
  - (l) the protection of national treasures of artistic, historic or archaeological value;
  - (m) the conservation of exhaustible natural resources;
  - (n) the protection of patents, trademarks and copyrights;
  - (o) the prevention of deceptive practices;
  - (p) the carrying on of foreign trade in any goods by the State, or by a Corporation owned or controlled by the State to the exclusion, complete or partial, of citizens of India;
  - (q) the fulfilment of obligations under the Charter of the United Nations for the maintenance of international peace and security;
  - (r) the implementation of any treaty, agreement or convention with any country;
  - (s) the compliance of imported goods with any laws which are applicable to similar goods produced or manufactured in India;
  - (t) the prevention of dissemination of documents containing any matter which is likely to prejudicially affect friendly relations with any foreign State or is derogatory to national prestige;
  - (u) the prevention of the contravention of any law for the time being in force; and
  - (v) any other purpose conducive to the interests of the general public
- SECTION 156.** General power to make rules.- (1) Without prejudice to any power to make rules contained elsewhere in this Act, the Central Government may make rules consistent



with this Act generally to carry out the purposes of this Act.

74. A reading of the afore mentioned provisions provided in the Customs Act would reveal that though custom acts provide that the central government may prohibit the goods from being imported in India on the ground of protection of patents, trade marks etc. But that is an enabling provision, which enables the customs to act and proceed to prohibit import in interest of protection of patent but the said provision nowhere empowers the customs to become the adjudicatory body for determining the validity of the patent.

75. Rather, the careful reading of Section 11 (1) and (2) would reveal that such prohibition shall be for carrying out the purposes defined under sub section (2) for which the central government may prohibit the said import either conditionally or absolutely.

76. A conjoint reading of Section 11(1), Section 11(2) (n), (u)

(r) read with section 156 (1) would reveal that the central government can frame rules for carrying out such purposes and for the same the central government can frame such prohibitions. On that basis, the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007, have been framed whereby the mechanism is provided which claims to be implementing the obligation of India under TRIPS agreement.

77. Besides, the above referred provisions of the Act, there is no hint in the Customs Act as to how the powers of the custom official shall include the powers to regulate imports, how they will determine the infringement of the patents even for prima facie purposes, there is no reference to the provisions of Patents Act and nor there is any whisper in the act otherwise to establish a connect with Patents Act which gives the customs as an institution a framework for determining the patent infringement.

78. There are only rules of 2007 which refer to Patents Act and provide such powers to the commissioner of customs though Act is silent about the same. Thus, the underlying Customs Act or legislation does not denote any such intention to confer such kind of powers to commissioner of customs for determining patent infringement.

79. In the absence of any such provision under the municipal law of customs as well as Patent Act coupled with the fact that when the international regime speaks otherwise, the rules of 2007 when provides for the procedure for border measures are to be accorded interpretation which has to be in consonance with the prevailing interpretation of the rules under the international covenant of TRIPS agreement as the rules of 2007 themselves aimed at implementing TRIPS regime.

Re: International Covenant as an aid to construction of provisions of laws or rules which are aimed to implement international obligations.

80. It is now well settled principle of law that if the terms of the provisions of municipal law are not clear and ambiguous in nature which are reasonably capable of more than one meaning and said

provision of law is based upon implementation of international covenant or treaty then the treaty itself becomes relevant and the interpretation of treaty can be used as an aid to construction of the said relevant provision.

81. In the case of *Saloman V. commissioner of Customs and Excise*, (1966) 3 All ER 871 p.875 (CA) , the court of Appeal observed thus:

"If the terms of the legislation are not clear, however, and are reasonably capable of more than one meaning, the treaty itself becomes relevant, for there is a prima facie presumption that the Parliament does not intend to act in breach of International Law, including therein specific treaty obligation; and if one of the meanings which can be reasonably ascribed to the legislation is consonant with the treaty obligations and another or others are not the meaning which is consonant is to be preferred."  
(Emphasis Supplied)

82. Later, in the case of *Jade*, (1976) 1 All ER 920, p. 924 (HL) the Hon'ble House of Lords stated the rule that if there be any difference between the languages of the statutory provision of the corresponding provision of the convention, the statutory language should be construed in the same sense as that of the convention if the words of the statute are reasonably capable of bearing that meaning.

In the case of *Kubic Dariusz V. Union of India*, AIR 1990 SC 605 , The Hon'ble Supreme Court while interpreting the Article 22(5) of the Indian Constitution the court had adopted a similar view wherein the court held that the general principle is that the municipal law alone counts in the interpretation of a provision but in case of a doubt whereby, there can be more than one interpretation, in such a case the national rule is to be interpreted in consonant with the State's International obligation.

83. The Supreme Court noted the rationale of following treaty in the following case of *Peoples Union of Civil Liberties v. Union of India*, AIR 1997 SC 568, p.575 that this is all the more relevant in India for Article 51(c) of the Constitution lays down as one of the Directive Principles of State Policy that, "state shall endeavor to foster respect for International Law and treaty obligations in the dealings of organized people can be kept in view in interpreting other parts of the Constitution and statutes made under it which are reasonably capable of more than one meaning.

84. In the case of *Applicant V. Minister for Immigration*, (1997) 71 AL JR 381, p. 383 the High Court of Australia has held thus, "if a statute transposes the text of treaty or a provision of a treaty into the statute so as to enact it as part of domestic law, the prima facie legislative intention is that the transposed text should only bear the same meaning in the domestic statute as it bears in the treaty."

In *R V. Secretary of State for the Home Department*, (2004) 1 All ER 65, p. 84 the court while construing the Provision of the act, held that the court must search untrammelled by notions of its national legal culture, for the true, autonomous and international meaning of the treaty and there can be only one true meaning.

85. More recently, the Supreme Court in the case of *S & S Enterprise v. Designated Authority*, (2005) 3 SCC 337, p.340 applied the Article 5.8 of the agreement on implementation of Article VI of GATT( General Agreement on Tariff and Trade), for the imposition of Anti-dumping duty under Section 9A of the Customs Act, and to which India is a party while interpreting Rule 14(d) of the Customs Tariff (identification, Assessment, and collection of anti-dumping Duty on /dumped Articles and for Determination of Injury) Rules, 1995. In overruling the interpretation of the Lower Court, the Court quoted Article 5.8 of the said agreement and applied the interpretation, in the consonance of the case.

86. From the reading of the aforementioned observations of Supreme Court and the line of authorities of the other courts relating to interpretation of the provisions which are aimed at implementing the treaty, the following propositions can be deduced:

a) It is amply clear by virtue of the State Directives envisaged in the constitution, it is obligatory upon the courts which are also one of the facet of the state to consider upon the International Treaty for the purpose of construing the rules of municipal laws which are aimed at implementing the Treaty obligation of the State and if, there are two views emerging from the reading of the provision and the Treaty, the one which is not consonant and another which is consonant then the interpretation which is consonant would be preferred over and above the other.

b) In the cases of the interpretation of the provisions which are aimed at implementing the international treaty, there is a prima facie presumption that the provisions are made in consonance with the international agreement and thus the same interpretation must be given in the same sense.

c) The normal rule of the conflict that once there is conflict between the municipal law and international law, the municipal law should be followed, does not in any way preclude the court from looking into the international law and examine the true meaning of the provision, when the interpretation of such provision under the municipal law is ambiguous.

d) Upon examining the true meaning, the court must interpret the same in consonance with the international agreement when the said provision is capable of two interpretations unless there are compelling reasons to take the contrary view. This is due to the reason that the provision or the law itself is aimed at implementing the international obligation

87. Applying aforementioned principles of law deduced from the line of the authorities to the present case, it can be safely said that when the international regime based on TRIPS agreement in relation to Border measures so far as it relates to patent infringement provides for civil court's participation as an adjudicatory body either prior to interdiction of the goods or post interdiction where the customs either have to act as an implementing authority or detain the goods for certain period of 10 days (extendible further for 10 days) to enable the right holder to approach the civil

court. The rules of 2007 which are aimed at implementing such obligations of the government under TRIPS agreement are to be interpreted in consonance with the TRIPS agreement even if there are two interpretations possible.

88. No doubt, it is also true that TRIPS agreement provide freedom to the countries to enact the provisions by way of enacting article 1 which reads as under:

#### Article 1 Nature and Scope of Obligations

1. Members shall give effect to the provisions of this Agreement. Members may, but shall not be obliged to, implement in their law more extensive protection than is required by this Agreement, provided that such protection does not contravene the provisions of this Agreement. Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice.

89. But the said freedom to enact the laws have to be read along side the qualification in the form of proviso within the Article 1 itself which is that such protection does not contravene the provisions of the Agreement. Thus, any protection which is extensive but in consonance with the agreement would be acceptable and the countries can enact laws and rules as signatory countries to the agreement as per their respective legal systems. But the protection which would be contrary to the agreement cannot be said to be the one which agreement permits the countries to enact. If one reads Article 51 to 56 as done above along with Article 1, clearly some safeguards and differential treatment is provided for border measures in relation to patent infringement which is insisted upon by the agreement. The protection in the country specific including India has to be within the four walls of the agreement, howsoever extensive it maybe. This analysis has been done even though no argument has been raised by the Defendants that there is a difference in the Rules vis a vis TRIPS. All the time including in the written statement, it is said that the rules of 2007 are based on TRIPS regime which persuaded this court to examine regime and see through the true import of the rules.

90. This court is not testing the validity of the rules vis-a-vis the agreement as this would not be jurisdiction of this court. But the articles of TRIPS agreement have been used as an aid to interpretation of the Rules of 2007 as there were two views emerging creating ambiguity as seen above and the customs continued to argue that the circular dated 29th October, 2007 does not clarify any such position that the customs will act only as implementing authority. Thus, this court took the aid of international covenant which formed the basis of the rules of 2007 in order to find out the true import of the regime under the TRIPS agreement and used it as an aid to construction of such rules. The argument could be raised that there is a freedom to enact and thus the rules are though based on the agreement but is a departure due to operation of Article 1. It is thus clarified that the Article 1 does not permit any such freedom to create conflict and only to the extent permissible under article 1, the freedom to enact exists.

91. Thus, the said regime under the TRIPS agreement is the sole guide to interpret such border measures which are framed by the government in order to implement such regime existing under

the international covenant.

92. There is no guidance provided either in circular or in rules as a matter of mechanism as to how the Custom Officials will determine the infringement. Therefore, the only option to fill the gaps in the law is to rely upon the TRIPS agreement which the Government itself claims to be the one for the implementation of which, the said rules are framed.

93. Once the said rules are seen in the light of international covenant, it would be wiser to limit the role of Custom Commissioners interdicting the import consignments on the basis of complaint of the patent right holder as an implementing authority to the judicial orders of the court until and unless necessary rules in accordance with the international regime are framed where under the time limit is provided to the right holder to approach the civil court for interim protection seeking continuance of the said detention of goods and the civil court's participation is introduced under the rules.

94. Till the time, the role of judicial authority is introduced in the rules as mandated and insisted upon by the international regime of TRIPS agreement, the customs cannot on their own initiative or on the complaint of the right holder continue to act on the basis of patent infringement and proceed to detain the goods for the time period as much as they feel like without determining the patent infringement in order to cause harassment to the public, also encourage abuse of law and powers in the absence of correct law which is mandated by the customs regime under the TRIPS Agreement.

95. Consequently, the role of custom officials in relation to the border measures based upon patent infringement under the existing rules of 2007 in present form is confined to as an "implementing authority" under the orders of the court as stated in the first part of the circular issued by the Government of India dated 29th October, 2007 bearing circular No. 41/2007 and rest of the note of caution recorded in the said circular is inconsequential in nature till the time the correct regime is introduced which is in consonance with the TRIPS agreement. The said note of caution is no guide to interpret the rules and the existence of the same would not make any difference to the fact that the customs are to act as implementing authority as per rules framed in the current form. In view of the interpretation accorded above in consonance with international regime, there is no room for any ambiguity left over by such note of caution. I do not agree with the statement made in the written statement by the defendant No.2 Custom department that unless the stay orders are passed in the Revocation petition, they can proceed with the complaint filed by the owner of patent despite of any merit or demerit in the Revocation proceedings.

96. Now I shall proceed to discuss the aspect relating to groundless threat.

97. It is already seen that the true import of the rules of 2007 is that the customs shall act as an implementing authority under the orders of the court, therefore if any proprietor or the right holder issues a notice to the custom officials and the custom officials act upon the same by causing restricting the imports of consignments of any party without the determination (prima facie or otherwise) of the factum of infringement of patent by the appropriated designated authority which is civil court under the governing law, then such notice by the right holder to the third party which is

customs and the actions thereof by the customs either in the form of notice to that party or otherwise calling upon the party to explain its stand which no such position exists in law are all unnecessary illegal threats to that party.

98. The said abuse of the law can be sufficiently subsumed within the purview and ambit of groundless threat as envisaged under the law of patents.

99. Therefore, the notice of the right holder to the customs and all the actions of the customs including the notices dated 29th March, 2011, 3rd May, 2011, 8th August, 2011 and 21st September, 2011 calling upon the plaintiff to explain the same causing harassment to the plaintiff are groundless threats under law as the same is an abuse of the process of the law when there is no such right and remedy exist in law and customs are equally not within their power as well as institutionally incompetent to determine the patent infringement which is the sole jurisdiction of the civil court and more so when the validity of the patent is challenged in the infringement proceedings.

100. At this stage, it is relevant to examine the submission of Mr. Chandio, learned Senior counsel and ASG urging that the defendant no. 2 may be dropped from the array of the parties as they have no role to play in giving these threats in the present proceedings.

101. I have already come to prima facie conclusion that the preferring of the notice to the third party and actions there upon by the custom and further notice to the plaintiff are all matters of groundless threats till the time infringement proceedings are lodged by the right holder in the designated court. Therefore, the role of the defendant no. 2 as authority acting upon the notice given defendant no. 1 cannot be eliminated at this stage.

102. At this stage, it is important to note that the conduct of the defendant No. 2 which is far from satisfactory on the face of it. This can be seen when one reads the circular issued by the defendant No. 2 customs referring the orders of this court passed on 30th November, 2011. It is seen that pursuant to the order dated 30th November 2011, a fresh circular dated 27th March, 2012 issued by the defendant No. 2 reads as under:

"F. No. 26000/1/2012-OSD(ICD) Government of India Ministry of Finance Department of Revenue Central Board of Excise & Customs (International Customs Division) North Block, New Delhi \*\*\*\*\* Dated the 27th March, 2012 To All Chief Commissioners of Customs/ Customs (Prev.), All Chief Commissioners of Central Excise, All Chief Commissioners of Central Excise & Customs, Director General, Directorate of Revenue Intelligence.

Sir, Subject: CS (OS) No. 2982/2011 in the matter of L.G. Electronics India Pvt. Ltd.

(petitioner) vs. Bharat Bhogilal Patel, Commissioner of Customs, Mumbai / Delhi before the Hon'ble High Court of Delhi - Regarding.

Shri Bharat Bhogilal Patel has Unique Permanent Registration Number (UPRN) A0241 INBOM4PR and A0242 INBOM4PR with Commissioner of Customs (Import), Air Cargo Complex for the following two patents in terms of Rule 4 of the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007:

(a) No. 188787 dated 21.09.1998 for 'an improved laser marking and engraving machine' and

(b) No. 189027 dated 21.09.1998 for 'process for manufacturing engraved design articles on metals and non-metals';

2. L.G. Electronics India Pvt. Ltd. vide petition CS (OS) No. 2982/2011 in the matter of L.G. Electronics India Pvt. Ltd. (petitioner) vs. Bharat Bhogilal Patel, Commissioner of Customs, Mumbai / Delhi before the Hon'ble High Court of Delhi has submitted that Bharat Bhogilal Patel filed a complaint with the Commissioner of Customs, Mumbai against L.G. Electronics India Pvt. Ltd. and various other importers alleging that such importers were importing products inter alia GSM handsets (Phones), using laser marking and engraving process which infringe his [Bharat Bhogilal Patel's] patent rights under patent No.189027 and the Commissioner of Customs, Mumbai has restricted clearance of consignments of L.G. Electronics India Pvt. Ltd.

3. The Hon'ble Delhi High Court vide order dated 30th November, 2011 opined in Para 21 that "in case clause 4 of the notification dated 29.10.2007 is read in a meaningful manner, it becomes clear that as far as the case of other three violations, i.e., Patents, Design and Geographical Indications, are concerned, unless the offences have already been established by a judicial pronouncement in India, the custom department cannot take action contrary to clause 4 of the notification."

3.1. The Court further stated that mere reading of clause 4 makes it clear that as far as three violations, i.e., Patents, Design and Geographical Indications, are concerned, the defendants 2 and 3 are merely implementing agencies to enforce the orders, if passed by the Court in favour of the party pertaining to above mentioned three subjects and the custom department would be entitled to enforce the same.

3.2 The Court ruled that as far as the present case is concerned, prima facie it appears that the defendants 2 and 3 (Customs Mumbai & Delhi) cannot restrict clearance of the plaintiff's consignments on the basis of alleged patent obtained or on the complaint made by defendant No.1 (Bhogilal Patel).

4. In this connection, it may be noted that the Central Government has been empowered under Section 11 of the Customs Act, 1962 to issue notifications for prohibiting either absolutely or subject to such conditions as may be specified in the notification, the import or export of goods of any specified description. Section 11(2) of the Customs Act, 1962 details the purpose for which such a

notification may be issued by the Central Government which, inter-alia, covers the following purpose:

(i) The protection of patents, trademarks and copyrights. [Section 11 (2) (n)]; and

(ii) The prevention of the contravention of any law for the time being in force.[ Section 11 (2) (u)] 4.1 Notification No. 51/2010-Cus(NT), dated 30.06.2010 prohibits import of goods infringing specified provisions of Trademarks Act, Copyrights Act, Designs Act, Geographical Indications Act and Patent Act subject to following the procedure prescribed under the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 (IPR Rules) issued under Notification No. 47/ 2007-

Cus.(NT), dated 08.05.2007. The explanation to the notification states that for the purpose of this notification, the terms and expressions used in various clauses of the notification shall have the meanings assigned to them in the respective Acts, including the Patents Act, 1970.

4.2 Thus, the provisions of the Customs Act, 1962 clearly empower the Central Government to prohibit import of goods to protect infringement of patents. Accordingly, the Central Government had issued notification 51/2010 Customs (NT) to prohibit import of goods, inter-alia, infringing specified provisions of Patent Act, 1970. The conditions and procedure based on which the prohibition would operate is listed in the IPR Rules.

4.3 The above legal position, which is unambiguous and explicit, should alone suffice to conclude that the Customs authority is empowered to enforce prohibition of imported goods that contravene the specified provisions of the Patent Act, 1970. In fact, IPR Rules empower Customs authority to take action on own initiative (ex officio action), even without prior recordation of Rights by the Right holder.

4.4 Hence, the interpretation that Customs authority is not empowered to take action to prohibit import of goods infringing the patent Act does not appear to be proper and correct in law. The Hon'ble High Court has relied on the following provision of Circular No. 41/2007-Customs dated 29th October, 2007, in support of the judgement pronounced:

"It is pertinent to mention that while the mandatory obligations under Articles 51 to 60 of the TRIPS dealing with border measures are restricted to Copyright and Trade Marks infringement only, the said Rules deal with Patents, Designs and Geographical Indications violations as well, in conformity with the practice prevailing in some other countries, notably EU countries. While it is not difficult for Customs officers to determine Copyright and Trade Marks infringements at the border based on available data/inputs, it may not be so in the case of the other three violations, unless the offences have already been established by a judicial pronouncement in India and the Customs is called upon or required to merely implement such order. In other words, extreme caution needs to be exercised at the time of determination of infringement of these three intellectual property rights".[underlined/in bold for emphasis] 4.5 As is



evident from the above wording of the Circular No. 41/2007-Customs dated 29th October, 2007, that the Circular merely seeks to drive a note of caution with regard to the determination of infringement in case of patents, designs and Geographical Indications and does not in any manner, take away the powers of Customs authorities to act on imported goods infringing Patents Act, conferred by Section 11 of Customs Act, 1962 and Notification 51/201 Customs (N.T). Further, a Circular cannot nullify provisions of an Act and Notification issued under the Act. Circulars are issued to clarify the legal provisions and to bring in uniformity in implementation. They are not intended to alter the scope or meaning of the existing statutory provisions.

5. In view of the foregoing, the order dated 30th November, 2011 of High Court of Delhi, in the matter of CS (OS) No. 2982/2011 - L.G. Electronics India Pvt. Ltd. does not appear to be proper in law. Since, the aforesaid order of the Hon'ble Delhi High Court would have wider ramifications on the interpretation of Para 4 of Circular 41/2007 dated 29th October, 2007, the jurisdictional Chief Commissioner has been directed to defend the case by filing appropriate reply / review application against the order.

6. The undersigned is directed to reiterate to the field formations the policy intent as reflected in Section 11 (2) (n) of the Customs act, 1962 and notification 51/2010 Customs (N.T) which empower the Customs authorities to take action on patent infringement also.

7. To help in determination of IPR infringements including that of patents, designs and GIs of imported goods, the field formations are advised to take assistance of the concerned registration authorities, expert views and test results (based on the nature of the product) as done in case of implementation of many other allied laws where the final determination is made by Customs in consultation with the concerned authorities/ agencies and experts.

Yours faithfully, (M. Satish Kumar Reddy) Director (ICD)"

103. The events pursuant to the orders passed by this court dated 30th November 2011 are highlighted as under:

a) On 19th December 2011, this court while exercising its powers under article 226 of the Indian constitution again passed the order in the W.P.(C) 6878/2011 titled as Kingtech Electronics (India) Pvt. Ltd v. Union Of India which is in the consonance with the interpretation accorded to the rules in the order dated 30th November 2011, the said order dated 19th December, 2011 reads as under:

I have heard learned counsel for the parties on the aspect of grant of stay of the impugned communication dated 30.03.2011, whereby the Deputy Commissioner of Customs has suspended the clearance of the goods of the petitioners covered vide a

Bill of Entry No. 2979282 dated 16.03.2011 by placing reliance on Rule 7 (1) (a) of the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007. The said rules provides that "where the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, based on the notice given by the right holder has a reason to believe that the imported goods are suspected to be goods infringing intellectual property rights, he shall suspend the clearance of the goods."

The Government of India being conscious of the complexity involved in the matter and determination of competing claims of, inter alia, patent issued a circular dated 29.10.2007, wherein it was, inter alia, observed:

"While it is difficult for Customs officers to determine Copyright and Trade Marks infringements at the border based on available data/inputs, it may not be so in the case of the other three violations, unless the offences have already been established by a judicial pronouncement in India and the Customs is called upon or required to merely implement such order. In other words, extreme caution needs to be exercised at the time of determination of infringement of these three intellectual property rights."

The petitioner imported a consignment of mobile phone instruments which is covered by the aforesaid Bill of Entry. Respondent No. 4 objected to the said import by the petitioner on the ground of infringement of its patent by filing an application before the Commissioner of Customs. It is informed that this application runs into about 12,000 pages. Since respondent No. 4 claims to have obtained registration of patent, the Deputy Commissioner of Customs has passed the aforesaid order dated 30.03.2011.

The relevant part of this order reads as follows:

"M/s. Telefonaktiebolaget LM Ericsson [PUBL], Sweden has registered their five Intellectual Property Rights as given in Annexure I at this Commissionerate under Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007.

The right owner has stated that 18 models listed in Annexure-II, of G'Five brand of mobile phones infringes their intellectual property rights and has requested for the suspension of the consignments of above mentioned models of G'Five brand of phones in accordance with IPR (Imported Goods) Enforcement Rules, 2007.

Since the above said consignment contains models as listed in Annexure-II, clearance of the goods is suspended in terms of Rules 7(1)(a) of the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007."

A perusal of Rule 7, as extracted above, shows that an order may be passed by the Deputy Commissioner or the Assistant Commissioner of Customs, as the case may be, only upon having a reason to believe that the imported goods are suspected to be goods infringing intellectual property

rights. The impugned order, prima-facie, does not disclose on what basis the Deputy Commissioner of Customs has entertained the "reason to believe" that the goods in question infringed the patent claimed by the respondent No.

4. Learned senior counsel for the petitioner has also placed reliance on the order dated 30.11.2011 passed in I.A. No. 19079/2011 in CS(OS) No. 2982/2011, which also deals with the aforesaid rule and notifications dated 29.10.2007. The Court in this interim order has observed:

"21. In case clause 4 of the notification dated 29.10.2007 is read in a meaningful manner, it becomes clear that as far as the case of other three violations, i.e., Patents, Design and Geographical Indications, are concerned, unless the offences have already been established by a judicial pronouncement in India, the custom department cannot take action contrary to clause 4 of the notification.

22. Mere reading of clause 4 makes it clear that as far as three violations, i.e., Patents, Design and Geographical Indications, are concerned, the defendants 2 and 3 are merely implementing agencies to enforce the orders, if passed by the Court in favour of the party pertaining to above mentioned three subjects and the custom department would be entitled to enforce the same.

23. x x x x x x x

24. No doubt, unless the Court passes the order in favour of the patentee, thereby restraining the plaintiff from infringing the impugned patents, then under these circumstances, in order to implement the order of the court, the defendant No.2 can take action as provided under Clause 4 of notification dated 29.10.2007.

25. In the absence of that, even the complaint, if any, filed by the patentee is to be treated contrary to the Clause 4 of the notification issued by Government of India and any order passed contrary to that would be without any jurisdiction."

Mr. Sudhir Chandra, learned senior counsel for the petitioner, submits that the registration of a patent does not lead to any presumption for its validity. He has drawn my attention to various provisions of the Customs Act and in particular, to Sections 104 & 105 thereof. He submits that under Section 115, the Court which is confronted with a dispute regarding patents may appoint scientific advisors.

The impugned order does not show any application of mind by the Deputy Commissioner of Customs to the claim made by respondent No. 4 with regard to the alleged infringement of its patent by the petitioner or the validity thereof. Respondent No. 4 has not approached a competent Court to assert its claim to patent and, on that basis, to seek an injunction against release of the petitioner's consignment.

In view of the aforesaid position, I stay the operation of the impugned order. The respondents should release the consignment of the petitioner. However, the same may not be released for a period of ten days to enable the respondent No. 4 to approach the Civil Court to seek appropriate remedy.

No observation made by me in this order shall prejudice the case of either party before the Civil Court.

The application stands disposed of.

W.P.(C) 6878/2011 Counter-affidavit be filed by the respondent authorities within four weeks. Rejoinder thereto, if any, be filed before the next date.

List on 06.03.2012.

Order Dasti under the signature of the Court Master."

b) On 8th February 2012, the defendants preferred an appeal before the Division Bench of this court bearing no. FAO(OS) 63/2012 wherein the Division Bench passed the order that the defendant did not wish to press the appeal. Thus, the order dated 30th November 2011 was thus affirmed by the Division Bench though it was an ex-parte order.

c) When both these orders of the learned single judges of this court were in force and Division Bench order dated 8th February 2012 was also in force, in the teeth of these orders, the circular dated 27th March 2012 is surfaced into the picture giving its own interpretation to the provisions of Customs Act, rules and earlier circular dated 29.10.2007 clarifying the position totally contrary to what has been stated by the learned single judges of this court.

104. Clearly and plainly, the actions of the custom authority/ defendant No. 2 to indulge into such action giving its own interpretation to the rules and circulars contrary to the court's interpretation once the orders of this court are in force is not merely wrongful, illegal, actuated by malice but also is an utter disrespect to the orders of this court.

105. The malafides of the defendant No. 2 is apparent when in the teeth of the orders of this court, the commissioner of customs are giving instructions to the fields to further continue to interdict the consignments on the basis of infringement of the patent without any fetters. The said circular states that the earlier circular nowhere curtails the powers and the customs are free to do what they are empowered under the customs act which amounts to passing its own judgment and dictate contrary to the courts orders which are in force without waiting for the orders of this court. The said circular dated 27th March, 2012 appears to have been issued by defendant no.2 is illegal and was issued in order to frustrate the orders passed by courts. Thus, even formal parties, let them remain as parties to the suit in view of their such conduct.

106. This court is not sure as to what was such a grave urgency in relation to enforcement of the patents which compelled the customs or defendant No. 2 to immediately go all the way contrary to the orders of this court and issuing the instructions to the other offices to continue to do such an exercise which in the view of this court is not the mandate of the law where under the customs are merely implementing authority under the judicial orders of the court. Thus, the said instructions issued by way of circular dated 27th March 2012 are declared as inconsequential in nature being illegal.

107. Thus, the role of the defendant No.2 cannot be obviated at this stage. It is thus a mixed question of fact and law as it will be revealed after fact finding exercise is conducted in the trial as to what extent the defendant No. 2 are guilty of the groundless threat. At this stage, it would not be possible to simply drop the defendant Nos. 2 and 3 from the action though this Court feels that they are formal parties and no monetary relief against them is liable to be granted. They are retained in the matter as they somehow coming in the way of the plaintiffs as threats to them along with the defendant no. 1's act. In case, they are deleted from the array of the parties, the case of the plaintiff would be prejudiced. The ex parte interim order was passed in the presence of defendant No.2 after hearing. Hence, there is no force in the submission of defendant No.2 that the suit be dismissed. The plaintiff admittedly had filed the application under Section 80 of CPC seeking exemption for issuance of notice in view of urgency of the matter. Notice of application was issued. No reply has been filed. Hence, plaintiff's application prayer of granting leave of exemption is allowed.

108. This court at least expects the defendant Nos. 2 and 3 and other officials of custom to follow the interpretation of rules accorded by this court and the said enforcement machinery should work in accordance with the clear legal position and not contrary to the same by way of passing the judgments by the officials of the customs contrary to views preferred by the courts.

109. From the above discussion, it is clear that all the grounds which are raised by the defendants to resist the plaintiff's application for ad interim injunction fails. There is no alternative remedy as contended by the defendants which may affect the statutory remedy under the Patents Act to approach this court seeking relief. The suit is also not barred under section 9 of the code. The order of this court also does not affect the orders of Bombay High Court as what Bombay High court directed to customs to follow the law. If the position in law relating to the border measures is the one discussed above, the same cannot be said to be contravening any courts order. All other submissions of the defendants stand answered in the discussion under the several heads.

110. The plaintiff has thus made a prima facie case for the grant and confirmation of the injunction as the actions of the defendant no. 1 and defendant no. 2 are ground less threats in view of no such power exists under the law with customs to interdict the goods on the basis of infringement of patent under the rules framed in the present form except to the extent of performing the role of implementing authority. The balance of convenience also lies in favour of the plaintiff and against the defendants as the plaintiff's reputation shall be damaged and it shall be inconveniences if the defendants shall continue to indulge into such illegal acts without approaching the civil court for proper adjudication. The irreparable loss shall also ensue to the plaintiff and not to the defendants.

111. Therefore, the following orders and directions are passed:

- a) The Defendant No. 2 (either on its own initiative or by way of complaint of the defendant No.1) or its officials are restrained from interdicting or interfering with import consignments which are being effected by the plaintiffs basing upon the complaint of infringement of patent made by the defendant No.1 until the defendant No. 1 approaches the civil court for the infringement of its patent and the said order of the civil court directs such detention of the goods.
- b) The operation of the complaint pending before the defendant No. 2 shall remain stayed until the time the civil court decides the infringement claim or the decision on the revocation proceedings attains finality whichever is earlier.
- c) The defendants shall not extend any such threats by way of notices or otherwise on the basis of infringement of patent of the defendant No. 1. The defendant No. 2 shall await the outcome of the revocation proceedings or infringement proceedings if any prior to calling upon the plaintiff's for any such clarification in the complaint proceeding.

The application I.A. No.19079/2011 is accordingly disposed of.

112. Parties shall appear before the Joint Registrar on 10th September, 2012 for admission/denial of documents.

MANMOHAN SINGH, J.

JULY 13, 2012.