

*
+
IN THE HIGH COURT OF DELHI AT NEW DELHI

LPA 1104 OF 2011

Judgment Reserved on: 7.5.2012
Judgment Delivered on: 13.7.2012

TELEFONAKTIEBOLAGET LM ERICCCSON
TORSHAMNSGATAN,23 KISTA APPELLANT

Through: Mr. Jayant Bhushan, Sr. Advocate
with Mr. Anil Dutt, Mr. Ayush
Sharma, Mr. Adarsh Ramanujam,
Advocates.

Versus

UNION OF INDIA & ORS. RESPONDENTS

Through: Mr. A.S. Chandhiok, ASG with Mr.
Atul Batra, Mr. Sumit Jidani,
Advocates for UOI.
Mr. Satish Kumar, Adv. for R.2 and
3.
Mr. Sudhir Chandra, Sr. Advocate
with Mr. Harishankar K, Mr. Vikas
Singh Jangra, Mr. A Shreekumar,
Advocates for respondent no.4

CORAM:

**HON'BLE THE ACTING CHIEF JUSTICE
HON'BLE MR. JUSTICE RAJIV SAHAI ENDLAW**

A.K. SIKRI, ACTING CHIEF JUSTICE

1. Under the scanner of judicial review is the validity and/or interpretation of Rule 7 (1)(a) of the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 (hereinafter referred to as the IPR Rules).

LPA 1104/2011

Page 1 of 26



Certified to be True Copy

Mukesh
Examiner Judicial Department
High Court of Delhi
Authorised Under Section 70
Indian Evidence Act

These IPR Rules are promulgated by the Central Government in exercise of powers conferred on it vide sub-Section (1) of Section 156 of the Custom Act, 1962 (hereinafter referred to as the Act). These IPR Rules, *inter alia*, empower the Custom Authorities to suspend the clearance of those imported goods which infringe Intellectual Property Rights *namely* in breach of the intellectual rights in India and outside India and which are sought to be imported without the consent of the right holder or a person duly authorized to do so by the right holder. After the suspension, the Custom Authorities allow a right holder and the importer or their duly authorized representative to examine the goods, supply the information to the right holder as well as the importer and determine as to whether the goods are infringing the Intellectual Property Rights of the right holder. If on determination, it is found to be so, then such goods confiscated under Section 111(d) of the Act can be destroyed by the Customs Authorities after obtaining 'no objection' or concurrence of the right holder or his authorized representative. This is the gist and purport of the aforesaid Rules.

2. As far as Rule 7 is concerned, it deals with 'suspension of clearance of imported goods', detailed note whereof shall be taken alongwith other relevant Rules after stating the contextual facts of the case as that would provide better understanding.

3. The appellant herein is the registered owner of patents bearing no. 203036, 203034, 203686, 213723 and 234157 relating to certain models of G'Five brand of mobile phones and thus claims exclusive right in the said technology. After the aforesaid IPR Rules, 2007 were notified vide Notification dated 8th May, 2007, the appellant registered its aforesaid five patents with the Commissioner of Customs, Deputy Commissioner of



Certified to be True Copy

Millesh
Examiner Judicial Department
High Court of Delhi of
Authorised Under Section 70
Indian Evidence Act

Customs (respondent no.2 and 3 herein) under Rule 4 of the IPR Rules. At this stage, we would like to reproduce Rule 2(b),(c), (d), and Rule 6 which provides certain definition as well as mechanism for the said registration by the intellectual property right holder for registration under these Rules:-

“2.Definitions-

(a).....

(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.

“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.”



Certified to be True Copy

Mullesh
Examiner Judicial Department
High Court of Delhi
Authorised Under Section 10
Indian Evidence Act.

4. It was in accordance with the aforesaid Rule that the appellant registered its five patents and requested the respondents no. 2 and 3 to suspend the clearance of goods that infringe the patents right of the patentee i.e. the appellant herein. In these notices, the appellant had also specifically mentioned 18 models of G'Five phones that are infringing the patent rights of the appellant alongwith the application for registration. The appellant had submitted test report with respect to said models, duly verified by affidavits from an independent expert from the field of telecommunication.

5. On 30.3.2011, the respondent no.3 sent communication informing the appellant that M/s Kingtech Electronics (India) Ltd. (Respondent no.4 herein) had imported 1900 mobile phones vide bill of entry no. 2979282 dated 16.3.2011 which appears to infringe the said patents rights of the appellant and accordingly said consignment was suspended under Rule 7 (1)(a) of the IPR Rules. The appellant was called upon to submit the requisite bond and security as prescribed under the said Rule, which the appellant furnished on 5.4.2011. The respondent no.3 vide another decision dated 30.3.2011 informed the respondent no.4 that since the models and brand of the mobile phones in the said consignment were the same which were infringing with the patent rights of the appellant herein, the release of the said consignment was suspended. Since this communication/suspension order is the bone of contention and validity thereof is the subject matter of judicial review, the same is reproduced below in entirety:-

“Subject: Suspension of goods imported vide Bill of Entry No.2979282 dated 16-03-2011 due to infringement under Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 reg:-



Certified to be True Copy
Mukesh
Examiner Judicial Department
High Court of Delhi of
Authorised Under Section 70
Indian Evidence Act.

Please refer to your consignment vide Bill of Entry No.2979282 dated 16.-03-201 wherein 1900 nos. of G'Five Mobile Phones are imported.

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.

You are requested to present your case to the undersigned for a decision on the merit of the case within 10 working days."

6. The respondent no.4 was called upon to put forth his case within 10 days. Thereafter, the appellant as well as respondent no.4 participated in the proceedings. Few days were given in the matter at the instance of the respondent no.4. However, before any injunction order could be passed by the respondent no.3, determining as to whether the goods detained are infringing intellectual property rights of the appellant, the respondent no.4 and 5 filed writ petition under Article 226 of the Constitution of India in this Court, challenging the order of suspension passed by the respondent no.3, and detaining the goods on the ground that such an order or direction was



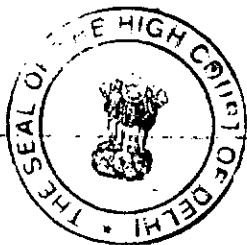
Certified to be True Copy

Mukesh
Examiner Judicial Department
High Court of Delhi of
Authorized Under Section 70
Indian Evidence Act.

ultra vires of its authority or power under the IPR Rules, 2007. In the petition the respondents no. 4 and 5 also contended that IPR Rules, 2007 were arbitrary and ultra vires. However, no prayer to this effect was made and instead in para 91 of the writ petition, the respondent no. 4 and 5 'reserve their right to bring appropriate proceedings challenging the validity of the Customs Rules, 2007'. Alongwith the writ petition, the respondent no.4 and 5 also filed CM for interim direction namely to release the goods.

7. Notice was issued both in writ petition and stay application. After notice, stay application was heard on 19.12.2011 and the learned Single Judge allowed the application thereby staying the operation of the impugned order and directed the respondents no.2 and 3 to release the consignment of the writ petitioner.

8. It would be pertinent to mention at this stage that the relevant IPR Rules including Rule 2 (b) which defines "intellectual property" have already been reproduced above. Intellectual property covers trade mark, copyright, patent, design and geographical indications. The case set up by the respondent no.4 & 5 was that insofar as patent is concerned, the Deputy Commissioner was not the appropriate authority to determine as to whether the imported goods were infringing the intellectual patent rights of the right holder and therefore unless there was a stay order granted by civil competent court, which is the only competent forum to decide such violations, there cannot be any order of suspension. This edifice was built on two pillars. Provisions of the Patents Act were relied upon to impress that registration of patent *per se* does not lead to any presumption of its validity inasmuch as whenever suit for injunction is filed by the patent



Certified to be True Copy

Mukesh
Examiner Judicial Department
High Court of Delhi
Authorised Under Section 10
Indian Evidence Act

holder on the basis of such registration, the defendant can always set up a defence that registration was not valid and it is for the Civil Court to go into this aspect without seeking cancellation of the registered patent from the registering authorities. It is submitted that such mechanism was not available with the customs authorities and therefore, they were incompetent to arrive at any such conclusion and could not act only on the basis that there was valid registration in favour of the patent holder.

9. Proceeding from the first argument, the second argument was that the respondent no.3 could not act without their being an injunction order in favour of the patent holder passed by the Civil Court and as the appellant herein had not approached the patent court to assert its claim to patent and to seek injunction against the release of the consignment of respondent no.4, the Dy. Commissioner of Customs had no authority to pass order of suspension of clearance of its goods. In support of this argument, respondent no.4 and 5 had relied upon Circular No.41/2007 dated 29.10.2007 issued by the Government of India which *inter alia* 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



Certified to be True Copy

Mullesh

Examiner Judicial Department
High Court of Delhi of
Authorized Under Section 7B
Indian Evidence Act.

already been established by a judicial pronouncements 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.”

In nut shell, case of the respondents no.4 and 5 in the said petition, as well as before us, was/is that unless there is a judicial pronouncement in favour of the such an intellectual property right holder, there cannot be any suspension of clearance of imported goods.

10. The learned Single Judge vide impugned judgment has found force in the aforesaid submissions of the respondents no.4 and 5 herein. Additionally, it has also been observed that Rule 7 stipulates that clearance of goods can be suspended only upon forming and believing that there is “reason to believe” that the goods in question infringed the patents of the right holder but the impugned order prima facie does not disclose on what basis the Dy. Commissioner of Customs entertained this belief.

11. Challenging this order of the learned Single Judge, present intra-court appeal is preferred by the appellant.

12. Mr. Jayant Bhushan, learned Senior Counsel argued on behalf of the appellant questioning the approach of the learned Single Judge in the impugned order. His submission was that Rule 2(b) of the IPR Rules which defined “intellectual property” specifically includes patent as well, as defined under the Patents Act. Thus, each form of the intellectual property whether it be Copy Right, Trade Mark, Patent Designs Act and Geographical Indications of Goods had to be given same treatment. It was argued that



Certified to be True Copy

Mukesh

Examiner Judicial Department
High Court of Delhi of
Authorised Under Section 70
Indian Evidence Act.

once under these Rules power was given to the Dy. Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, to suspend the clearance of goods based on notice given by the right holder after forming an opinion that he had "reason to believe" that imported goods are suspected to be infringing intellectual property rights, the competent authority had adequate jurisdiction to exercise power and this exercise is not dependent upon an injunction order of the civil court. His submission was that the respondents no.4 and 5 in their writ petition had not challenged the validity of these Rules and, therefore, the Rules were to be given their full effect as they exist. Attention was drawn to the following judgment in this behalf:

(i) ***State of Andhra Pradesh and others Vs. G. Sreenivasa Rao and others, 1989 (2) SCC 290:***

"13. The factual basis in all these appeals is identical. The facts clearly show that in every case the pay-fixation of the junior was done under the Fundamental Rules and there were justifiable reasons for fixing the junior at a higher pay than his seniors in the cadre. It was not disputed that the said pay fixation was in conformity with the Fundamental Rules. Neither before us nor before the courts below the validity of Fundamental Rules was challenged by any of the parties. Without considering the scope of these Rules and without advertent to the reasons for fixing the juniors at a higher pay, the High Court and the Tribunal have in an omnibus manner come to the conclusion that whenever and for whatever reasons a junior is given higher pay the doctrine of 'equal pay for equal work' is violated and the seniors are entitled to the same pay."



Certified to be True Copy
Murkesh
Examiner Judicial Department
High Court of Delhi
Authorised Under Section 70
Indian Evidence Act

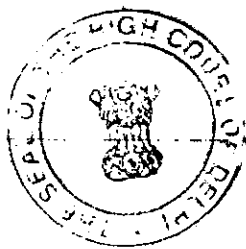
13. Insofar as Circular dated 29.10.2007 issued by the Government of India is concerned, pure argument of law was raised contending that the Government Circulars cannot override the statutory rules and for this, he relied upon the following the Apex Court decision in *Government of Andhra Pradesh and Others. Vs. P. Laxmi Devi* (2008) 4 SCC 720 to the following effect:-

“33. According to Kelsen, in every country there is a hierarchy of legal norms, headed by what he calls as the 'grundnorm' (The Basic Norm). If a legal norm in a higher layer of this hierarchy conflicts with a legal norm in a lower layer the former will prevail (see Kelsen's 'The General Theory of Law and State').

34. In India the Grundnorm is the Indian Constitution, and the hierarchy is as follows:

- (i) The Constitution of India;
- (ii) Statutory law, which may be either law made by Parliament or by the State Legislature;
- (iii) Delegated legislation, which may be in the form of Rules made under the Statute, Regulations made under the Statute, etc.;
- (iv) Purely executive orders not made under any Statute.

35. If a law (norm) in a higher layer in the above hierarchy clashes with a law in a lower layer, the former will prevail. Hence a constitutional provision will prevail over all other laws, whether in a statute or in delegated legislation or in an executive order. The Constitution is the highest law of the land, and no law which is in conflict with it can survive. Since the law made by the legislature is in the second layer of the hierarchy, obviously it will be invalid if it is in conflict with a provision in the Constitution (except the Directive Principles which, by Article 37, have been expressly made non enforceable).



Certified to be True Copy

Mullesh
Examiner Judicial Department
High Court of Delhi
Authorised Under Section 70
Indian Evidence Act.

36. The first decision laying down the principle that the Court has power to declare a Statute unconstitutional was the well-known decision of the US Supreme Court in *Marbury v. Madison* 5 U.S. (1Cranch) 137 (1803). This principle has been followed thereafter in most countries, including India.

14. Mr. Bhushan also made reference to various provisions of Trade Mark Act, Copy Right Act as well as Patents Act to draw parallel between them and argued that the scheme of three Acts was almost the same. He, thus, made a fervent plea that if the IPR Rules, 2007 could be applied in respect of Trade Mark and Copy Rights which had secured registration in the aforesaid Acts, no different treatment could be given to the registered holder of a patent under the Patents Act. He submitted that the onus was on the other person questioning such a registration to move for revocation of the patent by filing appropriate petition before the Intellectual Property Right Board. He also argued that the very purpose of framing IPR Rules, 2007 would be defeated if the persons like the appellant is first forced to approach the Civil Court and obtain injunction and thereafter only permitted to ask for suspension of clearance of goods.

15. Mr. Sudhir Chandra, learned Senior Counsel argued on behalf of respondent no.4 and submitted that the impugned order passed by the learned Single Judge interpreted the Rules correctly as otherwise such a rule was prone to attack for being unconstitutional. Apart from the emphasis he laid on the reasoning of the learned Single Judge, his submission was that the IPR Rules, 2007 were contrary to the provision of the Patents Act. He referred to Section 104 of the said Act in this behalf which reads as under:-



Certified to be True Copy

Mukesh
Examiner Judicial Department
High Court of Delhi of
Authorised Under Section 70
Indian Evidence Act.

“Jurisdiction:- No suit for a declaration under Section 105 or for any relief under Section 106 or for infringement of a patent shall be instituted in any Court inferior to a district Court having jurisdiction to try the suit:

Provided that where a counter-claim for revocation of the patent is made by the defendant, the suit, alongwith the counter-claim, shall be transferred to the High Court for decision.”

16. He also took support of the judgment of the Supreme Court in *M/s Bishwanath Prasad Radhey Shyam Vs. Hindustan Methai Industries* 1979

(2) SCC 511 wherein the Court held as under:-

“It is noteworthy that the grant and sealing of the patent, or the decision rendered by the Controller in the case of opposition, does not guarantee the validity of the patent, which can be challenged before the High Court on various grounds in revocation or infringement proceedings. It is pertinent to note that this position, viz. the validity of a patent is not guaranteed by the grant, is now expressly provided in Section 13(4) of the Patents Act, 1970. In the light of this principle, Mr. Mehta's argument that there is a presumption in favour of the validity of the patent, cannot be accepted”

He thus submitted that there was no presumption to the validity of the patent even after registration which still has to be suspended independently and that can only be done in Civil Court. He contrasted the provisions of Section 104 of the Patent Act read with Section 31 of the Trade Marks Act which provision raises presumption about the validity of a registered trademark. His further submission was that before there could be suspension



Certified to be True Copy

Mullesh
Examiner Judicial Department
High Court of Delhi of
Authorised Under Section 70
Indian Evidence Act.

of the clearance of the imported goods on the ground that they are violating the patent rights of the right holder, two issues need to be addressed namely;

- (a) Grant is valid
- (b) Imported goods infringed that patent.

On the first aspect, he argued that validity of the grant cannot be adjudicated upon by the Dy. Commissioner of Customs who had neither power nor necessary withal or expertise to rule on its validity.

17. Insofar as second aspect is concerned, his submission was that examining the infringement was a very technical aspect which again could not be gone into by the Dy. Commissioner of Customs. In this behalf he tried to impress that in the instant case itself the appellant had placed on record 12000 pages to establish its patent rights, there was no mechanism with the Dy. Commissioner of Customs to examine the issue that patent was rightly registered and to compare it with so called infringing goods of the respondent and record "reason to believe" that there was such infringement. He argued that as per the scheme under the Patents Act, such an exercise could only be taken by the Civil Court. Conscious of this fact, the Central Government had issued Notification dated 29.10.2007. He thus argued that "reasons to believe" could be only when there was a pronouncement by the Court of law or injunction granted in favour of the patent holder. He conceded that there may be cases of clear cut patent violation and in those simple matters, the Dy. Commissioner of Customs could pass the orders otherwise he was required to exercise the extreme caution. Mr. Chandra also referred to the judgment of *Bilcare Limited Vs. Amartara Private Limited* 2007 (34) PTC 419 in this behalf.



Certified to be True Copy

Murtesh
Examiner Judicial Department
High Court of Delhi of
Authorised Under Section 70
Indian Evidence Act.

18. We have already reproduced 2 (b), (c), (d) as well as Rule 6 and on that basis mentioned the broad schemes of these Rules. As pointed out above, the appellant had registered its five patents under the aforesaid Rules and requested the respondent nos. 2 and 3 to suspend the clearance of goods that infringe the patent rights of the patentee i.e. the appellant herein. Acting on this request qua respondent no.4, the respondent no.3 passed suspension orders dated 30.3.2011, which is a bone of contention. This power of suspension is given under Rule 7.

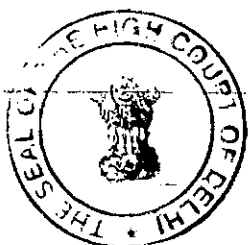
19. Since everything revolves around the interpretation of this Rule, before proceeding to discuss the respective contentions of the learned Senior Counsel on both sides, we would now like to reproduce Rule 7 of the IPR Rules, 2007:-

“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



Certified to be True Copy

Mullesh

Examiner Judicial Department
High Court of Delhi of
Authorised Under Section 70
Indian Evidence Act.

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 authorised 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.



Certified to be True Copy

Mukesh
Examiner Judicial Department
High Court of Delhi of
Authorised Under Section 70
Indian Evidence Act

(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 authorised 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,



Certified to be True Copy

Mukesh
Examiner Judicial Department
High Court of Delhi
Authorized Under Section 10
Indian Evidence Act

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.

20. The order was passed under Rule 7 (1)(a) of the IPR Rules. This order could be passed on the satisfaction that the competent authority had 'reason to believe' that the imported goods are suspected to be the goods infringing the intellectual property rights. After going through the complete text of Rule 7 of IPR Rules, it becomes clear that such an order for suspension of clearance of goods can be passed on the aforesaid belief either on the notes given by the right holder of the intellectual property rights or even by his own initiative. After the passing of the order of suspension the importer is to be informed about the suspension order stating the reasons for such suspension. Thereafter, in further proceedings the right holder has to join within a period of 10 working days from the date of suspension of clearance leading to a decision on the merits of the case.

LPA 1104/2011

Page 17 of 26



Certified to be True Copy

Mulca

Examiner Judicial Department
High Court of Delhi of
Authorized Under Section 70
Indian Evidence Act.

Merit of the case means that thereafter adjudication has to take place by the appropriate authority as to whether the goods imported in fact infringes the intellectual property rights of the right holder. While doing this exercise the appropriate authority can seek any information or assistance from the right holder 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. There is a specific clause stipulating time bound period to determine this question in case of perishable goods. If ultimately the authority determines, having reason to believe that the goods are infringing intellectual property rights and liable to confiscation under Section 111(d) of the Customs Act, it may pass the orders seizing the same under Section 110 of the Customs Act, as per the provision of Rule 7 (a) of the IPR Rules.

21. Before such a final order is passed, right is given for examination of these goods by right holder under Rule 8 of the IPR Rules. For this purpose, the competent authority is authorized 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. The right holder is also entitled to seek additional relevant information relating to the consignment which has been suspended for clearance as per the provisions of Rule 9 of the IPR Rules. The additional relevant information relating to consignment which has been suspended for clearance is also to be supplied to the importer. Once it is determined that the goods suspended from clearance are infringing goods, the same can be disposed of in accordance



Certified to be True Copy

Mukesh
Examiner Judicial Department
High Court of Delhi of
Authorised Under Section 10
Indian Evidence Act

with the provisions of Rule 11 of the IPR Rules which reads as under:-

“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



Certified to be True Copy

Mukesh

Examiner Judicial Department
High Court of Delhi
Authorised Under Section 70
Indian Evidence Act.

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.”

22. Rule 13 gives immunity to the Custom Officers against any action in respect of such goods when acting in good faith and having followed the procedures set out in IPR Rules.

23. Undoubtedly, as per definition of “intellectual property” given in Rule 2(b) of the IPR Rules, patent as defined in the Patents Act, 1970 is also included as the intellectual property. Likewise, “right holder” is the person who is the owner of protected intellectual property right. The IPR Rules, 2007, therefore, applies to all kinds of intellectual properties namely Copyright, Trade Marks , Patents as well as geographical indications. These Rules do not put Trade Marks and Copyright in one category and Patents and geographical indications in other category. Thus, a patentee, who is registered patent holder, has right to get himself registered under these Rules. In these circumstances, if the conditions contained in Rule 7 of the IPR Rules are satisfied, the authority mentioned in those Rules has adequate jurisdiction to exercise power to suspend the clearance of goods even in respect of those cases where the goods inspected are, in the opinion of the competent authority, suspected to be goods infringing the patent right of the patentee. Notwithstanding the aforesaid plain reading of the Rule, the problem has arisen because of the complexities involved in the nature of



Certified to be True Copy
Mulcaer
Examiner Judicial Department
High Court of Delhi of
Authorized Under Section 78
Indian Evidence Act.

the patent rights even when the right holder is having a patent which is duly registered under the Act. It is correct that even in such a situation, in a suit infringement of patent, the defendant can raise a counter claim for revocation of a patent and in these circumstances, when such a counter claim is made the matter is to be dealt with by the High Court alone for adjudication/decision. As per Section 13(4) of the Act, the validity of a patent not guaranteed by the grant and there is no presumption in favour of the validity of the patent. [see *M/s Bishwanath Prasad Radhey Shyam (supra)*].

24. So far so good. However, what follows from the aforesaid is that when a patent holder files a suit for infringement, the defendant is given right to contend that such a grant was not warranted and that should be revoked. When a counter claim for revocation of patent is made the Court is to look into the same and this aspect would be considered while deciding the suit for infringement of patent filed by the patent holder and also while deciding the application for injunction. At this stage, the question which would fall for consideration would be as to whether it is necessary that this aspect is to be considered only by the Court through judicial pronouncements? To put it otherwise, whether the competent authority under the IPR Rules, 2007 is not competent to go into this question and, therefore, it is debarred from passing any order of suspension of clearance of goods sought to be imported merely because the case relates to the patent? As pointed out above, insofar as plain reading of IPR Rule is concerned, it is not the position. The competent authority is given right to form an opinion that he has 'reason to believe' that the imported goods are suspected to be



Certified to be True Copy
Mukesh
Examiner Judicial Department
High Court of Delhi of
Authorised Under Section 70
Indian Evidence Act.

infringing the intellectual property rights which include patent right as well. These Rules have not been challenged by the respondent though such a right is reserved in the writ petition filed by the respondent in which impugned order is passed. Even Mr. Chandra, learned Senior Counsel appearing for the respondent no.4 itself conceded that there may be clear cut patent violation cases and in those simple matters the competent authority could pass the orders. However the poser would be, how to decide the case whether the case is simple or complex. Secondly, in any case, it is the competent authority who has to arrive at a conclusion that the matter involves complexities and, therefore, exercising extreme caution, the competent authority may pass appropriate orders that it is not possible to arrive at "reasons to believe". We are of the opinion that the discretion is to be left with the authority under Rule 7 to relegate the parties to civil proceedings. Per se, the patent cases cannot be excluded from the ambit of IPR Rules or particularly Rule 7.

25. In this context, we examine Clause 4 of Circular dated 29.10.2007. This clause states that mandatory obligations under Articles 51 to 60 of the TRIPS dealing with the border measures are restricted to Copyright and Trade Marks infringement only. However, it also recognizes that notwithstanding this position insofar as IPR Rules are concerned they deal with the Patents, Design and Geographical Indications violations as well, which have been framed in conformity with the practice prevailing in some countries, notably EU countries. Thus, in the opening portion of clause 4, there is a recognition to the effect that the Rules also deal with the patents violations as well. In the later portion, however, it is recognized that though



Certified to be True Copy
Mullesh
Examiner Judicial Department
High Court of Delhi of
Authorised Under Section 70
Indian Evidence Act.

for a Custom Officer determining the Copyright and Trade Marks infringements may not be difficult based on available data/inputs, it may not be that easy in case of other three violations including Patent, 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. However, at the end what is mentioned is that the Custom Officers has to exercise extreme caution "at the time of determination of infringement of these three intellectual property rights". Thus, no doubt, it is emphasized that the case of patent violation may pose problem for Custom Officers and unless the offence has already been established by the judicial pronouncements and the Customs is called upon or required to merely implement such order, it would not pose any difficulty. Otherwise, there may be difficulties and in the absence of judicial pronouncement, extreme caution is to be exercised at the time of determination of infringement of such a right. It clearly follows therefrom that power of determination is not taken away from the Custom Officers in case of violation of patent right and even when there is no judicial pronouncements. The Custom Officer is asked to exercise extreme caution.

26. The position which emerges from the reading of Clause 4 can be summarized as under:-

- (a) In case of violation of Patents, Design and Geographical Indications. The determination of infringement may not be easy for the Custom Officers;
- (b) When there is already a judicial pronouncement determining the violation, the custom would be required to implement such an order and that position may not pose problem;



Certified to be True Copy
Mukesh
Examiner Judicial Department
High Court of Delhi of
Authorized Under Section 70
Indian Evidence Act.

(c) However, in the absence of such a determination, the competent authority is advised to exercise extreme caution.

What follows is that in the absence of judicial pronouncement, in the case of patent violation, the determination is to be done by the authority stipulated in Rule 7 though with extreme caution. What can be deduced therefrom that while exercising this extreme caution, the competent authority would in a simple case of violation may determine whether there is a violation or not and pass necessary orders under Rule 7 and other IPR Rules. However, in case the competent authority is of the opinion that the case involves serious complexity and such a determination as to whether there is an infringement or not, is not possible, the competent authority has the discretion to relegate the parties to civil proceedings. This according to us is the interpretation which is to be given to the Rules read with the aforesaid Notification dated 29.10.2007. Otherwise, the said Notification cannot be read in the manner which totally annihilates or supplant a particular provision of the Rules, as rightly contended by Mr. Bhushan. We thus do not agree with the view of the learned Single Judge that in the absence of judicial order, the Dy. Commissioner of Customs had no jurisdiction to deal with the matter. In fact if it is incumbent for the patentee to just approach the Court and obtain a judicial order, there is no need to invoke the machinery under these rules as the purpose of the patentee would be served by getting that judicial order enforced.

27. The second aspect which needs consideration now is as to whether the impugned order dated 30.3.2011 passed by the competent authority was in accordance with Rule 7 of the IPR Rules. As per Rule 7 (1) (a) the competent authority can suspend the clearance of goods if he has a "reason



Certified to be True Copy
Mukesh
Examiner Judicial Department
High Court of Delhi of
Authorised Under Section 70
Indian Evidence Act.

to believe” that imported goods are suspected to be goods infringing “intellectual property rights”. It is held by the learned Single Judge in the impugned order that no such satisfaction/reason to believe have been recorded in the impugned order. The order dated 30.3.2011 of the competent authority is 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.”

28. We are of the opinion that on the facts of this case the learned Single Judge has rightly held that the aforesaid order does not disclose on what basis the Dy. Commissioner had entertained the “reason to believe” that the goods in question infringed the patent claimed by the appellant herein.

29. Thus, on this ground namely, the order of the Dy. Commissioner dated 30.3.2011 does not show any application of mind, we sustain the



Certified to be True Copy
Mullesh
Examiner Judicial Department
High Court of Delhi
Authorized Under Section 70
Indian Evidence Act

order of the learned Single Judge. However, we set aside that portion of the direction contained in the impugned order dated 19.12.2009 whereby the appellant has directed to approach the competent court to assert its claim to patent and, on that basis, seek injunction against release of the consignment of the respondent no.4 herein. Instead, the aforesaid direction is substituted by the direction to the Dy. Commissioner of Custom to pass fresh orders giving 'reasons to believe'. In case he comes to the conclusion that the imported goods are suspected to be goods infringing patent rights of the appellant herein, before passing such order, the Dy. Commissioner of Customs shall give fresh hearing to both the parties. It would be open to the respondent to argue that the matter is complex and it may not be possible/feasible for the competent authority to come to any such prima facie conclusion for 'reason to believe'. The competent authority shall deal with such a contention, if raised, and thereafter may either pass an order suspending the clearance of goods giving specific and clear 'reason to believe' that goods in question infringed the patents claimed by the appellant or else it would be within its discretion to direct the appellant to approach the competent Court to assert its claim to patent.

30. The appeal stands disposed of in the aforesaid term with no order as to costs.



JULY 13, 2012/skb

LPA 1104/2011

se/-
ACTING CHIEF JUSTICE

goh
(RAJIV SAHAI ENDLAW)
JUDGE

Page 26 of 26

Mykes
Certified to be True Copy
Examiner Judicial Department
High Court of Delhi of
Authorized Under section 7B
Indian Evidence Act