



Renewed judicial resolve and coordinated efforts by industry bodies are reshaping India's intellectual property battlefield. Important victories have boosted IP owners' morale, but the war is far from won

Raghavendra Verma reports from New Delhi

Brand piracy and other attacks on IP are rampant and widespread in India's huge and disorganized retail market. According to the Federation of Indian Chambers of Commerce and Industry (FICCI), the country loses almost US\$239 million annually to piracy in the IT sector alone. Another major target for counterfeiters is the fast moving consumer goods sector – items such as soap, shampoo and deodorant. According to Ameet Datta, a partner at Luthra & Luthra, products such as garments, pharmaceuticals, cosmetics and automotive parts are also highly prone to brand piracy.

The interests involved are diverse, with risks to IP troubling domestic and international companies and investors alike.

The US embassy in New Delhi warns: "India has widespread piracy, which is a matter of grave concern for any organization wanting to enter the Indian market." For example, says the embassy, 29% of the potential Indian market for movies produced by major US studios is currently lost to piracy.

It's therefore unsurprising that India is included on the Priority Watch List of the Office of the US Trade Representative's Special 301 Report on the adequacy and effectiveness of IP rights protection by US trading partners. According to the office, India – along with 11 other countries including China, Russia, Canada, Israel and Thailand – does not provide an adequate level of IP protection or enforcement.

International obligations

India is a member of the World Trade Organization and a signatory to the General Agreement on Tariffs and Trade (GATT) and the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS). It is also a party to the Universal Copyright Convention, the Berne Convention for the Protection of Literary and Artistic Works, the Paris Convention for the Protection of Industrial Property, the Convention on Biological Diversity, the Madrid Protocol, the Patent Cooperation Treaty and the Budapest Treaty on International Recognition of Microorganisms for the purpose of patent procedure.

Indeed, the only IP agreements India has not yet acceded to are the Copyrights Treaty of the World Intellectual Property Organization (WIPO) and the WIPO Performances and Phonograms Treaty.

Legal infrastructure

The Indian Trademarks Act, 1999, which replaced the trademarks and Merchandise Marks Act of 1958, allows the registration of service marks, collective marks and even unconventional sound marks like “Yahoo”, in addition to trademarks for goods. With a 10-year term of registration (afterwards subject to renewal), trademarks are recognized as movable property in India. According to Gaurang Kanth, managing partner of Kanth & Associates, this allows trademarks to be assigned or licensed with or without associated goodwill.

The increasing value of trademarks was highlighted recently when Vijay Mallya’s UB Group secured a loan by placing its Kingfisher brand name as collateral, the first such occurrence in India. *The Economic Times* reported that the brand was used to secure a US\$430 million loan from the State Bank of India. UB in-house counsel Kaushik Majumder withheld details of the deal due to a “confidentiality agreement with the lenders”, but said that the importance of trademarks to his company has increased dramatically in recent years.

The Trademarks Act also allows companies with well known trademarks in other jurisdictions to prevent infringement in India. “A foreign company whose trademark is known in India through spill-over advertising or tourist travel may seek protection for its mark even though the mark is neither commercially used in India nor registered under Indian laws,” says Arjun Rajgopal, an associate at Mumbai-based law firm

During the last decade the courts have begun to recognize the reputation of brand names

Arjun Rajgopal

Associate

Nishith Desai Associates



Nishith Desai Associates. “In this context, decisions of English courts are particularly relevant to copyright law in India,” he adds.

The Patent Act, 1970, the Indian Copyright Act, 1957, and the Indian Designs Act, 2000, are the other major laws governing intellectual property in the country.

According to Kanth, violations of IP law in India attract stringent punishments that are comparable to those in many other countries. Falsely using a trademark with the intent to defraud, or possessing goods bearing a false trademark for sale or hire, could lead to imprisonment for up to three years and a fine of US\$4,000. For the infringement of copyrights under the Copyright Act – which protects cinematographic films, sound recordings, original works of art, literature, drama, music and computer software – the minimum jail term is seven days and the maximum is three years, with fines ranging from US\$1,000 to US\$4,000.

Fighting back

Increasingly, India’s courts are taking a positive attitude to the enforcement of these laws. “During the last decade the courts have begun to recognize the reputation of brand names, the exclusivity of trademarks, the debasement of goodwill and the relevance of trans-border reputation in passing-off actions,” says Rajgopal. He commends Indian courts for being “extremely creative and innovative in designing new remedies to suit the complex social and economic environment of the country”.

As Rajgopal recalls, it was only in 2005 that Delhi High Court first quantified damages based on the loss of profit incurred by the plaintiff, when it awarded Microsoft Corporation damages of US\$4,000. Earlier, he says, Indian courts were generally reluctant to award large damages in IP-related cases. Datta agrees, noting that infringers are coming under increasing pressure due to the courts’ new-found willingness to award damages.

According to Kanth, Indian courts are “now shrugging off their erstwhile conservative approach towards the grant of damages and have accepted the overwhelming reasons to protect IP rights strictly in order to deter infringers”. He cites the case of *Hero Honda Ltd v Shree Assuramjiji*, in which the court differentiated between compensatory damages and punitive damages, and for the first time classified damages as being of three types: compensatory, punitive, and damage due to loss of goodwill and reputation.

Rising to the challenge

Robert Arnold, head of Baker & McKenzie’s IP practice in Asia-Pacific, notes that India’s courts are not the only bodies that are raising their game to combat IP infringement. International industry groups representing the motion picture, music and software industries are increasingly taking action to enforce their members’ rights and lobbying hard for more effective enforcement. There are also signs of increasing activity by the National Association of Software and Service Companies (NASSCOM), a trade body for the IT and outsourcing industry, which has undertaken many anti-piracy raids over the last few years.

Another industry body that has responded to the IP challenges facing its members is FICCI. The federation plays a key coordinating role that links the anti-infringement efforts of enforcement agencies, industry associations and consumer bodies. FICCI’s National Initiative Against Piracy and

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Gaurang Kanth
Managing Partner
Kanth & Associates



Counterfeiting (NIAPC) focuses on educating consumers, publicizing the negative impact of counterfeiting, lobbying for the effective enforcement of existing laws and proposing new laws and amendments.

FICCI also provides guidance to India's customs authority, which under the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007, has the authority to seize suspect goods upon their entry into the country. Sheetal Chopra, head of FICCI's IP division and the NIAPC, notes that such timely intervention at the point of entry is vital in the fight against piracy.

The Confederation of Indian Industry (CII) has also contributed to India's IP protection infrastructure. It has established a telephone hotline for anyone with information about counterfeit or contraband products. The initiative has had the unexpected result of highlighting just how poor the understanding of IP issues is among the general public in India: so far the majority of calls to the hotline have been consumer complaints relating to genuine products.

An official from CII's Mumbai office told *India Business Law Journal* that the body plans to launch an IP awareness campaign, using the term "duplicate products" to make the concept of counterfeiting easier for the general public to understand.

Police failings

While tangible improvements to India's IP enforcement regime are evident at many levels, some observers believe that the country's police forces, often the first port of call for victims of IP abuse, have failed to keep pace.

NL Mitra, a senior partner at FoxMandal Little and a former director of the National Law School of India University in Bangalore, acknowledges some progressive initiatives by the police aimed at curbing IP violations, but believes these achievements have been made at "too slow a pace to offer any considerable impact with respect to the protection of intellectual property".

Chopra says that although the police are empowered to conduct raids, more basic and practical problems restrict their ability to respond to IP infringements. Police forces are understaffed, and as a result IP-related cases receive a lower priority than they deserve.

Mayank Vaid, director of IP enforcement for Asia-Pacific at LVMH Fashion Group, believes that the current requirement for the deputy superintendent of police to seek the opinion of the trademark registrar before acting on a complaint should be dropped. He says the powers vested with the deputy superintendent under the Trademarks Act should be reallocated to police inspectors, increasing the number of officers available to work on IP-related investigations.

The unavailability of copyright holders' ownership certificates further stymies police efforts. "Police do not even know who the copyright owner is as there is no [electronic] database to check," laments Chopra.

The Registrar of Copyrights Office, which holds the data for all copyrights registered in India, has committed itself to publish all registrations from 1958 onwards on its website. But work on the database has yet to start. A senior official at the office told *India Business Law Journal* that he expects the task to be completed sometime next year.

Parle v Parle

In contrast to the police, Vaid at LVMH says recent cases demonstrate that India's judiciary is now very well equipped to handle complicated intellectual property matters. He offers the example of Bombay High Court's recent ruling in the Parle case, which he describes as a "first-of-its-kind" judgment that provides, in clear words, a distinction between house marks and product identification marks under Indian law.

The case was between Parle Products Private Limited, a confectionery company, and Parle Agro Private Limited, which sells beverages. Both companies trace their roots to a single family-run business, which was split between the founder's children and subsequently divided into two separate entities. Both entities continued to use the "Parle" name despite there being no agreement between them governing the use of the brand.

A dispute arose in 2007 when Parle Agro diversified into the confectionery business, thereby competing with Parle Products. It started manufacturing toffees under the brand names Mintrox and Buttercup and marketing them with the words "Parle" or "Parle Confi". Parle Products (the plaintiff) contended that Parle Agro (the defendant) could not use the trademark Parle in conjunction with confectionery products on the grounds that consumers would naturally believe that the products were produced by the plaintiff.

Parle Products also argued that Parle was a registered trademark used to market its own confectionery products. The defendant, however, claimed that Parle had been registered by the family before the division of the companies, and as such, could be used by family members to denote family lineage for any business related to confectionery, biscuits or beverages.



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These incidents clearly suggest the absence of preventative measures and failure to understand local customs and regulations, while holding key lessons for the implementation of anti-corruption and fraud legislation. In recent years, the internationalization of anti-corruption enforcement actions has demonstrated that all global organizations must understand the jurisdiction of the FCPA and ramifications of a violation. Heightened scrutiny by US enforcement authorities of issues arising under the FCPA in India has resulted in a sharp escalation of penalties and prosecutions for violations. At the same time, foreign anti-corruption laws are gaining attention, underlining the need for global cooperative efforts against the malice of fraud and corruption, such as the UN Convention against Corruption (UNCAC) and the OECD Convention against Bribery.

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- Sandip Beri, General Counsel & Head of Government Relations, GE CAPITAL INDIA
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Police do not even know who the copyright owner is

Sheetal Chopra
Head of IP
FICCI



In reaching its judgment Bombay High Court distinguished between house marks and product identification marks. It held that Parle was a house mark (a company identification) which belonged to both the plaintiff and the defendant. By contrast the brand names used to market individual products – Buttercup and Mintrox for example – were product identification marks. The court ruled that house marks and product marks may appear side-by-side on a product, rejecting the argument that such use may be confusing to consumers. As such, the defendant was not restrained from using the words “Parle” or “Parle Confi” on its confectionery products, but it was ordered to clearly state on its packaging that the products were not related to Parle Products Private Limited.

Legal process

Common grounds for infringement considered by courts in relation to the protection of brand names and trademarks include deceptive similarity, likelihood of confusion or association with a registered trademark, and trans-border reputation. Mitra adds that courts are also placing a greater emphasis on the reputation of manufacturers than they did previously.

According to Mitra, among the relatively few grounds for defence in cases of copyright infringement are lack of *locus standi* (honest, concurrent and bona fide use by the IP owner) and the assertion that the intellectual property in question is “common to the trade” (the *publici juris* argument).

He says that Indian courts have sometimes been persuaded by the “unclean hands” doctrine – the principle of law that requires an entity which seeks equitable relief to come to the courts in good faith and devoid of wrongdoing itself. “If it appears that an attempt has been made to overreach or mislead the court by false statements or by withholding true information which would have a bearing on the question of exercise of discretion, the court may refuse to exercise the discretion,” Mitra explains.

Gowree Gokhale, a partner at Nishith Desai Associates, observes that the “courts are usually reluctant to interfere with registered trademarks and will generally uphold the registrant’s right”. Only in extraordinary circumstances – such as abandonment of the trademark or acquiescence by the proprietor – will courts decide otherwise. She notes that Indian courts have extended this protection to goods totally dissimilar from that of the proprietor, and even to the infringement and passing-off of trademarks on the internet, despite a lack of legislation in this area.

But while the courts in general are more willing to uphold intellectual property rights than they were in the past, observers still perceive some forums as being more sympathetic to IP owners than others. “Our correspondent law firms have indicated that some jurisdictions, like Delhi, are known to be more IP-friendly than others and plaintiffs often try to commence their actions there,” says Arnold at Baker & McKenzie. “However, the firm has also learned that courts are now cracking down on this type of forum shopping.”

Civil action

In the past, IP owners were often reluctant to take action against infringers because the slow judicial processes and a lack of regulatory infrastructure resulted in an unfavourable cost-benefit scenario. However cases of infringement are now being pursued with renewed vigour and more patents are being registered. Kanth says global competition, the high risks of innovation, rapid changes in technology and heavy investment in research and development and marketing have made IP rights worth fighting for.

When it comes to seeking redress for infringements, civil actions are currently the method of choice. Around 35 piracy-related cases are being filed each month at the Intellectual Property Appellate Board, with the numbers having risen steadily since June, when optimism began to return to the Indian market following the global financial crisis.

Chopra at FICCI confirms that most companies are filing civil suits instead of seeking criminal charges against infringers. This is because civil hearings and adjudications are fast and satisfactory awards can be attained.

Gokhale agrees, pointing out that it is possible to obtain quick interim orders in infringement proceedings in civil actions in India, and that this is where the main interests of the parties lie. By contrast, she says, the recovery of damages is usually a lengthy process, despite the increased willingness of courts to entertain such actions. Companies are also paying more attention to defensive measures. The number of patent applications received by the Mumbai-headquartered Office of the Controller General of Patents, Designs & Trademarks rose from 8,500 in 2000-01 to 36,800 in 2008-09, while the number of patents granted by the agency increased from 3,300 in 2005-06 to 18,000 in 2008-09.

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NL Mitra
Senior Partner
FoxMandal Little



The Controller General's Office itself is expanding, with the number of patent and trademark examiners set to rise from 80 to 330 by next year. In 2008 it generated more than US\$40 million in registration fees. Its annual budget of around US\$8 million is funded separately by the government.

According to a senior official at the Controller General's Office, the waiting period for registering a new patent has fallen considerably, with the process typically taking between eight months and two years to complete. The patent is then valid for 20 years.

Any disputes arising from decisions taken by the Controller General's Office find their way to the Intellectual Property Appellate Board in Chennai. This semi-judicial body deals with cases relating to trademarks, patents and geographical indicators. Granted jurisdiction in April 2007, the small organization has a chairman, vice-chairman, two technical members for trademarks and one for patents (the latter post is currently vacant). In addition to Chennai, benches of the tribunal sit once a month in Delhi and once every three months in Mumbai, Kolkata and Ahmadabad.

A senior tribunal official told *India Business Law Journal* that cases are usually disposed of within three to four hearings. However, the case of *Times Publishing House v Financial Times Limited* illustrates the pressures that complex cases can place on the system. The 125-year-old British newspaper is unable to use its brands in India because many have already been registered by Times Publishing House, a subsidiary of Bennett Coleman &

Some jurisdictions, like Delhi, are known to be more IP friendly than others

Robert Arnold
Head of IP, Asia-Pacific
Baker & McKenzie



Co, which is India's largest newspaper publisher and the owner of the titles like the *Times of India* and the *Economic Times*. The battle has been fought in India's courts and the offices of various regulatory authorities for several years, with around 15 sittings held over the last two years in the Intellectual Property Appellate Board alone. Even when a judgment is made the case is unlikely to be settled; the losing party will have the option of challenging the tribunal's decision before a high court. ■



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