K & S partners
Intellectual Property Attorneys

INDIA IP UPDATE

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NEWS FLASH!!

As we were going to press, the **Supreme Court of India** delivered a significant judgment on the idea versus expression dichotomy in copyright law.

The case involves, Barbara Taylor, the well known writer and her literary work *A Woman of Substance.* The writer sued a prominent Indian TV channel for allegedly violating her copyright in the said work by airing a serial.

We will be covering the case in detail in the next issue of **India IP Update**.

The objective of India IP Update is to keep you fully informed of major legislative and case law developments in India.

In the last issue, we had outlined major features of the Patent Amendment Act of 2002. The Act was notified into force on May 20, 2003, thus accelerating the process of India's integration with a TRIPS compliant regime. There are other important legislative enactments waiting in the wings such as the Trade Marks of 1999 and the Geographical Indications Act of 1999. Once notified into force, these new laws would provide stronger statutory machinery for enforcement of IP rights in India. Keep watching this space for updates on these legislations.

We also bring you a write-up on the first case in India where the Copyright Board had the opportunity to interpret and apply Section 31 of the Indian Copyright Act of 1957 in a creative and effective manner – *Music Broadcast Private Limited v. Phonographic Performance Ltd*, decided on November 19, 2002.

In case you have not received the Inaugural Issue of India IP Update do get in touch - we would be glad to put you on our mailing list. Suggestions and comments are welcome.

Hoping to have added some value to your reading on IP.

Sincerely,

Rajendra K.

Rajendra Kumar

LEGISLATIVE UPDATE

The Code of Civil Procedure

The Code of Civil Procedure, which lays down the rules of procedure applicable to all civil proceedings in India including all actions for enforcement of IP rights underwent substantial changes last year. The new amendments entered into force on July 1, 2002. The amendments have their focus on expediting and cutting short delays at various levels in legal proceedings in India. Some of the important changes of interest are as follows:

- A defendant must file his statement of defense within 30 days from the date of service of the summons, but this period may be extended by the court up to a maximum of 90 days for reasons to be recorded in writing.
- Recording of evidence, including examination-in-chief of a witness, shall be recorded on affidavit. The cross-examination and re-examination of a witness shall be recorded ordinarily by the Commissioner to be appointed by the court, with a direction to submit his report within six months from the date of issuance of the commission.
- The judgments are to be pronounced within definite time-frames after a case has been heard.
- If not practicable, the court shall endeavour to pronounce the judgment within 30 days from the date on which the hearing of the case was concluded.
- If justified by exceptional and extraordinary circumstances, the court must fix a day for pronouncement of judgment, which shall not ordinarily be beyond 60 days from the date on which the case was heard.

Patents (Amendment) Act, 2002

India IP Update (Issue No. 1) of April 2003 had reported the salient features of the new patent law passed by the Indian Parliament on June 25, 2002 which amended the Patents Act, 1970.

The Patents (Rules) 2003 have been notified on May 2, 2002 to implement the changes envisaged in the Patent Act, 1970.

The Government has now issued a notification that brings the new law into effect and heralds a progressive era in patent regime in India.

The Act takes effect from May 20, 2003.

Cable Piracy Restrained in Appeal

A Division Bench of the **High Court of Delhi** upheld the copyright of the plaintiff in the Golden Lion Award winning film *Monsoon Wedding* by Mira Nair. In ***Mirabai Films v. Siti Cable***, the plaintiff sought to restrain the defendants – cable television network operators – from telecasting the film before its release.

In support of its claim for injunction, the plaintiff contended that the acts of the defendants in copying the film without authority of the owner amounted to violation of copyright in the film. The plaintiff also maintained that the defendant had a track record of past involvement in telecast of pirated films and had been restrained from telecasting other films.

In defense, the defendant stated that they were not engaged in any form of piracy and that the telecast was made by their local operators who were enrolled as their distributors and franchisees over whom they had no control.

Rejecting the plaintiff's application for interim injunction, the court of first instance held that the distributors and franchisees of the defendants were separate entities over whom the defendants had no control and, consequently, could not be held liable for their activities.

On appeal, the court took note of the true nature of relationship between the defendants and their distributor franchisees. The joint venture agreement which indicates that the franchisees / distributors could not have transmitted these signals to their subscribers otherwise than through the defendants' network and without their prior consent. The record of the Registrar of Companies shows that these franchisees / distributors are related companies of the respondents with common shareholders and directors

The court further took note of the earlier restraint orders passed against the defendants and observed that nothing more than that was required by the trial court for granting a temporary injunction to the plaintiff. For these reasons, the court of appeal allowed the appeal filed by the plaintiff and granted a temporary order of injunction restraining the defendants from telecasting or screening the film on their networks and from allowing feed signals to be used by their distributors / franchisees / assignees / cable operators, etc.

Passing off Action Available Even Against Registered Proprietor

In the recent judgment of ***Latha C. Mohan v. Cavinkar Pvt. Ltd.***, the **High Court of Chennai** passed an interim injunction restraining the defendant from using the trade name *Kanya* for their cosmetic and hair care products.

The plaintiff in this case, a pioneer in the field of beauty business, has been running a chain of beauty parlours under the trade name *Kanya* in the cities of Chennai and Bangalore since 1981. The defendant on the other hand is a manufacturer of beauty and hair care products and has held two registrations for the trademark *Kanya* and *Kanya* label in classes 3 and 5 since 1992 and 1993 respectively.

However, the products under the mark in class 3 were withdrawn later and the mark in class 5 was used only for the period between 1993 and 1994 until the recent re-launch in February 2003.

The plaintiff learned about the re-launch through a newspaper advertisement and sent a warning letter since there was likelihood of diversion of the plaintiff's business to the defendant, both being in the same field. The defendants did not pay heed to the warning letter and went ahead with the launch. This is the genesis of the suit.

While granting the injunction, the court pointed out that the purpose of a trademark is to identify the source of manufacture of goods. Since the field of activities of both the parties are same, there is a real and tangible risk of damage arising out of confusion.

Based on the evidence filed by the parties, the court upheld the plaintiff's rights as prior user of the mark *Kanya* and observed that the registrations held by the defendant do not confer any immunity against the plaintiff's passing off action. In restraining the defendant, the court took note of the fact that the defendant had not used its mark continuously.

Trademark Rights in Numeral Upheld

In an interesting judgment of the **High Court of Delhi** in ***Shaw Wallace & Co Ltd. v. Superior Industries Ltd***, the issue whether a plaintiff can restrain a defendant from using a numeral as part of his mark was decided in favour of the plaintiff.

The plaintiff Shaw Wallace & Co. Ltd sued Superior Industries for infringing its registered trademark *Haywards 5000 Super Strong Beer* by using the deceptively similar trademark *Superior 5000*.

At the preliminary hearing, the court granted the plaintiff's request for ad-interim relief and restrained the defendant from manufacturing or selling beer or other alcoholic beverages with any trademark having the digit '5000'or any other mark similar to the mark *Haywards 5000 Super Strong Beer*.

In defense the defendant argued that the numeral 5000 lies in the public domain and the plaintiff has no right to appropriate the same.

The defendant also claimed that the numeral could be used by any person in conjunction with any other mark. The defendant, therefore, had a right to market its beer under the trademark *Superior 5000*.

While upholding the rights of the plaintiff and confirming the order of ad-interim injunction granted earlier, the court referred to the definition of *mark* under the Trade & Merchandise Marks Act, 1958 which includes a 'numeral' as well.

Further, it noted that, based on its continuous and exclusive use of the numeral 5000 in connection with its beer, the numeral had acquired distinctiveness, resulting in the plaintiff having acquired a right to use the said numeral in connection with its beer.

The court went on to hold that although there is no specific association with regard to the numeral 5000, the plaintiff has built a reputation around it in connection with its beer and the absence of any explanation by the defendant for adoption of the same numeral in the same field for the same product was a material factor to be taken into account.

Shanelle Phonetically Similar to Chanel

The **High Court of Delhi** granted an interim injunction to Chanel Limited, the well-known perfume manufacturer against the use of *Shanelle* by another local perfume manufacturer in ***Chanel Limited v. Sunder Chemicals & Agarbati Works*.**

The case of the plaintiff was founded on its statutory and common law rights in the trademark *Chanel* for perfumes and it argued that the use by the defendant of the phonetically similar mark *Shanelle* in respect of perfumes constituted infringement and passing off liable to be restrained.

In defense, the defendants argued that: *Chanel* and *Shanelle* are not deceptively similar and that in India, no one would confuse the pronunciation of 'ch' and 'sh'. The defendant also claimed that it was an honest and concurrent user.

Rejecting the arguments and taking judicial notice of the fact that the letters 'ch' are pronounced as 'sh' in many instances, (for instance the Webster's dictionary refers to the pronunciation of plaintiff's mark with a 'sh' sound), the court allowed the plaintiff's prayer for interim injunction. The court noted that the defendant had not offered any satisfactory explanation for the adoption of their mark.

INSIGHT

Section 31 of the Indian Copyright Act of 1957 deals with compulsory license in works withheld from public and is to the following effect:

Section 31. Compulsory license in works withheld from public

(1) If at any time during the term of copyright in any Indian work which has been published or performed in public, a complaint is made to the Copyright Board that the owner of copyright in the work –

a) has refused to republish or allow the republication of the work or has refused to allow the performance in public of the work, and by reason of such refusal the work is withheld from the public; or

b) has refused to allow communication to the public by broadcast, of such work or in the case of a sound recording the work recorded in such sound recording, on terms which the complainant considers reasonable;

the Copyright Board, after giving to the owner of the copyright in the work a reasonable opportunity of being heard and after holding such inquiry as it may deem necessary, may if it is satisfied that the grounds for such refusal are not reasonable, direct the Registrar of Copyrights to grant to the complainant a license to republish the work, perform the work in public or communicate the work to the public by broadcast, as the case may be, subject to payment to the owner of the copyright of such compensation and subject to such other terms and conditions as the Copyright Board may determine; and thereupon the Registrar of Copyrights shall grant the license to the complainant in accordance with the directions of the Copyright Board on payment of such fee as may be prescribed.

Explanation: - In this sub-section, the expression "Indian work" includes –

i) an artistic work, the author of which is a citizen of India; and

ii) a cinematograph film or a sound recording made or manufactured in India.

(2) Where two or more persons have made a complaint under sub-section (1), the license shall be granted to the complainant who in the opinion of the Copyright Board would best serve the interest of the general public.

The scope and nature of the above section came up for consideration before the Copyright Board in ***Music Broadcast Private Limited v. Phonographic Performance Ltd***, decided on November 19, 2002. This is the first case in India which provided the Copyright Board a unique opportunity to interpret and apply the above section in a creative manner so as to sub-serve the interests of the public.

Fact File

- Prior to 1999, the policy of the Government of India discouraged private broadcasters to operate broadcasting stations on their own and required such private operators to operate segments of AM/FM output on stations owned by the Government.
- In 1999, the Government of India opened up the broadcasting sector to private broadcasters and invited tenders for the purpose of granting license to private FM broadcasting services in 40 cities.
- The complainants in the dispute were six radio stations which had been granted licenses in terms of the tender, authorising them to set up and operate broadcasting services.
- The defendant, Phonographic Performance Limited (PPL), is a copyright society established under the Copyright Act, 1957 for collection of royalties vis-à-vis sound recordings.
- With a view to operating the services, the six complainants approached PPL for an appropriate license to broadcast the sound recordings of the works in its repertoire on certain terms of royalty.
- The dispute between PPL and the six complainant radio stations arose when negotiations to fix an appropriate royalty rate failed. During the negotiations with the complainants, apart from the license fee, PPL also demanded a share in the revenues from some of the complainants. Finding the negotiations at a dead-end, separate complaints were filed before the Copyright Board under Section 31 (1) (b) of the Act for issuance of compulsory license on the ground that PPL had refused to allow communication of the works in its repertoire on terms the complainants considered reasonable.

Rival Contentions

The complainants argued that:

- the royalty demanded by PPL was arbitrary and capricious and the payment of such high royalties would outrun the expenditure incurred in obtaining licenses from the government and thus cause annual loss of millions of rupees.
- A large preponderance of the extensive testimony presented to the Board was devoted to showing that world-wide, royalty rates for performance of sound recordings were generally lower than the rates for musical compositions and, therefore, PPL should charge a royalty at the rate that is comparable to that charged by the Indian Performing Rights Society (IPRS), which is a copyright collection society for performance rights in musical compositions and lyrics.
- Radio airplay of music created awareness of artists and new songs and had a powerful promotional effect on the sales of sound recordings.

On behalf of its members, PPL argued that:

- Owners of the copyright in sound recordings deserved to be compensated for the use of their music, which was produced by technical innovations and contained contributions of many.
- Foreign royalty rates were not comparable as the Indian music industry comprised mainly film music and was entirely different from the west.
- There was no public interest in the complaint except the commercial interest of the complainants.
- The high quality of the broadcast from these private radio stations allowed listeners to make their own recordings which in turn deterred the public from buying music cassettes and CD's, thereby cutting into sales of sound recordings administered by PPL.
- Keeping in mind the average time spent on viewing television and its negative impact on the sale of music cassettes and CD's, PPL's demand for a tariff fee of 20% of the net advertising revenue was reasonable.
- Under Section 31(1) of the Act, the Board's jurisdiction is attracted only when the works in question are withheld from the public on terms which are unreasonable. Further, in the present case, the complainants had failed to show that PPL's offer was unreasonable.
- Under Section 31(2) of the Act, a compulsory license can be granted only to one radio station owner and the Board will have to determine which of the six complainants would best serve the interests of the public. Further, under the said section, the selected owner would be entitled to a licence at the rate fixed by the Board and the remaining complainants would have to enter into an agreement with PPL on such terms as may be decided between them.

Following a through analysis of the rival contentions, the weight of evidence and case law on the issues, the Copyright Board arrived at the following findings:

- That its jurisdiction under Section 31 can be invoked only if the following facts and conditions exist:

a) The work is an Indian work;

b) The work has been published or performed in public i.e., it must be an existing work and not a future work yet to be created.

c) The owner of copyright has refused to allow communication to public by broadcast of such work or sound recording on terms which the complainant considers reasonable.

d) A complaint is made to the Copyright Board.

- Applying the above conditions to the complaints and holding the issue of jurisdiction in favour of the complainants, the Copyright Board drew a distinction between Section 31(1) (a) and Section 31(1) (b), and observed that:

a) a pre-requisite for invoking Section 31(1) (a) is that by reason of refusal of the copyright owner, the work is withheld from the public.

b) However, the word 'withheld' does not appear in Section 31(1) (b) and the same cannot be read into it and, therefore, for invoking 31 (1) (b) it is not a prerequisite that the work is withheld from public.

c) The subject matter of Section 31(1) (a) is 'publication or performance of the work in public' which is different from the subject matter of 31(1) (b) i.e., 'communication to the public of a work or a sound recording by way of broadcast'.

- PPL's interpretation that only one person may be granted a license under Section 31(2) was untenable. The Board observed that the exclusivity contemplated by this sub-section was incapable of being applied to broadcast as a broadcasting license is restricted to a particular broadcasting station and the said station is not allowed to distribute copies of its broadcast to other radio station owners. Hence, if a complaint is made under Section 31(1) (b) of the Act, Section 31(2) is not applicable.
- Before coming to a determination as to what the proper license fee would be, the Board observed that royalty rates of other countries and those paid to Indian Performing Rights Society could not be of guidance as Indian broadcasting stations made a large use of film-based music which was not the case in other countries and the subject matter of license by the Indian Performing Rights Society was totally different from that of PPL. Most music programs aired in India made use of sound recordings, the copyright in which vested with PPL. Hence, property of PPL was of considerable value and was, in effect, the lifeline of the music stations.
- Once this conclusion was reached, the Board found that the basis of calculating royalty rates was, inter alia, the audience size, the time band, cost of acquisition by PPL, growth of competition in broadcasting, revenue earned by radio station owners, indeterminacy of intellectual property rights, etc.

While recording the above findings, the Board noted a certain anomaly between Section 31 and the Rules framed under the Act, particularly, Form II-A. The said Form contemplates that a fee of Rs. 200/- (approximately USD 4) per Indian work is to be paid at the time of submitting an application. If the total sound recordings which may be licensed by PPL are 5000 in number, then each applicant would have to pay Rs. 1,000,000 (approximately USD 20,000). Finding the fees to be exorbitant, the Board suggested that Form II-A should be revised since it is not relevant to an application for broadcasting. The Board urged the Government of India to make the necessary changes so that the Rules are in consonance with the Act.

With the above findings of fact and law, the Copyright Board went on to fix the royalty rates at Rs. 1,200 per needle hour for prime time broadcast and an appropriate reduced rate for normal and lean hours. These rates are directed to remain in force till October 31, 2004, whereupon they will be subject to review by the Board and specific rates would then be set up on basis of the available data.

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