



Central Board of Excise & Customs

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Editorspeak

This issue of Vidhi Varta is coming out at time when the entire department has geared itself for the last lap of the race to achieve the revenue targets and the officers in the Board are burning the midnight lamps to finalize the Budget proposals. We wish good luck and best wishes to each one of you in your endeavour to achieve the revenue targets.

The article featuring on page 2, "Enforcement of IPR Border Measures by Customs in case of Patent Infringements" discusses the role of Customs officers in enforcing the IPR border measures in case of Patent Infringements. We thank the ICD wing of CBEC for their valuable inputs for this article.

Our other features as always are being updated with the latest information and decisions.

News

- 37 officers of the Customs and Central Excise and the Enforcement Directorate have been selected for the Presidential Award of Appreciation Certificate for 'Specially distinguished record of service'.
- In the investiture ceremony held on 5th February 2013, Hon'ble Finance Minister awarded the Presidential Award to awardees of 2012. The award was given to 35 officers for 'Specially distinguished record of service'.
- During the Custom Day celebration held on 5th February 2013, WCO Certificate of Merit was given by the Secretary Revenue, Sh Sumit Bose, to 14 officers of the department and two representatives of the trade. On this day the past Chairmen who had valuably contributed over the years to the service were also felicitated.



Hon'ble Finance Minister, Minister of State for Finance (Revenue), Secretary (Revenue), Chairperson (EC) and Member (L & J) along with the Presidential Certificate Awardees for the year 2012

Enforcement of IPR Border Measures by Customs in case of Patent Infringements

The role of Customs Authority in border enforcement of patent rights in India has a chequered history. Board has vide Circular No. 41/2007-Customs dated 29.10.2007 clarified that *“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.”*

2. Central Government has issued Notification No.51/2010-Cus.(NT), dated 30-6-2010 under Section 11 of the Customs Act, 1962 prohibiting 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).

3. The Single Member Bench of Delhi High Court has in the case of *LG Electronics India v Bharat Bhogilal Patel*, held that with respect to the enforcement of patents, design and geographical indications, Customs authorities do not have the jurisdiction to detain goods unless there exists a judicial pronouncement by a Court confirming that the goods being imported are infringing. In other words, the Customs authorities are merely implementing agencies to enforce the orders passed by a Court in favour of the right holder. The Court has based this decision on the averments made in the Circular No 41/2007-Cus, that the Customs authorities may find it “difficult” to determine infringement of patents, designs and geographical indications.

4. The effect of the above ruling is that Customs can take action in cases of patent infringements only based on directions of Court issued in Civil Suits filed

by the IPR holders/importers. However, it was noted that the IPR Rules empower Customs to take action on their own initiative (*ex officio* action), even without prior request by an IP Right Holder.

5. Recently in the case of *L M Ericsson Vs. Union of India and Others*, the Division Bench of High Court of Delhi, after taking the note of the Circular No 41/2007-Cus and also the decision of the Single Member, has held that:

“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 judicial pronouncement determining the violation, the custom would be required to implement such an order and that position may not pose problem;

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. 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.”

5. Thus, the Division Bench of the Delhi High Court has upheld the position that the Customs officers are empowered to exercise power to suspend the clearance of goods, suspected to be infringing the patent right of the patentee, as per Notification No.51/2010-Cus.(NT), dated 30-6-2010 read with the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 (IPR Rules).



RECENT DECISIONS

SUPREME COURT



CCE Vs M/s Australian Foods India (P) Ltd [2013-TIOL-03-SC-CX]

It is not necessary for goods to be stamped with a trade or brand name to be considered as branded goods under the SSI notification. A scrutiny of all the factors and circumstances should be undertaken to determine the nature of goods. The most important of these factors being the specific outlet from which the good is sold. In case the goods are being sold from the outlet of the brand owner, then they will not cease to be branded goods just for the reason that no brand name is affixed or stamped on them. However, such factors would carry different hues in different scenarios. There can be no single formula to determine if a good is branded or not; such determination would vary from case to case.



M/s Uniworth Textiles Ltd Vs CCE [2013-TIOL-13-SC-CUS]

Mere non-payment of duties is NOT equivalent to collusion or willful misstatement or suppression of facts. If that were to be true, the Court failed to understand which form of non payment would amount to ordinary default. The main body of the Section, in fact, contemplates ordinary default in payment of duties and leaves cases of collusion or willful misstatement or suppression of facts, a smaller, specific and more serious niche, to the proviso. Therefore, something more must be shown to construe the acts of the appellant as fit for the applicability of the proviso.

HIGH COURT



M/S Unity Paints & Chemical Co (P) Ltd & Anr Vs CCE Kolkata [2013-TIOL-106-HC-KOL-CX]

It is a settled law that just violation of the principles of natural justice simplicitor, is not enough, the person claiming violation of these principles should show the consequent prejudice suffered by him. In this case when the appellant was clearly informed about his violations, for which he is liable to penalty,

merely no mention of the Rule 173Q, in terms of which penalty has been imposed cannot be termed as violation of the principles of natural justice.



Delhi Chartered Accountants Society (Regd) Vs UOI [2013-TIOL-81-HC-DEL-ST]

The circulars have to be in conformity with the Act and the Rules and if they are not, they cannot be allowed to govern the controversy. While observing so the High Court quashed the circular No 154/5/2012 - ST & 158/9/2012 - ST holding them to be contrary to the provisions of the Finance Act, 1994 and the Point of Taxation Rules, 2011.



Mahesh Zaveri Vs CC [2013-TIOL-79-HC-DEL-ST]

Petitioner was himself to blame in not paying the redemption fine within a reasonable period - A period of nearly 18 years elapsed before the Petition was filed and this can by no stretch of imagination be regarded as a reasonable period - Petitioner having failed to exercise the option of redemption granted to him, the title to seized gold vested absolutely in the Union Government and no fault can be found in the action that was pursued of selling the confiscated property.

TRIBUNAL

M/s ISE Securities & Services Ltd Vs CST Mumbai II [2013-TIOL-298-CESTAT-MUM]

A demand of more than Rs 1 crore stands quashed because the Adjudication Order travelled beyond the scope of Show Cause Notice. Whereas the demand of Service Tax was made seeking to classify the services provided under the 'Stock Broking Service' [s. 65(105)(a) of FA, 1994], the demand was confirmed classifying the services as 'Stock Exchange Service' [s. 65(105)(zzzzg) of FA, 1994].

G Kannan Vs CCE (ST) Madurai [2013-TIOL-281-CESTAT-MAD]

In the facts of the case, Tribunal did not agree with the plea of waiver of penalty on account of change in

law which were not known to the appellant. However considering the fact that the entire amount of service tax and interest has been paid before the issuance of the show-cause notice, the penalty under Section 78 to 25% of the service tax and the penalty under section was confirmed. The appellants were directed to pay the reduced penalty under Section 78 within 30 days of the communication of this order, failing which, the appellants would be required to pay the penalty as imposed by the adjudicating authority.

C C Kolkata Vs M/s Naitik Vinimay Pvt Ltd [2013-TIOL-235-CESTAT-KOL]

Commissioner (Appeal) decided the appeal filed by the department in review applying the doctrine of merger, as he had already disposed of the appeal filed by the party against the same order in original. Tribunal considering the facts concluded that doctrine of merger is not applicable in such cases as the appeal filed by the department was not before the Commissioner (Appeal) when he had disposed off the appeal of the party.

Johnson Matthey Chemicals India Pvt Ltd Vs CCE Belapur [2013-TIOL-216-CESTAT-MUM]

In terms of the CENVAT Credit Rules, 2004 no time limit has been prescribed within which the appellant should have taken the credit in respect of the inputs received by him. The word “*immediately*” used in the rule 4(1) implies that the manufacturer can take credit when the inputs are received in the factory and it does not mean nor it is intended that if the manufacturer does not take the credit as soon as the inputs are received in the factory, he would be denied the benefit of CENVAT credit.

POT POURRI

- ❖ Circular No 967/1/2013-CX dated 1st January 2013, has been a source of instant litigation. This recovery proceedings initiated in the terms of this circular has been challenged before various High Courts which have given instantaneous relief to the applicants by staying the recovery proceedings till the hearing/disposal of the stay petitions by the Appellate Authority. (M/s Texonic Instruments Vs CST [2013-TIOL-111-HC-Kar-CX], Krishna Saa Fabs Pvt Ltd Vs UOI [2013-TIOL-102-HC-AP-CX], L&T Vs UOI [2013-TIOL-99-HC-MUM-CX], Hindustan Zinc Ltd Vs UoI [2013-TIOL-67-HC-RAJ-CX], R S W M Ltd Vs UoI [2013-TIOL-61-HC-RAJ-CX], M/s Symrise Pvt Ltd Vs UoI [2013-TIOL-55-HC-MAD-CX], Bonfiglioli Transmission Pvt Ltd Vs CCE [2013-TIOL-111-HC-MAD-CX], Ultratech Cement Ltd Vs UoI [2013-TIOL-23-HC-AP-CX])
- ❖ Two show-cause notices were issued to the appellant on 18.1.2008 and 2.5.2008 for demand of duty. The said show cause notices were adjudicated dropping the demands made. Commissioner (Appeal) had in departmental appeal set aside the order of the adjudicating authority which was in challenge before the Tribunal. Before the matter could have been decided by the tribunal the issue was again adjudicated by the Adjudicating Authority and also by the Commissioner (Appeal). Taking the note of pending appeal tribunal observed that the officers of the department have no respect for the orders passed by this Tribunal and they are following their own law which results in unnecessary litigation before this Tribunal. (Mahindra Hinoday Industries Ltd Vs CCE Pune [2013-TIOL-212-CESTAT-MAD]).

सम्पादक मण्डल

श्रीमती संध्या बालिगा, संरक्षक

सदस्य (एल एण्ड जे) केन्द्रीय उत्पाद एवं सीमा शुल्क बोर्ड

श्री संजीव श्रीवास्तव, आयुक्त

श्री के.पी. सिंह, अपर आयुक्त

श्री मनीष कुमार, अपर आयुक्त

जोनल नोडल अधिकारी

Directorate of Legal Affairs,

4th Floor, Rajendra Bhawan,
Deen Dayal Upadhyay Marg, New Delhi.
Contact Numbers: 011-23219075/76,
Fax: 011-23219073,
e-mail: dlasmc@yahoo.co.in.

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