

**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 27<sup>th</sup> 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 A0242INBOM4PR 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 30<sup>th</sup> 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 29<sup>th</sup> 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 29<sup>th</sup> 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 30<sup>th</sup> 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 29<sup>th</sup> 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)