

# India

## The changing face of intellectual property

IP rights experts believe that intellectual property is the key to India's expanding knowledge economy. Having grown in leaps and bounds, the Indian IP industry is fast reaching new heights. From striking a balance between IP rights protection and public policy to promoting IP rights education at school and college level, India has made efforts to implement better IP rights enforcement and protection. One key development in the past year has been the revamp of the administration and infrastructure of government IP bodies. On the legislative front, the recently passed Customs Notification has been a key step in curbing the movement of pirated and counterfeit goods across the Indian border. The judiciary has not been far behind in contributing to the development of IP rights. Litigation regarding trademarks, copyrights and patents has set new precedents, with the Indian courts adopting international principles and rulings to protect IP rights in order to deter infringers. Overall, the progress over the last year has set new milestones in IP rights for the challenging times ahead.

### Modernisation of IP infrastructure

The recently completed modernisation programme carried out by the government saw the establishment of state-of-the-art, integrated IP offices at five branch offices: Ahmedabad, Chennai, Delhi, Kolkata and Mumbai. The IT-enabled trademark and patent offices now have updated database systems, which has led to the faster consideration and granting of patent and trademark applications.

Following the launch of an electronic filing facility for patent and trademark applications by the union minister of commerce and industry on July 20 2007, on August 18 2007 the minister laid the foundation stone for the National Institute of Intellectual Property Management in Nagpur, which will be in charge of establishing an IP regime that is line with global norms, while still

safeguarding national interests. The primary functions of the institute include training, education and research, in addition to acting as a government think tank on key IP policy matters.

The government has already put forward plans to expand and modernise further the IP offices in order to make them world class. It has lodged an application with the World Intellectual Property Organisation (WIPO) for the recognition of the Indian Patent Office as an international search authority and an international preliminary examining authority under the WIPO Patent Cooperation Treaty. At present, there are 12 such offices. A significant development was the expansion of the remit of the Intellectual Property Appellate Board in April 2007 to hear pending patent cases. Regarding trademarks, a key future development will be the implementation of the Madrid Protocol in India; the country is already taking steps to become a signatory to the protocol by conforming to the system of international standards for trademarks.

### Patent law comes of age

In recent years there have been commendable developments regarding Indian patent legislation. The Patents (Amendment) Act 2005 is finally in place, introducing a product patent regime that affords protection to pharmaceuticals and agrochemicals by recognising the end result (ie, an actual product). A side-effect of the amendment has been an increase in the number of pre and post-grant oppositions filed. Of 190 such cases, at least 90 per cent come from the pharmaceutical sector. The first product patent for a combination was granted to Roche for the Pegasus product. The Patent Amendment Rules 2006 introduced a substantial degree of accountability to the patent regime in terms of the administrative delays in prosecuting and proceeding with the grant of patents. To deal with this shortcoming, on April 2 2007 the

Intellectual Property Appellate Board was charged with handling pre and post-grant opposition proceedings. All patent cases pending before the Delhi High Court as of that date were automatically transferred to the board.

Another significant change resulting from the act and the rules has been the substantial increase in patent litigation over the last two years. In a long-awaited patent decision, Novartis suffered a blow when the Madras High Court dismissed its challenge of the patent law. Novartis had argued that Section 3(d) of the Patents Act 1970 was unconstitutional and did not comply with the World Trade Organisation Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). The court went on to state that it lacked jurisdiction to rule on whether Section 3(d) of the 2005 act contravened the TRIPs Agreement, and that the appropriate body to adjudicate this issue was the World Trade Organisation (WTO). Novartis launched its challenge after its patent application for Glivec was rejected under Section 3(d) of the act, which restricts what can be patented. In particular, Section 3(d) states that salts and other derivatives of known substances “shall be considered to be the same substance, unless they differ significantly in properties with regard to efficacy”. As India is known to have a booming generic drugs industry, organisations campaigning for greater access to medicines claimed that, if Novartis’s challenge to the act succeeded, the decision would restrict access to affordable medicines in the developing world. The court also stated that the question of TRIPs compliance should be dealt with by the WTO using its dispute resolution mechanism. The decision was historic not only for India, but also for the rest of the world, since India produces drugs worth \$5 billion, 65 per cent of which are exported to underdeveloped countries.

Indian patent legislation has come a long way from its foundations to reach international standards, providing statutory relief and administrative efficiency for the public.

#### IP protection at Indian borders

In an arena where counterfeiting and piracy have become issues for concern, the Indian government has recognised the need for IP rights protection at its borders as a key defence against infringement. In keeping with international practice and in order to harmonise IP legislation with the Customs Act 1962, on May 8 2007 the Ministry of Finance and the Department of Revenue implemented the IP Rights (Imported Goods) Enforcement Rules 2007. The new rules give the Customs Authority the power to adjudicate on issues involving the import or export of infringing products. Under Rule 3, if a rights holder learns of the import of goods that infringe its IP rights, it may notify a customs officer at the

port of entry of the infringing goods, requesting the detainment or clearance of the infringing goods. Once such a request has been made, Customs will notify the rights holder of the rejection or acceptance of that request within 30 working days of receipt, during which time Customs will provide assistance to the rights holder.

The new rules provide that if a rights holder alleges that certain goods infringe its IP rights, it must execute a bond with Customs to cover any charges incurred for the destruction, demurrage and/or detention of the infringing goods if it is later found that the goods are non-infringing. In addition, Customs has the power to suspend the customs clearance of the goods if it has *prima facie* evidence or reason to believe that the imported goods are infringing IP rights. Sunglasses company Ray Ban filed the first notice under the new rules in order to prevent the import of counterfeit sunglasses into India.

The significant powers awarded to Customs allow it to tackle the counterfeiting and piracy of goods at international level.

#### Recent cases involving trademarks and copyrights

Having taken the lead in 2005 in awarding high punitive and exemplary damages for IP infringements, India has continued this trend, with robust judiciary and legislative measures affording blanket protection to IP rights owners in order to deter infringers. The Indian courts have taken a big step by recognising rights in shapes, film titles and characters, trade dress and colour marks, protecting trademarks, copyrights and other moral rights from habitual infringers. The much-discussed case of *Sholay Media & Entertainment Pvt Ltd v Parag M Sanghavi* (unreported, CS (OS) 1892/2006), which revolved around the proposed remake of well-known Bollywood film *Sholay* by a reputed Indian director, set a precedent in Indian entertainment law. The suit involved the issues of whether:

- trademark protection could be granted to the title of a film and the names of its characters; and
- copyright protection could be afforded to the construction of characters.

The Delhi High Court issued an *ex parte* injunction to restrain the defendants from infringing the plaintiff’s rights and recognised rights in the title of the film and the names and construction of its characters. The terms of the order were confirmed after a series of hearings and the defendant gave an undertaking that it would not infringe the plaintiff’s rights.

In *Zippo v Anil Manchandani* (unreported, CS (OS) 1355/2006), a case that deviated from the norm regarding

the protection of shape marks under the Trademarks Act 1999, the Delhi High Court held that a shape mark may be protected where it “enables the public to distinguish a product from others which have another commercial origin and to conclude that all the goods bearing it have originated under the control of the proprietor of the shape mark to whom the responsibility for their quality can be attributed”. The court’s decision finally translated the statutory right to protect shape marks set out by the Trademarks Act 1999 into reality. In *Colgate-Palmolive Company v AO Patel* (2005 (31) PTC 583) the court recognised the plaintiff’s trade dress and proprietary rights in its toothpowder container and restrained the defendant from using trade dress that was deceptively similar to the plaintiff’s red and white trade dress. In a similar case, *Colgate-Palmolive Company v Anchor Health and Beauty Care Pvt Ltd* (2003 (27) PTC 478 (Delhi)), the court again protected the use of a party’s packaging by a competitor. In contrast, in *Diageo North America Inc v Shiva Distilleries Limited* (IA 1717/2004 CS (OS) 255/2004) the Delhi High Court dismissed The Smirnoff Company’s claim for an injunction against the use of the mark BRISNOFF for vodka on the grounds that the defendant’s trademark was deceptively similar to the plaintiff’s SMIRNOFF mark. However, the court recognised the similarity in trade dress and the close resemblance between the defendant’s mark BRISNOFF and the eyebrow device label, as well as the combination of colours used on its labels, and between the plaintiff’s mark SMIRNOFF and the eyebrow device label. Thus, it asked the defendant to stop using the deceptively similar device and to change the colour combination used on its label.

Taking the trend of awarding punitive damages further, in *Hilton International Company v KV Kumar* (Suit 2015/2003), not only did the court permanently restrain the defendant from using the trademark HILTEN in respect of its hotel business, but it also granted damages of Rs2.359 million (\$58,975) to the plaintiff. In *Cartier v*

*Cartier Enterprises* (CS (OS) 1208/2003), recognising the well-established rights of the trademark owner, the court ordered the defendant to pay Rs1.78 million (\$44,500) plus 12 per cent interest in damages for infringing the trademark rights of the plaintiff.

In order to crack down further on the influx of counterfeit goods, in a series of successful actions brought by Microsoft the courts awarded damages ranging from \$15,000 to \$2 million. In *Microsoft Corporation v K Mayuri* (unreported, CS (OS) 1027/2005) in April 2007 the court awarded exemplary and punitive damages and damages for loss of reputation and goodwill, amounting to Rs1 million (\$25,000), following the sale of pirated goods by the defendant under the Microsoft name. In July 2007, in (unreported, CS (OS) 530/2003), the Delhi High Court, acknowledging the plaintiff’s rights in the trademark MICROSOFT and giving due consideration to the precedents placed on record by the plaintiff, awarded Microsoft Rs2 million (\$50,000) in compensatory and punitive damages, as well as annual interest of six per cent a year from the date of the decree until payment.

The IP sector has unanimously supported the paradigm shift in the judiciary’s approach towards damages in IP rights matters, as it looks set to usher in a more favourable legal environment for the creation, promotion and protection of IP rights in India.

### Conclusion

Since its inception, the Indian IP regime has taken great strides towards the increased protection and enforcement of IP rights. Although recent substantive developments have reaped significant rewards for IP owners in India, there are still uncharted waters waiting to be explored in the worldwide IP pool. With a population of 1 billion, India promises to be an active player in the global marketplace, exhibiting its commitment to the proactive protection of IP rights for those who seek to invest and reap benefits for the future.

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