

Trade mark Infringement: Indian Panorama Unearthed

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India's IP systems and mechanisms are evolving in the direction for greater richness and diversity that is necessary for spurring and supporting technology innovation for both economic and social/strategic benefits. The infringement of intellectual property involves a negative impact on legitimate trade, on the free movement of goods and even on the health and safety of consumers. Much of the value of the leading companies in the world today resides in their portfolio of intangible assets – ranging from the better defined forms of intellectual property (such as patents and copyrights) to the least tangible of the intangibles (trade secrets (know-how) and Trade marks (goodwill associated with a brand)).

Counterfeiting is an illicit business in which criminal networks thrive. The magnitude and effects of counterfeiting is of such significance that it compels strong and sustained action from governments, business and consumers. More effective enforcement is critical in this regard, as is the need to build public support to combat counterfeiting. The impact of counterfeiting envisages serious problems relating to the consumer being the ultimate victim; discouraging inventiveness; Higher Cost of enforcement; Job losses; poor quality goods at an excessive price; Governments losses on unpaid taxes and in turn incurring large costs in enforcing IP rights.

With the increasing instances of growth of counterfeit goods, the courts have come to realize that awarding punitive damages may be a necessary deterrent to protect the interest of Trade mark holders. This working draft identifies pitfalls for those who are basically uninformed about Counterfeiting and provides strategies for avoiding infringement. Clients ultimately decide how much risk they can tolerate and how much protection they can afford. First, however, they must be alerted to risks and apprised of options.

This article delineates about counterfeiting and its allegiance with Trade mark Law that siphons an onus on the informed citizenry to thrive in the right direction in order to protect their rights against infringers and counterfeiters.

<p>Infringement refers to encroachment upon an owner or an authorized user's property by an outsider without the owner's prior approval. An illegitimate</p>	<p>use of someone else's property consequently leads to infringement. Infringement constitutes breach or the contravention of the prescribed</p>
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procedure of the law. When a person acts ultra vires, it becomes a breach of law which ultimately results in violation or infringement of law.

Infringement may occur when one party, the "infringer", uses a Trade mark which is identical or confusingly similar to a Trade mark owned by other party, in relation to products or services which are identical or similar to the products or services which the registration covers

It is a violation of exclusive rights attaching to a Trade mark without the authorization of the Trade mark owner or licensees (provided that such sanction was within the scope of the license). Infringement may occur when one party, the "infringer", uses a Trade mark which is identical or confusingly similar to a Trade mark owned by other party, in relation to products or services which are identical or similar to the products or services which the registration covers.

The test for determining whether there is infringement/ passing off Trade mark has been laid down in *Amritdhara Pharmacy v. Satyadeo Gupta*, which states the question of comparison of two marks has to be approached from the point of view of a man of average intelligence and imperfect recollection. "A critical comparison of two names may disclose some points of difference but an unwary purchaser of average intelligence and imperfect recollection would be deceived by the overall similarity of the two names having regard to the nature of the medicine he is looking for with a somewhat vague recollection that he had

purchased a similar medicine on a previous occasion with a similar name"; Applying this principle of average intelligence and imperfect recollection it is possible to find whether there is a similarity between two Trade marks and whether there is a likelihood of causing any confusion between the two Trade marks.

Counterfeiting:

India is not new to counterfeiting. In 2005, the European Union reported that India was the world's largest supplier of fake drugs, responsible for 75% of counterfeit medicines globally. About 38% of medicines supplied in government hospitals in India are said to be counterfeit, and 40% of all drugs sold in Indian markets spurious. Those involved include not only organised crime syndicates, rogue pharmaceutical companies, corrupt local and national officials and terrorist organisations, but also medical professionals, such as pharmacists and physicians. Today, counterfeits and lookalikes of leading fast-moving consumer goods jostle for space on supermarket shelves. With near identical packaging, colour combinations, text placement and marks that are often just a misspelling of the original, (e.g.: 'Sunslik', 'Clemic Plus', 'Collegiate' and 'Vips Rub'), these products are designed to look like the genuine article. According to the Federation of Indian Chamber of Commerce and Industry (FICCI), counterfeit and lookalike products in this sector account for a revenue loss of Rs50 billion (approximately \$960 million), with the top two brands in any category (e.g.: pharmaceuticals, cosmetics, detergents) being most affected. Meanwhile, a report commissioned as part of the US India Business Counsel and FICCI's 'Bollywood and Hollywood' initiative, covering India's entertainment industry, claims that as much as Rs160 billion (approximately \$3 billion) and almost 80,000 jobs have been lost due to piracy. The annual International Data Corporation and Business Software

Alliance Global Software study puts the rate of pirated software at 64%, representing a gross annual loss to the software industry of \$ 2.7 billion.

The *Automotive Component Manufacturers Association of India* estimated that the annual value of fake spare parts is around Rs87 billion (approximately \$2 billion) in a sector worth Rs248 billion (approximately \$5 billion). Further, in 2009 alone, counterfeit parts were responsible for 25,400 deaths and more than 93,000 injuries (Economic Times).

According to the *Havocscope Global Black Market Index*, the market value of counterfeit and pirated goods in India is:

- Books: \$38 million | • Auto parts: \$1.15 billion | • Movies: \$959 million | • Music: \$17.7 million
- Software: \$2930 million | • Games: \$129.9 million

With these staggering figures, it is unsurprising that India remains on the 'priority watch list' of the US Trade Representative's Special 301 Report. Counterfeiting activity is hindering India's economic development, but there are also concerns that it is directly funding serious organised crime, such as drugs and arms smuggling and even terrorist organisations. Although, with their limited resources, law enforcement agencies generally give low priority to white collar crime – including IP rights violations – it is obvious that urgent action is required.

Counterfeiters increasingly are finding ways to exploit supply chain vulnerabilities or develop alternative supply chains to evade the standards that ensure supply chain integrity. The substantial increase in worldwide use of the Internet has fueled the threat, giving counterfeiters increased access to customers, facilitating deception regarding the nature of the goods offered, and altering the ways in which infringing goods move from their source to the consumer. In particular, use of the Internet has increased the availability of counterfeit pharmaceuticals and digital

piracy of music, movies, and software in India and elsewhere.

Not merely is counterfeiting a problem to the right holders and their business, it has socio-economical effects. Counterfeiting risks undermining innovation and negatively effects a country's economical growth. Subsequently, counterfeiting could also affect the consumers since the goods pass no control and could therefore include safety and health risks. In addition, since tax revenues are foregone and costs are incurred in combating the problem also the government is affected by the growing problem.

Developing a strategy:

The quandary of counterfeiting and piracy is multi-faceted and complex. Finding solutions ultimately requires both cooperation and innovation on the part of government, industry and rights holders.

The following are some practical tips for rights holders:

- *Secure your rights* – although well known marks enjoy statutory protection in India, it is always advisable to register a mark, taking into account current and future business plans;
- *Invest in investigations* – reliable and timely information is key to effective enforcement. A trained investigator can play a vital role by identifying production and storage sites, enabling successful raid action and gathering crucial evidence;
- *Educate stakeholders* – this can be achieved by spreading awareness within the company about counterfeit and lookalike products and developing a robust mechanism for reporting the availability of counterfeit products.
- *Timely action* – although action against small-time manufacturers may not seem

worthwhile, taking steps to curtail counterfeiting at an early stage can prevent the activity from developing and deter other potential counterfeiters.

An infringement could cause substantial damage to a company's Trade mark

An infringement could cause substantial damage to a company's Trade mark. Not merely does it destroy the Trade mark's distinctiveness it also ruins its function as a guarantee for the company's products or services. Certain injury caused by an infringement could perhaps not even be restored. Since Trade marks today represent such substantial values it is tempting for others to take advantage of such values. This is also the reason why infringement eventuates constantly and has turned into a major problem for Trade mark owners.

Infringements are currently one of the major threats to today's intellectual properties. By infringing the infringer chooses to take a free ride on someone else's intellectual property, instead of investing in an own technology, logo, mark or design.

Damages:

Relief in the form of damages is one of the remedies available in claims of tortious liability. Damages are the sum of money, which a person wronged, is entitled to receive from the wrongdoer as compensation for the wrong. The general rule in fixing the sum to be given as damages is that, it should as close as possible to that amount which will put the injured party in the same position as he would have been in, if he had not sustained the wrong for which he is getting compensation.

Usually, damages are remedial rather than preventive or punitive. However, in a few instances, punitive damages in

addition to compensatory damages may be awarded. Damages may be granted to a claimant on the basis that the defendant's goods are of such poor quality in relation to the claimant's goods that they injure the trade reputation of the claimant.

The principle of 'compensation *ex aequo et bono*' (compensation according to what is right and good) is not recognized in England. When it is not possible to ascertain the lost profits, the infringer is bound to pay at least nominal damages and the legal costs of the court action.

In *Microsoft Corporation v. Mr. Kiran and Anr.*, the Court observed:

'The legal position in India with respect to granting damages in cases of infringement of Trade marks and copyrights' has been progressive. The courts have now started granting the relief of damages with the view that a Defendant cannot escape damages as a consequence of its disappearing from the legal proceedings. The claimant has a right to damages regardless of the Defendant's state of mind, and that is so regardless of whether the cause of action is infringement of a registered mark, or passing off.'

The Indian prototype:

Prior to the current legislation in force, the Trade and Merchandise Marks Act of 1958 governed the law on Trade marks in India. However, it was felt that a comprehensive review of existing law should be made in view of the developments in trading and commercial practices, increasing globalization of trade and industry, etc. To achieve these purposes, the Trade Marks Act, 1999 was passed

Under the Trade marks Act 1999 the Indian courts may grant the following reliefs for infringement and passing off: Permanent and temporary injunctions; compensatory and punitive damages; rendition of accounts; or delivery of the infringing goods, labels, marks for destruction/erasure.

While injunction is a remedy arising out of the Civil Procedure Code 1908, in India, awarding damages as a remedy emerged as a result of tortious liability. Although, granting injunctions was the usual remedy, Indian courts, especially the High Courts have recently started awarding both compensatory and punitive damages for Trade mark infringement.

The trend of awarding punitive damages in the realm of Trade marks started with *Time Incorporated v. Lokesh Srivastava*, where the Court awarded both compensatory damages and punitive damages for infringement of the Trade mark 'TIME'. The Court awarded the Plaintiff Rs 5 lakhs, for loss of reputation, plus Rs 5 lakhs in punitive damages, including interest; the total damages awarded being Rs 16 lakhs. The Court drew a distinction between compensatory and punitive damages and observed that punitive damages need to be awarded in this case because not only did the Plaintiff suffer due to infringement, but readers of the defendant's magazine also suffered. They were deceived because they purchased a magazine believing it to be published by the plaintiff.

India is also a fast-growing Trade mark environment, as brand owners from around the world are drawn to the opportunities in this rapidly expanding marketplace. One of the "big four" BRIC countries (Brazil, Russia, India, China), India is well on its way to becoming a major global economic player. Trade mark law in India is based on the Trade Marks Act of 1999 and the associated Trade Marks Rules, which were implemented in 2002. The 1999 act has been very important in the development of Trade mark law and practice in India. Reflecting the country's rapid rise as a commercial economic player, India has experienced dramatic growth in applications for Trade mark registration in just the past few years.

The other side of this growth is the challenges faced by the Trade mark regime of India. These challenges are of varied nature, based on the reasons in the backdrop. These challenges are tackled by the judiciary of the country by evolving newer principles and guidelines, which to the max are in consonance with the international scenario. This affirmative trend in the Indian Trade mark Jurisprudence has led to some extent, filling up of the gaps in the Statute. Some of the most discussed challenges faced by the Courts and solutions thus found are discussed in this paper.

Challenges to the fore:

Challenge No. 1

The absence of any "Cost of Damages" provisions in the Statute has led to lesser restraints over the infringers. This comes to be the first challenge hereby discussed as infringement is the base for the existence of Trade mark Law. The development towards awarding of damages for Trade mark infringement or for Passing Off, came through by the judgment of the Delhi High Court in *Hero Honda Motors Ltd. v. Shree Assuramji Scooters*¹. In this case the High Court made a differentiation between Compensatory Damages and Punitive Damages. The Court in its judgment classified "Damages" into three heads:

1. Compensatory Damages
2. Punitive Damages
3. Damage due to loss in goodwill and reputation.

Thereafter this precedent all the courts in the nation have learned the art of awarding damages of these three natures in need for in any case.

Challenge No. 2

The remedy for "Passing Off" stands to be the next challenge for the industry. The Common law principle was adopted due to British history of the nation.

¹ MANU/DE/2501/2005: 125 (2005) DLT 504

Formulating the guidelines for determining passing off and preventing copying of Well-Known Trade marks has become a major challenge. This is specially a problem in the Fast Moving Consumable Goods sector.

As India is a large country and World's second largest market in terms of population, copying Well-Known marks is a very big phenomena here. The precedent of awarding Damages as evolved by the Delhi High Court is an effective remedy to this problem but not sufficient.

Certain other measure need to be taken by the Registry Offices. The Registries should keep a regular check on the Trade mark Register for similar marks. No infringement matter should be taken leniently even though the infringer had established a long use of the Trade mark. For Example – if a well known mark has been copied by a person and the copied mark is in use in any part of India for 4 years say, it should not be given any leeway. The other reason why Passing Off remedies have become a challenge is the absence of any written legislation for the principles governing this Common Law Remedy. One such problem posing aspect to it is 'Trans-Border Reputation' of a mark.

The absence of any decisive definition of "goodwill" and "reputation" in the Statute forms the basis for the challenge posed in understanding the concept. Courts in India fail to distinguish between these two terminologies and use the terms interchangeably. It should be kept in mind that 'goodwill' is a species of property that is restricted to the local jurisdiction, while an action of Passing Off is based on 'reputation' which transgresses boundaries. The Indian courts completely ignore the concept of 'residual reputation'. The situation was so even in the Whirlpool Case, which is the first precedent for trans-border reputation.

The 'residual reputation' is a phenomenon wherein a Trade mark owner can cash the reputation of his

Trade mark which is out of the market because of closing down of the Company. This is when the proprietor ceases to use the Trade mark even then while filing infringement of a well-known mark. He can rely on his Trade marks past use.

Challenge No. 3

There exists a doubt on the Territorial Jurisdiction of the legal forum in cases of composite cases. Composite cases are those where the Trade mark owner files both passing off and infringement action together for his registered Trade mark.

In reference to this also exists a dilemma in construction of the term 'carrying on business'. The courts have failed to give the correct meaning to the term for carrying out the purpose intended by the provision. What should be the requirements for proving that a proprietor carries out his business in that place? For example – a Trade mark owner filing a composite case, if has a lot of branches in the whole of India....where will he file his case as there is no requirement of 'principle place of business' for a passing off remedy.

Challenge No. 4

There is a vast market of middle level products where the Trade mark owners barely get the marks registered. This practice germinates the seeds of infringement and passing off. This challenge has to be tackled by acknowledging the Trade mark owners of the benefits of Registration. It is difficult to prove Passing Off as actual deception is to be proved instead of mere likelihood of Trade mark in infringement. Also the procedural benefits of registration are as follows:

- A criminal action initiated by a registration certificate by the Trade mark proprietor makes it easy for the police.
- The courts regard infringement action on a stronger footing than an action for mere passing off.
- Registration of a Trade mark gives the Trade mark owner a jurisdictional option to sue in the

city in which he carries his business irrespective of the fact where the infringers place of business.

Challenge No. 5

The newest challenge faced by the Trade mark regime is the Internet Issues. Internet issues in India deal with misuse of Trade mark as domain names. Cyber squatting is a major problem in this field. Along with this, the issue of sale of counterfeiting fakes and replicas of well-known brands by the online auction and shopping sites has created a dual problem. The existing legislation seems to be inadequate for such problems. Virtual world has provided for a better disguise for such dealings in fake goods.

The courts have come across such cases many a time, mainly the courts in the metropolitan cities. Thus the courts ground on two issue:

- The fake addresses provided by the Defendants (i.e. the domain name infringer) and thereafter on service of notices, he never turns up.
- The websites operation can be stopped but no punitive action can be taken against the infringer, as he won't respond to the service of notices.

Conclusion:

Intellectual property is at the core of Indian competitiveness, productivity

gains and economic growth. While creating precise estimates of the magnitude of counterfeiting and piracy is difficult because of the complexities associated with measuring a secret, illegal activity, there is broad agreement that IP theft has increased in recent years leading to many consequences. Foreign infringement of intellectual property harms businesses by raising their costs, lowering revenue, and eroding profits. Consumers can face health or safety hazards from counterfeit pharmaceuticals and automotive products, and pirated software presents a range of threats to computer security and personal privacy. As a result of counterfeiting and piracy, governments have to make do with less tax revenue. Strengthening IP enforcement and providing more timely resolution of foreign and domestic infringement complaints can help combat IP theft.

India has a robust legal framework for combating counterfeiting and piracy; its laws in this regard are among the best in the world. However, there is still much to be done in the area of enforcement. The establishment of dedicated enforcement cells, trained in handling IP matters, and fast-track specialized IP courts would greatly improve the system. Meanwhile, the development and implementation of a carefully thought-out strategy will give rights holders the edge.