

Building a dynamic landscape

With speedier resolution of lawsuits expected to clear backlogs in litigation and the government seeking to simplify registration procedures, the trademark environment in India is undergoing significant changes

India ranks fifth in the world when it comes to trademark filings. In 2015 289,843 applications were filed (*World Intellectual Property Organisation Statistics Database*, October 2016), an increase of 21.9% on the previous year – the fourth highest growth in filing activity globally. As the number of trademark applications continues to rise, so have the disputes surrounding ownership and use. While Indian trademark jurisprudence is reasonably mature, more litigation means that existing legal provisions and precedents are being reinterpreted more frequently than ever before. In the past year new considerations have arisen to determine the jurisdiction in which to sue infringers. For well-known brands looking to prove their reputation in India, there is fresh guidance on the type of evidence that should be used to prove local fame.

An increase in legal disputes has also sharpened the focus on the delays plaguing the Indian courts. New commercial courts with stringent timelines opened for business in early 2016 in an attempt to improve matters – so far they appear to be leading to a quicker pace of litigation.

AUTHORS
 BISMAN KAUR
 AND RAGHAV
 PAUL

PICTURE: TETIANA
 YURCHENKO/
 SHUTTERSTOCK.COM

Where to sue?

If you have identified an infringer and you wish to sue it, the first issue to consider is where to institute the lawsuit. In India, jurisdiction for filing suits is set out in the Code of Civil Procedure 1908, which states that a suit may be filed at a place where:

- the defendant resides or carries on business; or
- the cause of action arises, wholly or in part.

In cases of trademark and copyright infringement, Section 62 of the Copyright Act and Section 134 of the Trademarks Act provide an additional forum for instituting a court action – under both statutes, a plaintiff is also entitled to file an action at the place where the plaintiff resides or carries on business.

However, in a 2015 decision which involved two cases combined on appeal owing to similar facts and legal questions (*Indian Performing Rights Society v Sanjay Dalia*, 2015(63)PTC1(SC)), the Supreme Court clarified that the choice of an additional forum under these two IP statutes is subject to some riders. In the facts before it, both plaintiffs were headquartered in Mumbai with branch offices in Delhi. Like the plaintiffs, the defendants in both matters were also carrying on their business in Mumbai. Further, no causes of action had arisen in Delhi. Yet the plaintiffs had instituted their suits of infringement before the Delhi High Court, taking advantage of the additional forum option, on account of local offices.

Both plaintiffs contended that the relevant sections

of the copyright and trademark statutes are worded unambiguously and begin with a non-obstante clause – “notwithstanding anything contained in Section 20 of CPC” – which allows rights holders an unfettered choice over an additional forum. The defendants countered that the court ought not allow multinational corporations which may have several branch offices to abuse statutory provisions and to harass defendants by choosing a jurisdiction simply to inconvenience them. In the Supreme Court’s opinion, the special right to an additional forum was granted to facilitate actions against misusers which might be operating in places distant from the plaintiff’s area of operation. However, the right is not an unbridled one allowing harassment of defendants by a plaintiff through institution of a suit in a wholly unconnected jurisdiction. Thus, in cases where a plaintiff has its residence or principal place of business in a particular place and a cause of action has arisen in the same place, it should institute a suit at that place only and no other.

In June 2016 two cases before the Bombay High Court presented slightly different facts – *Manugraph India Limited v Simarq Technologies Pvt Limited* (Notice of Motion 494/ 2014 in Suit 516/2013) and *Ezeego One Travel & Tours Limited v La Travenues Technology Private Limited* (Notice of Motion 1180/ 2014 in Suit 632/2014) – and the judge took the opportunity to clarify the 2015 Supreme Court order in the context of the altered facts. Here Manugraph, the plaintiff, had its registered office in Mumbai, but the defendants were based in nearby Kolhapur; the latter argued that since Manugraph also had an office in Kolhapur, the suit ought to have been filed there. In *Ezeego* the plaintiff had its registered office in Mumbai, but the defendants had their place of business in Delhi; it was argued that since the plaintiff also had a branch office in Delhi, the suit should have been instituted there.

The Bombay High Court was of the opinion that the Supreme Court ruling recognised that an additional forum has been provided under the Indian copyright and trademark statutes. If the defendants’ arguments were accepted, the right of such an additional forum would be rendered obsolete; every plaintiff would be left with only the provisions set out in the Code of Civil Procedure in relation to jurisdiction. Accordingly, the court ruled that a plaintiff can:

- always file a suit at the place of its registered or principal office, irrespective of where the cause of action arises or the situs of the defendants;
- file a suit at the place of its subordinate office, provided that one of the defendants is within that jurisdiction or the cause of action arises therein; and
- institute a suit where the defendant resides or where the cause of action arises, irrespective of where its own business is located.

Since the facts before it fell within the first category set out above, the court had no hesitation in holding that it did indeed have jurisdiction to hear both cases before it.

This decision is significant for upholding a plaintiff’s special right to file an infringement suit in the jurisdiction of its principal office – a factor which had become less certain following the earlier Supreme Court

ruling. Thus, the choice that brand owners have when it comes to choosing jurisdiction may be broader than that imagined just a few months previously. Having said that, it may be advisable to tread cautiously so as to avoid any unnecessary challenges from defendants on the issue of jurisdiction.

Looking after famous marks

Another case that attracted widespread attention last year involved well-known car maker Toyota’s trademark PRIUS (*Prius Auto Industries Ltd v Toyota Jidosha Kabushiki Kaisha*, RFA (OS) 62/2016 – Delhi High Court). In 2009 Toyota instituted a suit for passing off of its PRIUS mark against M/s Prius Auto Accessories Pvt Ltd (PAAPL), seeking to restrain it from manufacturing and selling auto parts bearing the PRIUS mark. Taking cognisance of several news articles, publications and books submitted by Toyota, the Delhi High Court held in its favour, stating that PRIUS enjoyed an international reputation and was a well-known trademark in India.

PAAPL appealed before a division bench (two-judge bench) – *Prius Auto Industries Ltd v Toyota Jidosha Kabushiki Kaisha* (RFA(OS) 62/2016). The bench disagreed with the single judge in its December 23 2016 order, ruling that the evidence filed by Toyota to support the global fame of its PRIUS mark was unsatisfactory. The voluminous compilation of news articles, publications and books placed on record was relevant only for reaching the conclusion that the launch of the Prius car was widely reported in the press. However, the publications were not designed to catch the public’s attention, much less to demonstrate that the PRIUS mark had an established trans-border reputation in India. Significantly, the division bench held that only publicity materials published before PAAPL had begun to use the PRIUS mark in April 2001 were relevant to this case. Given this restriction, among the reams of evidence, mention of Prius could be located in just one article published in an Indian daily. A handful of online publications were also pertinent, but they were judged unpersuasive as internet penetration was low in India in 2001 and there was no evidence available to prove that Indian users had accessed these articles. Similarly, ads for the Toyota Prius in *National Geographic* magazine were considered immaterial without proof of the magazine’s circulation in India. This scant publicity meant that Toyota’s local reputation with regard to PRIUS was found wanting by the court as of April 2001.

Interestingly, Toyota first adopted the PRIUS mark in 1990. It first used it in 1997 as a brand name for an environmentally friendly hybrid automobile, whose novelty, Toyota claimed, attracted immediate worldwide renown. At first instance, the single judge had concurred. Despite PAAPL holding a trademark registration for PRIUS in India and Toyota lacking one, Toyota’s PRIUS



The Indian legal system has received a great deal of criticism for delays endemic to the system

was declared a well-known trademark in India – the first time that a court ruling recognised an unregistered trademark as well known. However, the later division bench ruling looked more closely at the concept of ‘trans-border reputation’ and, in its wake, the threshold of evidence required to prove well-known character has become clearer.

Does the latter decision affect the single judge’s finding with regard to the PRIUS mark being well known in India? This is unclear since the division bench did not discuss this aspect. Thus, owners of famous brands which do not have trademark registrations in India can still hope to have their marks recognised as well known. However, they should pay careful attention to the nature of evidence being proffered as proof of reputation.

In a related development, new Trademark Rules came into force on March 6 2017. A key highlight of these is that any person can request the Trademark Office (TMO) to determine whether its mark is well known by filing the appropriate form and necessary fees (nearly \$1,500), along with documentary evidence. If the TMO makes a positive determination, a relevant entry is then made in its records. Provisions already exist under the Trademarks Act 1999 to guide the TMO on the criteria for establishing a mark’s fame and reputation. However, the new rules also provide that objections may be invited from the general public before the TMO declares any trademark well known.

How long for litigation?

The Indian legal system has received a great deal of criticism for delays endemic to the system. According to the National Judicial Data Grid website, nearly 24 million cases are pending countrywide at the moment; of these, 10% have been pending for more than 10 years. Despite efforts in the past to streamline judicial procedures, adjournments continue to be routine and cases stretch on.

However, this may be about to change. The Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Act 2015 – which came into effect in late 2015 – has already brought noticeable improvements. The act provides for dedicated courts to settle ‘commercial disputes’ – the definition of which includes IP disputes valued at Rs10 million (\$150,000) or more – enjoining state governments to set up separate commercial courts, equivalent to district courts. For territories where the high court itself is vested with original jurisdiction (ie, Delhi, Bombay, Calcutta, Madras and Himachal Pradesh), commercial divisions will be constituted within these high courts. Commercial appellate divisions – comprising high court judges – will hear appeals from both commercial courts and commercial divisions. Crucially, these must be disposed of within six months.

The Delhi High Court already has four benches designated as commercial divisions and two designated as commercial appellate divisions: all six are fully operational. Commercial courts at the Bombay High Court are also functional. Other jurisdictions are expected to follow suit shortly.

So why does the act spell change when so many other previous initiatives did not? Among the measures that it introduces are global practices such as case management



In June 2016 the Bombay High Court upheld the plaintiff’s special right to file an infringement suit in the jurisdiction of its principal office – a factor which had come under some doubt following an earlier Supreme Court ruling

PICTURE: SAIKO3P/ SHUTTERSTOCK.COM

hearings, which entail a six-month window from the date of the first hearing to close of arguments. Parties may also apply for summary judgment, where the court must arrive at a decision solely on the basis of written pleadings. For instance, A is the registered owner of the trademark AZ. Noticing that B has applied to register the same AZ mark in its name, A sends a cease and desist notice to B; it responds by issuing an undertaking that it will halt its misuse and desist from adopting any mark that is similar or identical to AZ. Some time later, A discovers that B is misusing the AZ mark once again. Under the act, A can file suit for infringement before a commercial court and – once preliminary procedures such as issue of summons to the defendant, B, are complete – file an application for summary judgment, urging the court to decide the dispute on the basis of the undertaking previously issued by B, dispensing with the requirement of a full trial. Further, the act sets stringent time limits for filing pleadings, disclosure, discovery, interrogatories and appeals – any delays are subject to fines. Legal costs too are thoroughly covered, including heavy penalties for those indulging in frivolous litigation.

With regard to IP disputes, in February 2016 the Delhi High Court interpreted the provisions of the new act to mean that all IP disputes (ie, those involving trademarks, patents, copyright, designs and geographical indications) that were pending before it on October 23 2015 (the date on which the act took effect) will be decided by its commercial divisions irrespective of whether they meet the Rs10 million threshold. Commercial divisions are now actively hearing cases and, encouragingly, the prescribed timelines are no longer being exceeded. Apart from such speedy resolution, commercial courts are also likely to benefit IP disputes in another way. The high courts of Madras, Calcutta, Bombay and Delhi hear the majority of IP suits in the country and, over time, commercial division judges should gain a strong understanding of IP issues and uniformly pronounce nuanced, technically sound judgments, thus making up for the lack of specialised IP benches.

These new courts are sorely needed and it is hoped that their success will have a positive ripple effect on India’s litigation landscape.

Damages

Historically, India has not had a culture of awarding damages, with punitive damages practically unheard of a decade or two ago. This has changed over time – today, damages are claimed in almost all IP cases. However, when it comes to the assessment of damages, the parameters remain ambiguous. For the grant of damages, actual injury must be proven or the loss to a business quantified; but the facts and circumstances specific to each case yield significant variations in outcome. For instance, last year the Delhi High Court granted plaintiff Cartier punitive damages of Rs10 million in *Cartier International AG v Gaurav Bhatia* (2016(65)PTC68). Another case before the same court – *Yahoo, Inc v Sanjay Patel* (233(2016)DLT42) – saw damages of Rs3.2 million being granted to Yahoo!. On the other hand, in *GlaxoSmithKline Pharmaceuticals Limited v Sarath Kumar Reddy G* (234(2016)DLT459), the Delhi High Court refused to grant damages – in its view, Glaxo had failed to support its claim with evidence.

On balance, it can be said that the inclination to grant damages – and punitive ones at that – is rising, provided that the plaintiff's claim of injury or loss of business is well founded and can be substantiated.

Conclusion

Analysing these developments, it would be fair to say that speedier resolution of lawsuits should at long last help to solve the backlogs in litigation. When married to a culture of punitive damages, matters should improve as frivolous litigation will fall by the wayside. Lending buoyancy to these trends are the government's efforts to simplify the procedure of securing trademark registration – the new Trademark Rules not only make the process of registration easier and faster, but also incentivise digital filings and communications with the TMO. Fully digitised records will make it simpler for trademark owners to prove their rights and determine the rights of third parties to a trademark at issue.

We began with statistics on the swift rate at which trademark rights have multiplied in India in the recent past. The 2015-2016 Annual Report released by the IP Office on April 3 2017 reveals the fastest growth yet, with the number of trademark filings in 2015-2016 indicating almost a 35% increase on filings in 2014-2015. Clearly, interesting times lie ahead. **WTR**



Bisman Kaur is of counsel and Raghav Paul an associate at Remfry & Sagar

bisman.kaur@remfry.com

raghav.paul@remfry.com