



Poorly protected assets

Who's to blame for India Inc's trademark troubles?

Raghavendra Verma finds out

When Indian biscuit maker Britannia created a crunchy, chocolatey, cream-centred snack to accompany its Milk Bikis, Little Hearts and other confectionery treats on supermarket shelves, it had no idea how much of a splash its new product would make. For soon after its launch, Britannia's Treat-O biscuit was taken to Delhi High Court, not for consumption, but for allegedly being a replica of Kraft Foods' Oreo cookie. Lall & Sethi is representing Kraft in the case, while Karanjawala & Co is acting for Britannia.

Britannia has also been the instigator of several intellectual property disputes of its own, most notably accusing its former joint venture partner, Groupe Danone, of registering its Tiger biscuits trademark in 70 countries without first

obtaining its approval. The case was settled in 2009, with Danone paying ₹220 million (US\$4.8 million) and Britannia securing the global rights to the Tiger marque.

As India's brands grow in number and value, disputes such as these are set to become all the more common. Yet, many of the country's brand owners are falling well behind international standards when it comes to protecting and enforcing their IP rights.

Some observers believe this stems from lingering cost concerns, while others put it down to a lack of appreciation of the commercial value of intellectual property assets. "Indian companies are generally IP illiterate," says Chander Lall, the managing partner of Lall & Sethi in New Delhi. "Even the largest companies are trying to cut corners."

Highs and lows

Despite these concerns, trademark activity in India is growing fast. According to the Department of Industrial Policy and Promotion, the number of applications increased by 31% from 2001-2 to 2008-9, in which 130,172 were filed. During the same period, the number of registrations soared by 94% to 102,257.

Future forecasts are also promising. The World Intellectual Property Organization predicts “a continuing geographic shift of innovative activity towards middle-income countries, especially East Asia and India,” and reveals that while 14 of the world’s top 20 IP offices saw a drop in trademark applications in 2008, “IP offices of many middle-income economies – e.g., Brazil, India and Thailand – experienced a growth in application numbers over the same period.”

IP owners, meanwhile, are buoyed by India’s forthcoming accession to the Madrid Protocol. The Rajya Sabha, India’s upper house of parliament, passed the Trademarks Amendment Bill, 2009, which paves the way for the protocol to be signed and implemented, on 10 August 2010.

“Accession to the Madrid Protocol should now take place in about six months,” says Rahul Chaudhry, a partner at Lall Lahiri & Salhotra. “However, knowing my country and my people, it’ll be at least a year.”

India’s IP laws are also being overhauled. “Our IP laws had retarded growth but now we are trying to catch up by making amendments to the Copyright Act, patent laws and the trademark rules and regulations,” says Lalit Bhasin, the managing partner of Bhasin & Co in New Delhi.

So, with trademark activity accelerating, international conventions being implemented and domestic legislation being updated, what is holding Indian rights owners back?

The usual suspect

India’s notoriously overburdened judiciary makes an easy scapegoat. Yet, observers do not believe it is a major contributor to the problem. Pravin Anand, the managing partner of Anand and Anand, highlights the huge strides that have been taken to expedite the passage of IP cases (see *Keeping pace with the courts*, below).

Practitioner’s perspective

Keeping pace with the courts

India’s new brand of high-speed justice has caught some IP litigants off guard. Pravin Anand offers a few survival tips



Delhi High Court is widely regarded as the most IP-savvy court in India. As a result, it attracts almost 70% of the country’s IP litigation. But until relatively recently, the typical duration of a case was three to five years, sometimes longer. In the country’s other courts, the situation was often worse.

However, a time revolution brought on by a combination of factors has swept away many of the delays. Delhi High Court is now granting orders for the disposal of lawsuits in just a few months.

The impetus for change came in part from the Supreme Court. While hearing a patent infringement suit (*Bajaj v TVS*), the Supreme Court stated: “In our opinion, in matters relating to trademarks, copyright and patents ... the final judgment should be given normally within four months from the date of the filing of the suit.”

Since then, Delhi High Court has passed four-month orders on no less than 20 occasions. Even if the entire trial takes an additional four to six months, it still means that lawsuits are being disposed of in less than a year.

The dramatic improvement was made possible by the following developments:

1. Amendments to the Code of Civil Procedure in July 2002 rationalized court procedures and abolished wasteful processes.

2. Improved docket management by judges, and a concerted drive to reduce the delays.
3. The conversion of Delhi High Court to an “e-court”. This involved scanning millions of documents so that they are readily available to judges at the click of a button.
4. The recording of evidence before a local commissioner, such as a retired judge, in an executive centre so that the clutter of a formal court is avoided.
5. Supreme Court orders that created the expectation that IP lawsuits would be disposed of within such a time frame.

Keeping pace with justice

Operating in a world of high-speed litigation is not always straightforward. Plaintiffs who miss the deadline for filing their documents may find that they can’t file them at all. The law has been modified to facilitate the filing of documents right up to the stage of cross-examination, but at every step, anyone who misses a deadline is required to provide a detailed explanation and may face a hefty fine.

Another problem is that the number of witnesses is limited, and if a particular witness is not present for cross-examination on a scheduled date, their evidence might be disregarded.

Latha Nair, a partner at K&S Partners, meanwhile, praises the Indian courts for being progressive. “The kind of [judicial] precedence we have in India is very helpful for plaintiffs to enforce their rights,” she says.

Smaller Indian companies have traditionally shied away from the courts due to fears of financial insufficiency. But Manish Saurastri, a partner at Krishna & Saurastri, urges them to take action, arguing that the risk of litigation is one worth taking since most IP cases are settled at the interim stage.

Inadequate IP infrastructure

Another possible culprit is the Trade Marks Registry, where a shortage of staff has led to severe backlogs. When India joins the Madrid Protocol, the registry could be flooded with domestic and international applications, placing additional strain on a system that is already at breaking point.

Disruptions online are further evidence of sluggish infrastructure. Karnika Seth, the managing partner of

Seth Associates, says that although there is an option for e-filing, and even a provision for checking a registration’s progress online, half the time the Trade Marks Registry’s website doesn’t work.

India’s trademark registration process is relatively cheap at just ₹3,500 per application, but it is by no means straightforward. The entire procedure can take up to three years, during which time bureaucratic obstacles frequently arise. “Officers [at the registry] raise flimsy objections and then take six months to grant hearings,” says Ramanathan Purushothaman of Meta Yage IP Strategy Consulting. “Sometimes notices are sent to wrong addresses, and due to these delays, clients often lose interest in processing the files.”

Lack of foresight

Poor infrastructure isn’t the only problem. Many Indian companies are still reluctant to loosen their purse strings to protect their intellectual assets. Nitin Sen, the managing partner of Lexcellence, explains that instead of engaging

This may appear rather harsh, but it is simply a consequence of high-speed justice. Plaintiffs are expected to be completely prepared with their pleadings, documents and witnesses at the beginning of the trial so that they do not falter during the ensuing rollercoaster ride.

Survival tips

Plaintiffs are advised to have all of their original documents to hand at the start of a case. Foreign companies should pay particular care because Indian courts place a greater emphasis on original documentation than courts in many other countries.

Under the Indian Evidence Act, 1872, original documents are deemed to be primary evidence. Fighting a case on secondary evidence alone is laborious and risky. In order to meet the challenge of producing originals, the best approach is to limit the number of documents presented to those that are strictly necessary to prove the case.

One strategy is to file them in the first legal proceeding and take certified copies from the court to present in subsequent lawsuits. Another strategy is to file photocopies and produce originals at the time of exhibit marking by a witness.

Interim injunctions

In patent infringement actions, filing an application for the grant of an interim injunction makes very little sense. Interim injunctions are rarely granted and tend to delay the fast movement of the lawsuit. The one exception is when a product has yet to be launched. In such cases it is often possible to get a status quo order on evidence that another party is on the verge of launching an infringing product. This has been achieved in several patent matters recently.

In trademark matters, problems may arise when defendants file invalidity proceedings before the

Intellectual Property Appellate Board, which alone has the jurisdiction to hear rectifications. If an infringement suit has been fast-tracked, the invalidity proceedings are likely to move at a slower pace and may affect the disposal of the infringement action before the high court.

The suit, in all probabilities, may even be stayed under the provisions of section 124 of the Trade Marks Act. Thus, complex jurisdictional issues often arise when there are multiple proceedings pending before different courts and forums. The priorities afforded to different forums in terms of when they should stay their hands in preference to others, is still a grey area.

Consequently the interim injunction still plays an exceptionally important role in trademark matters.

Key issues for litigants

A number of other issues should be borne in mind by those undertaking IP litigation in India. They include: the authority to sign the pleadings and institute legal proceedings; the territorial jurisdiction; the likelihood of delays and the possible suppression of material particulars by an opposing party. In addition, surveys have shown that technical defences have increased in importance over the years as courts have become better informed about IP issues.

With good preparation before launching legal proceedings, IP owners can now take advantage of the benefits of high-speed justice. Delhi High Court is a model for this and it is hoped that the country’s other courts will adopt similar standards of excellence.

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Indian companies are generally IP illiterate

Chander Lall
Managing Partner
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financial experts, brand development specialists and IP lawyers to audit their trademarks, brand owners are often approaching a single professional, if any at all, for guidance.

IP practitioners also lambast Indian companies for their lack of foresight and haphazard approach to trademark protection and enforcement. All too often, preventative measures are nowhere on the agenda and IP-related issues are raised only once the damage has been done.

Gunjan Dhoreliya, the managing partner of Zeus IP, says IP owners in India have a negative attitude to protection because they are often sceptical about the potential value of their brands. "Only when the mark does well do they want to protect it," she says, "but by then there are many infringers in the market." Furthermore, "the delay in enforcing a trademark harms the case in a court of law".

Ameet Datta, an IP partner at Luthra & Luthra, echoes this concern, adding that the lack of understanding and appreciation of the commercial value of intellectual property, especially among small and medium-sized enterprises (SMEs), is a key driver of infringement. "They don't see the commercial advantage because they are unable to link it to licensing opportunities", he says.

Educating companies about the government's tax exemptions on IP expenditure is one of the tools being used by lawyers to encourage action on the part of their clients. Amarjit

Singh, the managing partner of Amarjit & Associates, for example, tells his SME clients that they would be better off spending their money on IP protection than losing it in tax.

The tax exemption, however, does not apply to investments in the protection of trademarks overseas. Nor has it succeeded in bringing all of corporate India's IP house-keeping up to scratch.

Fighting fires

Sunita Sreedharan, an advocate at SKS Law Associates, recalls a case where she discovered more than 1,000 unregistered trademarks during a routine IP audit at a

Lost for words

Many trademarks are rendered virtually unenforceable as a result of weak conception or poor drafting

When registering a trademark, choosing the right words is extremely important. Weakly drafted marks are difficult to enforce. But all too often, marketing teams prevail over their colleagues in the legal department in the universal tussle over trademark conception and protection. "Marketing always wants a descriptive trademark [like Low Fat], and lawyers prefer a distinctive one [like Rolex or Xerox]," says Chander Lall, the managing partner of Lall & Sethi. "So there is always a conflict" (see *Trademark troubles at India Inc*, page 25).

According to Pravin Anand, the managing partner of Anand and Anand, Indian companies that register generic or descriptive trademarks are often totally oblivious to the huge investments that are required to protect and enforce such weak marks. And that's if they can be protected at all.

In 2009, for example, Delhi High Court refused to grant a permanent injunction preventing the Gujarat Co-operative Milk Marketing Federation (GCMMF) from using the term "Sugar Free" on its frozen dessert range.

The trademark Sugar Free is owned by Cadila Healthcare and has been used since 1988 to market an artificial sweetener. But the court decided that "Sugar Free" is a well-known expression that has achieved a secondary meaning in respect of sugar substitutes in India. It concluded that the GCMMF was "not using the mark in a trademark sense, but merely as a common descriptive adjective".

Similarly, in 2010 the same court refused to grant an injunction banning the use of the term "Low Absorb" by Agritech Foods. The injunction was sought by Marico, which owns the trademark Losorb. The court criticized the trademarking of derivatives – or misspelt versions – of common descriptive expressions, demanding that such behaviour "must be struck down with a heavy hand".

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Rahul Chaudhry
Partner
Lall Lahiri & Salhotra



12-year-old seed production company. While advising the organization on a related matter, SKS carried out an IP audit and stumbled upon the marks and various other unregistered intellectual property assets.

To remedy the situation without incurring heavy costs, SKS helped the company establish an in-house IP cell with a full-time lawyer to take care of its routine trademark and copyright filing. Furthermore, to avoid a sudden flood of processing fees for all the trademark applications, certain marks were prioritized over others. "The incident changed the outlook of the company and now it is more alert and aware," she says.

According to Mohan Dewan, the managing partner of RK Dewan & Co, such ignorance of brand value is prevalent even among Indian financial institutions. "Only recently, and with a great amount of effort, have I been able to sell the idea to banks that brand is an important asset as it never depreciates," he says.

"Every other day we get cases where companies have problems protecting their trademarks and we are fire-fighting," adds Dewan. "I have to almost plead with clients to get their marks registered and mostly their response is: 'We will see in the future'."

Tackling internal problems

Inappropriate corporate structures is another factor that can impede the enforcement of intellectual property rights. For example, as Lall explains, trademarks are often controlled by a senior team in head office, ostensibly because of the high value the company attaches to them. However, this barricaded control can disenfranchise local legal departments, meaning that the employees who are best-placed to tackle infringements are inadvertently kept away from the action.

Similar problems arise when shareholders keep trademark ownerships in their own names, or when there is a lack of clarity over the ownership. "Sometimes there are many [affiliated] companies using the same mark without a clear understanding as to which one owns the brand," says Neel Mason, the managing partner of Mason & Associates. "This becomes a problem when legal action has to be initiated against an infringer, or even during the valuation of one of the companies or the mark itself."

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Zeus IP



Knowing your friends

As with many crimes, the perpetrators of IP abuses are often known to their victims. According to Dewan, the most likely infringers are distributors or former employees of the trademark owner. "I have cases where ex-distributors of various companies registered their marks," he says. "We try to get them back with threats [of legal action] and even filing suits, but the cost of that is several hundred times more than filing an application."

Indeed, until a few years ago it was commonplace for importers, local distributors and even Indian joint venture partners to register the trademarks of international companies in their own name and claim the ownership on the basis of local use, says Abhai Pandey, a partner at Lex Orbis.

Even when your employees and business partners aren't conspiring against you, you can't necessarily count on their support. When enforcing trademarks by removing counterfeits from stores, many companies have faced unexpected opposition from their own sales teams. "I have had several cases where sales teams have opposed legal action against infringers," says Lall. "They argue that after a raid, the shopkeepers become hostile and the salesmen can't go back to the markets."

Trademark troubles at India Inc



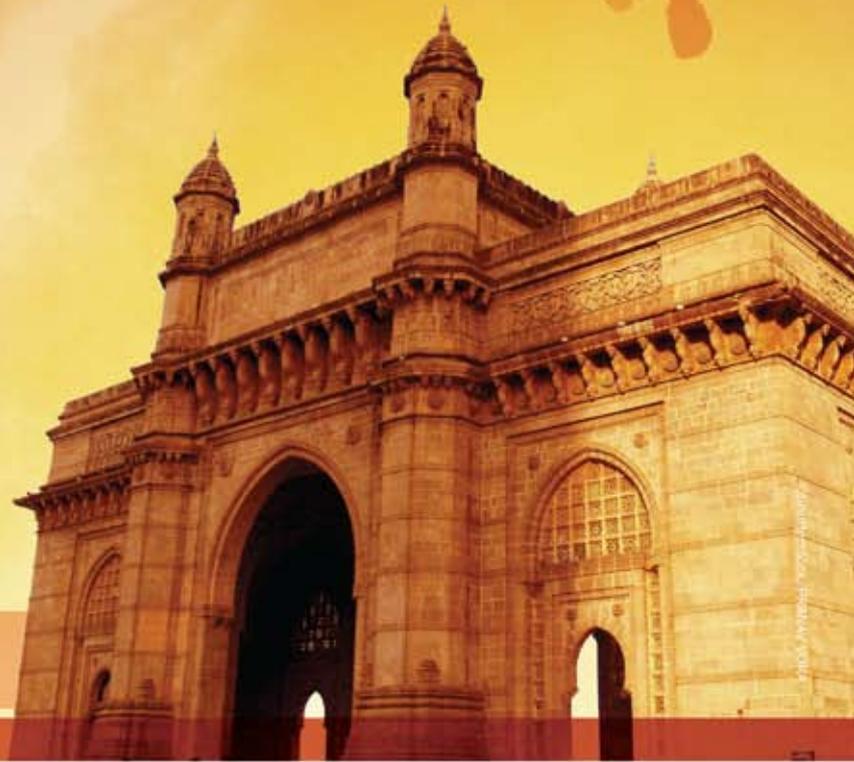
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“It takes four to five days to get a court order to conduct a raid, but by then the information has been leaked by the salespeople,” he says.

Putting the house in order

Mahua Roy Chowdhury, a partner at Solomon & Roy in Mumbai, advises her clients to conduct an IP audit every three years. In this process, the contents of a company’s IP portfolio are assessed and the marks that are not needed are shed. “Why pay for renewals every 10 years?” she asks.

Unutilized intellectual assets may be licensed or sold. “In the US and Europe there are specialized firms that search for buyers for their clients’ unused intellectual property, but in India there are none, and in any case, even the big companies here don’t have that kind of a vision,” Roy Chowdhury says.

Trademark owners must also ensure that they implement an effective document retention policy. “I have often found that the lack of documents is a big nightmare,” says Datta. “Unlike in many other countries, where the courts are more liberal, in India we always go by the original document rule.”

The critical documents need to be readily accessible. These include evidence relating to a company’s reputation in India, how its mark has been used there, how it is protected and which registrations have been completed.

Tracking infringers is another important task. “We keep checking for similar marks to those of our clients in fortnightly journals published by the trademark registry,” says Roy Chowdhury.

Diwakar Singh Pundir, the corporate counsel for intellectual property at Godfrey Phillips India, emphasizes the importance of this task. “In the [trademark] registry, we often find the same marks registered in the same classes,” he says. But time is of the essence. Trademark owners have just three months from the publishing of the journal to raise an objection.

Register first

Of course, companies must ensure that their marks are registered in the first place and that the registrations are

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well drafted and the trademarks well conceived (see *Lost for words*, page 24).

Gopal Trivedi, an advocate at Chadha & Chadha, cautions against handling trademark registrations in-house, where he believes applications are often not followed up and new ones are not submitted.

Chaudhry at Lall Lahiri & Salhotra agrees. “In-house counsel are overburdened, work without proper planning and therefore IP-related issues are never well executed,” he says. Chaudhry adds that this situation is in contrast to that in many other countries, where the majority of in-house IP lawyers have had experience working in professional IP law firms.

One key area in which Indian IP owners continue to fall down is securing registrations for their trademarks in overseas markets.

“A large number of companies have not registered their brands in China and have suffered hugely on account of this,” says Anand. “For example, the trademarks Ahuja and Crompton Greaves have been copied in China and exported to Africa, without even touching Indian soil.”

Calling time on infringers

Problems like these, it seems, emanate from a historical lack of awareness of IP issues by Indian companies. As successive generations of managers have failed to appreciate the value of their intellectual assets, appropriate steps have never been taken to ensure their protection.

All of this is now changing. Company managers, judges and enforcement officers alike are increasingly well educated about IP issues. And as more and more Indian companies find themselves falling victim to infringers, the pace of change will undoubtedly quicken.

However, the wholesale overhaul of structures, systems and procedures – let alone budgets and mindsets – that were framed at a time when IP protection wasn’t a consideration will take some time.

Chaudhry points out that the value of intellectual property owned by Indian companies has increased dramatically in recent years. However, ensuring that this great asset is afforded adequate protection is a “gradual process which will take a few more years”. ■