Party Pooper
On New Year’s eve, the Mumbai High Court injunctioned seven Mumbai hotels from playing music without paying license fees to Phonographic Performance Limited (PPL), a registered copyright society which administers the public performance rights of music companies. The order is an eye-opener to several other hotels who play music while dodging license fees despite reminders from PPL.

As the Casio case highlighted in the Case Law Update section of this issue clearly indicates, Indian courts have been quite progressive in taking decisions related to jurisdiction in domain name issues.

This quarter we have included three articles covering perspectives on topics as diverse as comparative advertising, version recording or ‘sound alike’ recording and exclusive marketing rights, all based on recently decided cases with far-reaching ramifications.

We also take this opportunity to wish our associates and clients a peaceful, prosperous and joyful 2004!

With best wishes
All at K&S Partners

Comparative Advertising in Cola Wars
The Indian jurisprudence on comparative advertising has come of age. The latest case involves a war between the two cola giants, Pepsi and Coke.

With a view to promoting two of its beverages, Sprite and Thums Up, Coke launched a series of TV and print commercials:

- One commercial featured Coke comparing its drink with a drink called ‘Pappi’ (with a blue and red globe device similar to that used by Pepsi) by referring to it as ‘a drink preferred by children as it is sweeter’.
- In another, Coke used an advertising slogan, ‘Ye Dil Maange More’, (‘this heart yearns for more’) to mock Pepsi’s popular advertising slogan, ‘Ye Dil Maange More’ (‘this heart yearns for more’).
- Yet another commercial featured a boy and a girl on a roller coaster, which Pepsi alleged violated its copyright in a similar commercial.

Before the Single Judge
Alleging passing off by way of disparagement, trade mark and copyright infringement, Pepsi sought injunction and damages from the High Court of Delhi, seeking to restrain Coke from telecasting and advertising the commercials in any form; that Coke’s slogan ‘Ye Dil Maange More’ was a substantial reproduction of Pepsi’s slogan ‘Ye Dil Maange More’ amounting to infringement of copyright; that Coke’s roller coaster commercial was a substantial reproduction of Pepsi’s similarly themed commercial, thus constituting infringement.

More importantly, Pepsi claimed that Coke’s commercials disparaged its products resulting in the dilution of their goodwill and reputation.

In defense, Coke claimed that it was at liberty to puff and promote its beverages. As to the slogan ‘Ye Dil Maange More’, and the roller coaster commercial, Coke maintained that these were parodies and aimed at merely poking fun. After considering rival arguments, the Single Judge dismissed Pepsi’s claim for injunction, finding that:

- Coke’s advertisements were instances of healthy competition and merely in the nature of poking fun, which was permissible;
- Pepsi’s slogan ‘Ye Dil Maange More’, was not copyrightable; and
- there was no infringement of Pepsi’s roller coaster commercial.

Before the Appellate Court
Aggrieved by this, Pepsi appealed and raised the following issues:

- whether prima facie Coke had disparaged Pepsi’s products;
- whether the ‘globe device’ and the slogan ‘Ye Dil Maange More’ were copyrightable and if Pepsi’s copyright in these had been infringed by Coke; and
- whether the essence of the roller coaster commercial had been copied by Coke and if so, the effect of the same.
Exclusive Marketing Rights

India, being a developing country, availed the 10-year transition period available under TRIPS and has deferred the product patent regime until 2005. In the interregnum, the Patent Act, 1970 (the Act) was amended to provide for grant of Exclusive Marketing Rights (EMRs), subject to compliance of certain conditions. Such EMRs are akin to patent rights in that the grantee monopolises the distribution and sale of the product in India for nearly five years from the date of grant of EMR or until grant or rejection of product patent, whichever is earlier.

To obtain an EMR, the applicant must have obtained:
- patent for the product in question in a convention country,
- marketing approval for that product in that country,
- Drug Controller’s approval to sell the product in India, and
- filed product patent application in India.

However, for an invention made in India, the applicant, apart from obtaining Drug Controller’s approval, will be granted EMR on a showing that Indian process patent has been granted for the drug and product patent application has been filed in India.

On receiving an application for EMR, the Controller of Patents is required to examine for fulfillment of aforementioned conditions and whether the invention is one deemed not patentable under Sections 3 and 4 before granting the EMR.

Apparently, 11 EMR applications have been received by the Indian Patent Office until end of 2003. Till date EMRs have been issued to Novartis for Glivec and United Phosphorus for Carbenazim, an insecticide. Four EMR applications have been rejected for various technical reasons and five are said to be pending.

The grant as well as rejection of EMR has stirred up a cauldron of litigation. To the generic industry, each EMR granted comes literally as a sudden spanner in the works as it interferes with vested interests. EMR rejectees too seem unhappy with the progress.

Glaxo Smithkline, Bayer and Roche have approached the courts for justice on rejection of their EMR applications. While at one end of the controversy, the existing difference under the law between the levels of treatment to Indian EMR applicants and overseas applicants is cited as violative of the constitutional right to equality and equal treatment, at the other end, the challenge cites the glaring lack of any statutory mechanism for third party opposition in the process of EMR grant as violative of the constitutional guarantees of freedom of trade and principles of natural justice.

While the courts are seized of the petitions before them, the Indian Government is considering drastic measures to change the Patent Act. 1970 including introduction of product patent regime, post-grant opposition instead of pre-grant opposition, etc.
CASE LAW UPDATE

Domain Name

Casio India Co. Ltd. v. Ashita Tele Systems Pvt. Ltd.

In keeping with its liberal approach to issues of jurisdiction in trade mark infringement cases in the Internet context, the High Court of Delhi has once again affirmed that jurisdiction in such matters cannot be confined to territorial limits of the residence of the defendant.

This case involved the defendant, an erstwhile distributor of the plaintiff, Casio India Ltd. (a 100 percent subsidiary of Casio Computer Ltd., Japan), who had unauthorisedly registered the domain name www.casioindia.com. The plaintiff filed a suit for passing off seeking to restrain the defendant from using the said domain or any derivative of the mark ‘Casio’ or any combination thereof.

One of the main defenses, inter alia, was that the High Court of Delhi had no jurisdiction to try the suit as the defendant resided in and carried on its business from Mumbai. While rejecting the argument of the defendant, the High Court held that the objection with regard to territorial jurisdiction needed to be considered in the overall context of advances and development in the field of information technology and not in the usual, conventional manner.

Assuming jurisdiction in the matter, the High Court injunctioned the defendant from using the name ‘Casio’ as part of its domain name.

Trade Mark

Colgate Palmolive Company & Anr. v. Anchor Health and Beauty Care Pvt. Ltd.

In this case the plaintiff, the Colgate Palmolive Company alleged that the defendant, Anchor Health and Beauty Care Pvt. Ltd., violated its intellectual property rights in its distinctive trade dress and colour combination of one-third red and two-third white on the container of its tooth powder.

The plaintiff claimed that its product bearing the distinctive trade dress had been sold in India since the year 1951 and had become associated with the plaintiff. The defendant was using a similar trade dress for its tooth powder and selling it under the mark ‘Anchor’.

Claiming injunction on the ground of passing off, the plaintiff relied upon the defendant’s past conduct in using other variants of the plaintiff’s trade dress/ packaging.

The defendant raised the following main defenses:

- The plaintiff’s trade dress of red and white was not distinctive of its business;
- The respective products were sold under the distinctive marks ‘Colgate’ and ‘Anchor’ and as such there would be no confusion; and
- The red and white combination was common to the dental care trade.

Allowing the plaintiff’s claim and injunctioning the defendant, the High Court of Delhi held that:

- In a passing off case, it is the first impression of deceptive similarity rather than any minute examination of the respective products/ labels which ought to determine the question of confusion in the market place;
- In an action for passing off it is the similarities and not the dissimilarities which go to determine whether such an action lies or not; and
- In a country like India with low literacy levels, the colour combination and get-up of a product alone help in determining the allegations of passing off since semi-literate/ unwary /illiterate customers cannot distinguish between ‘Colgate’ and Anchor’.

Kiran Gupta v. Pizza Hut International, LLC & Others

In this case the defendant was initially using the plaintiff’s world famous mark ‘Pizza Hut’ in respect of her restaurant. Having obtained an ex-parte injunction against her restaurant, from the District Court of Indore in Madhya Pradesh, the plaintiff genuinely believed that this would force the defendant to cease any further infringing use. However, the defendant changed her restaurant name to ‘Pizza Ghar’ with a hut device (‘ghar’ in Hindi meaning, inter alia, ‘hut’).

Claiming the new variant to be nothing but a linguistic and pictorial depiction of its trade mark Pizza Hut, the plaintiff sought a fresh order of injunction and punitive action for contempt of court.

The court at first instance disagreed on the question of deceptive similarity between Pizza Hut and the new logo of the defendant and declined injunction.

On appeal, the High Court of Madhya Pradesh set aside the order and directed the plaintiff to pursue its contempt action with liberty to apply for injunction on a favourable outcome thereof. The contempt court found for the plaintiff and ordered that the defendant undergo one month’s prison term and her restaurant be attached.

The defendant appealed to the High Court. Rejecting the appeal, the appellate court held that:

- Although the word ‘ghar’ in Hindi might not be an exact translation of the word ‘hut’, it could be construed as an equivalent of the same when written inside a hut device; and
- The attachment order would continue till the defendant changed her restaurant name to some other name not deceptively similar to Pizza Hut..

However, the court set aside the prison term on the grounds that the plaintiff had no Pizza Hut restaurant in Indore and would not suffer any loss of custom. The last report on the case indicates that the defendant is changing her restaurant name to ‘Pizza World’.

India IP Update, January - March, 2004
Examining Cover Versions

Internationally, the term ‘cover version’ in relation to a musical work is understood to refer to the practice of issuing compilation of licensing provisions with respect to musical works in various countries which permit recording artists to record previously released songs without the permission of the song writer, there is a vigorous market for cover version compilations.

In India, Super Cassettes Industries Ltd. can rightfully claim to be a pioneer in the ‘cover version’ (known locally as ‘version recordings’) market. A major part of its business, as a publisher of music, comprises version recordings. In February 1995, Super Cassettes was sued by Gramophone Company for infringement of its copyright in the musical works which formed the content of Super Cassettes’ version recordings [Gramophone Company of India Ltd. v. Super Cassettes Industries Ltd., 1996 PTC (16)]. The High Court of Delhi refused injunction on the basis that the version recordings involved were not infringing copies within the meaning of the Indian Copyright Act. Under the Act, an infringing copy in relation to a sound track means a record embodying the recording in any part of the sound track associated with the cinematograph film. However, the High Court agreed with the Gramophone Company on the plea of passing off against Super Cassette’s use of design, colour scheme, lay-out and get-up in its in-lay card, similar to that of the Gramophone Company.

At the time the case was filed, the Copyright Act as it stood then, did not have any safe guards in its corresponding statutory license provisions relating to version recording against any passing off or any other act of unfair competition. However, statutory license provided for a notice to the copyright owner including giving an undertaking that the work being created would not involve any material alterations/omissions from the original work save and except those which are reasonably necessary for adaptation of the work.

Pursuant to this, the Copyright Act was amended in 1995 and one of the amendments related to the statutory license provisions. Under the amended provisions, a potential applicant for a version recording is required to comply with certain conditions in respect of a musical work including providing copies of all covers or labels with which the sound recordings are to be sold.

In Super Cassettes Industries Ltd. v. Bathla Cassette Industrial Pvt. Ltd., 2003 (27) PTC 280, the High Court of Delhi was concerned with issues of infringement of copyright in sound recordings in a slightly different and interesting set of facts. Super Cassettes (plaintiff) sued Bathla Cassette (defendant) for infringement of its copyright in sound recordings comprising certain version recordings. These version recordings were claimed to be in compliance of the provisions of statutory license under the Act. The defendant’s works were direct and physical copies of the plaintiff’s version recordings.

Dismissing the plaintiff’s claim for injunction, the court held:

- The plaintiff’s version recording was not in compliance of the statutory license provisions because, by its own averment, its sound recording utilised sufficient independent skill and labour, involving engagement of new musicians, singers and music conductors, thus qualifying as a new arrangement.
- The plaintiff’s averment that the sound recording created a substantially new arrangement was contrary to the notice given by the plaintiff at the time of seeking statutory license to the effect that its version recordings would not involve any material alterations/omissions from the original work.
- Since this averment amounted to non-compliance of the essential conditions for grant of the statutory license, the plaintiff was not entitled to claim any exemption from its liability for infringement of copyright in the musical work.
- The plaintiff’s work was an infringing copy because in making the same, it had infringed the copyright of the original owner in the sound recording. In arriving at this finding, the court took note of the virtual identity of the original work and the plaintiff’s version recording in musical arrangement, orchestral accompaniment and cue pieces and was a fairly accurate copy of the original sound track.
- The plaintiff’s claimed version recording (which involved using different singers and artists to sing or record previously released songs) was not entitled to be called such, since it would really apply to those sound recordings which, while being inspired by the original melody, involved a distinct interpretation both in presentation, rhythm and orchestral arrangement. For example, according to the court the famous hits of the Beatles rendered by the Royal Philharmonic Orchestra could legitimately be described as in instance of ‘version recording’.

In our opinion, the order delivered by the court is erroneous since it fails to take note of the following:

- That creation of a sound recording brings into being two kinds of copyright, one being the musical and literary copyright in the underlying music and lyrics and the other being a mechanical copyright right in the sound recording per se.
- While the exclusive acts conferred upon the owners of musical and literary copyrights include the right of reproduction in any form (which would cover imitations of the kind involved in version recordings), the rights in respect of a sound recording are limited to making of other sound recordings embodying it and selling and communicating the same to the public.
- As held in the Gramophone case, a version recording which does not involve any mechanical duplication of a sound recording would not be an infringing copy of the sound recording. However, for the statutory license exemption it would be an infringement of the musical and literary copyrights.
- The court apparently erred in reading the ‘infringing copy’ definition specific to a sound recording into an analysis of the plaintiff’s version recording. Since the plaintiff’s version recording was not a direct copy of the original work, it could not have qualified as an infringing copy under the Act and as held in the Gramophone case.
- The court did not consider the version recording as a separate independent sound recording entitled to its own life as a copyright protected subject matter. Instead, it misconstrued the statutory license in respect of musical works as an exception to infringement in respect of sound recordings.
- The court’s interpretation of version recording appears to be contrary to internationally accepted norms as reflected in such jurisdictions as Australia and US.

If the above order is not appealed, it could very well condemn the version recording industry in India to virtual extinction as it is based entirely upon the practice of issuing compilations of songs by artists other than the original artists.