

ORDER SHEET
IN THE HIGH COURT OF SINDH AT KARACHI
Suit No. 676 of 2019

DATE

ORDER WITH SIGNATURE OF JUDGE

Plaintiff: **Fazal-e-Rabi Through
Mr. Kashif Nazeer, Advocate.**

Defendant No.1: **Federation of Pakistan Through
Mr. Osman A. Hadi, Assistant Attorney
General.**

Defendant Nos. 2 & 3: **Directorate of Intellectual property Rights,
Enforcement-South, Custom House, Karachi
Through Dr. Shahnawaz Advocate.**

For hearing of CMA No.5511/2019. (U/O 39 Rule 1 & 2 CPC)

Dates of Hearing: **30.04.2019, 16.05.2019, 22.05.2019 &
27.05.2019.**

Date of Order: **02.08.2019**

J U D G M E N T / O R D E R

Muhammad Junaid Ghaffar J. This is a Suit for Declaration, Injunction and Damages, impugning seizure dated 25.3.2019 of the goods imported by the Plaintiff by Defendants No.2 & 3. Through listed application, the Plaintiff seeks suspension of the seizure and provisional release of the consignment in question pending this Suit.

2. Precisely the facts, as stated, are that Plaintiff imported a consignment of various goods including mobile batteries, chargers, camera batteries, automobile parts and cosmetics vide G.D. No.KAPE-126393 dated 06.02.2019 and sought clearance thereof from Defendant No.4. However, even after processing and out of charge of the GD and its

release by Defendant No.4, its clearance was not allowed and it is alleged that Defendants No.2 & 3, arbitrarily and without lawful authority and jurisdiction, initially detained the goods and thereafter the impugned seizure has been made for alleged violation of the various provisions of the Customs Act, 1969 ("**The Act**") as well as the Customs Rules 2001 ("**Rules**").

3. Learned Counsel for the Plaintiff has contended that the action of Defendants No.2 & 3 is in violation of Rules 680 to 682 of the Rules introduced through Notification dated 16.03.2017 in respect of Enforcement of Intellectual Property Rights; that the Rules require that the Intellectual Property Right Holder having valid ground for suspicion to the effect that imported goods are infringed, may approach Defendants No.2 & 3 in advance and make a complaint; however, in this case, according to him the procedure provided in these Rules has been violated; that first the goods were detained unlawfully without any complaint, notwithstanding that they were duly out of charged by Defendant No.4, and thereafter the complaint has been generated subsequently; hence, the impugned action of seizure is without jurisdiction and lawful authority; that no joint examination of the goods was conducted, as provided in Rule 682(3) of the Rules before making seizure of the goods; that the documents, which have been annexed with the written statement are post seizure and even the Bank Guarantee as well as the securities, which were required to be furnished by the right holder(s) have not been done in time and in some cases even not complied with; that it is apparent from a Letter of one of the right holders dated 04.02.2019 that it is a fabricated document inasmuch as in the Letter dated 04.02.2019, the GD dated 6.2.2019 has been mentioned, which is an impossibility; that it has become a common practice that

Defendants No.2 & 3 do scanning of the import details of all consignments of the importers, and then an exercise of pick and choose is carried out by detaining goods, and then asking the Intellectual Property Right holders to make complaints; that in one of the cases pertaining to the complaint by Samsung there are no signatures of the complainant / applicant; that the entire action in this manner is without lawful authority and jurisdiction, whereas, the intent and spirit of forming of the Intellectual Property Rights Directorate has been defeated by such conduct of Defendants No.2 & 3; hence, the entire action is illegal, without lawful authority and jurisdiction; hence, liable to be quashed and set aside. In support of his contention he has relied upon the cases of ***Khyber Tractors (Pvt.) Ltd. through Manager v. Pakistan through Ministry of Finance, Revenue and Economic Affairs, Islamabad*** reported as **PLD 2005 SC 842**, ***Government of the Punjab, Food Department through Secretary Food and another v. Messrs United Sugar Mills Ltd. and another*** reported as **2008 SCMR 1148** and ***Abdul Bashir and others v. Government of Baluchistan through Chief Secretary, Civil Secretariat, Quetta and 3 others*** reported as **2001 CLC 1579**.

4. On the other hand, learned Counsel for Defendants No.2 & 3 has contended that the said Defendants have acted with lawful authority and jurisdiction conferred upon them under Section 3CC and 3E of the Act read with SRO 639(I)/2015 dated 10.06.2015 and SRO 768(I)/2014 dated 12.08.2014, and therefore, no case is made out; that the items in question are infringing goods of various international brands and the action was taken on the basis of complaint under Rule 680; that notwithstanding this, Defendants No.2 & 3 are even otherwise authorized and have lawful jurisdiction to take cognizance in respect of such

imports on their own under Rule 680; that all codal formalities have been complied with; that the importer is not an intellectual property right holder of the brands in question, and therefore, cannot import the same; that the goods in question are counterfeit goods; that even safety and health rules have been violated; that the alleged violation falls within Section 15(c) of the Act read with Section 40 of the Trade Mark Ordinance, 2001; that Section 420, 478 and 486 of Pakistan Penal Code have also been violated; that it is settled law that a procedural defect must not defeat the intent and purpose of a substantive law; that the relevant formalities under the Rules have been duly complied with and the complainants have given Bank Guarantees as well as additional securities as per rules; that the relief being claimed is barred under the Specific Relief Act, 1877; hence no case is made out and the listed application is liable to be dismissed. In support of his contention, he has relied upon the cases of ***Shan Food Industries v. Eastern Products (Pvt.) Ltd and others*** reported as **2012 SCMR 1504** & ***Mehboob Ali v. the Director, Kachi Abadi and another*** reported as **1996 MLD 865**.

5. Learned Assistant Attorney General has referred to the provisions of Sections 53 to 66 of the Trade Marks Ordinance, 2001 read with Section 15 of the Act as well as Intellectual Property Organization Act 2012 and has contended that the remedy lies before the Intellectual Property Rights Tribunal constituted under this Act; that a proper complaint as well as a complainant must be present to initiate proceedings for enforcing any infringement; that the provisions of Trade Mark Ordinance, 2001 will override other laws; that the listed application is to be decided in terms thereof.

6. I have heard all the learned Counsel as well as learned Assistant Attorney General and have perused the record. Since only a legal controversy is involved in this matter, and therefore, by consent of all, the entire Suit is being decided at this stage of the proceedings by settlement of following legal Issues under Order XIV Rule 2 CPC:-

- i. Whether the impugned action of Defendants No.2 & 3 in respect of detention of the goods in question, and thereafter issuing a Seizure is in accordance with the relevant provisions of Enforcement of Intellectual Property Rights as introduced through Notification dated 16.03.2017 by amending the Rules?
- ii. What should the decree be?

7. Insofar as Issue No.1 is concerned, it appears that through SRO 170(I)/2017 dated 16.03.2017 while exercising powers under Section 219 of the Customs Act, 1969, the Federal Board of Revenue has been pleased to make amendments in the Rules, by adding a new "Chapter-XXVIII". In the said Rules through Rules 678 to 685, the provisions for enforcement of Intellectual Property Rights have been introduced. It would be advantageous to refer to Rule 680 and 682 to have a better understanding of the controversy in question, which read as under:-

"680. Application by the right holder for enforcement action.— (1) A right holder who has valid grounds for suspicion that imported goods are infringing his intellectual property rights protected under the Copyright Ordinance, 1962 (XIV of 1962) and the Trade Marks Ordinance, 200 (XIX of 2001), may, at the time of arrival of suspected goods at the notified customs station, make an application on the format set out in Annexure-A to these rules, to the Director, 1PR (Enforcement) having jurisdiction, requesting for initiating enforcement action against such goods.

(2) For goods infringing the provisions of the Patents Ordinance, 2000 (LX1 of 2000), Registered Designs Ordinance, 2000 (XLV of 2000) and the registered layout-designs of Integrated Circuits Ordinance, 2000 (XLIX of 2000), the right holder or the Collector of Customs. as the case may be, shall follow the same course of action as prescribed under these laws.

(3) The applicant, along with the application, shall submit all prescribed documents as well as a notarized undertaking on the format as set out in Annexure-B to these rules, indemnifying the Customs authorities against all liabilities.

(4) The applicant, at the time of filing an application, shall also submit a bank guarantee on the format as set out in Annexure-C, from a scheduled bank for an amount of Pak Rupees five hundred thousand or twenty-five per cent of the value of suspected infringing goods. whichever is higher, to cover possible compensation for the losses suffered by the owner of goods due to false

application, and payment of expenses on account of investigation, warehousing, maintenance, disposal of goods, etc, incurred after detention by Customs.

(5) The Director, IPR (Enforcement) shall refuse to entertain an incomplete application and inform in writing the applicant of the reasons for such refusal.

682. Action on receipt Of information from Customs,--(1) An officer of Customs, having grounds to believe that the goods infringing the provisions of the Copyright Ordinance, 1962 (XIV of 1962), the Trade Marks Ordinance, 2001 (XIX of 2001) or section 15 of the Act have arrived at the Customs station of his jurisdiction, shall with the prior approval of the concerned Additional Collector, inform in writing the concerned Directorate of IPR (Enforcement) For taking cognizance in accordance with these rules.

(2) Upon receipt of notice from the officer of Customs intimating about arrival of infringing goods at the Customs station, the Directorate of IPR (Enforcement) shall immediately consult the recordation database to determine as to whether or not, any right holder of infringing goods is registered with IPO-Pakistan.

(3) If the right holder of infringing goods is registered with IPO-Pakistan, the Director. IPR (Enforcement), shall issue him a notice intimating about arrival of infringing goods at a Customs station and seeking right holder's consent to initiate enforcement action against the infringing goods.

(4) In case the right holder is desirous of initiating enforcement action against infringing goods brought at a Customs station, he shall submit an application along with notarized undertaking, and bank guarantee, as prescribed under rule 680.

(5) Upon receipt of notice under sub-rule (4), the Directorate of IPR (Enforcement) shall proceed in accordance with rule 681.

(6) If the right holder does not opt for initiating enforcement action against the infringing goods, die Directorate of IPR (Enforcement) shall allow release of infringing goods and notify the same to the concerned Collectorate of Customs.”

8. Perusal of Rule 680 reflects that, an application has to be filed by a right holder for an enforcement action, who has valid ground for suspicion that imported goods are infringing his Intellectual Property Right protected either under the Copy Right Ordinance 1962 or Trade Mark Ordinance 2001, and has to approach the notified Customs Stations by making an application on the format as set out in Annexure-A to these Rules, to the Director, IPR (Enforcement) (Defendant No.2), requesting for initiating enforcement action against such goods and its importer. Sub-Rule (3) further provides that the applicant, along with the application, shall submit all prescribed documents as well as a notarized undertaking on the format as set out in Annexure-B to these Rules,

indemnifying the Customs authorities against all liabilities. Sub-Rule (4) further provides that the applicant, at the time of filing an application, shall also submit a bank guarantee on the format as set out in Annexure-C, from a scheduled bank for an amount of Pak Rupees five hundred thousand or twenty-five per cent of the value of suspected infringing goods, whichever is higher, to cover possible compensation for the losses suffered by the owner of goods due to a false complaint and payment of expenses on account of investigation, warehousing, maintenance, disposal of goods, etc, incurred after detention by Customs, whereas, Sub-Rule (5) provides that the Director, IPR (Enforcement) shall refuse to entertain an incomplete application and inform in writing the applicant of the reasons for such refusal.

9. Insofar as Rule 682 is concerned, on which much reliance was placed by the learned Counsel for Defendants No.2 & 3, it reflects that an officer of Customs having reasonable grounds to believe that goods infringing the provisions of the Copyright Ordinance, 1962, the Trade Marks Ordinance, 2001 or section 15 of the Act have arrived at the Customs station of his jurisdiction, shall with the prior approval of the concerned Additional Collector, inform in writing the concerned Directorate of IPR (Enforcement) for taking cognizance in accordance with these Rules. Perusal of the two aforesaid provisions of Rule 680 and Rule 682 depicts that these are two distinct situations, which have been provided therein for initiating the proceedings for enforcement of Intellectual Property Rights. The first one i.e. Rule 680 provides that a right holder can approach as an applicant, the Enforcement Directorate by alleging infringement of his Intellectual Property Rights duly registered in his name. This method and procedure requires that the Applicant has to approach with a proper application as well as fulfillment

of various requirements including Bank Guarantee etc. and if these pre-requisites are not fulfilled, then such an application shall be returned by the Director IPR (Enforcement). The second method empowers the concerned Collectorate i.e. Defendant No.4, in this case to approach the Enforcement Directorate of IPR, for taking cognizance of the alleged infringed goods and proceed further accordingly.

10. Insofar as the case in hand is concerned, it is apparently not a case initiated by Defendant No.4 in terms of Rule 682 as no document of whatsoever nature in this regard has been placed before the Court so as to suggest that Defendant No.4 had initiated or made an attempt to initiate such proceedings. Even the written statement is also silent to this effect; hence, it must be presumed that the action was initiated in terms of Rule 680 *ibid* and not Rule 682 as contended by the learned Counsel for Defendant No.2 & 3, i.e. on the basis of a complaint made by a property right holder to the effect that its Intellectual Property Rights are being infringed by the importer. When the documents placed on record to support the impugned action by Defendants No.2 & 3 are examined, it appears that along with the written statement a Letter dated **04.02.2019** has been annexed which has been issued by a Legal Counsel of Toyota Indus Company Limited, which is purportedly an application for initiating IPR Enforcement action against the consignment imported by the Plaintiff. On perusal of the same, on the face of it, it appears to be a forged and fabricated document, inasmuch as it is dated **04.02.2019** and is alleging infringement against the Plaintiff in respect of a GD dated **06.02.2019**. Now admittedly on 04.02.2019, the applicant could not have had any details of a GD to be filed by the Plaintiff on **06.02.2019**. This apparently substantiates and supports the contention and claim of the Plaintiff that the consignment was detained first; and

thereafter, the applicant was called to make a complaint. Contents of the complaint also reflects that the complainant is referring to the GD and the imported merchandise with description, and therefore, the Applicant on **04.02.2019** could not have been in knowledge of a GD, which was filed subsequently on 06.02.2019. There are other supporting documents, which have been placed on record, whereby, an attempt has been made to satisfy that proper formalities have been fulfilled by the Applicant for making such complaints. However, record reflects that all these documents including the Indemnity Bond as well as Cheque and other related documents are of subsequent dates, and therefore, they do not fulfill the criteria, which was required to be satisfied by the Applicant while initiating a Complaint under Rule 680 of the Rules. It is also pertinent to note that after having been dissatisfied with the response and the documents filed on behalf of Defendants No. 2 & 3, as initially even the written statements were filed by them through some attorney(s), directions were given to place on record the original file and record of the proceedings. However, to the utter dismay and surprise of this Court, unfortunately, in a very haphazard and concocted manner, a plethora of documents have been placed in an official file and given to this Court, without any original Note Sheet of the said file, whereas, no acknowledgement of these documents or the complaint of the applicants have been shown to the Court. This appears to be an effort to conceal official and material facts from this Court. The case of the Plaintiff is to the effect that proper procedure has not been followed for compliance of Rule 680, and therefore, it was incumbent upon the Defendants to satisfy the Court that all formalities have been properly completed in time and in the manner as mandated in law; but unfortunately and for unexplained reasons, no such effort has been made and a number of

documents without any proper order or sequence have been placed in one file before the Court, which reflects very badly on the conduct of Defendants No.2 & 3.

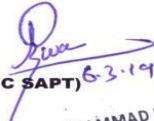
11. Though all efforts were made on behalf of the Defendants No.2 & 3 by their Counsel that the action was initiated on the basis of a complaint, as provided in Rule 680, however, the record placed before the Court itself reflects otherwise. Perusal of Seizure No.12/2019, in respect of one of the products reflects that in Para-2, it has been stated that; *“Whereas this Directorate held up the above-said consignment on the ground of containing allegedly counterfeit trademark goods of **“L’OREAL”**, an action brought forth against the owner of the goods by Messrs L’OREAL 14, rue Royale, Paris 75008, France (**“the right-holder”**)*, which clearly reflects that the Directorate has held up the consignment on the ground of containing allegedly counterfeit trademark. Time and again, learned Counsel for Defendants No.2 & 3 was asked to place on record the actual detention notice or any other document, whereby, the goods were detained. However, he has failed to refer to any such document from the record. This justifies the stance of the plaintiff that the goods were first detained on its own by Defendant No.2 & 3 through computer blocking; and thereafter, further proceedings took place. Perusal of another document from the record placed before the Court from the original file further reflects that after illegally detaining the goods, the Defendants No. 2 & 3 had asked Defendant No.4 to provide samples of various goods. This is reflected from the following document which has been found in the original file submitted by Defendants No.2 & 3 and for having a better understanding has been scanned. The same reads as follows:-

C.H.ADDITIONAL DIRECTOR IPR.

CONT NO: TCNU8643821
KAPE-TP-126393-06-02-2019".
D/DESP:

- 1. BLACK HAIR SHAMPOO, BRAND: SUBARU.
- ✓ 2-A) BRAKE SHOE FOR TOYATA 477-N2 (TOYOTA GENUINE PARTS LEXUS),
- ✓ B) STEERING HUB/HORN PAD, (HONDA),
- C) CONNECTORS,
- D) CARBURATOR WITH DENIUM (472 70-47030) (1508223052),
- E) STEERING PLASTIC HOUSING FOR WIRING,
- 4-A) DATA CABLE,
- B) CHARGER WITHOUT WIRE BRAND: OPPO,
- ✓ C) CAR CHARGER WITHOUT WIRE BRAND: SAMSUNG,
- D) CHARGER WITHOUT WIRE BRAND: HUAWEI,
- ✓ E) CARGER WITHOUT WIRE BRAND: SAMSUNG,
- I) HAND FREE,
- J) HAND FREE,
- K) CHARGER WITH WIRE,
- L) CHARGER WITH WIRE, BRAND: ZK SUPER,
- M) CHARGER WITH WIRE,
- N) CHARGER WITHOUT WIRE,
- 5. WALLETS (MADE OF ARTIFICAIL LEATER),
- ✓ 6.SUNGLASSES OF ASSORTED SIZES.
- 9.LINER(19010011),SAMPLE NOT REQUIRED FOR FURTHER VERIFICATION IMAGES ATTACHED.
- 11. LADIES HAND PURSE/POUCH,
- 13. LADIES PURSE OF ASSORTED DESIGN AND COLOURS (MADE OF ARTIFICAIL LEATHER),
- 18. PACKING MATERIAL,


Faheem Kazmi
A/O SAPT


(AC/DC SAPT) 6.3.19

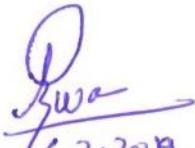
MUHAMMAD RIZWAN
Deputy Collector of Customs
MCC Appraisement (East)
Custom House, Karachi

Forwarded to Directorate of IPR as per letter dated 01-03-2019

CONTAINER NO:TCNU8643821=KAPE-TP-126393-06-02-2019.

**AS PER DC SPT DIRECTIVE SAMPLES HAS BEEN DRAWN FROM THE
CONSIGNMENT HAVING SERIAL NO's: 1, 2A, B, C, D, E, 4B, C, D, E, I,
J,K,L,M,N,5,6,9,11,13 AND18**

ARE BEING FORWARDED TO DIRECTORATE OF IPR.


6.3.2019
MUHAMMAD RIZWAN
Deputy Collector of Customs
MCC Appraisalment (East)
Custom House, Karachi

12. Perusal of the above scanned document placed on record clearly reflects that on 06.03.2019, the samples were drawn by the Deputy Collector of Customs MCC Appraisalment (East), Custom House, Karachi and were forwarded to the Directorate of IPR as per their Letter dated 01.03.2019. Now, if the samples were not available or Defendants No.2 & 3 had not even examined the same before embarking upon the exercise of alleged infringement, then how any further action was initiated and proceeded further, except first illegally detaining the goods and then completing the formalities and fulfilling the lacuna in the procedure of entertaining the complaint. It is settled law that the mandatory procedure must be followed as provided in law and if not, then the entire action is deemed to be without lawful authority. The legislature in order to protect the rights of the Importer has provided certain requirements which are to be fulfilled first, before an action is entertained on behalf of a complainant. And for that it has also directed the IPR Enforcement

Directorate to act in a certain manner. These conditions are mandatory in nature as at the same time the Customs Authorities have been given separate powers to initiate an action on their own. Both these are distinct in nature and must be followed independently and this Court cannot ignore the shortcomings in following the said procedure. Equal protection has been provided both for the Importer as well as the Applicant, whereas, at the same time it has taken away the discretion of the IPR Directorate to act on its own independently. And it is for the reason that in law it is the job and responsibility of the concerned Collector to examine the goods and process the GD, and if it is felt that some goods have been imported which are infringing in nature, then a reference can be made by the said Collectorate to the IPR Directorate; but it is not vice versa. Under no circumstances the IPR Directorate can act in the manner as it has done so in this case. The said Directorate has been created to strictly enforce the Intellectual Property Laws in line with the International Commitments and various Agreements and Treaties entered into by the State with other Countries, but at the same time, such enforcement is to be done in a manner as prescribed in law and not otherwise. Nobody can be left at the discretion, whim and desire of a particular officer. The Applicant / Complainant has to follow the procedure as provided in law and if they are able to fulfill the said requirement, only then their Intellectual Property Rights can be protected. This is a pivotal and pertinent point which must be noted and acted upon by the Customs department as well as the IPR Directorate.

14. The upshot of the above discussion leads to the conclusion that insofar as Defendant No.2 & 3 i.e. the Directorate of Enforcement of Intellectual Property Rights is concerned, they do not have any independent jurisdiction of their own under Rule 680 to initiate any

enforcement proceedings. On the contrary they can only act and proceed further, if any applicant / complainant has approached them with a proper and complete application as provided in Rule 680, and if not, then the said complaint of the applicant “*shall*” be returned in terms of sub-rule (5) as the use of the word here is to be read as mandatory. And this is for reason that the Rules itself has provided two different and distinct situations under Rule 680 and 682; hence, any contrary interpretation would render the provisions of any one of these Rules as redundant. In the instant matter the entire action initiated by Defendant No.2 & 3 is without following the procedure as contemplated in Rules 680 as above. The consignment was first detained and blocked in the computer and thereafter, the Applicants filed their complaints and fulfilled requirements. This is admittedly clear from the letter dated 4.2.2019 as discussed hereinabove which talks about a GD of 6.2.2019 which is an impossibility. Resultantly the entire proceedings are without jurisdiction and tainted with personal interest and malafides; hence, liable to be declared as void and illegal. It is manifestly and apparently clear that the office of Defendants No.2 & 3 has not acted in this matter in accordance with the Rules and the procedure provided therein, as apparently, the pre-conditions to Rule 680 as above, have not been followed, and it appears to be a case, wherein, the Defendants No.2 & 3 have exercised their discretion without lawful authority and the entire exercise initiated by them is tainted with malafides being lawful authority and jurisdiction, and therefore, cannot be sustained or upheld by this court.

15. In view of such position, Issue No.1 is answered in *negative* by holding that the act of Defendants No.2 & 3 whereby goods of the Plaintiff have been seized is without lawful authority and jurisdiction. As a consequence thereof, Issue No.2 is answered by decreeing the Suit of

the Plaintiff by directing the Defendants to immediately release the seized / detained goods.

16. The Suit is decreed in the above terms, whereas, the listed application stands disposed of.

Dated: 02.08.2019

J U D G

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Ayaz P.S.