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India
Key milestones for intellectual property

Today India is a central player in the booming Asian region, supporting major developed countries with its knowledge economy. Hailed as the next global IT giant, it has attracted praise, investment, tourism and some scepticism from all corners of the world. One of the cornerstones of the Indian growth initiative is the evolution of the IP regime, which continues unabated.

Although IP legislation has existed in India for decades, a real awareness and appreciation of IP issues has been noticeable only in the last 10 years. In addition to overhauling almost every IP law to harmonise with international standards, India has taken steps to promulgate IP legislation in new areas in order to support growing areas of development. The progress made in 2005 to 2006 has been critical for the consolidation of the IP legislation.

Product patents finally arrive

The year 2005 was very significant for Indian patent law. The hotly debated product patents system for pharmaceuticals and agrochemicals was finally put into place by the Patents (Amendment) Act 2005, which came into force on January 1 2005. The act also complies with India's obligations under the World Trade Organisation Agreement on Trade-Related Aspects of Intellectual Property Law (TRIPs), which it joined in 1995. Prior to 1995, the Indian patent regime allowed protection only for pharmaceutical and agrochemical processes, not their end results (ie, the actual products).

The new act has had a major impact on the Indian pharmaceutical industry, which consists of around 22,000 small and medium-sized enterprises and 250 large corporations (both national and multinational). In 2006 Swiss drug manufacturer F Hoffmann La Roche became the first pharmaceutical company in India to receive a product patent under the new patent regime. It was granted a product patent for Pegasys, a new-generation hepatitis therapy drug. At the time of writing, over 20 product patents have been granted to pharmaceutical and agricultural businesses.

The new act has changed the way in which Indian pharmaceutical companies do business – for the previous 30 years, they have not had to obtain licences from the original drug manufacturers. Now the pharmaceutical companies must not only learn to respect international product patents, but also change their attitude towards investing in research and development (R&D) and exploring their own product patent development potential. As the pharmaceutical companies foresaw the inevitability of product patents, they have already begun to change their behaviour. According to the Indian Pharmaceutical Alliance, the industry's R&D spending rose from $43.4 million in 2000 to $1.74 billion in 2004. Meanwhile, multinational companies such as Merck and Bristol Myers Squibb have recommenced business in India after being forced out by losses caused by cheap copycat drugs.

On the administrative front, the Patent Office has been revamped and its staff, buildings, processes and computer systems upgraded in order to make the examination of patent applications more efficient. Patent examination reports are now expected to be of higher quality and the time taken for the grant of patents should be shorter. Thanks to the 2005 act the Patent Act has undergone a fundamental revision as prosecution and enforcement have improved, and the outlook for patents has changed dramatically.

Accessing intellectual property in universities

To discuss India's pre-eminent reputation for science and technology without mentioning academia would be to ignore the role (albeit a passive one) that the universities play in creating intellectual property. India's science and technology infrastructure is sizeable, with over 250 university science and technology departments, 400 national laboratories, 800 engineering colleges and 1,300 in-house R&D units in the industrial sector. While Indian universities are not oblivious to IP issues, the government has never strategically pushed them to explore their own potential to create and protect their intellectual property, whereas in other countries universities are central players in innovation and patenting.

In 2005 the University Grants Commission, a statutory body and the chief funding body for Indian universities, released draft guidelines for awareness, protection and management of IP rights in the Indian university system. Once finalised, the guidelines will be the first policy documents to address specifically the issue of intellectual property within universities.

The guidelines state that universities have the responsibility to set up IP management cells, which would manage the entire IP portfolio of the university and have the authority to file patent applications and enter into related agreements on behalf of the university. All inventors would go through the cell when applying for patent protection for inventions. The guidelines also recommend that universities grant non-exclusive licences unless exceptional circumstances justify the grant of an exclusive licence. In substance, the guidelines are similar to the Bayh-Dole model adopted in the United States.

As the progressive guidelines take shape, many national universities have already taken the initiative in formulating their own management policies to tap, control and protect their intellectual property. The leaders in the field are the Indian Institutes of Technology in Bangalore, Delhi and Mumbai, each of which has its own set of IP policies to exploit its own potential while forging alliances with industry to raise and share revenue.

While the importance of university-driven technology innovation and commercialisation has been recognised, strong internal regulatory mechanisms and laws are needed to make the structure defensible, enforceable and accountable for a stronger alliance between the government, universities and industry in which greater benefits can be reaped from public money.

Stricter protection for trademarks and copyrights

In 2005 trademark and copyright litigation and enforcement in India reached new heights. The Indian courts, shrugging off their erstwhile conservative approach towards the grant of damages, have finally accepted the overwhelming reasons to protect IP rights strictly in order to deter infringers. The Delhi High Court has taken the lead – since January 2005 it has awarded damages against infringers in 22 IP cases, ranging from $2,179 to $2.80 million. These cases dealt with a wide range of issues, from trademark and copyright infringement to the violation of moral rights.

The first case to break the no-damages pattern was *Time Incorporated v Lokesh Shrivastava* ((2005) 30 PTC 3 (Del)), in which the Delhi High Court awarded Time Incorporated Rs500,000 ($10,989) for the imitation of its trademark TIME (transliterated into Hindi) and its unique and well-known red border design. The court drew a distinction between punitive and compensatory damages, extending the use of punitive damages to acts having a criminal propensity. Basing punitive damages on the theory of corrective justice, the court validated the punitive damages application on the grounds that the courts must intervene on behalf of the public, who suffer from the infringement, while making the infringers realise that they will be exposed to financial penalties for infringing the IP rights of a third party. The court went on to cite the US case of *Mathias v Accor Economy Lodging Inc* (347 F3d 672 (7th Cir 2003)), which approved the use of punitive damages to relieve pressure from an overloaded system of criminal justice by providing a civil alternative to criminal prosecution of minor crimes. The court in the present case took the view that punitive damages should really be punitive and not a mere "flea bite", and the quantum should depend on the flagrancy of the infringement. The *Time* judgment immediately triggered further damages cases. In both *Tata Sons Limited v Fashion ID Ltd* ((2005) 30 PTC 182) and *Buffalo Networks Pvt Ltd v Jain* ((2005) 30 PTC 242) the Delhi High Court awarded the plaintiffs Rs100,000 ($2,179) each for violation of their respective trademarks through the unauthorised use of domain names incorporating these marks. In a series of three cases involving the infringement of copyrights and the ADIDAS trademark, the Delhi High Court awarded a total of Rs1.5 million in damages to adidas-Salomon AG. In *Yahoo! Inc v Shah* ((2006) 32 PTC 263) the court awarded Yahoo! Inc Rs500,500 ($11,000) upon finding that the defendant had been selling tobacco products under the well-known trademark YAHOO!.

Close on the heels of the *Time Case* came the landmark decision in *Amarnath Sehgal v Union of India* ((2005) 30 PTC 253), in which the Delhi High Court for the first time awarded damages against the government of India for violation of the moral rights of a famous sculptor. The government was directed to pay Rs500,000 ($10,989) in damages to Amarnath Sehgal, a world-famous sculptor, for the violation of his moral rights by the government's acts of distortion, damage and mutilation of a large bronze mural commissioned by the government many years before. The government was also directed to return the mural to the sculptor.

Software piracy has always been strongly penalised by the courts in India, where the piracy rate is currently 72 per cent. As a measure to crack down further on this illegal trade, the Delhi High Court in *Microsoft Corporation v Yogesh Popat* ((2005) 30 PTC 245) awarded Microsoft Corporation Rs1.975 million for piracy of its software products. This case added two new milestones to the fledgling damages culture: the judgment was not only the highest-ever award of damages in any IP matter in India, but also the first award of damages in any software piracy litigation.

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

Courts shun parallel imports

The increasing influx of grey-market goods into India poses a serious threat to brand owners. This form of unauthorised parallel trading not only undermines the legitimate differential pricing structures of companies, but also compromises their established distribution and service systems with vendors and, of course, their reputation among customers. Various issues relating to compliance with local regulations, warranties, safety and product liability further compound the problem. Grey-market goods entering the market are usually imported (or smuggled) into India from China, Singapore, Thailand and the Middle East.

In a bid to curb the trade in parallel imports, the Delhi High Court granted interim protection to Bose Corporation in *Bose Corporation v Mehta* (Suit No 337 of 2006) (suit pending). Bose, the owner of the well-known mark BOSE for high-tech audio systems, has brought an infringement suit against the defendant which was selling grey-market Bose audio systems in India without any authorisation from the company. The defendant made false misrepresentations to the customers by offering products with a Bose product warranty which, in effect, was null and void.

Following the *Bose* order, in *General Electric v Altamash Khan* (Suit No 1283 of 2006) the Delhi High Court passed an interim injunction restraining the defendant from dealing in General Electric (GE) dehumidifiers without authorisation from the plaintiff. The defendant was found to be trading as GE Dehumidifiers and to be misrepresenting itself as a GE dealer. The imported products at issue were not supposed to be sold in India and the accompanying warranties were useless since GE did not sell dehumidifiers in India. The defendant had further tampered with the products by erasing the serial and model numbers, which help to identify and track the origin of the products.

In an unprecedented twist to the brand owners' fight against parallel imports, in September 2006 the Delhi High Court issued injunctions against seven dealers trading in grey-market Samsung ink toner cartridges, while accepting Samsung's submission that non-conformity with the labelling requirements and the import of goods which are not supported by company guarantees and warranties amount to impairments in the condition of the goods without the authorisation of the brand owner, causing trademark infringement under the Trademarks Act 1999. Under the act a proprietor can institute an action for trademark infringement against any person dealing in grey-market goods where the conditions of the genuine goods have been altered without the proprietor's consent after they have been put on the market.

While the struggle against grey-market products continues, these orders have come as a boost for brand owners. The orders also indirectly protect unsuspecting consumers who are lured into purchasing grey-market goods at a low price, not realising that they are without warranties or after sales-service and pose a serious risk regarding product safety.

Geographical indications make a strong start

As part of India's compliance with the TRIPs Agreement, the Geographical Indications of Goods (Registration and Protection) Act 1999 came into force in September 2003. The act accords recognition and protection to India's well-known, place-specific natural and agricultural products, including:

- Alphonso (mangoes);
- Basmati (rice);
- Darjeeling (tea);
- Mysore Sandal (soap);
- Kolhapuri (sandals);
- Khadi (cotton cloth);
- Pochampally Ikat (textile); and
- Kancheepuram silk (silk cloth).

By January 31 2006 27 geographical indications had been granted protection under the act, including a foreign geographical indication application from Peru.

A recent addition to the list of registered geographical indications is the Kashmir Pashmina fabric, which is found and woven only in the state of Jammu and Kashmir. The phenomenal success of pashmina shawls in the late 1990s led to the mass production of cheap imitations made of artificial fibres rather than the soft belly hair of Himalayan goats. The raw material is known locally as *pashm*, which is transformed into pashmina through an eight-step process. The fashion may have passed but the Craft Development Institute, established by the Ministry of Textiles, and the government of Jammu and Kashmir still thought

Kashmir Pashmina worth registering as a geographical indication. The Intellectual Property Office of India accepted the application in May 2006.

The first court case on geographical indications under the new act was *Scotch Whisky Association v Golden Bottling* (Suit No 406 of 2004), in which the court restrained the defendant from using the term 'Scotch' and from passing off its whisky as Scotch whisky. The court protected 'Scotch' as a geographical indication and awarded the plaintiff Rs800,000 in damages.

Conclusion

The Indian IP regime has come a long way in recent months, and the outlook for the protection and enforcement of IP rights in India has never looked more positive. With the Indian judiciary showing enthusiasm for and commitment to the protection of IP rights, IP owners have become more proactive in enforcing their rights by all means, and are exploring unchartered waters to obtain unique remedies from the courts. Although the benefits of specialised IP courts are still under debate in India, the present state of affairs is well suited to the protection and promotion of IP rights by brand owners.

While much still remains to be done regarding the criminal justice system, the Indian civil system for the protection of IP rights is improving daily. With a 1 billion-strong consumer pool from which to attract business, India is likely to remain the focus of the next-generation global markets, and those who seek early protection of their IP rights in India and enforce them strategically will reap the benefits.

Pravin is head of the firm and deals with patents and trademark and copyright litigation and prosecution. He is on the INTA board for 2006 to 2008, and has served on several international and national expert committees, including the Patent Law Drafting Committee. Pravin is chairman of the government IP Rights Promotion Advisory Committee. He serves on the editorial board of several international IP journals. Pravin attended St Stephen's College, Delhi, and graduated in law from Delhi University in 1976.

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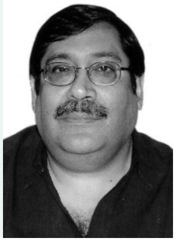

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