



I N D I A

Intellectual Property Attorneys

IP UPDATE

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CASE LAW UPDATE

German publishing company sues ex-licensee in India for trademark violation

Motorpresse Internatinoal Verlagsgesellschaft Holding mbH v& Co. Vs. Mistrale Publishing Pvt. Ltd. (2005 PTC 489)

The plaintiff, a German company, is engaged in the publication of nearly 100 magazines in over 17 countries world wide, most of which relate to automobiles. One such publication is the Auto Motor & Sport, the word and logo which the plaintiff has been using since 1946 in Germany and several other countries. Sometime in the year 2001, the plaintiff entered into a syndication and licensing agreement with the defendant under which the defendant was granted the exclusive right to (a) republish articles and material of the plaintiff and (b) use the trademark and title 'Auto Motor & Sport' in India in relation to a magazine in the field of motoring. In the said agreement, the defendant had acknowledged and agreed that the plaintiff is the exclusive owner of the trademark and logo 'Auto Motor & Sport' and that permitted use of the said trademark shall not enable the defendant to acquire any ownership, right, title or interest in the same. It was also agreed that such permitted use would enure to the benefit of the plaintiff.

Subsequently, the parties executed a memorandum of understanding with the object of facilitating the smooth functioning of the operation and future expansions of the defendant. This arrangement was meant to tide over the severe financial constraints of the defendant which had led to consistent delays in bringing out the magazine. However, despite the said arrangement, the defendant continued to incur losses and this caused dilution of the brand 'Auto Motor & Sport'.

Unable to resolve the issues, the plaintiff was constrained to terminate the licence agreement with the defendant. Despite the termination of the licence, the defendant addressed letters to different parties confirming its intention to publish the magazine under the title 'Auto Motor & Sport' and also contended to be the owner of the trademark 'Auto Motor & Sport'.

In response to the plaintiff's suit for infringement and passing off, the defendant contended that since the plaintiff was not the registered owner of the trademark in India, it could not seek protection of the law and since the publications of the plaintiff were in non-English languages, none of which were available or circulated in India (the only English language version being published by the defendants), it could not claim any reputation or goodwill in the same. The defendant further contended that since the agreement was terminated illegally, it had the right to continue to publish the magazine.

Upon perusing the syndication and licensing agreement, the court found that the defendant had acknowledged the plaintiff's exclusive ownership of the trademark 'Auto Motor & Sport', which the defendant was permitted to use only during the currency of the agreement without them acquiring any right or title by such user. Further, even if the plaintiff could not claim any relief against infringement since its mark was not registered in India as yet, this did not bar the plaintiff from seeking relief against passing off on grounds of trans-border reputation and goodwill. Restraining the defendant from using the trademark and logo of the plaintiff and publishing any magazine or publication under the title Auto Motor & Sport, the court pointed out that a party who enters into an agreement under which it acquires the licence to use the trademark and logo of another is estopped both in law and equity from asserting, post termination of the agreement, that the licensor had no trans-border name, goodwill or reputation

McDonald's fails to prevent use of 'Mac' by Indian firm

Sterling's Mac Fast Food Vs. McDonald's Corporation, U.S.A. & Anr. 92005 PTC 417

In a judgment of the High Court of Karnataka in Bangalore, McDonald's Corporation, USA was not granted any relief against the use of the mark 'Mac' as part of its trademark and trade name by M/s Sterling Mac Fast Food of Bangalore. Though the trial court granted an order of injunction, the same was stayed by the High Court, which subsequently allowed the appeal in favour of the appellant, Sterling Mac Fast Food.

McDonald's case was based on the premise that the word Mac/Mc is a prominent and significant feature of their various



trademarks which have been extensively used worldwide including in India. They claim to have adopted the mark McDonald way back in 1946. It was also contended that the

words Mac & Mc have acquired substantial reputation and goodwill and are recognized by the trade and public as being associated and identified with McDonald's restaurant business and goods.

- In their defence, Sterling argued that their adoption and use of the mark Mac was bona fide and submitted as under:
- The word Mac as part of their trading style was derived from Mac, the name of the son of its founding partner and they have been using the same since 1982;
- McDonald's never used the word Mac as a standalone mark but has prefixed it with 'BIG';
- McDonald's have not registered the word Mac as a trademark;
- The words Mac and Mc are common names in India and are used by several companies as part of their trading names such as Mac Millan India Limited, McDowell's, Mac System etc.

Upholding the submissions of Sterling, the court held that since they have been using the mark 'Mac' since 1982, McDonald's was deemed to have been aware of such use and since they had not taken any action till 1998, their conduct in keeping quiet till the appellants established their business disentitled them to the interim relief in their favour. The court also pointed out that the words Mac and Mc were common words which were

used by several companies and McDonald's did not have any grievance against those companies against such use. Further, an overall comparison of the trading names of the parties made it clear that the respective marks were not similar and Sterling had bona fide reasons for adopting the trademark and trade name Mac which they have been using since 1982. Accordingly, the injunction was refused to McDonald's.

Disparaging advertisement by competitor enjoined by Delhi High court

Karamchand Applicants Pvt. Ltd Vs. Shri Adhikari Brothers & Others (Unreported – Decided on May 23rd, 2005)

In keeping with the settled law on the issue of comparative advertising and what constitutes disparagement, the High Court of Delhi restrained a defendant from using the plaintiff's mosquito repellent plug-in apparatus under the trademark 'ALL-OUT' or its look alike in its television commercials. The court found that the defendant's commercial not only disparages the plaintiff's product, but also uses false claims of being a technologically better product.

The plaintiff is in the business of manufacturing and marketing a range of household insecticides and mosquito repellants which are sold under the brands ALL OUT and BAYGON. It is credited for creating a liquid vapourizer segment in the mosquito repellent industry in India and has established itself as the market leader in this segment. It markets its product in fluorescent orange, green and purple coloured apparatus which can be plugged in.

The genesis of the suit was when the defendant, a competitor, brought out a television commercial which depicted the plaintiff's product and claimed that it was obsolete and not so efficient. The commercial starts with a lady using the latest household gadgets like a plasma TV, a modern double-door refrigerator and a tablet PC. Then it shows the lady moving towards a plug point where the plaintiff's "ALL OUT" plug-in mosquito repellent is plugged in and a background voice says 'everything else is latest but the manner of chasing away mosquitoes is the same as was 15 years ago'. The lady then unplugs the ALL OUT repellent apparatus and instead uses the defendant's GOOD NIGHT TURBO REFILL with the background statement that 'GOOD NIGHT'S turbo vapours chase away mosquitoes at double the speed'.

The plaintiff contended that the statements that its product was outdated and was less efficient than the defendant's were incorrect in that the chemical composition of the two products was the same. Further, the plaintiff also attacked the defendant's

claim that its product chased mosquitoes with 'double the speed' for the same reason. Consequently, the plaintiff claimed that the commercial was disparaging and, diluted and infringed its trademark apart from being an act of unfair competition.

The single judge who heard the matter restrained the defendant from airing the commercial or any edited version of the same. Aggrieved by the same, the defendant went in appeal before the division bench of the High Court. The appellate court passed an order without dealing with the rival contentions of the parties and the matter went back to the single judge.

In the meantime, the defendant started telecasting a new commercial where a look-alike of the plaintiff's product was used. The plaintiff moved the court alleging that the defendant was continuing its disparagement campaign in a disguised fashion.

Examining the definition of disparagement and decided case law in the matter, the single judge held that the statement in the defendant's commercial dubbing the plaintiff's product as obsolete and claiming its product to be the latest in the market and more efficient than the plaintiff's was a clear case of disparagement especially since there is no real distinction between the two products either from the point of view of the concept underlying their manufacture or the technology used for the purpose.

Spillover reputation must be proved with sufficient evidence by plaintiff

Jolen Inc Vs. The Assistant Registrar of Trademarks [2005 (1) CTMR 231 (IPAB)

Foreign plaintiffs who wish to protect their rights in their well-known marks should take a leaf out of this order while compiling their evidence to prove spillover reputation in India.

The Intellectual Property Appellate Board (IPAB) in its order makes it clear that spillover reputation or trans-border reputation is not a magic wand that may be used by a plaintiff claiming rights in a mark as a well-known mark. The case involved the trademark 'JOLEN' owned by Jolen Inc. Jolen Inc filed an opposition against the identical mark "JOLEN" filed by an Indian applicant on the grounds that its mark is a well-known mark having global reputation. In support of its contentions, the applicant relied on advertisements of the mark in foreign magazines allegedly having circulation in India. However, there was no evidence filed as to the volume of circulation of these magazines in India. The assistant registrar rejected the opposition, and in an appeal by Jolen Inc. before the IPAB it was held that without any evidence regarding the volume of circulation of these magazines in India, it cannot be presumed that the mark has a reputation in India. Further, the tribunal pointed out that reputation and goodwill are to be proved and not presumed.

EPO to protect India's traditional knowledge

India is a country with a history of several thousands of years. Traditional knowledge is therefore abundant in the country, be it in medicine, art, engineering, science or any other field. Hence, the issue of protection of traditional knowledge, biopiracy and fair and equitable share of benefits arising out of its utilization is very important for India. With the European Patent Office (EPO) agreeing to make a conscious effort to prevent anyone from stealing patents based on India's traditional knowledge in medicine, India now sees greater protection being afforded to its traditional knowledge.

In the past, India has had numerous adverse experiences involving patenting of its traditional knowledge, the most talked about being the patenting of the antiseptic properties of turmeric by the US, which was successfully challenged by India after spending huge sums of money. The most recent of these instances was in 2005, when India won a 10-year-long battle at the EPO against a patent granted for an anti-fungal product, derived from neem. The EPO had initially granted the patent to the US Department of Agriculture and multinational WR Grace in 1995.

For preventing such occurrences, a non-disclosure agreement between the Science and Technology Ministry and the EPO is expected to be signed in the near future. This will give the EPO access to an easily navigable computerized database developed by the National Institute of Science Communication and Information Resources (NISCI) that contains at least 136,000 traditional Indian medicines from the medicinal systems of ayurveda, unani, sidha, homeopathy and yoga (ayush). This project has been approved by the Department of Industrial Policy and Promotion and the draft agreement is being vetted by the law ministry.

The EPO will protect this highly valuable information and refer to it routinely while reviewing patent applications of innovations of botanical origin. This would make it easy for the EPO to identify and reject patent requests where ancient knowledge is passed off as innovation. In this way, India would not have resort to legal actions to fight invalid patents. For a developing country like India, this is definitely a money-saving step since it will not have to pool its resources to file actions in Europe at least to revoke patents on the ground of obviousness.

The Indian government is having discussions with various patent offices regarding entering into such agreements. Should such agreements come through, India will be able to strongly persuade the USPTO, which, according to a 2003 study, has inappropriately granted several hundred patents involving India's traditional knowledge and biological resources.

Such individual agreements with national patent offices are an interim arrangement till India is able to persuade the member nations of the World Intellectual Property Organisation to agree for a legal framework to protect traditional knowledge and biological resources. These developments come after years of campaigning and legal efforts against so-called 'bio-piracy'.

Protection of data and privacy: A wake-up call for India?

Debates on protection of data have taken centre stage in India with the latest controversy where Karan Bahree, an employee of a business process outsourcing (BPO) company, is alleged to have sold personal data relating to several British nationals to a UK tabloid reporter. In a sting operation by the UK tabloid, *Sun*, Bahree was caught on hidden camera accepting money, allegedly, in return for the data. Bahree, who was subsequently sacked by the BPO says that he was unaware that the information alleged to be sold was confidential.

The legal mind naturally turns to examine how India protects such data. As of today, India has no specific law for the protection of personal data. There have certainly been discussions about enacting a specific legislation a la the UK Data Protection Act, 1998. The issue assumes immense significance from another angle: India is a favoured destination for American BPO companies. In fact, one of the Indian states, Andhra Pradesh proposed a data protection law along the lines of the EU data protection directive in 2002 and the same was opposed by certain US companies on the grounds that this would increase compliance costs. The Andhra Pradesh government obviously did not want to risk losing business opportunities and thus shelved the law. Things have not moved beyond discussions at the central government level either.

India's neighbour Pakistan has already come out with a draft act, the 'Foreign Data Security and Protection Act, 2004', to provide for protection and safety to foreign data with regard to the processing of such data in Pakistan.

So where does India stand internationally in terms of offering protection to data? Currently, the US companies which outsource their business from India are protecting their data in India through contractual arrangements with the BPOs. When there was a proposal for specific laws to protect personal data, these US companies expressed their concern over the proposal. In the face of such concerns and wishing to play it politically safe, the Indian government appears to be going slow on the enactment of a law. Not surprisingly, the US reaction to the Bahree incident was that it was an isolated incident and did not warrant the media hype.

As far as the EU is concerned, the transfer of personal data outside the European Economic Area is not permitted unless

the country of the transferee has an adequate level of protection for such data. Since India is not recognized by the EU to have such adequate status, data can be transferred to India only with the consent of the data subject or based on binding contractual terms which adequately safeguard the rights and freedom of the data subject. The Indian media has gone to the extent of saying that the Bahree episode was fabricated by the anti-outsourcing lobby in the UK.

Irrespective of what international standards are, it is high time that India started working on a legislation to protect personal data for several reasons including intrusion of privacy.

Talking about privacy, it is important to discuss a new phenomenon called telemarketing that has invaded Indians thanks to the widespread use of mobile phones and the multiplicity of mobile telephone service providers. The privacy of an individual's home and the peaceful conduct of business in an organization is rudely and unabashedly interrupted by telephone calls made by telemarketing executives (who, according to reports, are available for as low as US\$ 70 per month) on behalf of banks, financial institutions, mobile phone companies, etc., with offers of low-interest loans, free credit cards, overdraft facility and what not. Perturbed recipients of such calls are feeling somewhat comforted by the intervention of the Supreme Court in a public interest writ petition filed by a saviour against several banks and mobile phone service providers alleging, inter alia, that the respondents are violating the petitioner's privacy. Notice has been issued to the respondents by the Supreme Court though the status of the case is unknown. Emboldened by the writ, some of the recipients are even reminding the callers of the pending writ before the court and warning them that soon they will be at the receiving end! Nevertheless, the calls continue unabated.

Besides invading privacy, such calls are a cause of annoyance to the recipients since oftentimes they are offered what they do not want or what they already have. If a recipient is out of the local area of the service provider, he or she will have the additional liability of paying roaming charges for such unsolicited calls.

Without a law in place to curb such intrusive acts, one gets the unnerving feeling that one is being pried upon because he or she accidentally gave away valuable private information while filling in a bank account application or mobile phone subscription form! And with a population of over a billion in India, carelessly provided personal data can be turned into a fortune by telemarketing companies. Let's hope the Bahree incident is an eye-opener for the Indian government to protect both data and privacy.

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