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**ANTI-COUNTERFEITING LAWS IN**

**IN INDIA AND UNITED STATES OF AMERICA**

(A Comparative Analysis)

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**INTRODUCTION:**

The global landscape around intellectual property right has seen a drastic change at the turn of the 21st century. Dubbed as the era of globalisation, it has introduced innovation and creation with fair recognition on the incentives attached to the same. While this has been a welcoming change, propelled by law and policy makers, the negative effects of cross border transactions have led to disrupt the social and moral fabric of competitors in a multitude of ways. A primary area of concern is the counterfeit activities that surround the Indian markets. The practice of counterfeiting is a well-known problem that dates back to over 2,000 years, when around the same time the practice of marking genuine goods amongst traders was customary. Since then, products that have gained reputation in the marketplace have been imitated and passed as genuine products to gain profit without much effort*[[1]](#footnote-1)*.

"Counterfeiting" is defined as the manufacturing of a product that so closely resembles the appearance of another product as to deceive a consumer into believing it is the product of another. As a result, it often includes items that infringe on trademarks as well as copyright infringements. Copying packaging, labelling, and any other key elements of the product is also part of the notion on counterfeiting. The gnawing concerns on the widespread increase in counterfeit products in the Indian markets is ever increasing. As of 2018, counterfeiting is the largest criminal enterprise in the world, with domestic and international sales of counterfeit and pirated goods totalling between an estimated $1.7 trillion and $4.5 trillion a year—a higher amount than either drugs or human trafficking[[2]](#footnote-2).

As a result, the efficacy of a country's intellectual property rights (IPR) system is a vital factor in realising a country's full inventive potential, as well as its corresponding economic growth and employment opportunities. An effective IPR regime unlocks the potential of innovators and creators, allowing them to turn their ideas into high-quality goods and services that support economic growth and employment creation. The safeguarding of these intellectual assets is becoming increasingly crucial in allowing governments to achieve their economic development objectives.

The Agreement on Trade-Related Aspects on Intellectual Property Rights, the TRIPS Agreement[[3]](#footnote-3), defines counterfeit goods under Article 51[[4]](#footnote-4) as:

*“any goods, including packaging, bearing without authorisation a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation[[5]](#footnote-5);*

According to Article 61 of the TRIPS Agreement, member nations must stipulate criminal penalties and sanctions in cases of wilful trademark counterfeiting[[6]](#footnote-6) stipulates that member nations must provide for criminal proceedings and sanctions in cases of counterfeiting activities within the trademark and copyright piracy networks. The practice of selling counterfeits has increasingly grown across the globe and is of massive concern to nations worldwide. Despite the lack of comprehensive and reputable research data, counterfeiting is increasingly frequent in developing and underdeveloped nations. While most countries have some trade in counterfeit goods, some have become notorious for producing and exporting large quantities of fakes.

Information from the Customs Services of the United States provides an insight into which countries are the biggest exporters of fakes and the types of products that are being counterfeited[[7]](#footnote-7). In order to address this menace and to safeguard national interests of a nation, various countries have formulated laws and statutory provisions which penalise those who engage in this practice In this paper, I will be analysing the laws in India which control counterfeiting generally and offer a comparative analysis with the legislative framework of the same in USA. Brief parts of my research paper will evaluate the challenges to both nations and observe the loopholes that surround their legislations. In essence, this research paper attempts to assess the advanced and concrete evidence of loopholes in current laws whilst providing a comparative analysis of its application in India and USA.

**RESEARCH METHODOLOGY:**

The author will use a comparative qualitative analysis of statutes governing counterfeiting in India and Unites States. This will be done through analysing statutes and legal provisions, drawing inferences and observations from secondary sources, Law Reports, articles and journals.

**SCOPE:**

The following research paper will extend to observing the current laws and statutory provisions surrounding the control of counterfeiting in India and USA. In the Indian context, apart from stating the statutes which offer remedy against trademark infringement, the legal lacunae strongly persists and acts as a barrier towards more enforcement of regulatory measures. This paper will also draw some strings to the Lanham Act and Trademark Counterfeiting Act of the United States and observe how the legal framework in India, as compared to the United States needs fixing. An interesting engagement on the lack of a Free-Trade Agreement between India and United States will be explored in the author’s limited capacity.

**THE LEGAL FRAMEWORK IN INDIA**

The practice of Counterfeiting is governed through multiple statutory and legal framework in India. While the term ‘counterfeiting’ is not explicitly mentioned or entails a legislation separately, it operates under the laws around trademark infringement, through the Trademarks Act, 1999. There is no distinct legislation in Indian law that deals with counterfeiting of goods. There are, however, some provisions that may potentially injured owners of intellectual property who want to initiate a lawsuit against the selling of counterfeit items under their brand name.

The owner of the brand or the rights holder has rights to enforce liability on offenders of counterfeiting through Section 135 of the Trade Marks Act, 1999[[8]](#footnote-8), through the concept of “passing off.” However, this remedy is applicable for unregistered trademark goods which have been replicated. Further, one can seek legal remedy under Section 29 of the Trade Marks Act, 1999 which addresses the infringement of registered trademarks. Additional legislative provisions such as Sections 102[[9]](#footnote-9), 103[[10]](#footnote-10) and 135[[11]](#footnote-11) of the Trademarks Act of 1999, deal with falsification and false application of a trademark and can be used as remedies against infringement and counterfeiting. Vide Section 103 of the Trade Marks Act, counterfeiting is made punishable by three years imprisonment and a fine of up to two lakh rupees if it is proved that a person has falsified goods under the provisions of Section 102[[12]](#footnote-12). The Trademarks Act,1999 stipulates remedies for infringement of both registered and unregistered trademark. Section 135 of the Act further provides civil relief including temporary or permanent injunction, damages, etc[[13]](#footnote-13). The issue of dealing with this menace of counterfeiting, in the form of prosecution upon infringement, also brings along criminal culpability through Section 102 of the TM Act. A penalty of Rs. 200,000 is payable as fine with up to three years of imprisonment as penalties.

Further, The IP Rights (Imported Goods) Enforcement Rules, 2007[[14]](#footnote-14) and the India Customs Act, 1962[[15]](#footnote-15) allow trademark, design, and brand owners to register their rights with Indian Customs Authorities for the seizure of imported counterfeit goods. With these legal provisions in existence, one may assume that there are stringent procedures through a comprehensive legislative framework in India that can curb counterfeiting. In the case of *Philip Morris Products v Sameer* and *Microsoft Corporation v. Jayesh*, the courts granted immediate relief to the plaintiff by passing an ex-parte injuction order against the offenders thereby abstaining them from selling any infringed goods.

In India, counterfeiting is rapidly being recognised by government authorities as a potential national security issue. The Indian government, in 2016, took a huge step forward in this area by drafting a national IP rights policy[[16]](#footnote-16) and establishing a specialised cell for IP rights promotion and management to ensure that the policy is properly administered and implemented. While the policy has fairly addressed the need for stringent and effective IPR laws and its strict enforcement, it still fails to engage with the growing problem of counterfeiting in the Indian markets.

**CURRENT SCENARIO OF COUNTERFEITING IN INDIA:**

**A GNAWING CONCERN**

According to the Authentication Solution Providers’ Association, (ASPA), which is a self-regulated body to address anti-counterfeiting solutions, in their ASPA Report[[17]](#footnote-17), the problem of counterfeiting has become increasingly prevalent despite measures to curb it. While the laws surrounding its control has been robust through various legislations, a lot still needs to be done to implement and simplify the enforcement procedures. The biggest challenge is the lack of a mandated specific legislation which addresses counterfeiting as a separate illegal activity. Another challenge is the enforcement and execution of available remedies for counterfeiting. Even though limited recognition from some State Governments, for example Maharashtra and Telangana, continue to run specific criminal prosecution upon identifying offenders, other states have not yet developed a stringent legislative mechanism to deal with the same. Furthermore, a sluggish execution fails to penalise offenders in that it prolongs their deception. India is also home to a vast number of labour and the production of counterfeit products requires cheap labour with less compliance to labour standards[[18]](#footnote-18). One of the critical institutional deficiencies that surround these statutes in India is revealed in the lack of stringent criminal prosecution upon violation of IPRs in India. Even when they do, they regard the principle of ‘*mens rea’* with vast significance, which makes inducing criminal liability a rather cumbersome task. Despite The Copyright Act, 1957 and the Trade Mark Act, 1999 providing for criminal culpability, the penalties are severely lacking and ineffectual.

Even after a multiplicity of government efforts to protect consumers from dangerous counterfeits, a study by FICCI shows that counterfeit practices remain high. For example, across seven industry sectors reviewed in the FICCI report, unauthorized or counterfeit/smuggled goods sales caused average sales losses to rights holders of 21.7% in 2012.1 Counterfeiting continues to rise in India for a variety of reasons. Conflicting government objectives, a lack of necessary resources to address a variety of essential issues, a lack of political will to address the problem, and even a perception among some that counterfeiting and smuggling is a "victimless crime" are all contributing factors. Apart from the legal discrepancies and loopholes, there are social factors too which peculiarly affect counterfeiting in India. A recent 2019 study by the Centre for New Economics Studies at O.P. Jindal Global University[[19]](#footnote-19) observes factors such as social motivation, brand values and peer influence to severely influence this increasing trend. These trends then raise some larger policy questions for India’s IP framework, where, a subsequent rise in counterfeiting within metropolises, are subsequently connected with the rise of India’s organised retail base (within these cities)[[20]](#footnote-20). The infamous and widespread prevalence of counterfeit products in renowned markets such as Palika Bazaar in New Delhi, Richie Street and Burma Bazaar in Chennai, Manish Market, Heera Panna, Lamington Road and Fort District in Mumbai, and Chandni Chowk in Kolkata as per the report[[21]](#footnote-21) by United States Trade Representative (USTR) are areas which must introduce stronger enforcement of ways to tackle infringement of original goods.. In USTR’s “Special 301” Report, India is on the “priority watch list” regardless of intellectual property rights (IPR) irrespective of exhaustive submission in 2009 for Compliance measures initiated[[22]](#footnote-22). In a study conducted by BASCAP along with FICCI CASCADE, all fragments of IPR industry called for greater enforcement of trademark and copyright laws and regulations. The lack of stringent enforcement was seen to the key element in the inadequacy of a strong regulatory mechanism in India.

**THE LEGAL FRAMEWORK IN UNITED STATES**

Subsequently drawing comparisons of the Indian legislation around counterfeiting with the laws to control counterfeiting in the United States of America, we observe some stark and notable differences. There are two federal legislations in the United States which govern remedies for trademark infringement and counterfeit violations: the Lanham Act[[23]](#footnote-23) and the Trademark Counterfeiting Act 1984[[24]](#footnote-24). The Lanham Act defines a counterfeit mark as “a spurious mark which is identical to or substantially indistinguishable from a registered mark”[[25]](#footnote-25). What makes the law on trademark counterfeiting in the United States interesting is that the registration of a trademark with the US Patent Trademark Office is a necessary prerequisite to make a credible claim of counterfeiting. The liability for practicing counterfeiting is seen to incur a higher degree of replicating another product than mere trademark infringement. Statutory remedies mandated by this provision includes an injunctive relief, including possibility of treble damages when appropriate and attorney's fees in exceptional cases and costs[[26]](#footnote-26). In this context, for a mark to qualify as a counterfeit, it must be similar or substantially indistinguishable from the registered trademark. Additional remedies for trademark counterfeiting are available under this more strict threshold, in addition to those available for trademark infringement. Unlike the Indian Trademarks Act, the legislation in the United States defines both infringement and counterfeiting. While the Lanham Act provides civil remedies against counterfeiting, the Trademark Counterfeiting Act enforces criminal prosecution upon offenders. The law punishes offenders of first time to up to 10 years of imprisonment and a $2 million fine and a more stringent 20 years of imprisonment with a $5 million fine for repeated offenders[[27]](#footnote-27). One commonality between the Indian legislation and the Lanham Act is that they provide remedies for both registered and unregistered trademarks. In the United States, for a civil remedial law-suit, a private investigation by the trademark owner is initiated. Later, the trademark owner can also gather an ex parte seizure order after seeking that it is the only relevant and adequate remedy and a lack of the same shall cause irreparable injury if the seizure of counterfeits is not executed. It is safe to say that the United States has comparatively evolved more stringent measures to curb the growing practice of Counterfeiting. Apart from a US Customs and Border Protection, which works towards identifying and seizing and fortifying counterfeited goods at US borders, it also enforces exclusion orders which are mandated by the US International Trade Commission. However, counterfeiting is a big bonanza business. Despite these legal remedies available, the growth of counterfeiting in the US is still challenging. In Fiscal Year 2020, the Department of Homeland Security confiscated over 26,000 shipments of counterfeit goods valued at over $1.3 billion at U.S. borders[[28]](#footnote-28).

**CHALLENGES TOWARDS A FREE-TRADE AGREEMENT BETWEEN**

 **USA AND INDIA**

In this part of my research paper, I will shed some light on the hurdles that stand in front of a Free-Trade Agreement (FTA, hereafter) between India and USA. The TRIPS Agreement allows for member nations to encapsulate ‘TRIPS plus’ laws to encourage higher degree of protection than the bare minimum as mandated by the TRIPS. Developed countries such as the United States have already moved towards higher and enhanced standards of IP protection by implementing these TRIPS plus laws. These higher levels of enforcement rules have now started making an appearance through a number of FTAs while negotiating and entering into trading deals with other member nations. A longing for an India-USA FTA has been a common collective conscience across IPR Sectors. What then acts as a barrier to an India-US? In its “Special 301 Report”[[29]](#footnote-29), US trade Representative Katherine Tai remarked upon the inadequacy of India to be consistent with its progress on IP protection and its successful enforcement. The United States is a growing hub for innovation and creation as a developed country which has strictly enforced IP rules to combat While developing countries are still grappling with the TRIPS agreement, developed countries, such as the United States are already using Free Trade Agreements to raise the threshold for IPR protection. The United States of America is the clear frontrunner in this race. These clauses have been termed "TRIPS plus provisions" because they give stronger protection for intellectual property rights. What I see as the biggest hurdle is that the TRIPS plus laws demand a lifting cap on pricing of medical equipment and free access to Indian Agricultural markets, etc[[30]](#footnote-30). At such a juncture, the apprehension that comes with India’s non-compliance with such demands is fairly understood. While the United States requires this access to medical devices, agricultural products, the US Trade Representative's office has cited India's restrictions on corporations transferring personal data about its residents outside the nation as a "key" obstacle to digital trade. The failure to develop TRIPS plus compatible IP laws and address the mass concern of counterfeiting can thus be regarded as the biggest hurdle which stops such an agreement. Perhaps an architectural reshaping and negotiations with how far can India as a growing economy mediate will decide the future of the existence of such a transactional relationship between the two countries.

**COMPATIBITLITY WITH THE TRIPS AGREEMENT**

Are the current laws in India and US, as presented above, compatible with the TRIPS Agreement? Article 42 of the TRIPS Agreement includes judicial procedures as the basic remedy available to right holders concerning the enforcement of any IPR covered under the agreement[[31]](#footnote-31). While both Indian and US laws offers fair and equitable procedures in civil and criminal courts, the extent of their successful delivery of remedies remain a contested terrain. However, available opportunities to induce criminal and civil liability makes the provisions at least TRIPS compatible in general. The adherence to Article 61[[32]](#footnote-32) of the Agreement is revealed by the nature in which both countries have taken steps towards introducing legislations that classify counterfeiting as a criminal offence.

Whilst the Agreement outlines basic fair and equitable procedures, their efficiency may vary significantly. Despite the changes in the law, trademark owners may still have difficulty convincing enforcement agencies to take action against counterfeiters. This is due to a variety of factors: i) counterfeiting is typically given a low priority compared to other criminal offences; ii) it can be difficult to uncover the entire scope of a counterfeiter's operations; and iii) the procedural requirements are sometimes too complex to make enforcing the law profitable. Furthermore, the vision of effective administrative action, as envisaged by Article 51 of the TRIPS Agreement can be seen to be partially realised in that they are frequently expected to submit highly precise information on the suspect consignment, which can be difficult to collect, and requesting for suspension can be costly.

Lastly, the definition of counterfeit products in the TRIPS Agreement does not apply to other fields of IPRS, such as patents. This creates a notorious and inadequate framework for patent infringements and the stakeholders at the receiving end of this menace. Even with the trademark infringement cases, remedy is duly available for those cases where the sign must be so similar to the original owner’s trademark that it cannot be distinguished from it.

**CONCLUSION**

While both India and United States offer a large arsenal of weapons to combat the ill practice of counterfeiting, it is becoming a bigger problem every day, and steps are being done on both a national and international level to reduce counterfeiting. One recommendation to battle counterfeiting is by reducing incentives to buy or produce such products. Perhaps, stricter laws, especially in the Indian Legal System needs introduction. There needs to be a specific legislation, which is entirely missing as the term ‘counterfeiting’ has not even been addressed separately in Indian laws. Currently, ‘patent’ laws do not address the problem of counterfeiting at all, and surprisingly, even the demands of compatibility with the TRIPS plus laws only cater to reconstruct Section 3(d) of the Indian Patent Act and the purported compulsory licensing against innovators in the Pharma Sector. While that is a discussion for a different platform, I must iterate that the current position of laws in India around counterfeiting do not address the TRIPS plus law, specifically. The TRIPS plus laws are surveyed and evaluated along with Indian Patent laws and thus, skip addressing the gnawing concerns around counterfeiting. This must be duly addressed. I will conclude by offering some suggestions on how wthe problem of counterfeiting can be addressed, given failed attempts at regulating it regardless of statutes in both nations. Perhaps a close collaboration with trans-national platforms is one way to gather a unified and codified mechanism. India should first begin by separately addressing the ‘counterfeiting’ menace in a separate legislation altogether, just like the US. This would at least aware people of the distinction and create a conscience of regarding counterfeiting as a crime. The government, industry, and property holders must all work together to guarantee technical collaboration in anti-counterfeiting and anti-piracy measures so that current regulations, legislation, and laws can be enforced against piracy and counterfeiting groups. Government and trade organisations should support capacity-building programmes to teach authorities and the general public how to tell the difference between a fake and a legitimate product. While this menace is not impossible to defeat, the question lies in how far countries would actually go in affecting strict measures, given the million dollar industry that counterfeit products occupy in the economy?

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