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FOREWORD

The Intellectual Property Rights and the attendant legislations in various member states of WTO have gone through a sea change with the advent of the TRIPS agreement. The treaty provisions in the initial form has come under scrutiny since then- with the Doha Declaration in 2002 as a turning point from the perspective of the developing and least developed countries. The various stakeholders of IPR interpret and draw benchmarks of the treaty from their perspectives. India amended its own Acts relating to IPR substantially post TRIPS and in fact brought in new legislations in the fields of Design, Geographical Indications, Plant protection, Trade marks and Integrated Circuits. The landscape of IP litigation has also changed with landmark cases with new interpretations and critique of the same.

The capacity building exercise to meet the new challenges are of crucial importance to developing countries like India where curriculum of IP needs revamping and incorporation of comparative IP regimes. The outreach programmes to equip Science & Technology professionals on the understanding of IP legislations is another challenge. NALSAR University of Law has taken an early lead in engaging such challenges. As part of the regular courses it has a strong IP core course at the graduate level complimented by elective and seminar courses which focuses on various IP segments. At the Post Graduate level IP as a specialization has attracted a substantial number of graduates in the last five years. Apart from that the Ph.D. enrollment in the subject of IP has been substantial with many have already defended and earned their research degrees. At the 'Outreach Programme' platform the flagship course of Patents Law Diploma of NALSAR Proximate Education has contributed to the capacity building exercise among science and technology professionals in various parts of the country.

In recognition of the initiative and contribution to IP education and research the MHRD instituted the IP Chair at NALSAR in 2008, which in turn has strengthened and expanded its activities. The Chair has conducted several Workshops, National and International conferences on IPR. The Indian Journal of Intellectual Property Law is an inititative of the MHRD IP Chair and the NC Banerjee Centre for IPR studies.

This volume revamped and redesigned has additional sections of Case Comments, Legislative Comments and Notes other than articles. The various sections deal on Brands, Moral rights under Copyright, Trade Mark licensing, Biotech patents, to the principles of International Exhaustion. The Journal also

has a book review on Nanotechnology and IPR written by Dr. Prabuddha Ganguli an eminent IP consultant. The student editorial team has worked hard to bring this fourth volume coinciding the Tenth Annual Convocation and I record my deep appreciation for their efforts and feel proud of their work in midst of their demanding academic schedule. I congratulate Prof. V. C. Vivekanandan, the MHRD Chair Professor for leading the Editorial team of the students to publish this.

This journal apart from print edition will be available as electronic copy at the Legal Information Institute of India website of www.liiofindia.org an initiative of the NALSAR University of Law for free access to legal information.

We at NALSAR look forward to your comments and critique on the contents of the IJIPL to improve further in the forthcoming editions.

Prof. (Dr.) Faizan Mustafa
Vice-Chancellor
NALSAR University of Law
August 2012

EDITORIAL

It is with immense pleasure that we bring to you the fourth volume of the Indian Journal of Intellectual Property Law (IJIPL). Conceived in 2007, the journal has since then been published thrice and hailed for its rich academic scholarship and quality of publication. This year marked a turning point in the growth of the journal as we attempted to structurally revamp our policies, finetune our workings and reverse certain trends that adversely plagued the publication process. This year the journal has returned stronger and in a new refurbished avatar as it engages with the relatively unchartered territory of Comparative Intellectual Property Law and introduce finer distinctions in the content and quality of its contributions. Not only has the journal received a new and fresh look, we also have sought to publish a wider and diverse array of scholarship by academicians, lawyers and students. While it is practically impossible to cover each and every aspect of the development in Intellectual Property Law given its large bandwidth we have attempted to highlight the latest and the most important developments in our editorial. We were fortunate to receive an overwhelming response this year from our contributors, more so because all of them were targeted at dealing with contemporary issues of importance.

RECENT DEVELOPMENTS

The legal landscape is being rocked by dozens of lawsuits related to infringement of copyright and the economic rights of authors. Perhaps the most significant of these lawsuits has been the recent case where the United States sued giant publishers like Apple, Hachette, HarperCollins, Macmillan, Simon & Schuster and Penguin of colluding over the prices of e-books that they sell. This collusion reportedly allowed the publishers to set prices, rather than the retailers, causing huge economic disadvantage to consumers, and having an anti-competitive effect on the market.[1] The U.S. Department of Justice has reached a settlement with three of these—Hachette, HarperCollins and Simon & Schuster— but will continue to litigate against Apple, Macmillan and Penguin, for which the trial has been set for June 3, 2013.[2]

In another lawsuit, Google, which had undertaken an ambitious project in 2004 to scan and preserve every printed piece of material in the world, was sued by the Authors Guild, alleging that Google's scanning and subsequent

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1 *U.S. v. Apple and Hachette et al.,* Civil Action No. 12- CV-02826 (DLC), U.S. District Court, Southern District of New York (Manhattan).

2 "Justice Department Reaches Settlement with Three of the Largest Book Publishers and Continues to Litigate Against Apple Inc. and Two Other Publishers to Restore Price Competition and Reduce E-book Prices", *Justice News,* Office of Public Affairs, United States Department of Justice (April 11, 2012).

book text index was an impermissible infringement on copyright. The suit appeared to reach a resolution in 2009 when the Guild and other plaintiffs agreed to a settlement with Google. This settlement required an opt-out, rather than an opt-in, and the judge denied the settlement due to incorporation of such a clause. Finally, on July 27, 2012, both the parties filed motions for summary judgment, and it is to be seen whether the 'public interest or benefit' aspect of the Google Books Project will be taken into account by the Court or not.[3]

The Indian landscape too has been shuddering under a series of copyright-related lawsuits, where mainly file-sharing websites like Pirate Bay and Guruji.com have come under fire for copyright infringement. Several media players like Star India have also been sued for violating strictures on broadcasting of certain programmes and advertisements, and the gaming company, RJ Softwares, was accused of copyright infringement for making an online game similar to the immensely popular Scrabble.[4]

Worldwide, the blogosphere has been abuzz with heated debates concerning bloggers' legal liability for content put up on their personal websites, including unauthorized use of images, excerpts from books, etc. without taking necessary permission from the original copyright creator. The concept of 'implied permission' of such a photographer, illustrator, designer, author or publisher has been carved out along with the fair use principle as possible defences. But one can certainly infer that guidelines for the growing population of bloggers are in the making.[5]

In fact, Internet freedom is coming across the chopping board of copyright authorities in several countries. First, there were the Stop Online Piracy Act (SOPA) and the Protect Intellectual Property Act (PIPA) of the United States, now there is the Anti-Counterfeiting Trade Agreement (ACTA) of Japan and USA.[6] Other countries too are leaning towards stringent internet regulation, much to the consternation of netizens everywhere.[7]

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3 *The Authors Guild et al. v. Google Inc.*, 770 F.Supp.2d 666 (2011). See also Andrew Albanese, "Damages Could Exceed $1 Billion in Authors Guild Case Against Google", *Publishers Weekly*, August 6, 2012.

4 Shubhra Rishi, "Copyright Infringement and All That Jazz", *The CIO Magazine*, June 7, 2012.

5 See e.g., "Legal Guide for Bloggers, *The Electronic Frontier Foundation*, Available at https://www.eff.org/issues/bloggers/legal/(last visited August 15, 2012);"Blogger Law", *The Aviva Directory*, Available at http://www.avivadirectory.com/blogger-law/(last visited August 15, 2012); "FTC Publishes Final Guides Governing Endorsements, Testimonials", *FTC Release*, United States Federal Trade Commission (May 10, 2009).

6 "ACTA Up", *The Economist*, February 11, 2012.

7 See, e.g., "Internet Freedom and Privacy", *Human Rights First*, Available at *http://www.humanrightsfirst.org/our-work/business-and-human-rights/internet-freedom-and-privacy/* (last visited August 15, 2012).

Trademark law and policy the world over has seen an increase in efforts at protecting brands, given the state of the recovering world economy and international trade.

A great deal of discussion in Europe surrounding trademarks focussed on the relationships between national trademark systems and the 'Community Trademark' (CTM). The Max Planck Institute of Germany was chosen to carry out a study of this situation. Relevant to this discussion is the Community Trademark Regulation (40/94) of the European Union. This issue attained spotlight in the 2010 case of *Hagelkruis Beheer BV v. Leno Merken BV*,[8] which was decided in July, 2012.

In the United States, the case of *Fleischer Studios v. A.V.E.L.A*[9]saw the ninth circuit court examning in the use of the popular 'Betty boop' cartoon for claims of copyright and trademark infringement. The court originally held that treating such use as infringement could prevent the cartoon (whose copyright had expired) from entering the public domain. The court held the use of the image as being 'aesthetically functional' and as not being misleading to consumers. In its revised opinion, the court concentrated on whether the cartoon would qualify for protection as a common law mark.

In the case of *Louis Vuitton Malletier, S.A v. Akanaoc Solutions Inc*[10], the 9th circuit held web hosting companies liable for contributory infringement. This case is significant in the court having allowed the plaintiffs to successfully sue web hosting companies for infringing activities of companies that are beyond the jurisdictional reach of the plaintiffs in foreign jurisdictions. In this case, the website based in China sold goods which infringed Louis Vuitton's trademark. However, the website used IP addresses that were assigned to the defendants who were based in California.

Other significant trademark jurisprudence emerged in the cases of *Network Automation Inc v. Advanced Systems Concepts Inc*[11], *Voice of the Arab World, Inc v. MDTV Medical News Now Inc*[12], *CJ Products LLC v. Snuggly Plushez LLC*[13]and *Levi Strauss & Co. v. Abercombie & Fitch Trading Co.*[14]

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8 Case C-149/11.
9 654 F. 3d 958 (9th Cir. 2011).
10 658 F. 3d 936 (9th Cir. 2011)
11 658 F. 3d. 1137 (9th Cir. 2011).
12 645 F.3d 26 (1st Cir. 2011).
13 2011 WL 3667750 (E.D.N.Y. Aug, 22, 2011)
14 633 F. 3d 1158 (9th Cir. 2011).

In the intellectual property area of domain names, the ICANN (Internet Corporation for Assigned Names and Numbers) which manages the domain name system, has approved a way to create new gTLDs (genedric Top-Level Domains). The ICANN describes the gTLDS as a "*promise to expand the domain name system and change the internet forever*".[15]

In India, the turf war surrounding the registration of the 'Basmati Rice' trademark still waits to be resolved as the Pakistani authorities show uncertainity regarding which region the Bamsati should be attributed to. In other significant trademark developments, the Madras High court has restored the *status quo* surrounding the removal of 'manjal' from the trademark registry. 'Manjal' had been removed from the registry for reasons of being descriptive and being a word belonging to the public domain.

The last year has witnessed some high-profile activity as far as the field of patents is concerned. In India, the biggest of the lot has been the decision of the Indian Patent Office[16] to grant Natco, an Indian generic, compulsory license for Nexavar. Bayer's kidney-cancer drug. The grant, under section 84 of the Indian Patents Act, 1970 is the first instance of the power ever being exercised since the implementation of the TRIPS regime.

Nacto had a textbook case; the drug that is used to treat renal cancer and is prescribed to over 10,000, costs over INR 280,000 a month resulting in many deaths due to the obvious non-affordability. Natco's proposal leads to the cost falling to INR 8,800 a month (less than 1/30th the original cost) with assurance to provide the drug free of cost to those who can't afford even the reduced costs. This however, did not prevent Teresa Stanek Rae, the Deputy Director of the USPTO from testifying before Rep. Bob Goodlatte, in the House Subcommittee on Intellectual Property that the USPTO continues to actively try to 'educate' and persuade Indian officials to not grant any further compulsory licenses. Further, in its recently published[17] Annual 301 Report, the United State Trade Representative (USTR) has once again put India on its 'priority watch-list' for poor compliance with the standards of intellectual property law expected by the U.S.

Readers will appreciate two things here. Firstly the fact that India is well within its right under the TRIPS to grant compulsory licenses in situations such as these and secondly, the fact that the US grants compulsory licenses through its courts on a regular basis and had infact threatened the very same

15 http://newgtlds.icann.org/en/about/benefits-risks (last visited August 15, 2012).
16 http://www.ipindia.nic.in/ipoNew/compulsory_License_12032012.pdf
17 http://www.ustr.gov/sites/default/files/2012%20Special%20301%20Report_0.pdf

Bayer back in 2001 with compulsory licensing of its Anthrax pill unless the pharma giant slash its price.

While the decision of the Indian Patent Office is a bold move and has the backing of a number of developing nations and the WHO as well, the matter does not end here. It will be interesting to watch the legal battle that is brewing as Bayer takes the Indian government to the courts even as this editorial is being written.

Internationally, it has been the Apple v. Samsung saga that has hogged the limelight for much of the last year. Spanning over 10 countries across 4 continents, the numerous lawsuits, counter-suits, and trade complaints form a part of the larger tussle among Apple, Google, Samsung, Microsoft, Nokia, Motorola, and Blackberry, among others and are popularly dubbed as the 'Smartphone wars'.[18]

It started in April, 2011 with Apple suing Samsung in a US district court, alleging that several of Samsung's Android phones and tablets infringed on Apple's intellectual property: its patents, trademarks, user interface and style. Apple's complaint included specific federal claims for patent infringement, false designation of origin, unfair competition, and trademark infringement.

Samsung counter-sued Apple on April 22, 2011, filing federal complaints in courts in Seoul, Tokyo and Mannheim, Germany, alleging Apple infringed Samsung's patents for mobile-communications technologies. By summer of 2011, Samsung had also filed suits against Apple in the U.K. High Court of Justice, in the United States District Court for the District of Delaware, and with the United States International Trade Commission (ITC) in Washington D.C.

Later in 2011, an Australian federal court granted Apple's request for an injunction against Samsung's Galaxy Tab 10.1. Samsung went in appeal against the decision and the injunction was denied by the Australian High Court. In July, 2012 an Australian judge started hearing the companies' evidence for a trial that is ongoing at the time of writing and some of the US court decisions imminent.

In the wake of these litigations, Google, with a view to protect its Android platform, acquired Motorola Mobility in August, 2012 for a massive USD 12.5 billion, with the objective of acquiring the nearly 17,000 strong patent portfolio

18 http://en.wikipedia.org/wiki/Smartphone_wars

that the company owned. These skirmishes are likely to escalate as the battle for supremacy in the smartphone/tablet segment rages on.

A GLIMPSE OF OUR VOLUME THIS YEAR

In the opening article, Mr. Amir H. Khoury delves into the evolution of a brand from a mere identifier and differentiator into something that now dictates consumption patterns. The dual powers of a brand today, that the author dubs 'Market Impact' and 'Consumption Impact' are something that are undesirable in the context of food brands, it is argued. The author then runs through various models that may be employed to rein in these impacts and proposes a working model for the same. Finally, the consequences of application of the proposed model to the Indian scenario are discussed.

In a thought provoking article, Mr. Pubali Sinha Chowdhury discusses the very important, but as of yet overlooked, issue of provision of copyrighted material in formats accessible to the print disabled persons. The article discusses the Copyright Amendment bill that introduces certain changes that reflect the international community's demand for a balance between proprietary interests as against public interest. Various technological aids that can benefit the print disabled have been discussed and a case is made for the Indian Government to put to work, both legal and technical tools for improving the situation that the print disabled find themselves in due to the existing copyright regime.

Mr. Manu Chaturvedi, in his article, discuses the evolution of moral rights both, internationally as well as within India. The author lays bare, the erroneous treatment that has been meted out to moral rights, putting them at a lower pedestal than the economic rights of the copyright bundle. Case law as well as legislation is analysed to further buttress the point and contemporary solutions are looked at in tandem with a call to move towards the more holistic approach adopted by the Berne Convention.

The murky area of trademark licensing and trafficking forms the subject of the next article by Mr. Kunal Ambasta. The article discusses theories of trademark licensing and tracks the evolution from source to the guarantee theory. The article then sheds light at the highly contemporary topic of trademark trafficking with a special emphasis on domain name trafficking. The House of Lords decision in *Scandecor* is discussed and its shortcomings pointed. The author then urges for a movement towards the quality theory.

The case comment segment of the journal carries analysis of two watershed judgments from the US Supreme Court. The comment on *KSR v. Teleflex* is the contribution of Ms. Sapna Raheem. Herein, the author discusses

the changing contours of the obviousness test in light of the technological advancements. The case comment then winds up with a discussion of the impact of the judgment on chemical and biological patents. Ms. Himabindu Killi chips in with a comment on the celebrated case of *Bilski v. Kappos* that has been a milestone in the development of jurisprudence of business method patents. The Machine-or-Transformation Test that is central to the judgment is elaborated upon and critiqued by the author who believes that Court could have done more to clarify the position of law. Light is also shed by the author, on the position of business method patents in India.

Subhajit Banerji and Anagh Sengupta have contributed a legislative comment on the Patents (Amendment) Act, 2005. The comment looks at the impact that the amendment, necessitated due to the onset of the TRIPS regime, has on the pharmaceutical industry and the access to medicine in the country. The comment discusses the numerous issues that have cropped up due to the amendment and the incursions it makes into constitutionally guaranteed rights as well as those recognised under various international instruments like the UDHR and the ICESCR. While the authors recognise the potential of the amended act to balance the conflicting needs by way of an effective opposition system for challenging frivolous patents, limited patentability exceptions, elaborate provisions pertaining to effective compulsory licensing and parallel importation facilities, they raise doubts about an effective implementation of these features.

The prolific IP blogger and lawyer, Mr. J. Sai Deepak provides a nuanced take at the interpretation of the vexed section 107A(b) of the Indian Patents Act, 1970. His note attempts to highlight the oft-forgotten distinction between 'parallel import' and 'international exhaustion. The author tests the assumption that said provision of law embodies the doctrine of international exhaustion on the basis of principles of statutory interpretation, legislative debates and other *travaux preparatoires*.

The note by Mr. Gaurav Mukherjee and Ms. Shrishti Kalro analyses section 29(4) of the Trademarks Act, 1999. The authors look at the evolution of dilution of trademarks from an associate of the common law tort of passing off to an independent statutory right as incorporated under the 1999 Act. The note discusses a number of case laws and the standards that they have established and lay down the difficulties that a person may face while trying to enforce his right under section 29(4). The authors also provide suggestions as to the appropriate standards that may be set to remedy the same.

In the book review section, Dr. Prabuddha Ganguli's new work on the IP landscape of the cutting edge area of Nanotechnology has been reviewed. The book released in June 2012 and coauthored by Siddharth Jabade has dealt comprehensively the IP scenario of the emerging area of nanotechnology. The book has analysis of several cases of patents in the field of nanotechnology like Nanosys Inc vs Nanoco Technologies and Sigma-Aldrich Corporation; DuPont Air Products NanoMaterials L.L.C. vs Cabot Microelectronics Corporation; Nano Proprietary, Inc. (NPI) vs Cannon to name a few.

At the end of this two year haul we have several people to whom we owe our gratitude. We begin with our alumni whose vision initiated the journal and whose legacy we are trying to further as retain the old and work with the new. We would like to thank our Vice Chancellor and Patron of the Journal Prof. Faizan Mustafa for his support and encouragement to bring this issue to the readers. We thank Prof. V C Vivekanandan for being the most dynamic Faculty Advisor and supporting us in all aspects of publishing the journal. Of course, The Printt House and Mr. Kamalesh Dessai has been most kind and patient in helping us publish this journal in record time and for taking greatest care in making it look this spectacular. We would be failing in out duty if we do not thank our contributors who have been extremely responsive and tolerant with us through our many rounds of review and editing. We hope we have delivered as per your expectations, if not more. Our gratitude to our readers and all the academic scholarship in the country which drives the existence of our journal. We cannot be prouder to belong to the young lawyer fraternity and to be able to further the Intellectual Property Law niche in some way.

Last but the least, we hope you find this volume as enriching as we did while we carefully read and selected each piece.

It has been a great run these couple of years. We hope the journal gets better in the future editions.

Editorial Board
August, 2012

BRANDS AS FOOD FOR THOUGHT: THE CASE FOR REGULATING FOOD BRANDS

*Amir H. Khoury**

Abstract

Every brand, in its original capacity as a trademark, is intended to identify and to differentiate a certain type of product or service from other competing food products or services. This is the original purpose of marks. But, overtime, this (original) purpose has been overrun by a different reality. Brands now harness a dual power. The first refers to their *Market Impact* i.e. their ability to overshadow competing brands, and the other relates to their *Consumption Impact;* i.e. their ability to generate wants and to shape the image of the foods that we consume. In this research I discuss the normative sides of this state of affairs. I submit that this dual impact is not desirable and the law should and can do something to off-set it. I conclude, this research, by proposing possible steps that aim to remedy this undesirable state of affairs.

Introduction

Every brand, in its core capacity as a trademark, is intended to identify and to differentiate a certain type of product or service from other competing food products or services. This is the original purpose of marks. But, overtime, this (original) purpose has been overrun by a different reality. Brands now harness a dual power. The first refers to their *Market Impact* i.e. their ability to overshadow competing brands, and the other relates to their *Consumption Impact;* i.e. their ability to generate wants and to shape our perceptions of the foods that we consume. In this research I discuss the normative sides of this state of affairs. I submit that this dual impact is not desirable and that the law should and can do something to off-set it. I conclude by proposing possible steps that are intended to remedy the situation.

This research is comprised of three sections. In the first section, I describe the two aforementioned impacts. In the second section of this research I discuss the normative side of the debate, namely if the regulator needs to intervene in the function and impact of food brands. This is of special relevance given the autonomy argument that underlies both competition and consumption. In the

* Amir H. Khoury, a senior lecturer at the Faculty of Law, Tel Aviv University. The author extends his thanks to the participants of the Food Law: New Horizons conference held at the Faculty of Law Tel Aviv University in June 2011 for their comments and ideas. The author also thanks Hanoch Dagan and Yofi Tirosh for their comments and ideas.

third and final section of this research I examine various methods of possible intervention and propose specific measures which can help resolve the situation without derogating from other legitimate interests.

Section One

The Impact of Food Brands

When we talk about food we must also consider how these foods reach us. That is to say how we come to choose the foods that we eat. The marketing aspect of the food chain cannot be overlooked simply because, at the end of the day, people make the choice as to what they eat. This work then, poses a critical approach of food brands that is intended to consider the branding of foods beyond the general legal considerations of brands selection, registration, protection and enforcement. It increasingly appears necessary to consider the interrelationship between branding activities and consumer choice. From the outset, I should like to pose a few questions that need to be addressed in order to draw the parameters of the research: Have we, the consumers, become victims of a commercial tool of our own devise that facilitates the dominance of specific food brands, thus limiting competition and consumer choice? Have brands come to not only dominate markets but also our perceptions about food? How, in fact, do people digest food brands?

Brands generally and food brands especially, now harness a dual power that affects its environment in two distinct ways. The first refers to the *Market Impact* of brands i.e. their brands' ability to overshadow competing brands in the market place. The second power that brands possess hinges on their *Consumption Impact;* i.e. their ability to generate wants and to shape the image of the foods that we all consume.

My contention in this research is that this dual impact is not desirable and that the law should and can do something to offset it. This section is devoted to describing both impacts and how they have come to negatively affect the food market and the food industry at large.

1.1 The Market Impact

One need only step into any supermarket in order to bear witness to the staggering number of brands that denote foods of all types, shapes and sizes. Conceptually speaking trademarks are not a limited public good. There is an infinite number of possible distinctive trademarks to create and to use.[1] As

1 With the exception of shapes and colors. See, Ann Bartow, The True Colors of Trademark Law: Greenlighting a Red Tide of Anti Competition Blues 97 Ky. L.J. 263 (2008); Amir H. Khoury, Three Dimensional Objects as Marks: Does a Dark Shadow Loom Over Trademark Theory?, 26 Cardozo Arts & Ent. L.J. 335 (2008).

such, on its face it should not matter under what trademark a given food producer markets his products because his competitors are entitled to operate under any other marks that they respectively devise. Furthermore, it is possible to contend that trademark ownership is just a commercially oriented proxy mechanism for trade in goods and services. Therefore, the argument might be that it should not really matter whether ownership of the mark is local or foreign. In addition to all of this, trademark laws provide equal protection to marks without regard to their proprietors' origin (i.e. domestic or foreign).[2] In the context of food brands, it means that local or foreign mark owners will receive equal trademark protection as prescribed by national law.

However, this legal equality and freedom to select marks should not and cannot function as a curtain which conceals the commercial realities on the ground. Indeed, as demonstrated in one of my previously published research papers, this *prima facie* equality on the legal-administrative level does not necessarily entail equality on the commercial-substantive level. The findings in that research indicate that despite the equality on the formal level, some brands have no real presence on the international trademark scene and do not even have an equal footing in their own domestic markets. Also, specific super-brands command a much higher value and impact on commercial activity due to massive advertising campaigns that ranges into the hundreds of millions of US Dollars.[3]

Various factors and mainly the advertising of brands contribute to establishing product differentiation.[4] Therefore, despite the equal legal footing that is provided to all market players, those that market under lesser known

2 This concept of equality is embedded in the CTR and is articulated by two principles namely; National Treatment (NT) and Most Favored Nation (MFN). When combined, those two principles ensure that member states would treat domestic and foreign entities in the same manner. See, TRIPS Agreement, Article 3: "Each Member shall accord to the nationals of other Members treatment no less favorable than that it accords to its own nationals with regard to the protection of intellectual property…".

3 According to one commentary "while all registered trade marks have the same legal value and unlimited life, as long as they are renewed, their commercial value and duration are widely different Report by the UNCTAD Secretariat, The Role of Trademarks in Developing Countries, United Nations Conference on Trade and Development-UNCTAD, UN, New York, 1979, at 13.

4 The differentiation achieved through trademarks supersedes that of patents and industrial designs because the protection that is granted to trademarks is not limited in time and because trademarks are connected with the product (or service in the case of service mark) and can visually be perceived by the consumer in a clear and direct manner. Despite this distinction trademarks and patents posses similar monopolistic and competitive qualities. See, E.H. Chamberlin, The Theory of Monopolistic Competition: A Re-orientation of the Theory of Value 56-62 (5th ed. 1947). Chamberlin explains that both trademarks and patents "make a product unique in certain respects; this is its monopolistic aspect. Each leaves room for other commodities almost but not quite like it; this is its competitive aspect".

brands or that originate in developing countries are at a disadvantage due to, what I have referred to in earlier research as, their low *Trademark Potential* in the market place.[5] To my mind, this uneven balance between brands not only impacts the competitors' ability to compete, but also the ability of consumers to transcend, in their mode of thinking, a given brand and to seek alternative food brands. This, in essence, constitutes the impetus for my view regarding the *Consumption Impact* which denotes the imbalance in the power of food brands vis-à-vis consumer choice and consumption habits.

The average consumer is required to navigate his way through a thick forest of brands. On its face, this is a good thing given the wide selection of branded products that are available to the consumer to choose from. However, this perceived advantage is soon substituted by a concern given the fact that consumers are short on both time and information. Therefore, by definition, the consumer's choice is not formulated through a process of informed decisions but rather by basing his choice on the cheapest tool that is made available to him; enter the brand. This state of affairs fully applies in the case of food brands.

Thus, brands have come to shape the image of the foods that we, the consumers, consume. We formulate our choice about food based on our perceptions of the brand that they are marketed under and the image that said brand is said to carry. Consider, if you will, the external traits that we associate with our foods e.g. healthy; not fattening; for the rich; environmentally friendly.[6]

5 In previous research I have established that the mere imitation of the formalistic legal structures of trademark protection, that have been erected by Developed countries, does not necessarily contribute towards improving the trademark balance of Developing countries (given their low Trademark Potential). On the contrary, it appears that these laws only serve to encourage the entry of additional foreign brands into the markets of Developing countries. This, in turn, would reduce the chances of market entry be newcomers. It would also contribute to preserving the status of Developing countries as merely import markets and thus allow foreign brands uncontested hegemony over local markets. This would not only manifest itself on the fiscal commercial level but would also impact local culture as well. Here foreign marks have been infiltrating local culture and affecting moral values in society. Also see, ENDESHAW, supra note 5, at 6-7, notes that "the advocacy for, and support of, borrowing by non-ICs is done in disregard of considerations that may show certain IP forms as being more suitable for a certain country or time than for another country or for a different time. Much of the borrowing or formulation of IP policies and laws in non-ICs has involved very little or no understanding of the dynamic that operates in the economic and technological domain of non-ICs".

6 Min, H. Hokey & William P. Galle, Green Purchasing Strategies: Trends and Implications, 33 Journal of Supply Chain Management, 10–17 (1997). Hokey and Galle contend that in light of the growing concerns about ecosystem quality and environmentalism, purchasing professionals should also be concerned and need to rethink purchasing strategies which have traditionally neglected environmental impacts. "Green" purchasing should now be awarded additional importance especially with respect to reducing and eliminating as well as related packaging decisions.

Notably, this effect does not stop at the personal level. Our choice of food is also influenced by our own social-political conceptions of our world. Consider, for example, how an increasing number of us take note of certain types of foods that are produced or grown under the fair trade label.[7] In those cases our food selection is also contingent on the fact that farmers who grew or produced that food did not get exploited in the process. Furthermore, we as consumers tend to eat what is "cool", and by doing so feel "cool"! In other words, our choice of food is driven by external market forces and social constraints.[8] Thus, our consumption is no longer autonomous. We simply do not choose the food. The brand tells us which food to choose.

From all of the above I draw the conclusion that food brands are a key component in the competitiveness of products and in their attractiveness to consumers. I would refer to this phenomenon collectively as *Nutrition by Brand*. Clearly, food brands as a commercial phenomenon are not synonymous with free choice. Rather, our choices, as consumers, are propelled by market and social forces that are beyond our control. In effect, trademarks, in their purely indicative capacity, have become a thing of the past. Trademarks have shed their original skin and become a tool for market influence or even dominance. But the adverse effects of brands do not end in the commercial sphere. They extend into the cultural sphere as well. In fact research indicates that trademarks have been exploited in order to leverage certain cultural values.[9] The influence of brands transcends borders. In this regard foreign brands do not only harness market control in the commercial sense but they also act as a

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7 Moore, G., The Fair Trade movement : parameters, issues and future research, 53 (1-2) Journal of business ethics, pp. 73-86 (2004); Also see Maria L. Loureiro and Justus Lotade, Do fair trade and eco-labels in coffee wake up the consumer conscience? 53(1) Ecological Economics, 1 (2005), 129-138; Loureiro and Lotade deduce from their research that consumers are very receptive toward both fair trade and shade grown coffee labels, and consequently are willing to pay higher premiums for these labeling programs than for the organic coffee. It is worth noting that consumers' buying behavior have not always been found to be consistent with their positive attitude toward ethical products. For example see, PATRICK DE PELSMACKER, LIESBETH DRIESEN, GLENN RAYP, Do Consumers Care about Ethics? Willingness to Pay for Fair-Trade Coffee, 39 (2) Journal of Consumer Affairs, 363–385,(2006).

8 Juliet B. Schor and Margaret Ford, From Tastes Great to Cool: Children's Food Marketing and the Rise of the Symbolic, 35 Journal of Law, medicine and Ethics, 10 (2007). Schor and Ford, at 19 observe that: advertising is effective in changing children's food preferences and diets.

9 E.g. The Gay Olympics case in the U.S. (S.F. Arts & Athletics, Inc. v. USOC, 483 U.S. 522 (1987)); Rosemary Coombe, The Cultural Life of Intellectual Properties: Authorship, Appropriation and the Law (Duke University Press, 1998); Also see Dreyfuss, Rochelle, Reconciling Trademark Rights and Expressive Values: How to Stop Worrying and Learn to Love Ambiguity. TRADEMARK LAW AND THEORY: A HANDBOOK OF CONTEMPORARY RESEARCH, Graeme B. Dinwoodie and Mark D. Janis, eds., Edward Elgar Press, 2007; NYU, Law and Economics Research Paper No. 06-39; NYU Law School, Public Law Research Paper No. 06-30. Available at SSRN: http://ssrn.com/abstract=929534.

Trojan horse which purpose is to inject new cultural values into a given society. In effect, some brands, embody a whole set of Western and mostly American values, which might not fit other cultures.[10] Generally, these brands also carry a collective message, which is one of consumerism - a distinctively Western "value". In fact, due to this interrelation between brands and culture, some have referred to Globalization as "Americanization", "MacDonaldization", or "Cocalization" of the world.[11] Furthermore, the mere fact that many of the leading food brands are now owned by multinational corporation or holding companies that are registered in offshore locations, does not derogate from the fact that those brands still dominate the local markets of many developing countries.[12]

Evidently, then, many of the choices that consumers make are directly based on the brand that covers the product.[13] Thus, the brand is no longer just a tool that allows differentiating one product from another, it is the main "dish" so to speak on which a substantial mass of consumer decisions are made. Clearly, while the brand can direct people towards making beneficial dietary

10 Teresa Da Silva Lopes & Mark Christopher Casson, Entrepreneurship and the Development of Global Brands. 81 Bus. Hist. Rev 651-680 (2007).

11 Al-Tom, Abed-Allah Othman & Adam, Abed Al-Ra-oof Mohammad, Globalization: An Analytical and Critical Study, (Dar Alwarrak, London 1999), 98-99 also noting that globalization and Western brand proliferation appears to fit logically within the perceived Western economic domination. Al-Tom denotes Ghandy's philosophy that opposed consumption of foreign products contending that consumption contributed to continued British control of India. In addition, Al-Tom, at 103 refers to a statement by Lord Cromer (The British High Commissioner of Egypt during 1883-1907) who boasted of his success (within only 15 years) in turning Egyptian textile workshops in Cairo into coffee shops; this after hampering the competitiveness of the Egyptian textile industry (which had been in stiff competition with the Lancashire textile companies of England). Clearly, proponents of globalization reject the notion that globalization is an extension of imperialism. According to those while imperialism achieved control by force, globalization does not. Accordingly, globalization is essentially a pacifist approach that does not employ the methods of "cultural imperialism". That approach also contends that the "cultural dimension" emanating from consumer brands is in fact a perception created by the consumers (in other non-Western cultures) and is not forced on those consumers by the "Western" brand owners and producers. Producers (in the West) are not preoccupied with "creating" new cultures but rather with increasing sales. As such, globalization today should not be identified with Western imperialism, since some aspects of globalization (such as inventions and the environment) are in the interest of all countries and peoples. For example see Tomlinson J., Cultural Globalization: Placing and Displacing the West, 8 Eur. J. Dev. 22-36 (1996).

12 Ricardo G. Flores &, Ruth V. Aguilera, Globalization and Location Choice: An Analysis of US Multinational Firms in 1980 and 2000, 38 J. Int'l Bus. Stud. 1187 (2007); For a detailedsurvey of Global brands see; Douglas B. Holt, John A. Quelch, Earl Taylor, How global brands compete., 1 Harv Bus Rev. (2004); 82(9):68-75, 136.

13 Chrysochou, Polymeros, Food Health Branding: The Role of Marketing Mix Elements and Public Discourse in Conveying a Healthy Brand Image (March 8, 2010). Journal of Marketing Communications, Vol. 16, No. 1-2, 2010, available at SSRN: http://ssrn.com/abstract=1566934.

choices it also has the potential of sugar-coating harmful foods.[14] But be things as they may, brands remain a substantial player when it comes to making decisions about what to eat. Brands in the food market are the main engine that drives consumer choice so much so that stores invest a lot of money and effort into selling the right brands and into enhancing their respective product placement.[15] Given the two above described impacts, a few questions warrant some thought and consideration:

- Is it right for us to actually make choices about foods based on external factors that are beyond our individual primal preferences namely smell and taste?
- *Should we consume all that the branding system puts on our plate? Or should we think about ways in which to mitigate this power and influence?*
- What is the role of the law in this regard?

The next sections are devoted to tackling these questions.

Section Two

Regulating Food Brands and the Autonomy v. Paternalism Debate

The Previous section prompts the need to look for a solution and to propose ways in which to offset deficiency that is created by the two impacts; namely market and consumption. I have devoted the third section of this research to this end. However, before describing my proposed multilayered model solution, it is important to address the fundamental question regarding the right of the regulator to intervene in the food brand market. Indeed, the question here is: should the legislator intervene in order to curb the impact of dominant food brands, or should the legislator restrain himself from such action and bet on the ability of consumers to make their own choices between competing brands?

I submit that the regulator has the right to intervene in order to offset the imbalance that has been created by brand name foods, by invoking his inherent

14 Chrysochou, Polymeros, Food Health Branding: The Role of Marketing Mix Elements and Public Discourse in Conveying a Healthy Brand Image (March 8, 2010). Journal of Marketing Communications, Vol. 16, No. 1-2, 2010. Available at SSRN: http://ssrn.com/abstract=1566934. Polymeros contends that branding is an important tool in communicating the value of health and contributing towards healthier food choices. However, he acknowledges the difficulty to associate brands with the health attributes of foods.

15 See for example Steiner, Robert Livingston, Category Management - A Pervasive New Vertical/ Horizontal Format (Spring 2001). Antitrust Magazine, Spring 2001 available at SSRN: http://ssrn.com/abstract=1805129. Steiner refers to the method of appointing category managers who interact with category captains in order to boost sales by way of leading brands.

right, indeed duty, to protect consumers. To my mind, given that some processed brand name foods have come to dominate the market, it is not logical to bet on consumers to make the right choices.[16] It is no secret that such a number of foods brands cover foods that, to put it mildly do not excel in the departments of nutrition and long-term good health. In many cases, consumers are consuming foods that are at best not beneficial and may even contribute towards compromising their health. Additionally, it is also clear that food brands can also lead consumers to make irrational decisions that are based on the brands that they (the consumers) manifest loyalty towards without really considering lesser known - and in some cases better and cheaper - alternatives. To my mind, the regulator's intervention in food brands should mirror his readiness to regulate other commodities.[17] In this regard, *Sheff* observes that "brands can bias consumers".[18] He contends that in order for brands to be beneficial for consumers, there is a need to complement their use with regulation that will ensure that consumers are aptly advised of the content of products.[19] This approach should also be applied with respect to food brands. Consider for example the potential linkage between obesity and advertizing. Here *Schor* and *Ford* present extensive data regarding food advertising in the US and food advertising of leading brands which volume runs into the billions of US Dollars each year. Specifically they report that, in the US alone, the food industry spends about 33 billion USD on food advertising in the US. McDonald's, Coca Cola and Pepsi Cola have reportedly spent staggering amounts on advertising, and specifically 528 million USD, 123 million USD and 104 million USD respectively.[20] With that being said, it is worth noting that not everyone supports

16 For a detailed report on the evolving market for processed foods see Myriam Vander Stichele & Sanne van der Wal, The Profit Behind Your Plate: Critical Issues in the Processed Food Industry (December 1, 2006), available at SSRN: http://ssrn.com/abstract=1660424.

17 Smith, Trenton G., Chouinard, Hayley H. and Wandschneider, Philip R., Waiting for the Invisible Hand: Market Power and Endogenous Information in the Modern Market for Food (February 19, 2009). WSU School of Economic Sciences Working Paper No. 2009-7. Available at SSRN: http://ssrn.com/abstract=1346650; according to Smith et al, over the course of the last century, the U.S. has witnessed a dramatic shift away from traditional diets and toward a diet comprised primarily of processed brand-name foods with deleterious long-term health effects. Smith et al have presented data that attests to the fact that the nutritional deficiencies associated with today's processed foods were unknown to nutrition science at the time these products were introduced, promoted, and adopted by American consumers. Smith et al conclude that while the current brand-based industrial food system (adopted and maintained historically as a means of preventing competition from small producers) has its advantages, the time may have come to consider expanding the system of quality grading employed in commodity markets into the retail market for food.

18 Jeremy N. Sheff, Biasing Brands, 32 Cardozo Law Review, 1245 (2011), at 1248.

19 Jeremy N. Sheff, Biasing Brands, 32 Cardozo Law Review, 1245 (2011).

20 Juliet B. Schor and Margaret Ford, From Tastes Great to Cool: Children's Food Marketing and the Rise of the Symbolic, 35 Journal of Law, medicine and Ethics, 10, 11-13 (2007). In this research additional interesting data is high lighted namely: the 63 percent of 353 advertisements

the notion as to the need or justification for intervention in order to curb the effects of brand based advertizing. Indeed, not everyone supports the regulator's intervention in restricting or curbing such types of commercial activity. According to *Zywicki et al* there are numerous practical and constitutional difficulties with such a policy.[21] For one thing, *Zywicki et al* contend that even if such an endeavor was feasible, it is doubtful whether restricting food advertising would do anything to curb obesity or even slow its prevalence in (modern) society.[22] This position hinges on empirical evidence which casts doubt about the linkage between advertising and obesity. *Zywicki el al* also question whether the social costs of banning advertising could outweigh the social benefits of such an action. As a result, they conclude that there is little reason to believe that greater restrictions on advertising directed at children will do much to staunch the increase in children's obesity.

However, despite these finding by the respected researchers, I beg to differ. Indeed, even if advertizing is not a sole or even primary cause of obesity in children, there is still no denying that it does contribute to this undesirable or even catastrophic outcome.[23] *Linn* and *Golin* also profess this view and argue that the "rise in childhood obesity mirrors an unprecedented increase of largely unregulated food marketing aimed at children".[24] As such, the regulation of foods that are directed at consumers who are children is justified, even if it is not the sole source of the problem.

Admittedly, my argument is likely to encounter resistance whereby some might contend that the regulator should not intervene in any lawful conduct by market actors. According to such a view, people should take responsibility for their own actions and the regulator is not entitled to exercise paternalism. Therefore, any intervention, such an argument might continue, even if it is propelled by good intentions, is destined to shift towards a slippery slope which leads towards the loss of personal choice and self-expression. But despite the argument, the fact remains that in some cases the regulator does intervene. Such intervention is prevalent in cases involving other issues relating to children

during Saturday cartoons were food related; the average child is exposed to 27 types of food advertisements per day; and that 41 percent of advertised foods were in the fats, oils and sweets category.

21 Zywicki, Todd J., Holt, Debra and Ohlhausen, Maureen, Obesity and Advertising Policy, 12(4) George Mason Law Review, 979-1011 (Summer 2004).

22 Zywicki, Todd J., Holt, Debra and Ohlhausen, Maureen, Obesity and Advertising Policy, 12(4) George Mason Law Review, 979-1011 (Summer 2004).

23 Juliet B. Schor and Margaret Ford, From Tastes Great to Cool: Children's Food Marketing and the Rise of the Symbolic, 35 Journal of Law, medicine and Ethics, 10 (2007). Schor and Ford, at 19 observe that: advertising is effective in changing children's food preferences and diets.

24 Susan Linn and Josh Golin, Beyond Commercials: How Food Marketing Targets Children, 39 Loyola of Los Angeles Law Review 13, at 32 (2006).

such as custody. Here the law (and case law) are geared towards the 'child's best interests' even if on the ground the child professes other preferences. The child's desires take second place to his (objective) well-being; solely to protect him or her. To my mind, where children are involved, a measure of paternalism is warranted. Thus, in cases involving children, advertising regulation should, generally, be welcomed.

It is also worth noting that regulating food brands fits well into the general scheme of things. Note for example prevalent cases in which the regulator, citing consumer protection, also intervenes when a given producer does not provide adequate information about the composition of a given product. In this regard the aim of regulation would be to "solve an asymmetric information problem in the market for food products".[25] Another reason as to why it is important for the regulator to intervene relates to the fact that mass consumption of unhealthy foods would most likely lead to mass illnesses due to a poor or harmful diet. Clearly, since the regulator will end up footing the bill for such medical conditions whether its treatment in the national healthcare system and loss of work hours, it is only logical to expect him to want to take preemptive measures in order to save on such unnecessary costs. In this regard it seems logical to expect of the regulator the implementation of regulation which purpose is to provide information to consumers so that they can make informed (hence mostly beneficial) food purchases. But clearly such regulation should be used with care. *Jostling et al* alert us to the fact that differences in the way that different governments fulfill this obligation, are likely to lead to trade conflicts.[26] In this regard it is worth noting that the regulation of food brands is not a revolutionary idea. In fact, it has been employed in more expansive contexts such as that involving mergers and anti-trust. Suffice it to note the decision by the Federal Trade Commission (FTC) (in 2000) that prevented the merger of the second and third largest baby food manufacturers in the United States at the time.[27] What is more, in the United States such regulation is also recognized

25 Marc T. Law, The Origins of Pure State Food Regulation, 63(4) The Journal of Economic History (2003).

26 Timothy E. Josling, Donna Roberts, David Orden, Food Regulation and Trade: Toward a Safe and Open Global System, Peterson Institute Press: All Books, 2004 - ideas.repec.org. In their view a government needs to create a regulative system that balances between the need to uphold food safety standards (and public confidence in them) and the need to preserve the framework for trade and the benefits of an open food system. Also see Tim Lang, Food Industrialization and Food Power: Implications for Food Governance, 21 Development Policy Review, 555–568 (2003). Lang contends that a sound food policy (with food brands included)is contingent on achieving a balance between the pursuit of productivity and reduced prices and the demand for higher quality.

27 Viola Chen, The Evolution of the Baby Food Industry, 2000-2008, 6 (2) Journal of Competition Law and Economics, 423-442, (2010).

in the context of food supplements. Here producers are subject to FDA restrictions pertaining to 'health claims' and disclaimers relating to said claims that are likely to lead to consumer deception.[28]

Given all of the above, it seems to be clear that one can justify the need for regulation even if it does entail some form of paternalism and the limitation of consumer choice. It seems that the tradeoff between the consumer's personal liberties and his health are in some cases warranted. Consumer choice is not an absolute social value.

*Upon concluding that intervention by the regulator is both possible and warranted, it is now possible to discuss the components of my multilayered model relating to food brands.

Section Three

Recalibrating the Impact of Food Brands

In this section, I introduce a multilayered model, which is, on the one hand, intended to protect the existence of food brands while on the other hand, limits its unchecked influence on the food market. First, I should like to demonstrate why a radical approach against branding should be rejected. After establishing that point, I shall discuss other less extreme tools for softening the two impacts of food brands while maintaining the balance between the legitimate competing interests of the diffident market actors.

3.1 Extreme Reactions to the Dominance of Some Food Brands

It is possible in the face of this imbalance and the potential adverse risks to consumer choice, to go with our gut feeling, so to speak, whereby the entire food brand system needs to be drastically altered. What follows are three measures that fall within this extreme category of action.

3.1.1 Abolishing Food Brands

The obvious alternative here is to consider abolishing the conventional trademark régime that protects the leading food brands. One variant of this approach, namely the "*No Logo*" approach, suggests that brands have overrun our lives because we live in a world in which everything has been branded including taste; cultural standards; and values and, in the context of this research, also foods.[29] According to this approach brands have lost their justification

28 Gilhooley, Margaret, Impact and Limits of the Constitutional Deregulation of Health Claims on Foods and Supplements: From Dementia to Nuts to Chocolate to Saw Palmetto, 56(683) Mercer Law Review, 101 (2005).

29 Naomi Klein, No Logo (2000).

because they have transcended their original function of indicating origin and assuring the quality of the product and have become the object of the sale. According to that position, successful brands know no limits; brands have not only moved from denoting a product to denoting a lifestyle, but also their owners have now set their sights on enticing the consumer into believing that he or she can live life inside their respective brand.[30] Consequently, in view of the iron grip with which leading brands dominate the food markets and in view of the fact that such brands have transcended their original function of indicating origin, it is not surprising that the idea of abolishing trademarks can be entertained as a plausible solution.[31] This approach of "de-linking" in the context of trademarks might be seen as a way to curb the property rights in marks.

In previously published research dealing with mark dominance in general, I have submitted that such a radical approach should be rejected because it entails many losses that render it morally; legally; socially and economically

30 As such, producers now focus on "their brands' deep inner meanings"; namely how the brand captures the spirit of the individuality, athleticism, wilderness and community". KLEIN, id.,. Klein focuses on the NIKE mega brand. She contends that, Nike's swoosh logo has come to represent the ultimate in athletic style and whose slogan "just do it" identified it with the assertion of individuality. She perceives brand builders to be the "new primary producers in our so-called knowledge economy", since it is they who formulate what is of "true value: the idea, the life style, the attitude". Walden Bello, No Logo: A Brilliant but Flawed Portrait of Contemporary Capitalism – A review of No Logo by Naomi Klein, (2001), http://www.zmag.org/CrisesCurEvts/Globalism/nologo.htm, at 3.

31 It is worth mentioning that the concept of abolishing the use of trademarks is not new. Indeed, the idea has been raised in the early 1970, in the context of pharmaceutical products this with the aim of reducing the price of drugs. See, Robert Niblack, TRADEMARKS WHY? 5-8 (1976) ("benefits to be gained by generic prescribing in contrast to prescribing by trademarks have been grossly overstated"); Niblack, at 9 defines a generic name of a product as the common non-proprietary descriptive name of a chemical or other entity and can be used by anyone. In the case of a pharmaceutical product, it refers to an active ingredient in that product and is a shorthand version (adopted by a committee on names) of the chemical name which defines the complete molecular structure of that active ingredient. Niblack reasons that: 1. Trademarks are a useful tool for identifying the source or origin of goods. As such, both producer and consumer benefit from their use. 2. Commonly, it is more practical to introduce a pharmaceutical product under a trademark than under its chemical or generic name. 3. As an indication of quality, a trademark prompts the producer to maintain the quality of his product. If one trademark falls below the producers' usual standards (quality, value and service), it may bring down with it his entire reputation and goodwill. Therefore, the producer will typically not introduce his trademarked pharmaceutical product before sufficient medical research is conducted. 4. Trademarks do not increase the price of pharmaceutical products. Hence, using a chemical or generic name rather then trademarks is not justified. 5. A product sold under the generic name "merely identifies its active ingredient(s) and gives no indication whatsoever of other features of the product, for example quality, formulation, dosage forms, biovalidity or, of course, source". 6. The price of a medicine is determined by constant costs regardless of whether it is a generic or trademarked product. According to Niblack, at 9, these constant costs include the innovation level of the product; the product's cost of development, production and introduction costs, the market structure or competing products, capacity, number, nature and price of competitive products, etc; and the general conduct of the manufacturing firm (costs and sophistication or research programs, overhead expenses, anticipated earnings, etc.

unjustified. I have argued that, the lack of protection for this intellectual property subject matter is likely to discourage foreign investments that fuel economic development, create new jobs (domestically) and attract technology.[32] It would also severely limit consumer choice. Indeed, a cost analysis of the "de-linking" will unequivocally lead to the conclusion that adverse ramifications overshadow any justification to the contrary. First and foremost, by abolishing trademarks (even if partially) the regulatory system would undermine the moral justification for rewarding effort that is directed towards creating the goodwill (reputation) for brands. This would further diminish the benefits that attach to the basic functions of trademarks namely, indicating origin and preventing consumer deception. Furthermore, any country that embarks on this road which amounts to overriding the TRIPS agreement, should also expect to (ultimately) lose its membership in the WTO without which the prospects for foreign trade would be greatly reduced.[33] Such "rogue states" should expect to incur severe trade losses, and to see a reduction in the scope of their exports.[34]

3.1.2 Restrictions on the Entry of Dominant Foreign Food Brands

Another radical step that might be undertaken to curb the dominance of some food brands would be to bar or limit the entry of certain foreign brands that dominate commercial food sales. In such a case, the argument would be that some foreign brands have attained such a degree of renown and influence to the extent that the domestic food industry is unable to compete against them.[35]

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32 Kena'an El-Ahmar, The Role of IP protection Culture in the Growth Process in Syria, SIMA-Third Economic Forum, at 8. When examining the various costs of trademark counterfeiting and lack of protection, it is important to bear in mind the diversification of the various parties involved including the consumer public, the brand owners, the local merchants, the importers and the governments of the respective countries that are involved. In this regard one commentary notes that in the context of intellectual property the role of consumers and marketers must be comprehensively viewed, because they are distinct competitive players; See Spyros M. Maniatis, Competition and the Economics of Trademarks, Intellectual Property and Market Freedom (Adeian Sterling ed., 2 Perspectives on intellectual property series, Sweet & Maxwell, 1997); Perspectives on Intellectual Property Series 67 (James Lahor ed., 1997).

33 Indeed, even vast economies such as China have been keen to join the WTO.

34 One interesting albeit theoretical scenario, is that of a synchronized mass de-linking by all underdeveloped countries. Such a "collective" walkout by the "consuming" countries may yield a reopening for negotiations of the entire world trade structure.

35 Supporters of this approach might contend that the concept of prohibiting the entry of foreign products has already been utilized by the United States through Article 337 of the U.S. Tariff Act of 1930 which allows to bar the entry, into the U.S., of foreign products that infringe a U.S. patent or any other patent right. The rational behind article 337, is that countries are entitled to invoke measures in order to limit the entry of certain infringing brands. As such, article 337 is considered to fall with in the powers granted to member states, by TRIPS, to exercise border measures that enhance the enforcement of intellectual property rights and place restrictions on infringing products entering the country. See, David A. Gantz, A Post-Uruguay Round Introduction to International Trade Law in the United States, 12 Ariz. J. Int'l & Comp. L 107 (1995), referring to 19 U.S.C. art. 337; In view of this harsh remedy, it

Intuitively, such protectionist measures might seem to posses some merit. Indeed, in such cases the state might justify its actions by citing its inherent right to protect its national commercial interests and/or those of its citizens. That is to say, the state perceives itself as a relevant actor vis-à-vis commercial activity that has adverse spillover effects on its national market.[36]

Notwithstanding, the weight of such a line of thought, I believe that this course of action should not be followed because it undermines the basic legal equality between brand owners. Needless to say, absent such equality, international trademark protection would be nullified. In addition, it creates a spiral-down effect which can effectively lead to the abolishing of all forms of multilateral trademark regulation and a return to pure national - and to some degree nationalistic - based protection which would ultimately stall free trade.[37] Such an undesirable trend would, most likely, lead to a slippery slope situation that would pave the way for additional unilateral state action that is contrary to the entire WTO-GATT framework. Such a regression might even lead to the re-imposition of duties and tariffs on foreign imports and the reinstating of subsidies to national manufacturers. Lastly, such protectionist measures would in all likelihood be directed at foreign dominant food brands, and would not be able to cover dominant food brands. This, in-itself, creates a second level of unjustified bias.

3.1.3 Restricting Franchising

Another extreme method for dealing with certain food brands might be the imposition of restrictions on franchising activities.[38] Such a radical step would, mostly likely, rest on the reason that franchising activity by owners of foreign brands seems to overlook local particularities and needs.[39] In the context of this research, countries might elect to raise the level of supervision over franchisors rendering such franchising transactions much less lucrative. In addition, countries may choose to limit the share of profits that franchisees are entitled to collect. Indeed, while all of these restrictions may achieve the goal of discouraging the dominance of some food brands, they would also, to my

is not surprising that most section 337 actions are settled either through the issuance by the US International Trade Commission of a "cease and desist" order, or through a settlement that contemplates the conclusion of a royalty payment licensing agreement between the United States patent holder and the foreign producer who is allegedly infringing an IPR.

36 Gantz, supra note 59, at 108, referring to TRIPS – part III section 4 (special requirements relating to border measures).

37 Riccardo Faini, Trade Liberalization in a Globalizing World (2004).

38 Rahul Chakraborty, Franchising in India-The Road Ahead (2009), available at SSRN: http://ssrn.com/abstract=1335868.

39 Francine Lafontaine & Joanne E. Oxley, International Franchising Practices in Mexico: Do Franchisors Customize Their Contracts?. 13 J. Econ. & Mgmt. Strategy, 95-123 (2004).

mind, constitute a blatant and disproportionate intervention in the freedom of contract. This, in my opinion, constitutes a measure that a free economy should not cross. In my view this approach should not substitute the anti-trust track which can curb market dominance. Therefore, if it is shown that a given franchise enterprise is exceedingly dominant to the extent that it can severely disrupt market competition due to the market power associated with the food brand in question, then there is no reason not to resort to anti-trust law.[40]

In conclusion, adopting an approach that effectively abolishes trademarks, restricts the entry of foreign brands or the franchising activity thereof, should be resisted by both brand owners and consumers alike. Indeed, these approaches are likely to undermine the moral basis of protection and entail social, economic and political costs that are too heavy a price. Therefore, a different approach should be sought.

3.2 A New Balance for Food Brands

Having rejected the extreme approaches that have been discussed above, it is my opinion that there is a need to opt for a different approach that takes into consideration the benefits and pitfalls of food brands both in the context of the choices that consumers make as well as competition at large. In a previously published paper I have tackled the challenge of facilitating market entry by newcomers, and the conclusions reached therein also apply to the food-brand market as well.[41] Here I would also place some emphasis on the interests of local consumers and producers, and on the need to promote fair competition. What follows is a multilayered model that is intended to recalibrate the balance in the food brand market.

3.2.1 Micro-Branding: Local v. Global

The first layer in the proposed model is aimed at encouraging what I would refer to as Micro-Branding. This would constitute an alternative to dominant food brands. This form of micro-branding has indeed been taking shape in various countries including India and the US.[42] The idea behind such a method of branding is hinged on taping into the personal and intimate connection between a person and the food that he consumes. Consider the idea behind

40 Kenneth L. Port, Trademark Monopolies in the Blue Nowhere 28 Wm Mitchell L. Rev. 1091 (2002).

41 Amir H. Khoury, A NeoConventional Trademark Regime for "Newcomer" States, 12(2) University of Pennsylvania Journal of Business Law, 352 (2010).http://www.law.upenn.edu/journals/jbl/articles/volume12/issue2/Khoury12U.Pa.J.Bus.L.351(2010).pdf

42 Anuja Pandey, Private Labels: The Winning Strategy for Grocery Retailers in India (September 1, 2009). Available at SSRN: http://ssrn.com/abstract=1465297. Pandey focuses on the phenomenon in India whereby Private labels are store brands have become and increasingly

most food advertisements - the intimacy of the bite and the taste and the setting where the actual scene takes place. All of these are never about the hustle and bustle of life. It is more about taking time to enjoy a food or beverage, and in doing so, to get away from it all. And this is where micro-branding or what other research refers to as home brands can flourish. Whether its beer, or bread or wine or jam it takes us back to the roots of the food and the purity of its ingredients. So in this regard, this micro branding despite its relative weakness when it comes to nationwide promotion of brands, still possess some agility and inner magic that can level the playing field in the face of the all controlling super (food) brands. This state of affairs could be more easily achieved in the case of fresh produce wherein the consumer's willingness to pay for major brands is undercut by smaller more trusted brands.[43] Indeed, other research confirms that the onslaught by lesser know brands of a local private label has been successful.[44] In other words, consumers seem to be receptive to the idea that when it comes to food, the super brands need not be the obvious choice. And there is a need to capitalize on these sentiments. One way of explaining this curious situation relates to the fact that while the consumer typically aims to dress in a manner that helps him or her stay in sync with the collective taste of his peers, whom ever they happen to be (also referred in popular circles simply as "fashion"), food consumption remains mostly a private matter, where personal taste still plays a dominant role. It is worth pointing out here that the local v. global competition is not limited to trans-border competition but also affects the interrelationship between small retailers and large chain stores.[45] The common element in both cases relates to the attempt to win the heart and the trust of the consumer and to prompt him to trust and seek food brands that are closer to home.

dominant player in the food branding domain. Theses have in some cases come to rival nationwide manufacturers. Interestingly this state of affairs has also played out in the context of private beer and wine brands that are in some cases even considered to be special and even sophisticated alternatives to other controlling brands.

43 Jin, Yanhong H., Zilberman, David and Heiman, Amir, Choosing Brands: Fresh Produce Versus Other Products (2007-07). American Journal of Agricultural Economics, Vol. 90, Issue 2, pp. 463-475, May 2008. Available at SSRN: http://ssrn.com/abstract=1118999 or doi:10.1111/j.1467-8276.2007.01062.x.

44 Ward, Michael B., Shimshack, Jay P., Perloff, Jeffrey M. and Harris, J. Michael, Effects of the Private-Label Invasion in Food Industries. American Journal of Agricultural Economics, Vol. 84, pp. 961-973, 2002. Available at SSRN: http://ssrn.com/abstract=366500. Ward et al argue that name-brand firms have not been successful in defended their brands against new private-label products despite lowering their prices, engaging in additional promotional activities, and increasingly differentiating their products.

45 Jamal, Ahmad, Playing to Win: An Explorative Study of Marketing Strategies of Small Ethnic Retail Entrepreneurs in the UK (2005). Journal of Retailing and Consumer Services, Vol. 12, Issue 1, p. 1-13 2005. Available at SSRN: http://ssrn.com/abstract=1508213. Jamal concludes that in the UK ethnic entrepreneurs have been able to institutionalize their consumers' culture, as has occurred with the Mexican culture in the United States, by selling all major

3.2.2 Class Actions

Class actions in civil law can also facilitate protection for the small consumer and curb the dominance of some food brands. In this regard, any consumer whom has encountered misinformation that has led him to make certain decisions with respect to foods may also seek to have his claim recognized as a class action in the name of other consumers in the group.[46] Indeed, this mechanism is very appropriate in the case of food products that are consumed daily by a large undefined group of customers. In those cases, the average consumer, absent a class action mechanism, will opt not to take legal action because his cost-benefit inclinations will be clearly in favor of not taking any action. Thus, the class action mechanism can offset the imbalance of ex-post barging power between the "disappointed" consumer and the corporation that produces the foods. Even more so the class action, especially in an Opt-Out model (that is most prevalent in Western countries), may also produce a deterrence by way of reaching amicable settlements in order to avoid negative publicity.[47]

But with that being said it is important to emphasize that such a course of action can only be successful if a number of conditions are met. The plaintiff needs to identify a class of people whom he wishes to represent, and that they are all victims of the same actionable conduct by the brand owner namely deceptive or misleading conduct while the brands acts as an accomplice. A classic case that exemplifies this is that involving the class action that has been brought against McDonald's Corporation contending that their products and aggressive marketing practices have lead to obesity in children.[48] In my view such types of law suits need to be recognized and should succeed if the plaintiff shows a divergence between the image of the brand under which the foods have been marketed and the factual end result of consuming the branded product.

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brands available in the country of origin at competitive prices and in convenient locations. This has been achieved by entrepreneurs' ongoing knowledge of trends and products through their willingness to develop relationships and communications with their consumers. Jamal observes that ethnic entrepreneurs have employed different marketing strategies to adapt to the requirements of consumers of different ethnic backgrounds.

46 Robinson, Melissa Grills, Bloom, Paul N. and Lurie, Nicholas H., Combating Obesity in the Courts: Will Lawsuits Against Mcdonald's Work?. Robinson, Melissa Grills, Paul N. Bloom and Nicholas H. Lurie (2005), "Combating Obesity in the Courts: Will Lawsuits Against McDonald's Work?," 24 Journal of Public Policy and Marketing, (Fall), 299-306.

47 The Consumerist, There's Actually A Settlement In Nutella 'Health Food' Class Action Lawsuit, http://consumerist.com/2012/04/theres-actually-a-settlement-in-nutella-health-food-class-action-lawsuit. html;

48 Robinson, Melissa Grills, Bloom, Paul N. and Lurie, Nicholas H., Combating Obesity in the Courts: Will Lawsuits Against McDonald's Work? Robinson, Melissa Grills, Paul N. Bloom and Nicholas H. Lurie (2005), "Combating Obesity in the Courts: Will Lawsuits Against McDonald's Work?" 24 Journal of Public Policy and Marketing, (Fall), 299-306.

In other words, such class actions should focus on the brand's image given that said brand propels consumer choice in the direction of the products that is marketed there under said brand.

3.2.3 Comparative Advertising

Another problem that characteristic of foods brands that try to compete with leading brands in this field relates to the fact that the owners of such brands, as newcomers into the market, will find it exceedingly difficult to penetrate the market shield that is placed over leading brands whether by way of brand loyalty, or through the rules that protect well know marks, or the inability to create sufficiently convincing advertizing campaigns.

Under conditions of 'perfect competition' the products of different sellers constitute perfect substitutes from the consumer's point of view and demand is determined by the price of a given product or service. In this market of 'perfect competition', business would compete through the price of the products sold. However, in the real market, products are not homogeneous. In this market, buyers and sellers do not have full knowledge of market conditions and there are barriers to entry and exit. Furthermore, the consumer's "imperfect" knowledge of the selection of products leads him to evaluate one brand over-optimistically while being excessively pessimistic about others. Research indicates that these manifestations of "loyalty" are clearer among individual (household) consumers whom are prone to commit both types of errors because they purchase a limited amount of a wide range of products and because they cannot afford the assistance of trained experts. Thus, their product selection is typically based on clues "many of which are not accurate indicators of [the] products' value or quality".[49] It is the combination of those two errors that ultimately lead consumers to develop unsubstantiated "loyalty" to some brands over others. Thus, the consumer's brand loyalty affects or predetermines the consumer's future choice. Furthermore, the modern market reflects a system

49 Donald F. Cox, The Sorting Rule Model of the Consumer Product Evaluation Process, in Risk and Information Handling in Consumer Behavior 324-368 (donald Cox ed., 1976); A.G. Bedian, Consumer Perception of Price as an Indicator of Product Quality, 59-65 (1971); A.G. Woodside, Relation of Price to Perception of Quality of New Products, Volume# J. Applied Psychol. 116-118 (1974); and R.W. Olshavsky & T.A. Miller, Consumer Expectations, Product Performance and Perceived Product Quality, 9 J. Marketing Research 19-21 (1972). Therefore, it is not surprising that "errors of commission could be made persistently over time, all based on nothing more than the mere existence of brands for experience goods. This is generally called brand loyalty or trade mark allegiance". UNCTAD, Id., at 7. This report defines "experience goods" as those goods "which utility can be evaluated only after their purchase (e.g. canned foods, drinks, soaps, motor-cars, appliances). Other goods whose quality and distinct features can be judged by a simple inspection are referred to as "search goods"; Fresh fruits and vegetables are included in this latter group. Understandably, consumers are less prone to commit purchasing errors with respect to "selection goods" because they can

of "imperfect competition" wherein similar products do not compete on an equal footing and non-price competition is prevalent. Indeed, in the modern market where conditions of "imperfect competition" dominate the scene, producers are able to compete through "product differentiation" and competing products constitute only "close substitutes" to each other.[50] In addition to all of these, the economic structure of developing countries and their relatively limited diversification lead to a situation whereby a few foreign firms dominate its consumer market, resulting in oligopolies or even monopolies. And as stated above, under these conditions of imperfect competition, producers are able to invoke various non-price measures (such as trademarks) that are able to influence the consumers' choice and demand.[51]

In view of this "imperfect competition" as well as product differentiation and brand loyalty, it is evident that trademarks do carry a substantial independent value that influences or even determines consumer demand.[52] Therefore, despite the legal equality that is provided to all marks, this does not entail equality in the impact of marks and their market foothold. This state of affairs provides the justification to the (measured) use of comparative advertising. In my view, Comparative Advertising can be used to offset the inherent imbalance among marks for the benefit of the consumer.[53] Comparative advertising is a powerful marketing tool, whereby one party may promote its brand by comparing its products (or services) with its rivals'. This measure helps to draw the consumers' attention to competing products of comparable quality and which

independently and cheaply collect information about different products; Ross M. Cunningham, Brand Loyalty – What, Where, How Much?, 34 Harv. Bus. Rev. 116 (1956). That study found that "a significant amount of brand loyalty to individual products does exist – more indeed than has hitherto been realized by many marketing executives". That study concludes that "there are many instances where 90 percent or more of a family's purchases have been concentrated on a single brand over three whole years". That empirical research encompassed several experience goods and found that this pattern of behavior runs across the entire socioeconomic sperm of consumers.

50 UNCTAD, Id., at 6; also noting that "while in perfect competition the cross elasticity of demand between different pairs of outputs will approach infinity, such elasticity will be perceptible and finite in the case of competition through product differentiation".

51 Halim, Rizal Edy, The Effect of the Relationship of Brand Trust and Brand Effect on Brand Performance: An Analysis from Brand Loyalty Perspective (A Case of Instant Coffee Product in Indonesia) (2006). Available at SSRN: http://ssrn.com/abstract=925169 or http://dx.doi.org/10.2139/ssrn.925169, Danciu, Victor, The Competitive Success of the Brand: A New Management and Marketing Approach (2007). Available at SSRN: http://ssrn.com/abstract=1003802 or http://dx.doi.org/10.2139/ssrn.1003802

52 See for example, Baila Caledonia, Assessing a Company's Most Valuable Assets: Conducting an Intellectual Property Audit, Mondaq Bus. Briefing (2001) available http://www.mondaq.com/article.asp?articleid=11872

53 The rational underlying "Brand Loyalty" is that the market operates under conditions of imperfect competition. As such the consumer has imperfect knowledge of the products that he desires and the availability of alternatives to such products. Thus, the consumer can commit two types of errors; "commission" and "omission". The former occurs when the

are sold under other brands. This tool already exists in various national laws.[54] It can also be derived from notions of free speech and act as a counterbalance to unlimited trademark rights.[55] According to one observer "comparative advertising when truthful and non-deceptive is a source of important information to consumers and assists them in making rational purchase decisions. It encourages product innovation and can lead to lower prices in the market place".[56] The use of comparative advertising is further justified because trademarks, especially in the modern era, have expanded their role beyond the basic, *albeit* important, function of indicating the source of products and have acquired an independent value of their own. Furthermore, leading brands now command strong loyalty by consumers who may be unaware (or misinformed) of the qualities (or even the existence) of alternative products marketed under lesser known brands.

The comparative advertising tool is being implemented in the laws of many countries. Suffice it to mention EU Directive 97/55/EC that has amended an earlier Directive (84/450/EEC) dealing with misleading advertizing. The national laws of European countries are now bound by these norms and provide conditional recognition of comparative advertizing. The most vivid example of this appears in German law which recognizes comparative advertising within the boundaries of actions that are not misleading.[57] Similarly, the International Trademark Association (INTA) has called on all countries to "permit comparative advertising so long as there are legal controls to prevent harm and/or damage to the marks of competitors and to prevent explicit or implicit false or misleading representations or other forms of unfair competition".[58] In line with INTA's approach, if the comparative advertizing mechanism is abused,

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consumer makes a purchase based on "an inflated or excessively favorable, pre-purchase assessment of the goods". This type of error could cause the consumer to get less than he bargained for. The later type of error occurs when the consumer "demands less than he would if he had full knowledge" of all alternative products on the market. See, UNCTAD, Id. at 7.

54 Manuel Morasch, Comparative Advertising - A Comparative Study of Trade-mark Laws and Competition Laws in Canada and the European Union (2004). University of Toronto, Faculty of Law - Dissertations, Thesis. Available at SSRN: http://ssrn.com/abstract=685602.

55 Filippo M. Cinotti, "Fair Use" of Comparative Advertising Under the 1995 Federal Dilution Act, 37(1) IDEA 133 (1996); Samia M. Kirmani, Cross-Border Comparative Advertizing in the European Union, 19 B.C. Int'l & Comp. L. Rev. 201 (1996).

56 In Energizer v. Duracell (Australia), the court rejected the notion that comparative advertising should be subjected to increased scrutiny. See Cassels Brock, Apples to Oranges Comparative Advertizing, HG.Org, http://www.hg.org/articles/article_396.html (last accessed November 15, 2008).

57 Andrea Lensing-Kramer & Peter Ruess, Recent Developments in Comparative Advertizing and the Implications for Trademark Law in Germany, 94 TMR 1315, 1332-1334 (2004); Ulf Doepner & Frank-Erich Hufnagel, German Courts Implement the EU Directive 97/55/EC – A Fundamental Shift in the Law on Comparative Advertising?, 88 Trademark Rep. 537 (1998).

58 INTA, Comparative Advertizing, March 3, 1998.

then the brand owner can invoke legal recourse in the form of both monetary damages and "corrective advertizing" at the expense of the infringer.[59]

I submit that the use of the comparative advertising tool should be further enhanced so as to turn it into a tool of 'standard procedure' in the food brand arena. It is worth noting that this type of comparative advertising is especially needed in developing countries in view of the marketing power that is enjoyed by foreign food brands, and in order to enable local brands to compete in the market. Consequently, where comparative advertising is conducted within the boundaries of truth and objectivity, it should be allowed and even encouraged. This legal tool is especially justified in view of the, abovementioned, "Imperfect Market" conditions and "Brand Loyalty" that strong brands command.[60] In this regard, the legal maneuvering space for comparative advertising should be expanded. This can be achieved by way of amending national trademark laws. For example national trademark law should provide a clear defense involving the *bona fide* use of another's mark so long as it is informative and truthful. Furthermore, the judiciary may also contribute to the successful use of comparative advertising by taking a more lenient stance towards prospective infringers. Here then lays a quandary regarding the optimal scope of this tool. On the one hand is the view according to which comparative advertising should be tolerated as long as it does not present the consumer public with factually misleading information. A more reserved view would be that comparative advertizing should not be used in order to undermine trademark rights or to reduce the incentive of trademark owners to maintain quality. While the first approach is one that recognizes the need to use trademarks in creative ways (e.g. stepping on two competitors' canned beverages to get the third brand of beverages), the latter approach is more concerned with the ramifications of such use on overall competition in the market and on dilution or even tarnishment of marks. This latter view would most likely caution against the opportunistic use of another's trademark. Indeed, that latter approach would tolerate comparative advertising so far as it provides consumers with information. That latter approach would be inclined to view unrestricted comparative advertising as an abuse of trademark rights under the pretence of market entry. In my view the use of comparative advertising should be restrained lest it become a tool for circumventing the laws of unfair competition. My advocacy for the proactive use of comparative advertising as a tool for assisting new or weak market actors does not overlook the public interest of preserving competition.

59 Paul E. Pompeo, To Tell the Truth: Comparative Advertizing and Lanham Act Section 43(a), 36 Cath. U. L. Rev. 565, 577-580 (1987).

60 This in addition to the low Trademark Potential of some countries.

It is merely an attempt to reinvigorate competition within the bounds of open and accessible information. Therefore, in order for the comparative advertizing tool to be effective, there needs to be a clear commitment, within the national trademark system, towards ensuring commercially oriented free speech. In my view reservations about the *Freedom of Commercial Expressions Doctrine* should not derogate from the need to allow the free flow of relevant information to consumers, even at the expense of limiting the scope of trademark rights.[61] In other words, the legal culture within the relevant national jurisdiction needs to be such that market actors can utilize this tool without fear or hesitation and so long as it does not produce misleading information.[62] Absent such immunity it would not be possible to facilitate the unimpeded circulation of information and the comparative advertizing tool will remain redundant.

In addition to all of the above, it is worth noting that while, in theory, this legal tool can be used by newcomers and established brand owners alike, its projected use will predominantly be by the former group. That is because while newcomers will be keen to inform (and educate) consumers about their products that are similar in quality to existing products (that are sold under dominant brands), the owners of established brands will not have an interest in "promoting" a competitor's lesser known brand. Indeed, the use of comparative advertising is merely a tool to foster market entry by less-known brands covering products and services that are comparable in quality with products that are covered by leading brands.[63] In effect, comparative advertizing is a bottom-up mechanism that is intended to create awareness about less-known brands and to overcome the social-cosmopolitan image that the foreign brands denote.[64] And if this assumption is true, as I think it is, then the role of the comparative advertising mechanism remains relevant for many consumers and especially for products that are purchased but not displayed by their owners. My view also gets some support from a research that has been conducted regarding the negative effect that the restriction of advertizing has on competition. *Clark* submits that the informative role of advertising dominates its persuasive role. *Clark* has

61 Roger A. Shiner, Freedom of Commercial Expression (2003), Oxford University Press, 2003., xxiv, Available at SSRN: http://ssrn.com/abstract=545142.

62 Francesca Barigozzi & Martin Peitz, Comparative Advertising and Competition Policy, (2004), International University in Germany Working Paper No. 19/2004, available at SSRN: http://ssrn.com/abstract=699583 or DOI: 10.2139/ssrn.699583.

63 Smita Sharma, Onslaught of Global Brands - Indian Brands Fight Back!! (2005), available atSSRN: http://ssrn.com/abstract=704266 ("Brands can survive by delivering a value advantage over the new brands");, Charles A. Rarick, Mecca-Cola: A Protest Brand Makes its Mark (2008), available at SSRN: http://ssrn.com/abstract=1122863;, Nebahat Tokatli, Asymmetrical Power Relations and Upgrading Among Suppliers of Global Clothing Brands: Hugo Boss in Turkey, J. Econ. Geo. 67-92 (2007).

64 Geoffrey Jones ,Blonde and Blue-Eyed? Globalizing Beauty, c.1945-c.1980. 61 Econ. Hist. Rev. 125-154 (2008).

concluded this through an empirical research relating to the restriction of advertising (in Quebec) on children's breakfast cereals. His research demonstrates that this restriction has effectively decreased the market share of less-known brands and in the process has raised the market share of well known brands.[65] In other words, *Clark* is skeptical about the benefits that can result from regulatory intervention in advertising. He cautions that "since the informative role of advertising is dominant in this [cereal] industry, older and better-known brands stand to benefit when advertising is restricted. Indeed, without adequate advertising opportunities the food branding status-quo will be preserved thereby preventing consumers from receiving any information about less-known food brands. This would also entail a social loss in cases where the new brands cover more health oriented products that would remain, absent adverting, virtually unknown. Thus, it is important to allow the owners of less-known brands to utilize advertising in all its forms including comparative advertising, and others methods of advertizing as detailed below. This would be the most efficient way for lesser-known brands to get the consumers' attention, and in that way provide the consumers with more information before the make their purchasing choice.

3.2.4 "Association" Advertising

In addition to the (classic) comparative advertizing tool that I have discussed above, I propose taking comparative advertizing to a new level. I propose a new tool which I have referred to as *Association Advertizing*. This tool would allow domestic brand owners to go a step further in comparative advertising and to actually use another's brand on their respective products. The aim of this use would be to indicate to the consumer the characteristics of products marketed under other lesser known brands. In other words, the aim would be to create, in the minds of consumers, a direct "association" between rival brands, namely that of the dominant market player and that of the newcomer. Such a method could be used, for example, to indicate the "compatibility" of products especially in the case of spare parts i.e. that a certain product is compatible with other (competitors') products. This is especially useful in cases involving the use of spare parts for machines or refills for relevant products but can also apply to food products.[66] This method is quite similar to the *Love/Like* slogans that are used in advertizing.[67] This

65 Robert C. Clark, Advertising Restrictions and Competition in the Children's Breakfast Cereal Industry, 50 Journal of Law and Economics, 757 (2007).

66 Gillette v. Amir Shivook (i.e. razors compatible with GILLETTE shavers) and the Kenwood case (Israel) (Spare parts for Kenwood mixers).

67 Diane M. Reed, Use of "Love/Like" Slogans in Advertising: Is the Trademark Owner Protected? 26 San Diego L. Rev. 101 (1989).

form of *Association Advertising* would allow for actual informative use of another's brand on ones own product in order to highlight its substitutive value.

The justification for my proposed *Association Advertizing* emanates from various sources. The initial justification rests on the *Utilitarian* theory. Indeed, if the aim of the intellectual property system is to promote social benefits then the regulator should be inclined to adopt any system that enhances competition and maximizes social benefits. On research along these lines has called for removing government restrictions on advertizing expression (as copyright protected content) and on slogans (as trademarks) in order to enhance market competition by increasing the "images and language available for use in adverting".[68] The second justification for Association Advertising rests on the already existing trend of greater leniency when it comes to the interface between trademark law and the need to promote market competition. This has become increasingly prevalent in the virtual world wherein it has been argued that trademark triggered pop-up ads or search result ads should be tolerated if they are properly identified as such and are not misleading.[69] This approach has been further bolstered by the notion that trademarks can be used as keywords by internet search engines because the Internet is analogous to an "*information mall*" that should be made accessible to all and where information should flow freely and without being restricted by intellectual property rights.[70] A third tire of justification for *Association Advertizing* rests on the fact that consumers' choice is in many cases rather superficial because it is not as a result of a clear deductive process but, rather, is influenced and shaped by psychological as well as irrational factors.[71] Clearly, *Association Advertising* should not be sanctioned in all cases, but should be applied in cases where there exists clear brand dominance by competitors to the extent that renders any (regular) competition futile. In other words it should be applied only in cases involving sectors that are dominated by specific brands effectively creating a form of "Brand Anti-Trust". Clearly, such a method, if indeed accepted needs to be used with caution and in a manner that ensures that brands do not become a method for free riding or for creating confusion among consumers.

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68 Lisa P. Ramsey, Intellectual Property Rights in Advertising, 12 Mich. Telecomm. & Tech. L. Rev. 189, 263 (2006).

69 Kendall Bodden, Pop Goes the Trademark? Competitive Advertizing on the Internet, 1 Shidler J. L. Com. & Tech. 12 (2005).

70 Matim Li v. Crazy Line (District Court of Tel Aviv); Also see, Kurt M. Saunders, Confusion is the Key: A Trademark Law Analysis of Keyword Banner Advertising, 71 Fordham L. Rev. 101, (2002).

71 Margreth Barrett, Domain Names, Trademarks, and the First Amendment: Searching for Meaningful Boundaries. 39 Conn. L. Rev. 973 (2007).

3.2.5 Limiting the Scope of Protection for Well-Known Marks

The overly broad coverage of well-known marks has been a topic for concern in research literature. The debate has focused on the scope of protection that the law should grant to well-known marks in order for them not to become overly dominant.[72] These marks not only control the market, but also create the "need" to purchase products or services that are covered by them. Indeed, these leading marks raise the volume of food imports and could, ultimately, increase the dependence of local consumers on foreign food brands. Consequently, some literature has been highly apprehensive about granting broad protection to well-known marks that are not registered in a given jurisdiction.[73] This is not surprising given the imbalance in terms of brand-holdings between the industrialized food brand owning countries and developing countries.

In light of this, it might be necessary to reduce the level of protection that is afforded to well-known marks that have not been registered in a given jurisdiction. In this way developing countries or new market actors would limit the protection granted to well-known marks to only those marks that are registered in their respective jurisdictions.[74] Specifically, developing countries would only be required to implement article 16(3) of TRIPS with respect to well-known marks that are not registered in their respected jurisdiction.[75] Thus, those countries would be exempted from implementing article *6bis* of the Paris Convention in relation to well-known marks that are not registered in the given jurisdiction.[76] It is worth noting that such a step may create some setback for

72 Ruiz Medrano, Salvador Francisco, The Well Known Trade Mark, an Obstacle to Free Market? (September 18, 2008). Rev. Boliv. Derecho, No. 7, pp. 134-177, 2009. Available at SSRN: http://ssrn.com/abstract=1745062

73 Maxim Grinberg, The WIPO Joint Recommendation Protecting Well-Known Marks and the Forgotten Goodwill, 5 Chi.-Kent J. Intell. Prop. 1 (2005) (The overbroad territorial protection proposed by the Joint Recommendation from the World Intellectual Property Organization dealing with protection of well-known trademarks undermines important policies of U.S. trademark law: it allows the attainment of enforceable trademark rights without investment in the trademark's goodwill and diminishes the quantity of available trademarks to U.S. entrepreneurs, raising their cost of entry into the market); Vaver, David, Unconventional and Well-Known Trade Marks 8 Singapore J. Legal Stud. 1–19 (2005). (The expanded protection accorded to these marks is not self-evidently a good thing in public policy terms. It concludes that re-forming the law is not the same as reforming it).

74 In that case, well known marks that are also registered in the relevant jurisdiction would be subject to the other restrictions that are detailed in this section.

75 In developed-industrialized countries, the full application of Article 6bis of The Paris Convention and Article 16 of TRIPS, is warranted because it is assumed that the industries in those countries have a real opportunity at competition.

76 (1) The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the

the owners of well-known marks which marks are not registered in the relevant jurisdiction. However, such a potential setback could very well be offset by the tort of passing-off. That tort could provide sufficient protection for marks that enjoy renown but which are not formally registered with the national trademark office.[77]

An additional far-reaching method in which to further limit the clout of well-known marks would be to lower the benchmark of generic marks, making it possible to classify well-known marks as generic names thus allowing them to be used by other than their original owners.[78] The aim of such an exercise would be to deflate the impact of leading foreign food brands. Understandably, such a step is expected to encounter stiff resistance by industrialized brand-owning countries. Therefore, and in order to shore up support for such an undertaking, those countries would need to receive some form of compensation. This compensation might be achieved by establishing a centralized international registration for well-known marks.[79] It might also be attained by reducing the registration fees for marks that are deemed to be well-known.

3.2.6 Reducing the Impact of Leading Foreign Brands

One way of reducing the influence of foreign brands on local consumers might be through imposing pricing restrictions on products sold under leading foreign brands so that the owners of such brands do not abuse the persuasive value that their respective brands enjoy. By keeping the prices of leading products at bay, Developing countries would better ensure that their domestic consumers do not end up paying an excessive price for products that they feel compelled to buy. However, such conduct negates the principles of open and free trade as prescribed by the WTO-GATT framework. This conduct can be considered as an unwarranted intervention in trade. However, because consumers are operating in a market of imperfect competition, they should be protected from being trapped in their own "brand loyalty". This is of special relevance in the case of products or services that have aspiring local substitutes that are put on the market under lesser-known brands.[80] A counter-argument

benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well–known mark or an imitation liable to create confusion therewith.

77 Elizabeth Siew Kuan Ng, Foreign Traders and the Law of Passing-Off: The Requirement of Goodwill within the Jurisdiction. (1991) Singapore J. Legal Stud. 372-409.

78 Dev Saif Gangjee, Say Cheese! A Sharper Image of Generic Use Through the Lens of Feta, 5 Eur. Intell. Prop. 1 (2007).

79 Lee, Edward, The Global Trade Mark (April 4, 2011). Available at SSRN: http://ssrn.com/abstract=1804985 or http://dx.doi.org/10.2139/ssrn.1804985

80 Bharat N. Anand. & Ron Shachar, Brands, Information, and Loyalty (2000) available at SSRN: http://ssrn.com/abstract=240792.

might suggest that there is no need to intervene to lower the price of leading brands because the rule of supply and demand will offset any excessive pricing or disproportionate market control. According to this approach it seems that the best policy in order to curb the power of leading brands would be by raising rather than lowering, prices of such goods. But, be things as they may, price intervention remains a very problematic concept and is liable to create a slippery slope effect that can lead to the complete loss of market competition and to excessive governmental regulation of free markets. As such it should be applied with care and in a measured manner.

Furthermore, in order to counter the sway of foreign brands and the scope of exposure that they enjoy, it may be possible to limit the scope and intensity of their advertising activity by setting a quota for advertising of foreign brands. This is intended to bridge the rift between the advertising capability of domestic brands and foreign brands and would allow consumers to be more exposed to domestic brands that compete, with foreign brands, over the same consumer segment.

A third way that might limit the hegemony impact of leading foreign brands is by openly encouraging parallel imports of (Gray Market) goods. Conceptually speaking, the TRIPS agreement does not conclusively regulate parallel imports. It does however grant member-states the freedom to determine the scope of those imports.[81] Therefore, Developing countries can, if they choose to, adopt a legal norm allowing for unrestricted parallel imports. In this regard, developing countries can embrace the doctrine of *International Exhaustion* of trademark rights.[82] Here, the brand owner's rights would be exhausted after the first sale of the product bearing the mark thus paving the way for importing the product into any other jurisdiction notwithstanding the right of sole use that attaches to trademarks.[83] With that being said, it is important to bear in mind that the impact of parallel imports on developing countries is limited in scope because of the fact that most parallel imports are directed to rich markets in which there is still a chance to generate profits from (parallel) imports that originate in poorer countries.[84] Thus, in this context, the beneficial

81 TRIPS Agreement, Article 6 (*Exhaustion):* For the purposes of dispute settlement under this Agreement, subject to the provisions of Articles 3 and 4 nothing in this Agreementshall be used to address the issue of the exhaustion of intellectual property rights.

82 As is the case in some countries including Australia, Japan and Israel.

83 Gene M. Grossman & Edwin L.-C. Lai, Parallel Imports and Price Controls (2006), available at SSRN: http://ssrn.com/abstract=923346.

84 Romana L. Autrey & Francesco Bova,, Gray Markets and Multinational Transfer Pricing (2009) available at SSRN: http://ssrn.com/abstract=1351883; Charles A. Rarick, First Black, Now Gray: The Increasingly Difficult Task of International Brand Protection (2006), available at SSRN: http://ssrn.com/abstract=1112463

impact of parallel imports on developing countries is questionable.[85] Parallel imports would not directly contribute to raising the trademark potential or the trademark balance of developing countries or new market actors. However, by allowing various market actors to import the same branded goods, market competition would be enhanced and the price of these products would be reduced. In my view, the latter two tools (i.e. parallel imports and the imposition of limitations on advertizing) are more likely to take root than the first (more radical) idea of intervening in the price of products.

3.2.7 Promoting the Use and Registration of Domestic Trademarks

In light of the low *Trademark Potential* of developing countries and the control of markets in developing countries by multinational corporations, there is an acute need to promote national awareness as to the power of trademarks.[86] Indeed, in a world in which product promotion and marketing is no less important than production itself, the publicity of the brand has a decisive effect on consumer choice. Thus, by promoting the concept of national brands, I predict that producers in developing countries will be able to secure a larger portion of the domestic branding market.

When doing this, producers should first determine the identity of their potential consumers and then create a brand that would be appealing to their tastes; one that they can identify with. Ideally, producers in developing countries should invest in increasing their respective brands' appeal through attractive packaging. Even this seemingly "superficial" component is crucial in the contest for the hearts and minds of consumers.[87]

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85 Mattias Ganslandt & Keith E. Maskus, Intellectual Property Rights, Parallel Imports and Strategic Behavior (2007), available at SSRN: http://ssrn.com/abstract=982241;, Keith E. Maskus & Chen Yongmin, Parallel Imports in a Model of Vertical Distribution: Theory, Evidence and Policy, 7 Pac. Econ. Rev. 319-334 (2002) available at SSRN: http://ssrn.com/abstract=316227

86 Interestingly, a striking example of such a lack of awareness is that involving oriental carpets wherein European merchants initiated the process of regulating the use of indications of origin when identifying carpets. In 1970, the association of oriental carpet traders in Switzerland reportedly published a list of trade names to be applied in carpet trade. Thus, in Switzerland names like TABRIS, SERABENT and BOCHARA are only used with respect to hand-made carpets, produced in these Iranian towns and the mark BARBER is applied to carpets made in North Africa. As reflected in this case involving geographic indications and/or indications of origin, producers in developing countries are generally unaware of the marketing power of trademarks and indications of origin. See Vida Sandor, Trade Marks in Developing Countries, (Akade'miai Kiiad'o, Budapest, Licensing Executive Society International, 1981), 32. However, the opinion survey that I conducted reveals that brand owners are becoming more aware of the role of trademarks.

87 Belinda Isaac, Brand Protection Matters 1-25, 136-191 (2000), at. Also see John Murphy & Michael Rowe, How To Design Trade Marks and Logos (1988).

Local producers should be encouraged to create new and elegant brands based on distinct features of local culture that might capture the consumers' imagination. In this regard, UNCTAD suggests that developing countries should use trademarks that indicate names of historical or famous personalities as well as names of internationally recognized locations within developing countries.[88] Such brands may even capture the imagination and attention of consumers in the West. A living example along these lines is the MECCA-COLA brand covering a Cola beverage and which has been competing with internationally renowned brands namely COCA COLA;[89] PEPSI Cola and RC Cola. As could be expected, this religious connotation behind the MECCA Cola brand has also (understandably) generated consumer interest among Muslims around the world.[90]

A helpful step towards raising the *Trademark Potential* of Developing countries or the brand recognition for new market actors would be to initially focus on existing national products. Developing countries should invest in building and promoting domestic brands covering national agricultural produce including grains, cereals, vegetables, fruits and textiles. Furthermore, local consumers should be alerted that in some cases foreign brands cover products of a similar quality to those covered by the local brands. For example, many of the world-famous (Western) coffee brand owners import their coffee from Developing countries (mainly Colombia). Furthermore, in the case of the textile industry, consumers should be alerted to the simple truth that many of the leading Western brands have been engaged in outsourcing activities.[91] Similarly, consumers should be alerted to the existence of national products and they should be encouraged

88 Vida Sandor, supra note 134, at 35 referring to UNCTAD, Impact of Trademarks (1977), holds a similar view; This could include the GREAT WALL OF CHINA, CLEOPATRA, PETRA, SPHINX, JORDAN RIVER, SINI, RED SEA, EVERST, SAHARA, VICTORIA FALLS and DEAD SEA.

89 Dexter Brooks, Global Approach to Building Strong Trademarks, in STRATEGIC ISSUES OF INDUSTRIAL PROPERTY MANAGEMENT AND GLOBALIZATION ECONOMY 3, 5 (Thomas Cottier, Peter Widmer & Katharina Schindler eds., 1999). Dexter Brooks, senior staff council, legal division, at the Coca-Cola Company, Atlanta, USA, notes that "Coca-Cola is the world's best-known trademark . The company is the world's leading marketer of soft drinks, syrups and concentrates, with 1995 retail sales of $18 billion and a total sales volume double that of our nearest competitor...Coca-Cola is available in more than 195 countries; and company brands account for more than 45 percent of all soft drinks sold worldwide...we have in force at present 13,000 registrations throughout the world".

90 Charles A. Rarick, Mecca-Cola: A Protest Brand Makes its Mark (2008), available at SSRN: http://ssrn.com/abstract=1122863; ("Mecca-Cola and other products have arisen in recent years in response to an increasing anti-American and anti-globalization movement in certain parts of the world. This case briefly explores this movement, with a focus on one company, Mecca-Cola, and asks readers to explore the consequences for American multinational brands").

91 E.g. LEVI'S Corporation has reportedly shut down its last two production factories in the US and has relocated its production plants to the Far East.

to appreciate their local products and to view them with a sense of national pride. This way, consumers might also begin to manifest preference to national food brands as a microcosm of national pride. In addition, producers should maintain a high level of product quality and reliability so that the brands that they market under are able to establish long lasting goodwill among local and international consumers and to even raise the demand for such products.

Another way for boosting the trademark competitiveness of Developing countries is for them to cooperate amongst themselves. This can be done with a view to raising the quality and design of products, improving quality of labor, investing in research and development (R&D) and understanding international export markets. Also, where commercially feasible, producers in Developing countries should "Go-Global" with their brands after identifying possible potential markets, for their products, around the world. Producers in Developing countries should determine where to export their products and, by this, also determine where to register their trademarks in order to receive adequate protection for them.[92]

3.2.8 Raising Anti-Trust Protection

Another way in which to curb food brand dominance is through employing vibrant competition laws. Such laws can provide a counter-balance against foreign intellectual property rights. Indeed, while protection of intellectual property rights (IPRs) is injected into the legal and administrative systems of Developing countries, mainly through TRIPS, those countries generally lack a competition policy system that can "prevent and remedy possible abuses by IPRs right holders".[93] *Maniatis*, who makes this distinction, contends that "consumers want choice and information, in the case of competitive markets, and regulation covering prices, quality, penalties and compensation, in the case of markets where competition is absent".[94] This observation is especially true given that consumers in Developed countries are better informed and are more exposed to their national brands, while, on the other hand, consumers in Developing countries are exposed to foreign brands and the cultural values that they encompass without any noticeable domestic competition. Thus, it might be possible to counter-balance the power of foreign brands through anti-

92 The United Nations Trade and Development (UNCTAD), Report on the ad hoc Group of Experts on the External Trade of the Least Developed Countries, Geneva, March 1979, at 6.

93 Carlos M. Correa, The Strengthening of IPRs in Developing Countries and Complimentary Legislation 2 (2000).

94 See Spyros M. Maniatis, Competition and the Economics of Trade Marks, in Intellectual Property and Market Freedom 65, 119-20 (Adrian Sterling ed., I.P. Unit, Queen Mary, U. London, Persp. on Intell. Prop. vol. 2, 1997); See also Glynn S. Lunney, Trademark Monopolies, 48 Emory L.J. 367, 478-80 (Spring 1999).

trust legislation that would authorize the governments of Developing countries to intervene in commercial activity that effectively creates brand monopolies.[95] To my mind, and especially in the food brands field, the need for a proactive anti-trust system in Developing countries is an acute one. This is especially because those countries are "particularly vulnerable to inappropriate intellectual property systems".[96] Invoking such anti-trust measures could be based on article 40(2) of the TRIPS Agreement that is intended to mitigate the exploitation of market power.[97] It is understood to provide "considerable discretion to WTO member states in specifying licensing practices or conditions that may constitute an abuse of intellectual property rights".[98] Some commentators contend that this article could be interpreted in a broad manner so as to cover abuses of intellectual property rights including monopoly pricing; refusals to license; effectuating horizontal cartels through patent pooling; and exclusive vertical arrangements that forestall competition.[99] This broad interpretation, which I think is warranted given the language and the rational of the Article 40, should be sufficient to allow Developing countries to protect their local market and industry from invasive or domineering foreign food brands.

3.3 Applying the Proposed Model: The Case of India!

India provides a very good example of how the proposed model can be implemented towards creating a more open and competitive food brand market.

95 William Landes and Richard Posner, The Economic Structure of Intellectual Property Law 402 (2000) (We conclude that antitrust doctrine is sufficiently supple, and sufficiently informed by economic theory, to cope effectively with the distinctive-seeming antitrust problems presented by the new economy – the most striking example of the rise of intellectual property to the pinnacle of the American economic system); Michael J. Meurer, Vertical Restraints and Intellectual Property Law: Beyond Antitrust, 87 Minn. L. Rev. p# (2003);, Rudolph J.R. Peritz, Rethinking U.S. Antitrust and Intellectual Property Rights (2005), available at SSRN: http://ssrn.com/abstract=719745; Herbert J. Hovenkamp, The Intellectual Property-Antitrust Interface. (2008), available at SSRN: http://ssrn.com/abstract=1287628

96 See Final Report by the Commission on Intellectual Property Rights and Development Policy, (2003), ("[W]e consider that, if anything, the costs of getting the IP system "wrong" in a developing country are likely to be far higher than in developed countries. Most developed countries have sophisticated systems of competition regulation to ensure that abuses of any monopoly rights cannot unduly affect the public interest. In the US and the EU, for example, these regimes are particularly strong and well-established. In most developing countries this is far from being case. This makes such countries particularly vulnerable to inappropriate intellectual property systems").

97 Article 40(2) of the TRIPS Agreement states that "Nothing in this Agreement shall prevent Members from specifying in their legislation licensing practices or conditions that may in particular cases constitute an abuse of intellectual property rights having an adverse effect on competition in the relevant market..". That article includes a non-exhaustive list of potentially abusive licensing practices including exclusive grant-back conditions and coercive package licensing.

98 Keith E. Maskus & Mohamed Lehouel, Competition Policy and Intellectual Property Rights in Developing Countries: Interests in Unilateral Initiatives and the WTO Agreement 11 (2000).

99 *Id.* at 11.

Indeed, a country with over almost one quarter of the world population, and with a diverse social economic spectrum such as India provides the best test case for such proposed changes. In one relatively study pertaining to the successful and well know Nestle brands has found that the general public in India is showing signs of sophistication when it comes to food brand selection.[100] That research concludes that "though Nestle is the leader is food products in the world and has dominating brands in India as well yet, its name is not sufficient to make all brands a success even though they may be related to the food business and thus within the core competency of Nestle [.....] the present day consumers are changing. The colonial concept of a big name hides all has changed and unless the brand in particular comes up to the expectation in the subjective satisfaction of the consumer, it will not succeed, not matter how big the name of the organization is".[101]

But of course, this awareness, absent a concrete steps is insufficient. Indeed, while one cannot say anything bad about leading food brands such as Nestle and its many quality marks, the fact remains that consumer choice needs to be made in an informed and deliberate manner. That is the essence of the proposed model and therein is the challenge for countries with a massive market such as India. And in a nutshell I would say that knowledge is choice and choice is empower. My proposed model is all about empowering individuals to make informed decisions that transced the brad as an all-encompassing commercial tool, and to open the market for retailers. In fact research shows that private or localized brands are becoming ever more present in the Indian food market.[102]

I believe that the proposed model if applied can affect the Indian consumer market and in essence also affect the conduct of the multinational corporations that own the more influential food brands. Indeed, regulation on the national level has been seen to be an effective tool for change in India.[103] This change

100 Trott, Sangeeta, The Influence of Brand Personality - Evidence from India (2011). Global Journal of Business Research, Vol. 5, No. 3, pp. 79-83. Available at SSRN: http://ssrn.com/abstract=1874268

101 Jain, Tarun, A Study of the Construction of BCG Matrix for Nestle India (March 2005). Available at SSRN: http://ssrn.com/abstract=1120857 or http://dx.doi.org/10.2139/ssrn.1120857

102 Pandey, Anuja , Private Labels: The Winning Strategy for Grocery Retailers in India (September 1, 2009). Available at SSRN: http://ssrn.com/abstract=1465297 or http://dx.doi.org/10.2139/ssrn.1465297

103 For example see: Fink, Carsten, How Stronger Patent Protection in India Might Affect the Behavior of Transnational Pharmaceutical Industries (May 2000). World Bank Policy Research Working Paper No. 2352. Available at SSRN: http://ssrn.com/abstract=630724. Also, see Choudary, Dr.Y.Lokeswara Choudary, Consumer Preference on Mobile Connections and Buyer Behavior Towards Reliance Mobile in Chennai City (January 10, 2010). Available at SSRN: http://ssrn.com/abstract=1623429 or http://dx.doi.org/10.2139/ssrn.1623429

which leads to empowering the consumer will also have additional benefits namely enhancing the consumer's awareness to the need to avoid and combat counterfeit products that have taken their toll on the Indian market.[104] As such, the proposed model should be viewed (in the Indian context) as pro-consumer rather than anti-leading brand, because by educating the consumers about their choices the regulator would also be educating them about the need to avoid counterfeits. As such my proposed model constitutes a win-win and even Pareto improvement for all consumers as well as legitimate competitors as well as the owners of leading food brands.[105] The only real losers in the long run are the counterfeits and that, to my mind, is a good thing.

In this context, the media does and will continue to be an important source for education, change and empowerment. If, and when, it is used in the right way in India.[106] So any brand related regulation will also require changes in the type and scope of media coverage of competing brands.[107]

Conclusion

Every brand, in its original capacity as a trademark, is intended to identify and to differentiate a certain type of product or service from other competing food products or services. This is the original purpose of marks. But, overtime, this (original) purpose has been overrun by a different reality. Brands now harness a dual power or impact. The first refers to their *Market Impact* i.e. their ability to overshadow competing brands, and the other relates to their *Consumption Impact;* i.e. their ability to generate wants and to shape the image of the foods that we consume. This is not a trivial issue given the fact that now brands help shape the image of the foods that we consume. We eat what is "cool", and by doing so feel "cool"! In other words, our choice of food is driven but external market forces or social constraints. Thus, our consumption

104 Rana, Gunjan Sharma, Counterfeit Defeat Brands (April 2005). Available at SSRN: http://ssrn.com/abstract=701189 or http://dx.doi.org/10.2139/ssrn.701189.

105 For more on how information regarding brands can boost both international and local brands see: Joshi, Manoj and Bansal, Sachin, Café Coffee Day (CCD): A Case Analysis (September 1, 2011). Available at SSRN: http://ssrn.com/abstract=1920827 or http://dx.doi.org/10.2139/ssrn.1920827. In India, similar studies now exist with respect to other food products. See for example: Narayanasamy, Rajaveni and Ramasamy, M., A Study on Consumer Brand Preference on the Consumption of Cooking Oil of Various Income Groups in Chennai (July 24, 2011). Available at SSRN: http://ssrn.com/abstract=1894093 or http://dx.doi.org/10.2139/ssrn.1894093.

106 Singh, Sanjeet, Sharma, Gagan Deep and Singh, Gurpreet, Effect of the TV Advertisement on Brand (May 17, 2011). Available at SSRN: http://ssrn.com/abstract=1844543 or http://dx.doi.org/10.2139/ssrn.1844543

107 In this context see: Mann, Dr. Puja Walia, Media Consumption Habits of Youth (A Case Study of the State of Haryana, India) (June 7, 2010). Available at SSRN: http://ssrn.com/abstract=1621440 or http://dx.doi.org/10.2139/ssrn.1621440

is no longer autonomous. We formulate our opinion about food based on our perceptions of the brand that they are marketed under and the image that said brand is said to carry.

This research has demonstrated that the dual effect of food brands on consumers and market actors is not to be taken lightly. The effect is undesirable both in the realm of consumer choice and market competition. I have showed that the law should intervene and should regulate food brands that have set off an unfair race, possibly to the bottom. Following that, I have proposed a multilayered model which when applied can potentially off-set this dual negative impact of certain food brands while preserving brands and maintaining an adequate level of protection for them.

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Right to Read: Time to Recognize Rights of Print Disabled Under Indian Copyright Law

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Abstract

The Copyright (Amendment) Bill 2010, approved by the Union Cabinet on December 24, 2009, and introduced in the Rajya Sabha on April 19, 2010 is still pending. The Bill, among other major changes, seeks to promote greater access to knowledge and information to the physically challenged. Individuals with physical or perceptual disability are capable of perceiving or understanding works in certain accessible formats only. However, the present Indian copyright regime does not allow reproduction or communication of copyrighted works in accessible formats for access by the print disabled as the same has not been given legal recognition under the fair use doctrine. As a result, these individuals are denied their basic right of access to information. Also, the present adverse situation is coupled with not only inadequate Government participation but also reluctance of the publishers and proprietors in producing works in specialized or accessible formats, primarily owing to rampant cyber copyright piracy. This article aims to discuss the proposed changes introduced by the said Amendment Bill in the light of the endeavour made by the international community in striking a balance between proprietary interests as against public interest. The article also throws some light on certain technological aids for the benefit of the print disabled and the need for the Indian Government to put to work, both legal and technical tools for ameliorating the lamentable condition of the print disabled.

I. Introduction

> *The copyright bargain: A balance between protection for the artist and rights for the consumer.*
>
> *Robin D. Gross*[1]

An efficient and well-balanced system for protection of copyright and related rights is necessary for preservation of national culture and identity.[2]

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1 Robin D. Gross is founder and Executive Director of IP Justice, an international civil liberties organization that promotes balanced intellectual property rights and protects freedom of expression. In May 2006 UN Secretary General appointed Ms. Gross as a Member of the Advisory Group to the United Nations Internet Governance Forum (IGF). *See* http://ipjustice.org/wp/about/people/robin-d-gross/.

2 *See* WIPO National Seminar on Copyright, Related Rights, and Collective Management, WIPO/CR/KRT/05/1, Khartoum, Feb 28 to Mar 2, 2005.

However, in India, the present copyright regime does not seem to possess the delicate balance between proprietary interest and public interest. It is found to tilt a little towards proprietary interest thus leaving the aspect of social interest neglected and sometimes abandoned. [3] One such unattended issue concerning right to access copyrighted works by the specially abled individuals, is the main focus of this paper. Although the Copyright Amendment Bill, still pending before the Parliament, has incorporated certain changes to allow greater access to knowledge by the physically challenged, the overall response to this issue from the government agency has been too little too late, so far.

Physical disability or functional disability is a state or condition, where the capacity to exercise all faculties of the human body is compromised or taken away on account of dysfunctional or absent body part. A print disability is a learning disability, a visual impairment or a physical disability due to which individuals with such disability cannot access print in the standard way.[4] These individuals may either be visually challenged making them unable to read print, or be unable to physically hold and read a book due to some functional incapacity of body parts. Thus, while a work is perceived by either visual or auditory (or both) senses, the print disabled find themselves at an absolute disadvantage with protected works perceivable only through print format. The only accessible format for them are works expressed either in the Braille language/code or such works which can be received by auditory sense by way of listening to recorded or unrecorded sound through digital talking books, screen readers, audio books, etc. Thus, it is only through reproduction of a literary or dramatic work into any accessible format that the print disabled can access such work.[5] Such reproduction without authorization from the right holder is not allowed as per the provisions of the Copyright Act of 1957 and the present**,** the Indian copyright regime lacks any special provision allowing people with print disability to access copyrighted works in suitable formats and the current Bill is our attempt towards guaranteeing this right.

It remains to be seen in light of the current Bill whether the changes that are proposed to be made to guarantee the 'Right to Read' to the lesser privileged sections of our population are adequate or not. This paper shall examine this controversial issue through an analysis of the provisions of the Copyright

3 AKHIL PRASAD & ADITI AGARWALA, COPYRIGHT LAW DESK BOOK 220 (2d ed. 2009).

4 What is Print Disability, http://www.learningthroughlistening.org/About-RFB-D/Understanding RFB-D/The-Population-RFB-D-Serves/What-is-a-Print-Disability/63/ (last visited Feb. 10, 2012).

5 Helen Dakin & Shehana Wijesena, *Access to Copyright Material by People with a Print Disability,* 22 COPYRIGHT REPORTER 104, 104-135 (2005).

Amendment Bill and evaluating the same taking reference from other copyright legislations which already contain specific provisions for the print disabled. The main purpose of this paper is to understand the rights and needs of the print disabled and document the existing copyright law of the country with a comparative.

II. Recognition Of Rights Of the Print Disabled: International Consensus And Copyright Legislations

National legislation needs to take a cue from international consensus as often domestic legislations have their roots entrenched in international regime. In fact it is the international platform which has provided efficient tools for discussion and deliberation of many significant issues, starting from basic human rights and world peace to anything which is significant in any activity related to mankind. The right to access of information by the print disabled too has come to be recognized in most of the countries through development and recognition of such right in several international conventions and agreements.

Berne Convention

The 1967 Stockholm Conference was first to resolve the issue pertaining to reproduction of copyrighted works, which had earlier not been dealt with or even mentioned in the Berne Convention of 1886. Article 9(2) was incorporated which brought about the scope for providing exceptions or the limitations to the exclusive right of reproduction in the domestic copyright legislations.[6] Although the said exception was not put forward in a manner specifically mentioning the aspect of the print disabled, it was understood that the interests of the visually impaired was given due importance during the building blocks of the Convention. Upon its revision in the year 1967, a specific provision on the blind appeared in the preparatory draft of the Convention.

Efforts of WIPO

The World Intellectual Property Organization (WIPO) has further acted towards the balancing of interests of the right holders and social interest. WIPO advocates that when a high level of protection is proposed, there is sufficient reason to balance such protection against other important values in society such as education, scientific research, the need of the general public for information to be available in the libraries and the interests of persons with a handicap that prevents them from using the ordinary sources of information.[7]

6 *See* Berne Convention for the Protection of Literary and Artistic Works, Art. 9(2), July 24, 1971. .

7 *See* Draft WIPO Treaty on Exceptions and Limitations for the Disabled, Educational and Research Institutions, Libraries and Archive Centers, SCCR/20/11 of June 15, 2010.

The WIPO has placed the right of access to knowledge of the print disabled on the same platform with that of the general populace to access knowledge.

One of the ways WIPO has ensured international cooperation in the field of protection and promotion of intellectual property rights is through effective enforcement of international treaties and agreements.[8] The WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT), together called the WIPO Internet Treaties,[9] recognize the need to maintain a balance between the rights of authors and larger public interest, particularly pertaining to education, research and access to information.[10] Article 10 of the WCT and Article 16 of the WPPT contain similar provisions with respect to reasonable limitations and exceptions. These provisions permit the state parties to provide for limitations or exceptions to the rights granted to authors of literary and artistic works, in their domestic legislations, in certain special cases that do not conflict with normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author.

TRIPs Agreement

The TRIPs agreement incorporates the principle provisions of the Berne Convention by express reference and incorporates the limitations on the right of copyright holder, under Article 13 which is not only limited to the right of reproduction but any or all of the exclusive rights. [11]

This implies that the countries have been given complete liberty to include any sort of exception to copyright, which is intended in public interest, is just, fair, reasonable and not essentially prejudicial to the enjoyment of the exclusive rights of the right holders.

Universal Copyright Convention

This particular Convention does not exactly provide for any limitation or exception with regard to copyright in the interest of the print disabled, directly or indirectly. However, the meaning or definition of the term, 'publication' given

8 Twenty four treaties are administered by WIPO including the WIPO Convention *See* http://www.wipo. int/treaties/en/.

9 These Treaties ought to be considered as updates and supplements of the protection granted by the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention) and the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (Rome Convention). *See* http://www.wipo.int/copyright/en/activities/wct_wppt/wct_wppt.html.

10 *See* Preamble, WIPO Copyright Treaty and WIPO Performance and Phonograms Treaty.

11 *See* Trade Related Aspects of Intellectual Property Rights, Article 13 (Members shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder).

in Article VI of the Convention[12] may be considered as relevant to our context. According to the definition, 'publication' means the reproduction in tangible form and the general distribution to the public of copies of a work from which it can be read or otherwise visually perceived. Strictly speaking, this Convention does not contribute materially for the benefit of the people with print disability.

In the Pipeline

The WIPO Treaty for Improved Access for Blind, Visually Impaired and other Reading Disabled Persons is proposed by the World Blind Union (WBU),[13] which presents possible ways and means of facilitating and enhancing access to protected works for the blind, visually impaired, and other reading disabled persons. The contents of the Treaty have been discussed in Document by the Standing Committee on Copyright and Related Rights (SCCR) dated May 25, 2009.[14]

Through this proposed initiative, the World Intellectual Property Organization (WIPO) endeavours to act in accordance with the efforts undertaken by the United Nations to address the need for enhancing access to knowledge for one of the most vulnerable sections of the population. The purpose of this treaty is to provide the necessary minimum flexibilities in copyright laws that are needed to ensure full and equal access to information and communication for persons who are visually impaired or otherwise disabled in terms of reading copyrighted works. The proposal primarily focuses in particular on measures that are needed to publish and distribute works in formats that are accessible for persons who are blind, or have low vision, or have other disabilities in reading text. This has been proposed in order to support their full and effective participation in society on an equal basis with others. This treaty is still in the stage of a draft proposal, and is yet to be adopted and administered by the WIPO.[15]

Further, a 'Draft Joint Recommendation' concerning improved access to works protected by copyright for persons with a print disability has recently been proposed by the European Union.[16] It is aimed at addressing the issue of

12 *See* Universal Copyright Convention, Art. VI, Sept. 6, 1952.

13 The World Blind Union (WBU) is a non-political, non-religious, non-governmental and non-profit-making organisation, representing over 160 million blind and partially sighted persons in 177 member countries. It is the internationally recognized organisation speaking on behalf of blind and partially sighted persons at the international level.

14 *See* WIPO Document SCCR/18/5 Standing Committee on Copyright and Related Rights, Eighteenth Session, Geneva, May 25 to 29, 2009.

15 *Id*.

16 *See* Draft Joint Recommendation Concerning the Improved Access to Works Protected by Copyright for Persons with a Print Disability, SCCR/20/12 of June 17, 2010.

right to access to information for people with reading disability. The recommendation is to be accepted by the International Union for the Protection of Literary and Artistic Works (Berne Union) Assembly, the WIPO Copyright Treaty (WCT) Assembly, and the General Assembly of WIPO.

The aim of the Joint Recommendation is to increase the number and range of accessible formats available to the print disabled. The provisions are framed on the basis that every Member State introduces in their national copyright law, an exception under to the right of reproduction, the right of distribution and the right of making the work available to the public. The exception is intended to cover uses that are directly related to those by the print disabled.[17]

Special Provisions for the Print Disabled: Copyright Legislations in Australia, U.K., U.S.A and Canada

The Commonwealth Copyright Act of 1968[18] deals with the copyright law in Australia. The Act contains specific provisions dealing with the definition and the rights and limitations with regard to reproduction of copyrighted works in accessible formats of the 'print disabled'.[19] Under this Act, individuals and institutions, including educational institutions, are allowed to assist people with print disability by providing material in accessible formats under a statutory licence. However, there are certain limitations as to what may be copied or communicated by individuals or institutions. Thus, works can be legally reproduced in accessible formats under the 'fair dealing' exception.[20] The rules set out under the Act are different for individuals and institutions. The statutory licence covers literary and dramatic works only and permits reproduction or communication of literary or dramatic works in any of five specified formats, namely, sound recordings, Braille versions, large print versions, photographic versions and electronic versions.[21]

In the United Kingdom, the Copyright (Visually Impaired Persons) Act, 2002 was enacted to permit the reproduction of copyrighted works in accessible formats for the visually impaired persons. This statute led to the inclusion of six special provisions with respect to the visually impaired in the existing copyright legislation, the Copyright, Designs and Patents Act, 1988.[22] Under the said provisions, if a visually impaired person has lawful possession or lawful use of

17 *See* Preface, Draft Joint Recommendation Concerning the Improved Access to Works Protected by Copyright for Persons with a Print Disability, SCCR/20/12 of June 17, 2010.
18 *See* Copyright Act, Div. 3 & 4 (1968).
19 Copyright Act, § 10 (1968).
20 *See* Commonwealth Copyright Act,§§ 135ZN-135ZT (1968).
21 *See* http://www.hreoc.gov.au/disability_rights/education/copyfaq.htm.
22 *See* Copyright, Designs and Patents Act, §§ 31A-31F (1988).

a copy of a literary, dramatic, musical or artistic work, which is not accessible to him because of the impairment, he can reproduce an accessible copy of the master copy for his personal use; such an act will not amount infringement of copyright in the work.[23] Some other conditions are also applicable to accessible copies, such as, the copies must acknowledge the author, title and publisher of the work; the copies must bear a statement indicating whether the accessible copy has been made under statutory exceptions or under the terms of the CLA (Copyright Licensing Agency) Licence[24] and that further copying or distribution is prohibited.[25]

In USA, the Chafee Amendment of 1996 added Section 121to Chapter 1 of Title 17 of the United States Code providing for a limitation to the exclusive rights in copyrighted works. With this amendment in place, authorized entities can reproduce or distribute copies or phonorecords of previously published non-dramatic literary works in specialized formats exclusively for use by blind or other persons with disabilities. Non-profit organizations or governmental agencies can render specialized services relating to training, education, adaptive reading and information access needs of the print disabled by providing accessible copies of works.[26]

Apart from the Chafee Amendment, there has been another attempt at making works available in compatible formats. The Instructional Materials Accessibility Act 2002 was introduced in the 108th Congress of the U.S. with the intention of significantly improving access to instructional materials used in elementary and secondary schools. Key elements of this proposed Act have been incorporated in the Individuals with Disabilities Education Act, 2004, with President Bush affirming the same on December 3, 2004.[27]

The Canadian Copyright Act, 1985 is one of the most comprehensive set of laws for people with perceptual disability. Major changes relating to special provisions for such people were introduced in the Act by amendments made in 1997. Section 32 of the Act deals with reproduction of copyrighted material in alternative format and provides that it is not an infringement of copyright for persons with a perceptual disability or a non-profit organization acting for their benefit, to make a copy or sound recording of a literary, musical, artistic or

23 Copyright (Visually Impaired Persons) Act, § 1 (2002).

24 Copyright, Designs and Patents Act, § 31A (1988).

25 Additionally, the Copyright Licensing Agency Higher Education Trial Photocopying and Scanning Licence (CLA Licence) contains terms which allow visually impaired persons and some specific learning disabilities such as dyslexia, to make or receive multiple accessible copies of copyright material for educational purposes.

26 17 U.S.C. § 121 (1996).

27 Richard N. Apling & Nancy Lee Jones, *Individuals with Disabilities Education Act (IDEA): Analysis of Changes Made by P.L. 108-446,* THE LIBRARY OF CONGRESS, 2 (2005).

dramatic work; translate, adapt or reproduce in sign language a literary or dramatic work; or perform in public a literary or dramatic work (other than cinematographic work), in sign language, either live or otherwise, in a format specially designed for perceptually disabled.[28] However, the provisions do not allow the making of large print versions or communication of accessible copies.[29]

III. The Indian Copyright Regime

Article 14 of the Constitution of India enshrines the norm of equality before the law and equal protection of the laws to all. Such a provision further intends to ensure equality among equals and eradicate all possible forms of social disparity. Apart from this, the Preamble as well as Part IV of the Constitution seek to render social justice and eliminate discrimination against the weaker sections of the society. Further, the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 has been enacted with the purpose of rehabilitation of the physically challenged in the society and to ensure that the disabled persons are provided equal opportunities, protection of their rights as human being and their full participation.

The print disabled have the same need of access to information as that of a person with fully functioning physical faculties. The right to produce accessible copies of lawfully acquired copyrighted works by the physically challenged does not exist in the Indian copyright legislation. The current Indian copyright regime lacks any special provision allowing people with print disability to access copyrighted works in suitable formats and the current Bill is our attempt towards guaranteeing this right. The existing Indian legal set up does not allow for a wide interpretation of the terms 'reproduction' or 'fair use' to include a) the right of reproduction and b) the use of the 'fair use' defence by the print disabled for lawfully reproducing copyrighted works in formats accessible by them. Therefore, needless to say, there is a pressing need for an amendment in the present law to provide for an exception clause that legitimizes reproduction of work into accessible formats for personal use by the physically challenged.

In consonance with the 'fair use' clause incorporated in the Berne Convention, the TRIPs Agreement, Section 52 of the Indian Copyright Act, 1957 provides specific uses of copyrighted works that do not amount to infringement of copyright. In other words, Section 52 imposes reasonable limitations and exceptions on the rights of copyright owners with respect to certain bona fide uses. These specific uses do not include any provision as to

28 Copyright Act of Canada, § 32 (1997).
29 *See* http://www.canlii.org/en/ca/laws/stat/rsc-1985-c-c-42/latest/rsc-1985-c-c-42.html.

free access of printed information in formats accessible by the print disabled. Thus, reproducing or converting a printed material into an accessible format by the print disabled for their personal use amounts to an act of infringement under the Act.

Further as per Section 14(a)(i) of the Copyright Act, 1957 right to reproduce a copyrighted work in any material form including storing of the same in any medium by any electronic means is an exclusive right of the copyright holder. Therefore unauthorized reproduction or the conversion of any work into a format which is accessible to people with print disability would amount to infringement of copyright under the Act.[30] Section 51 (a)(i) expressly provides that copyright in a work shall be deemed to be infringed if any person without requisite authorization does anything, the exclusive right to do which is by the Act is confined upon the owner of the copyright only. Thus the print disabled are prevented from converting lawfully acquired copyrighted works in accessible formats without obtaining licence from the right holder and are thus denied access to knowledge.

Copyright Amendment Bill of 2010

The Copyright Amendment Bill of 2010[31] has proposed certain major changes including special provisions for the people with print, aural or other disability for incorporation in the current Copyright Act. The Amendment Bill seeks to allow the adaptation, reproduction, and communication of copyrighted material in special formats by the addition of Section 52 (1)(zb). As per the proposed provision, the adaptation, reproduction, issue of copies or communication to the public of any work in a format, including sign language, specially designed only for the use of persons suffering from a visual, aural or other disability that prevents their enjoyment of such works in their normal format will not constitute an infringement of copyright. Apart from this, a new section 31B has been proposed for providing for compulsory licence for the disabled. According to this Section, an organization, fitting certain requirements[32] and working primarily for the benefit of persons with disability, may apply to the Copyright Board, in the prescribed form, for compulsory licence to publish any work in which copyright subsists for the benefit of such persons. These

30 B.L. WADHERA, LAW RELATING TO INTELLECTUAL PROPERTY 298-299 (4th ed. 2007).

31 Copyright Amendment Bill of 2010, Bill No. XXIV of 2010 was introduced in the Rajya Sabha on April 19, 2010.

32 Organization must be registered under section 12A of the Income Tax Act, 1961 (43 of 1961) and recognised under Chapter X of the Persons With Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 (1 of 1996)

provisions are similar to those present legislation for the visually impaired in the United Kingdom.[33]

While the amendment of the Act is underway, lawmakers still have room for deliberation as to what would be ideal for meeting the special requirements for providing better access to copyrighted works to the disabled and ensuring minimum risks of infringement. The following are few points which could be considered while incorporating the proposed changes to the Copyright Act:

- Defining or precisely identifying which section of the people constitutes the 'print disabled' or 'perceptually disabled' and what nature of disability constitutes print disability - an amendment of the definition clause or addition of an Explanation clause may be considered in this regard;
- Allowing adaptation, reproduction, and communication of copyrighted work into accessible formats without the liability for causing infringement (which has already been proposed in the Amendment Bill);
- Defining what is meant by 'accessible formats', specifically mentioning the types of accessible formats permitted under the Act to prevent misuse of the exception available for the print challenged;
- Ensuring only personal use of such accessible copies by the print disabled, totally prohibiting commercial use of the same;
- Avoiding conflict with normal exploitation of one's exclusive economic rights over one's work, not unreasonably prejudicing the legitimate interests of the author or copyright owner;
- Allowing only statutorily qualified individuals and other licensed assisting institutions to exercise the right of reproduction of works in the specified accessible formats;
- Formulating a comprehensive licensing policy ruling out all possibilities of misuse or abuse of the exception by the licensed entities;
- Providing for parallel technological and legal copy controls for preventing infringement of such reproduced work;
- Further regulation by mandating the attaching of copyright notice (that work is copyrighted and solely made for the personal use of the print disabled); certificate in any digital form or otherwise, acknowledging the author and the publisher; attachment of 'statutory warning' against infringement in any form, mentioning there with, the corresponding liability.

33 The amendments proposed in the Copyright Amendment Bill comprise similar provisions as those incorporated in the Copyright (Visually Impaired Persons) Act, 2002 of UK.

If compared with the copyright legislations of the countries as discussed briefly above, the provisions for the print disabled in the Bill are not comprehensive and also not sufficient to safeguard from unscrupulous copying or misuse of the protected works. The legislations should consider including provisions dealing with stricter copy controls, explicit definition clauses defining the terms 'disability' and/or 'print disability' and 'format' and/or 'accessible formats', provisions dealing with digital rights and their protection and the cost effectiveness of Digital Right Management.

IV. Current Plight of the Print Disabled in India: Use of Assistive Technology for Better Access to Knowledge

As already mentioned, the people with print disability can access literary and dramatic works in certain formats only which are accessible by them, such format depending on the nature of their disability. These formats are commonly known as accessible formats and printed material when reproduced or converted in such formats can be easily accessed by the specially abled individuals.

At present there are quite a few assistive technologies which help in the print disabled in accessing works. However in India, owing to the legal lacuna as being discussed in this paper, such assistive technology does not do much good to the print disabled. This segment focuses on the kinds of assistive technology available in the market and current status of the use of such technology in India. Given only the right to reproduce works into accessible formats on being authorized by the copyright holder, works available in accessible formats are very few in number.

The print disabled form a considerable percentage of Indian population and it is a fact that only a very small fraction of the total works is available in accessible formats. As per Daisy Forum India, there are over 10 million visually impaired persons in India and many more other print disabled persons in the country who cannot access hard copy books and material.[34] Further, according to the official count of books, published by the National Library of India,[35] there are approximately 24,65,352 books in India[36] and the persons with vision loss are able to get no more than 0.5% of all books coming out of the country's publishing houses.[37] Such works are available, only through efforts made by

34 Cambridge Donates Content to the Visually Impaired in India, CAMBRIDGE UNIVERSITY PRESS ANNOUNCEMENT, http://www.daisy.org/news-detail/667?NewsId=667 (last visited Dec. 14, 2009).

35 The National Library of India, under the Delivery of Books and Newspapers (Public Libraries) Act, 1954, is entitled to receive a copy of every publication brought out by anyone, anywhere in the country. *See* Delivery of Books and Newspapers (Public Libraries) Act, §3(1) (1954).

36 *See* http://www.nationallibrary.gov.in/nat_lib_stat/useful_info.html (last updated July, 2010).

37 Blind People's Association, www.bpaindia.org/NL-Eng-JA'10.pdf (last visited on Feb. 2, 2012).

few Government agencies, non-governmental organizations and philanthropists.[38] Even the National Library does not have any collection of Braille or audio books. It is argued that the number of such special books is too less to create full-fledged sections.[39]

In addition to this, the visually impaired do not even have access to books converted to the Braille code on time. Such books, required for pursuing their regular course of instruction, arrive late and not when the academic session commences. Furthermore, the lack of awareness and sensitivity for the needs of the print disabled in the publishing industry has added to the already existing sorry plight. Even in developed countries like the United States of America, fewer than 7,000 of the 70,000 or more books published every year are ever made available in any accessible format.[40]

Further, owing to the growing threat of cyber piracy the publishers are often granted limited if any at all, digital rights. While the present technology can easily convert works from print form to accessible formats,[41] it is seen that there is a general reluctance on the part of the publishers, even having such digital rights, from reproducing work in such formats. Digital Rights Management (DRM) is especially problematic for users with disabilities. Publishers of e-content often apply DRM that makes it incompatible with assistive technology like screen readers. Adobe and Microsoft build DRM technology into their e-book software that allows publishers to disable text-to-speech capability, making the content useless to visually disabled readers. In early 2009, publisher Random House and the Author's Guild convinced Amazon to activate a feature of the DRM in its popular Kindle e-book reader, disabling the text-to-speech function on selected titles. Further, Amazon disabled the feature on the disputed titles, remotely and retroactively downgrading the functionality of the Kindle device.[42] Online piracy is a major problem today and is rampant irrespective of the several attempts made at mitigation. Conversion of information into digital form has enabled unscrupulous duplication

38 Less than 5% of all printed material is accessible to the blind and print-disabled. Major publishers attempt to provide accessible copies of their books to disabled individuals, but many do not have the time and resources to maintain an accessible collection and keep up with user requests. *See* www.bookshare.org and www.oreilly.com.

39 Arpit Basu, *Copyright Obstacle for Braille, Audio Books*, TIMES OF INDIA (Nov. 7, 2009), http://timesofindia.indiatimes.com/city/kolkata-/Copyright-obstacle-for-Braille-audiobooks/articleshow/5204947.cms

40 PRASAD, *supra* note 3, at 233.

41 Kathleen Asjes, *Reading for All: Technology Makes Inclusion of Print Disabled People in India Possible*, DUTCH COALITION ON DISABILITY AND DEVELOPMENT (Jan. 14, 2010), http://www.dcdd.nl/default.asp?action =article&id=4171.

42 Puckett, Jason, *Digital Rights Management as Information Access Barrier*, LIBRARY FACULTY PUBLICATIONS, 18, 11-24 (2010).

or reproduction of copyrighted material with much ease.[43] Thus, even though electronic copies (digital/electronic audio books) will substantially help the print disabled, the publishers don't take the risk of producing e-copies of the work, for fear of losing their business profits into the hands of the cyber pirates. Even if works are made available in digital format, a high degree of technological control/protection needs to be ensured to prevent piracy. Installing such technological filtration tools not only takes research and time but is also quite an expensive affair.[44] This leads to an increase in costs for the proprietor and further encourages his unwillingness to produce accessible digital copies. The costs are associated with copyright enforcement. Further, the catch with tools like DRM is that it is expensive to implement and thus generally, people can't make enough returns from the investment made in setting up of DRM.[45] Also, with the advent of communication and information technology, the exclusivity of the right of reproduction is under constant threat of being misused by the cyber pirates. Thus among other rights, the right holders especially want to ensure that the right to reproduce their work is safeguarded. [46]

Scanning the work or getting it transcribed into Braille code or audio recording or duplication in any format, attracts copyrights such as digital rights, audio rights and reproduction rights, which are prohibited from unauthorized use.[47] In India, as already mentioned, reproduction of a work into accessible format for the print disabled is not yet permitted under the doctrine of fair use. Thus, a lawfully purchased copy of a work available in print format is of no value to an individual with print disability as converting the same into any accessible format falls under the domain of unauthorized duplication, prohibited by law.[48]

Assistive Technological Aids

Certain technological aids exist which are suitable for meeting the special requirements of the print disabled. It is good to note that man has progressed beyond the six dotted Braille code to better assistive technology. However,

43 PETER K. YU, DIGITAL PIRACY AND THE COPYRIGHT RESPONSE, 340 (Indrajit Banerjee ed., AMIC 2007). *See www.peteryu.com/piracy.pdf*.

44 Snehal Rebello, *Audio Markers that Read Out to Visually Impaired*, HINDUSTAN TIMES (Dec. 12, 2010), http:// www.hindustantimes.com/Audio-markers-that-read-out-to-visually-impaired/Article1-637375.aspx.

45 Olivier Bomsel And Heritiana Ranaivoson, *Decreasing Copyright Enforcement Costs: The Scope of a Graduated Response*, 6(2) REVIEW OF ECONOMIC RESEARCH ON COPYRIGHT ISSUES, 13-29 (2009).

46 Nicolas Suzor, Paul Harpur & Dilan Thampapillai, *Digital Copyright and Disability Discrimination: From Braille Books to Bookshare*, 13 MEDIA AND LAW REVIEW, 1 (2008).

47 *See* Australian Copyright Council, Information Sheet G60 People With a Disability: Copyright Issues,pg1.*See* http://www.copyright.org.au/admin/cms-acc1/_images/8910548904c8dbfec7f845.pdf.

48 Daisy Forum, India, Right to Read, http://www.daisyindia.org/right_to_read.htm (last visited Feb. 2, 2012).

such technologies cannot operate suitably without adequate technological copy controls. Efforts are continuously being made in countries all over the world to provide the print challenged with technological support together with ensuring infringement checks.[49] Few significant forms of assistive technology include screen reader software, digital talking books and electronic Braille books.

Screen Reader Software

Screen reader software overcomes the difficulties of traditional ways of learning and communication. Screen reading software and electronic speech synthesizers allow reading aloud of the text available in digital print format. Such technology when installed in the computer can make the computer serve as a mechanical record reader via electronically generated voice.[50] Thus, in this way the visually impaired are helped with access to literary works by means of conversion of the same into audible format. A text-to-speech software also serves the same purpose of creating audible recording of works available in the electronic format. Significant providers in this regard are Adobe[51] and Microsoft[52]. JAWS (Job Access and Speech)[53] is another such software which serves the function of a text-to-speech simulator. Both these companies create readers or software displaying readable text on the screen, along with an inbuilt mechanism of simulating electronically read words from the text displayed in the screen. Needless to mention, this function appears to be appropriate or near perfect for reading an electronic work by the visually challenged.[54]

Apart from this, there are also audio books which are usually distributed on CDs, cassette tapes, digital formats or e-books which are essentially the electronic equivalent of the conventional printed book. Also, Optical Recognition Software can scan the image of a book into any electronic accessible format.

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49 DAISY (Digitally Accessible Information System) and Bookshare.org are international non-profit organizations who are involved in production of books and reading materials in accessible formats for persons who cannot read normal print. It produces and maintain library of Digital Talking Books, Braille Books or e-text books. *See* http://www.daisyindia.org/; *See also*, http://www.bookshare.org/_/gettingStarted/overview.

50 Kavita Kukday, *With Help From Tech, You Can Make It Big Anywhere*, TIMES OF INDIA, Oct. 21, 2007.

51 Adobe Reader supports assistive software and devices, like screen readers and screen magnifiers that enable visually impaired users to interact with computer applications. *See* http://help.adobe.com/en_US/Reader/8.0/ help.html?content=WS58a04a822e3e50102bd615109794195ff-7d16.html.

52 Narrator is a light-duty *screen reader* utility included in *Microsoft* Windows.

53 Joeanna Rebello Fernandes, *Web Sight: A New Window to the World*, TIMES OF INDIA (Nov. 1, 2009), http:// timesofindia.indiatimes.com/city/mumbai/Web-sight-A-new-window-to-the-world/articleshow/5184773.cms.

54 Kukday, *supra* note 47.

However, such technology is not used frequently due to snags such as time, technical errors, etc.[55]

Digital Talking Books

Digital talking books are digital textbooks or a combination of synchronized audio recordings with audio recordings of human speech. It goes beyond traditional talking books, particularly with respect to the features of accessibility and point-to-point navigation within the book. This had previously not been possible with a human voice production of a printed book. It is a perfect aid for someone who is visually impaired, as navigation is possible simply by moving among headings, chapters and pages. Depending upon how the book is used, images with descriptions may be included with even more detailed navigation. Reading devices for these materials enable users to even place book marks for later reference.[56]

Electronic or Digital Braille

Electronic or digital Braille is a few steps ahead of the existing Braille. This technology is used to produce hard copy embossed in Braille, read with refreshable Braille display. A refreshable Braille display is an electro-mechanical device for displaying the Braille characters, usually by means of raising dots through holes in a flat surface. This information can therefore be stored in the form of a digital audio file, tape, computer disk or over the internet with software to read to them.[57] This technology has thus found several takers among the print disabled. The International Braille Research Centre, a non-profit charitable organization, founded in 1994 started the International Electronic Braille Book Library. This particular online library claims to have the largest collection of electronic Braille books (e-Braille) books in the world, which can be read online using paperless Braille Display device.[58]

V. TIME FOR A PHILANTHROPIC APPROACH

Over 50 countries have amended their copyright laws to incorporate appropriate changes for facilitating reproduction of protected works in accessible formats. The Persons with Disability Act, 1995 and National Policy for Persons

55 *See* http://www.referenceforbusiness.com/encyclopedia/Oli-Per/Optical-Character-Recognition-Devices-OCR. html.

56 A traditional talking book is an analog representation of a print publication. A Digital Talking Book (DTB) is a multimedia representation of a print publication. *See* http://www.daisy.org/daisy-technology.

57 Aaditi Jathar, *Digital Braille Libraries Unfold a New World for These Students*, INDIAN EXPRESS (Apr. 2, 2009), http://www.indianexpress.com/news/digital-braille-libraries-unfold-a-new-world/442049/.

58 *See* http://www.braille.org/braille_books/.

with Disability, 2006 also ensure certain rights, such as right to knowledge and the right to read, which is also in accordance with the fundamental rights guaranteed in the Constitution of India.[59] While the campaign for access to knowledge is being carried out by several non-profit organizations and philanthropic persons, there is very little response from the state agency in this regard. [60]Participants in such campaign include non-governmental organizations such as Bookshare Organization (India), DAISY Forum of India, etc. Recently, DFI and Bookshare.org have collaborated to form the DFI-Bookshare.org Publisher Contact Program, which involves publishers from all over the world including Oxford University Press, SAGE Publications, Himalayan Publishing House, Sahitya Academy, etc.[61]

Apart from this, a representation on behalf of the print disabled community under the banner of Publication Access Coordination Committee (PACC) is already pending with the Copyright Office since April 2006. The Committee in their representation has also relied on Article 9(2) of the Berne Convention stating that reproduction in accessible format is simply a different format of the existing work for the print challenged and can be justified as 'fair dealing', and not exploitation of for illegal reproduction and distribution.[62]

India has ratified the United Nations Convention on Rights of Persons with Disabilities[63] on October 1, 2007. Article 30(3) of this Convention says, "State parties shall take all appropriate steps, in accordance with international law, to ensure that laws protecting intellectual property rights do not constitute an unreasonable or discriminatory barrier to access by persons with disabilities to cultural materials." Indian courts have held that international conventions that India has ratified can be read into Indian law even without express legislation.[64] But what must be noted is that though international conventions

59 *See* Persons with Disability Act, §§ 26 to 31 (1995); National Policy for Persons with Disability, ¶ ¶ 20-27 (2006).

60 There appears to be only a negligible amount of effort from the state agency towards helping the cause of the print disabled, given the fact that there is only 0.5% of the total print material in India is available in accessible formats. Even the national library does not have a separate section containing books or material in accessible formats, for the use of the print disabled.

61 *See* Sam Taraporevala, *Print Acess: The Indian Story* (Feb. 2, 2012,) www.cis-india.org/advocacy/EDICT_ 2010_ presentation.ppt.

62 *Id*.

63 There are 147 signatories and 98 parties to the Convention. *See* http://treaties.un.org/pages/ViewDetails. aspx?src=TREATY&mtdsg_no=IV-15&chapter=4&lang=en.

64 *See* Vishakha & Ors. v. State of Rajasthan & Ors., (1997) 6 *SCC* 241; Kesavananda Bharathi v. State of Kerala, (1973) Supp. SCR 1; Jolly George Varghese and Another v. The Bank of Cochin, (1980) 2 SSC 360.

are capable in filling the void in absence of domestic laws, it is indispensable for India to have a comprehensive legal framework for addressing the information needs of the print disabled.

Studying the copyright regime, one can easily point out that the population with perceptual disability is in a total fix. The law for allowing reproduction of protected works for personal use by the print disabled is yet to be settled, the Government does not participate adequately in the interest of such people, the publishers and proprietors are not interested in even targeting this section as their audience or readers and the prospect of rampant piracy in the cyber space has killed all considerations of conversion of printed work into electronic format. It is time India picks up pace in effecting the desired change in the present copyright law so as to ameliorate the condition of the print disabled and allow them to exercise their basic right of access to information, one which is guaranteed by the *grundnorm* of our nation.

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MORAL RIGHTS IN INDIA: A CALL FOR HOLISTIC REVIEW

*Manu Chaturvedi**

ABSTRACT

This essay has been written with the objective of discerning the legal framework within which moral rights operate within India. To this end, the author begins by delineating various instances and events that chronologically mark the evolution of this concept internationally, as well as within India. While keeping one eye firmly on its conceived purpose, this note reveals that beyond the formal rhetoric of legal systems across the world, moral rights have been dealt with erroneously, inadequately and in distinction with their economic counterparts within the copyright bundle which have received much more careful consideration. By highlighting political biases, regressive policies and stark contradictions, as are plainly obvious from the final texts of initiatives such as the TRIPS Agreement, the author not only seeks to bring evidence of this predicament and reasons thereof, but also underscore its impact on Indian Intellectual Property Law which has evolved simultaneously through legislations, amendments and case law. These are analyzed to the extent they reveal inequitable predispositions at the behest of the Indian legislature and courts which are ostensibly bound by aforementioned international convictions. Recent developments through case law are also discussed with the purpose of identifying and exploring contemporary ways of tackling ambiguities inherited through legislation. Finally, in light of advancing challenges a case for reviewing and reverting back to the holistic and prescient principles embodied within the Berne Convention is made out.

INTRODUCTION

> *"Everyone has the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author"*[1]

Moral rights were formally developed by French case law during the nineteenth century when personalist doctrines influenced the emerging Author's Rights system.[2] The essential idea underlying these rights is to protect the author beyond his and the society's mere economic interests in the intellectual property; and help secure his artistic and similar non-economic interests. It follows then, that they thrived in author centric regimes rather than utilitarian

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1 Universal Declaration of Human Rights, Article 27(2)

2 Graham Dutfield & Uma Suthersanen, *Global Intellectual Property Law, Edward Elgar Publishing Ltd.,* pg.75 (2008)

copyright regimes where morality was often dealt with some degree of bungling reluctance. But copyright theory too has evolved over time. Present day systems have expanded beyond protection of mere economic interests and begun absorbing traits previously exclusive to author centric systems. Economic factors have ceased to exclusively constitute its core and copyrights have come to be viewed as an accommodating bundle of various rights, with enough space to accommodate varying versions of moral rights as well. Amongst intellectual property regimes across the international community, most narratives of copyright now include a chapter on moral rights. However, as far as the collective drive towards global **standardization of copyright norms** is concerned, a strong discourse on moral aspects remains conspicuously exempt[3]. One hopes that differences in the underlying philosophies amongst the various schools of thought will soon be overcome through a gradual process geared towards creating a unified, holistic and universally agreeable copyright regime in which morality is equally harmonized.

To this end apparently, various international documents have come about. Starting with the Berne Convention in 1886 up until present day, international copyright standards have been developed through the following platforms: the TRIPs/WTO system, the World Intellectual Property Organization (WIPO), and the Copyright Harmonization Directives of the European Union. Unfortunately however, treaties and agreements that have emanated from them have lacked political will and shown inconsistency in their treatment of moral rights Attempts, if any, made by them to develop a watertight narrative of moral rights (grounded in positive law) have mostly failed. It can in fact be shown that in years since the Berne Convention there has been a counter-productive tendency to water down obligations.

Section 1

Moral Rights & International Limbo

Before the onset of a host of regressive literature, authors' moral rights had been eloquently laid out in the Berne Convention for the Protection of Literary and Artistic Works, 1886. Since then, the provisions within have undergone subtle changes and witnessed exponentially savage interpretations to suit developed countries who prefer a loose noose. Nevertheless, article *6bis*(1) of the Berne Convention (1971) provides:

> *"Independently of the author's economic rights, and even after the transfer of said rights, the author shall have the right to claim authorship of the work, and to object to any*

3 AK Agarwal & SS Priyatham, *Moral Rights in Copyright Law,* (2003) 8 SCC (Jour) 3

> *distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honour or reputation."*

Hence, a case for moral rights seems to have been made even at nascent stages of formal copyright discourse. They were considered essential to impregnate authors with substantive personal rights over their creations and expressions. In fact, by deciding that they were immutable in the hands of the author it seems that the drafters ventured to lay equal emphasis on moral rights and economic rights and hoped to treat them independently of each other. It was perhaps felt that in order to mould it into at an effective and universally agreeable regime, copyright laws needed to take both, economic and non-economic considerations on board and enforce them with across the board with some degree of authority. But this system required localized support structures in the form of national statutes, guidelines, doctrines and precedents to determine the issue of infringement of moral rights and this was not forthcoming. Faced with an annoyed publishing industry that spanned the globe and national laws that were tailored to national priorities, confusion began soon after as disagreement reined between two blocs of developed territories that were helpless in the face of rivaling cultures and demands- Europe and America. The result was Article 9(1) of the TRIPS Agreement provides:

> *"Members shall comply with Articles 1-21 and the Appendix of the Berne Convention (1971). However, members shall not have rights or obligations under this Agreement in respect of the rights conferred under Article 6bis of that Convention or of the rights derived there from."*

Thus, while on the one hand the Berne Convention and even the Universal Declaration of Human Rights[4] envisaged moral rights, both within or outside the purview of copyright law, the TRIPS agreement, for reasons that can be speculated upon,[5] effectively denuded the importance of the two in one irrational sweep. In a globalised framework, the effect of this exemption clause has been to further distance international dialogue from the ultimate objective of generating consistency across borders. Thus, while in the United States- where

4 Article 27 (2) reads: 'Everyone has the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author'

5 Supra n.3, Author states reasons as follows: *First*, although most common law countries have adopted the moral rights provision, the tensions between copyright and author's rights system have not disappeared. The persistence of conceptual differences about the appropriate form of copyright law is apparent in the incomplete and unsatisfactory codification of moral rights in the common law system. *Secondly*, the reason for legislation about moral rights has been a degree of concern about their economic effects. Here, the common law countries have been

there is a general reluctance on the part of the entrepreneurial lobby to prioritize dictates of good faith, propriety and fairness over bargaining powers innate to the marketplace- the resultant protection of moral rights has largely been meek; nations like Germany and France have consistently and unquestionably strived for enforce them.[6] To exemplify, while France's regime[7] declares moral rights 'perpetual, inalienable and imprescribtible' (even after the expiry of the term of copyright), in England most moral rights (Except the right against false attribution) expire along with the copyright.[8] USA's copyright laws failed even to recognize any statutory moral rights protection up until 1990. Only with the passing of the "Visual Artists Rights Act" of 1990[9] were they partly recognized with limitations such as unenforceability in case the author is no longer alive.[10]

In recent times therefore, moral rights have not been as troubled with jurisprudential inquisitions at the behest of copyright regimes, which more or less now concur on their inclusion. Emerging literature points to a more intrinsic duality -if not chaos- which has divided copyright regimes across the world depending upon the nature and extent of moral rights they have provisioned for. In other words, countries remain free to extend or curb moral rights in any which way they please despite the formidable labyrinth of international agreements and conventions that are aimed at standardization, precisely because the net effect of such instruments is to enable them to circumvent obligations like that of the Berne Convention. That this is primarily an offshoot of economic and political discourse is quite obvious, but a closer look reveals that this duality persists equally because the state actors breed a deeper disregard towards maintaining jurisprudential discipline and loyalty. To this day, the international community continues with their wanton methods, marked by a generally poor understanding, development and employment of sound models. For example, though Hegel's conceptions of personality and property are quintessential to the discourse of copyrights, their role in contextualizing moral rights continues to be limited to academic investigation and has lacked sound practical application.

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most fearful about the practical consequences of introducing protection for moral rights into systems that traditionally emphasize economic rights. *Finally*, the exclusion of moral rights from international harmonization efforts may have to do with a fundamental incompatibility between the philosophy of moral rights and the commercial thrust of the international copyright regime.

6 Colston, C & Gallaway, J, *Modern Intellectual Property Law*, 3rd Ed, MPG Book Group, 448-450 (2010); Cornish W, Llewlyn D & Aplin T, *Intellectual Property: Patents, Copyrights, Trademarks and Allied Rights*, 7th Ed, Sweet & Maxwell, London, 513 (2010)

7 Article 6, Law of March 11, 1957

8 Colston, C & Gallaway, J, Modern Intellectual Property Law, 3rd Ed, MPG Book Group, 454 (2010)

9 Now encapsulated within Section 106-A of the American Copyright Act of 1976.

10 See generally Daniel Grant, "*Before you cut up that Picasso*….", World Monitor, February, 1992

A conspicuous lack of direction, best represented by the aforementioned international discourse, is an illustration of such an attitude. The fluid ease with which states' switch- are allowed to switch- their loyalty from Hegel's model[11] to Kantian conceptions regarding duality of rights[12] (economic and moral rights in this instance) has fuelled bedlam. Thus while the Berne Convention could be seen as allowing Kant to put his foot in the way of the door of copyright regimes (which have primarily developed along Hegelian Models), TRIPS can be considered regressive inasmuch as it gives signatory states an easy option of showing him out again, or oddly enough: letting him in with an uneasy share of Hegel's pie.

SECTION 2

Indian Scenario: Unique Issues post Amendment

One must analyze the Indian regime while keeping this web of international protocols in mind. Under Indian Copyright Act, moral rights find expression in Section 57. Initially this section was only applicable to literary works, thus leaving authors of other works in a vacuous hole. But in *Mannu Bhandari v. Kala Vikas Pictures*[13] this position was corrected and the amplitude of Section 57 was widened to include works other than literary ones. Also, by affording recourse to authors in cases of complete destruction of their work, Section 57 has arguably been interpreted as granting the moral right of integrity to the author in distinction with the authors repute.[14] That is to say that Indian law has moved beyond or at the very least widened the very scope of an author's

11 Contextually, it is relevant that Hegel saw property as an external tool, a means to the ultimate goal of aiding the personality by enabling the property-holder to exercise subjective freedoms. To him, intellectual property too was yet another form of property and therefore another means to an end. By contrast, Hegel's conception of personality, which gave rise to moral considerations and with which he also sometimes twined inalienability and perpetuity, was irrelevant to intellectual property inasmuch as intellectual property could not be viewed as an end in itself but only as a means (like other property). Logically, he stated that if 'intellectual property' is itself an end in possession of qualities like inalienability, it definitely cannot serve as an object and cannot rightfully be subjected to the regime of property which presupposes alienability. But that is not to say that Hegel completely rejected moral considerations in the sphere of intellectual property. In fact, he would acquiesce to society's decision to do so, if society adopted a positive law of property with respect to *other* objects in the economy. In plain speak, such moral rights could not be blessed with personalist traits such as inalienability or perpetuity but could only subsist or survive at par with other property rights. This is also known as the monistic view of Hegel's Model.

12 By contrast, Kant was of the view that intellectual property sustained an inherent duality between its moral and economic aspects. This coupled with his own personalist persuasions in turn led him to conclude that intellectual property demanded a separate and mutually exclusive sets of economic and moral rights in which the former terminated as per regulation while the latter were inalienable and ever-perpetuating.

13 AIR 1987Del 13

14 In Amarnath Sehgal v Union of India (2005) 30 PTC 253 (Del) complete destruction of a work was included within Section 57(1)(a). Moral rights seek to preserve an author's repute which has traditionally been connected with an existing work and its display thereof to the

reputation to include his sum corpus and gone on to seek protection of intellectual propriety injected by the author into his work even when such a work is incapable of influencing his reputation directly.[15] In many legal systems however, even the Berne Convention's provision have regularly been− interpreted by commentators[16] and other legal instruments[17] to disallow recourse to author's in case of complete destruction as the aforementioned argument pertaining to the extrinsic measure of an author's repute continues to hold good and it has been commonly understood that rights pertaining to non-existent works cannot be said to exist. Having said that, countries like France adhere to regimes which make heavy weather of moral riddance and as stated above, make moral rights perpetual and alienable. The Indian judiciary seems to have concurred with the French in this matter at least.

Further, an issue of equal concern is division amongst different institutions of the Indian legal system itself. For example, courts in India have held the destruction of a work have negative consequences for an author's reputation, at the very least, because it would reduce the overall size, and possibly quality, of his artistic corpus.[18] Yet, the court's contemporary liberalist sentiments cannot be interpreted to conclude that every player of the Indian legal system has supported such calls to widen the amplitude of moral rights. The Indian legislature has in fact consistently worked to erode the scope of widely interpreting Section 57. For instance, up until 1984 Section 57(1)(b) could be interpreted to conclude that moral rights could outlive the term of copyright because the provision did not address this specifically; an amendment of Section 57 in 1984 clarified the legislature's position:

> *(b) to restrain or claim damages in respect of any distortion, mutilation, modification or other act in relation to the said work which is done before the expiration of the term of copyright if such distortion, mutilation, modification or other act would be prejudicial to his honour or reputation:*[19]

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public. That is to say that reputation is a relative measure that comes into existence only upon the authors interaction with the public, through his work in this case. Thus, the traditionalist argument would be that in the event of complete destruction as a result of which the work ceases to exist, there can be no qualms raised as to damage to the author's repute visa vis such a work. This was a loosing argument in the instant case.

15 *Ibid.*

16 Cornish W, Llewlyn D & Aplin T, *Intellectual Property: Patents, Copyrights, Trademarks and Allied Rights*, 7th Ed, Sweet & Maxwell, London, 522 (2010)

17 Most noticeably the Paris Treaty, 1971 which creates diplomatic exceptions allowing countries to limit "some" of the moral rights to a lesser period

18 Mira T Sundara Rajan, *Moral Rights in the Public Domain: Copyright Matters in the Works of Indian National Poet C Subramania Bharati*, Singapore Journal of Legal Studies, 161 (2001)

19 Indian Copyright Act, 1957

Realigning the Indian position with the widely popular international law interpretation of the relevant provisions of the Berne Convention, the amendment denuded the right of integrity to the expiration of the term of copyright in the work even where the Berne Convention allows for countries to extend the framework of moral rights well beyond the expiry of the copyright under Article 6(1).[20] Perhaps it is in light of the aforementioned provisions of the TRIPS agreement- that waive the obligation of countries with respect to adhering to this particular provision of the Berne Convention- that the Indian position seems to have developed in such a way. It is submitted that this altered position, though very much in line with interpretations of other states and not in breach of contemporary standards of jurisprudential discipline (since many regimes like Germany, England etc have similar provisions that draw on stable monistic interpretations of the Hegelian model[21] has created a myriad functional irrationalities in the workings of the regime.

Consider an example highlighted by M. Kochupillai in her article on moral rights[22], *a case where "X" a famous musician and poet performs at Siri Fort auditorium (New Delhi) on Jan 1 2000. "Y," a person in the audience records the performance and after the expiry of the 50 year performer's right period, makes the work available to the public. Now presume that "Z", for reasons best known to her, mutilates and distorts the recording in a manner that harms the reputation of X. In these facts and in the light of Section 57, does X not have a right to prevent this mutilation or claim damages (presuming X is still alive)? If X is deceased at the time of the mutilation, don't his successors have a right to seek an injunction and claim damages?*[23]

Further, to illustrate the problem upon which the amendment is grounded consider the following argument which is based purely upon the objectives of copyright law. Intellectual property rights stem from relatively contemporary reinterpretations of traditional property rights. Amongst various techniques of granting these rights that could be used for enforcing this system of owning, trading and disseminating intellectual property, the most common one - which

20 "Independently of the author's economic rights, and even after the transfer of said rights, the author shall have the right to claim authorship of the work, and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honour or reputation."

21 Cornish W, Llewlyn D & Aplin T, *Intellectual Property: Patents, Copyrights, Trademarks and Allied Rights*, 7th Ed, Sweet & Maxwell, London, 512 (2010)

22 Mrinalini Kochupillai, *Moral Rights Under Copyright Laws: A Peep into Policy- Part III*, available online at http://spicyipindia.blogspot.com/2008/01/moral-rights-under-copyright-laws-peep.html

23 *Ibid.*

India follows and the Berne Convention prescribes- is Copyrights. As opposed to the problematic sole authorship systems that tend to hinder innovation and choke dissemination by granting all rights exclusively to the author, copyright systems are much more stable as they work to mutually incentivize the author and the society which enables him. They have flourished generally as the main stay of dynamic intellectual property jurisprudence because they are most likely to adapt and further it's objective: to attain a balance between incentive for innovation, dissemination and private ownership. Ds Ciolino sums up these rights rather eloquently: '*once vested, the bundle of rights known collectively as "the copyright" gives the author the exclusive rights to reproduce, to adapt, to distribute, to perform publicly and to display the copyrighted work"*[24] and might one add, for a limited period of time. It is precisely this "bundle of rights" that lends copyrights a reflexive advantage over other systems. The fact that copyrights are further divided down the economic and moral passages allows for greater room to counter-balance these objectives.

Now given that it is a bundle wherein strands of rights (moral or economic) can exist independently of each other, there is no reason to suggest that a copyright should mandatorily exist as a sum of blanket rights that cease to exist all at once or swell into collective existence. Indeed, exclusive economic rights need trimming for the purposes of balancing dissemination and monopolies that might be created. But moral rights present no such dilemma. They merely seek to preserve the most personal of the *'original author's'* rights and his alone, not of the distributor or the copyright owner. Thus they exclusively and un-intrusively (with respect to knowledge-based utilitarian– objective of dissemination) further that side of objectives which protect personal rights and therefore incentivize the intellectual property regime. This submission, vastly different from the monistic interpretation of the Hegelian model, echoes within Kant's comprehension of the duality of copyrights owing to which he distinguished a real right from a personal one which can never be alienated even if the copyright as a 'whole' is transferred[25] (The Berne convention, Artcle 6*bis*, draws from this Kantian thought). This is not surprising given the strong assumptions under any legal system with regard to protecting basic rights of reputation and expression of any individual. Indeed, it has even been argued that moral rights possess as much under copyright law (in theory again) as do fundamental rights in the constitutional sphere.[26]

24 DS Ciolino, *Why Copyrights are not Community Property*, Louisiana La Review 127, 133 (1999)

25 Lior Zemer, The Idea of Authorship in Copyright, Ashgate Publishing Ltd, pg. 61 (2007)

26 M. Kochupillai, *Moral Rights Under Copyright Laws: A Peep into Policy- Part I*, available online at http://spicyipindia.blogspot.com/2007/12/moral-rights-under-copyright-laws-peep.html

Owed to such developments, a procedurally sound and legally correct enforcement of moral rights has become rather difficult post the 1994 amendment to the Indian Copyright Act, 1957. A good example of this would be the dichotomy that the court swallowed, inadvertently or otherwise, in *Smt. Mannu Bhandari* v. *Kala Vikash Pictures Pvt. Ltd. and Anr*.[27] Addressing waiver of moral rights in cases where the copyright has been assigned by the original author to another party, the court stated thus:

> "*Section 57 confers additional rights on the author of a literary work as compared to the owner of a general copyright. The special protection of the intellectual property is emphasized by the fact that the remedies of a restraint order or damages can be claimed "even after the assignment either wholly or partially of the said copyright.." Section 57 thus clearly overrides the terms of the Contract of assignment of the copyright."*

Therefore, while the court perpetuates moral rights and gives them precedence over contractual agreements even when the copyright has been willfully assigned to another party, it is bound to fail if it attempts to enforce moral rights in favor of authors on the expiry of a copyright. One may wonder as to how the law can, in one instance peel moral rights away from a reassigned copyright bundle in order to preserve it; while wholly discharging moral rights along with the termination of the rest of the copyright bundle in another. To some extent, courts can claim helplessness in the face of constitutional doctrines that mandate separation of powers and it could be said that they ventured as far as was possible while interpreting the letter of the law. Even then it can perhaps be said that the court, in light of its liberal discourse, could've at least addressed the notional absurdity in *obiter.* All in all, such incongruities in the Indian scenario can be owed as much to our poor legislative foresight as to the melee of contravening cues that every country like ours must take from International Copyright Conventions and Agreements that have lacked will to regulate.

Section 3

Outstanding Issues Pertaining to Enforcement of Moral Rights

The degree dilemma: Since moral rights' intrinsic justification lies along the lines of either the authors repute or a certain aesthetic measure of intellectual proprietary that he injects into a work, how much force must be given to moral rights of an author of a work which requires a lower standard of originality? In

27 AIR 1987 Delhi 13.

India, where there are two spins on a minimum standard of originality to have a claim for copyright (one with regard to original works like novels, paintings, etc and another with regard to compilations), how must courts respond with respect to gauging the extent and nature of infringement? One way forward would be to follow the Franco-German model wherein a high standard of originality with respect to copyright applications in general prospectively sets off problems which may arise upon enforcement of moral rights.[28] Similar provisions relating to higher standards of originality can be found in English and American statute books.[29] The improbability of altering our benchmarks in favour of Anglo-American models seems highly unlikely though. It may also be argued by those who hold moral rights in very high regard[30] that they simply should not be tied up with originality especially after an author's work has already achieved copyrightability. To them the degrees dilemma is unavoidable because it is innate to every determination of a moral breach. Courts just cannot avoid subjective determinations even when they are dealing with work that possesses a remarkably high standard of originality. Having said that, the Anglo-American model may still prove gain worthy in the Indian context, given the sheer volume of potentially offended authors' which may clog overburdened courts.

The Subjectivity/Objectivity Divide: While determining infringement of moral rights there are primarily two tests that may be applied[31]: (a) subjective test requires the author of the work to establish such infringement while (b) an objective test requires expert or public opinion to establish such infringement. Though the *degrees dilemma* persists unresolved, to the best knowledge of the researcher, Indian courts have implicitly allowed the subjective test to prevail in the *Amarnath case*.[32] Holding that a moral right includes the right to object to a complete destruction or disappearance of the work from the public eye, the court held that this was tantamount to disrepute to the sculptor. Facts revealed that Sehgal's work was kept away under government storage. Under an objective theory, he would've been unable to prove infringement as he suffered no loss of reputation or other moral harm because the public could not see his

28 Colston, C & Gallaway, J, Modern Intellectual Property Law, 3rd Ed, MPG Book Group, 449 (2010)

29 The Copyright, Designs and Patents Act, 1988;

30 Kochupillai attempts to place moral rights in copyrights on the same pedestal as fundamental rights in the constitution. Such a comparison, one feels, is more an attempt to rhetorically establish the significance of moral rights rather than an exercise in constitutional theory.

31 Colston, C & Gallaway, J, *Modern Intellectual Property Law*, 3rd Ed, MPG Book Group, 460 (2010); See generally Frisby v. BBC [1967] Ch. 932; Amarnath Sehgal v Union of India(2005) 30 PTC 253 (Del)

32 (2005) 30 PTC 253

work at all. Therefore, by recognizing his right to object under a moral rights theory, the Indian courts seem to have endorsed a subjective view where the author was considerably troubled by the disappearance of his work from the public eye.[33] Further, In light of the explanation appended to Section 57(1)(b), which specifically excludes "failure to display" from the ambit of the provision and perhaps preempts such subjective inferences at the behest of the judiciary, it remains to be seen how the courts will react in a situation similar to Amarnath Sehgal's.

Conclusion

To conclude, the researcher is of the view that the dilemma that afflicts moral rights' enforcement persists, unresolved and very far from a solution too. The first challenge and one yet to be overcome is that of long persisting traditional perspectives and legal differences amongst various jurisdictions that have run counter too often and need reconciliation in view of globalization and access. Only then can there be even a semblance of progress towards the tall task of harmonizing and then effectively enforcing moral rights. Thus, both the judiciary and the legislature must take urgent steps to inject flexibility and expertise in the field copyright law, in order to best protect moral rights and economic interests. Though the Indian judiciary may be lauded for its attempts to develop a hybrid copyright regime that is arguably tailored to meet indigenous needs (bridging the Hegelian model with the Kantian model is one such initiative), on balance, it seems that the maintenance of such a separate regime for the protection of moral rights, independent of the global trends towards copyright harmonization may produce more negative than positive results.[34] It may, for one, dissuade authors given to certain other systems of copyright from participating or engaging with the Indian system. Therefore, initiative at both the international and domestic spheres, needs simultaneous execution. What needs to be understood and imbibed is the already existing jurisprudence of the Berne Convention which foresaw the interdependent nature of economic and moral rights and obligations while somehow renegotiating politically sound but logically impaired initiatives like the non-conformity clauses in TRIPS which have the effect of forestalling domestic initiative. In fact, in cases such as the revision of Section 57(1)(b) to provide for termination of moral rights, international pressure accounts for withdrawal of good laws grounded on sound jurisprudence.

33 See Prof. Basheer's Comment, Mrinalini Kochupillai, *Moral Rights Under Copyright Laws: A Peep into Policy- Part III*, available online at http://spicyipindia.blogspot.com/2008/01/moralrights-under-copyright-laws-peep.html

34 Supra n.3

In light of the Indian scenario discussed above, it is imperative that both legislators and jurists undertake a critical revaluation of norms and motives that ought to govern their discourse. It will not do for the legislature to pull in one direction while the judiciary attempts to stretch in another. Indeed, for the legislature to pull in two different directions itself is not great sign either. Aforementioned examples wherein courts drew exclusively on the legislature's wording of Section 57(1)(b) to widen the amplitude of moral rights (rights to survive assignment: *Mannu Bhandari's* case) and in the process, indicated the legislature's liberal intentions on one hand and the legislature's inferable intent to narrow the scope of moral rights on the other (Amendment of 1994 which terminated the right along with copyrights) are a cause for worry, both in terms of theoretical incompatibility and practical application. It begs the questions, what really is the Indian legislature's stance? Until recently, no right answer could be found but lately there is cause for wary optimism. The 2010 Amendment Bill which seeks to harmonize intrinsic jurisprudence and get rid of this drafting dystopia by revoking the expiry clause pertaining to moral rights (mentioned above and added by the 1984 amendment) should go a long way in achieving much needed cogency. Such an amendment will help moral rights survive not merely assignment but also expiry of the copyright bundle. However, it is yet to see the light of day and brief perusals indicate that much more work needs to be put in to support and clarify other aspects of the bill which include widening the pool of beneficiaries of moral rights to include performers, directors (films) etcetera.[35] Considering most incongruities and ambiguities in the lead up to a discourse on moral rights stem from drafting blues, we'll all do well not to lay our eggs in any one basket just yet. Having said that, it is hoped that an improved bill and bolstered political will can soon clear the air as to where Indian law stands vis a vis the Kantian model of duality of rights: in the affirmative.

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Trademark Licensing and Trafficking in Trademarks: Does the Law Promote it?

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Abstract

The present paper is an attempt to analyse the legal contours of trademark licensing and regulation thereof. The approach taken for the same is to study the evolution of trademark theory, from the source to the guarantee theory and the different perspectives on trademark licensing that these theories evoked. The paper undertakes a survey of this transformation in several jurisdictions and then comes to the attendant issue of trademark trafficking. Herein, the incongruous position of Indian law, in terms of the remedy which is prescribed to remedy trademark infringement is highlighted and suggestions made. The challenges which may arise in the near future, with regard to trafficking of domain names on the internet, and the recent decision of the House of Lords in *Scandecor* are then discussed in the paper.

Introduction

Trademarks, much like the commodities on which they appear and which they represent, have become property in themselves. Recognition of this great commercial value of trademarks is the reason for the development of the commerce of trademarks. Traditionally, the assignment of trademarks was not favoured in law.[1] Though assignments in gross were invalid, the right of a proprietor to assign the business was recognised.[2] The development of modern industry and commerce also meant that it became advantageous for certain proprietors of trademarks to allow third parties to produce and market their products while they held the ownership over the same. Thus, trademarks would have to be licensed to these parties.

A major factor for consideration in the licensing of trademarks is the welfare of the consumers and the prevention of deception to them whereby goods may be passed off as having originated from one source whereas they actually belong to another. The source theory was the first principle that governed the licensing of trademarks. Thereafter, the quality theory came to gain importance when it was perceived that consumers did not identify the source of products but the quality of the same. However, the contemporary developments have moved away from the classical quality theory as well.

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1 Nathan Isaacs, "Traffic in Trade-Symbols", 44 *Harv. L. Rev.,* p.1210, (1931).

2 Grover C. Grismore, "The Assignment of Trade Marks and Trade Names", 15(2) *Journal of the Patent Office Society,* p.122, (1933).

The licensing of trademarks is connected to the problem of trafficking in trademarks which may be simplistically explained as commerce in trademarks themselves. This is so because the practice of licensing implicitly recognises the fact that trademarks have value *per se*. The same however, cannot be traded as a commodity. The discussion of the theories of trademark licensing ranging from the source to the quality theory epitomise how the legal regime has sought to control the practice of licensing keeping in mind that trademarks serve a much larger purpose than merely identification of goods which bear them. The shift that is highlighted by the discussion is from the source theory to the guarantee theory of trademark licensing, thereby showing different approaches to control trade of trademarks themselves.

The first part of the present paper analyses the development of the licensing of trademarks across legal jurisdictions with the development of modern trade and business practices and the normative aspect of the changes. The second part of the paper addresses the issue of trademark trafficking and highlights the incongruous position of law on dealing with trademark trafficking which has the effect of worsening the trafficking situation in certain cases. The suggested solutions are embodied in the concluding part of the paper. The paper also analyses contemporary developments in trademark licensing such as the trafficking of domain names and the re-interpretation of the source theory.

The Evolution of Licensing

The source theory of trademarks is intrinsically opposed to licensing. Trademarks under this theory are indicative of the source of the goods and authorisation of their use by any other party would be tantamount to telling the public a lie about the origin.[3] The origin of trademark as a sign of source can be traced to commercial practices such as the Merchant's mark and the Craftsman's mark that were routinely affixed on goods to determine ownership or craftsmanship respectively.[4] The source theory was a firm source of the action of deceit against a trademark infringement. As early as in the year 1824, it was held that the use of the plaintiff's mark by the defendant amounted to deceiving the purchaser.[5] The tort action against using a mark on inferior goods was recognised much earlier in the case of *Southern* v. *How.*[6]

3 *Supra* note 1.
4 Neil J. Wilkof, Daniel Burkitt, *Trade Mark Licensing*, p.22, (London; Sweet & Maxwell, 2nd ed., 2005).
5 *Sykes* v. *Sykes*, (1824) 3 B. & C.
6 (1618) Popham 144.

The earlier development of jurisprudence in trademark focussed more on the probability of deceit to the consumer than on the injury to the owner of the trademark. That focus changed with the decision in the case of *Millington* v. *Fox*,[7] where trademark was recognised as a form of incorporeal property, the title to which could be enforced by the proprietor and infringement of which could be done without intention. Much later, it would be clarified by Lord Diplock that a trademark was *"adjunct of the goodwill of a business and incapable of separate existence dissociated from that goodwill."*[8]

The recognition of the special property right of trademarks enhanced the source theory related to the same.[9] The source theory assumes that the purpose of trademarks is to link the purchaser to the source of the goods. A licensee could never be the proprietor of the trademark and use of the trademark by him would invalidate the same. The position of the licensee was much disfavoured from that of an assignee who became proprietor of a mark.[10] A way to understand this would be to see that under the source theory of trademarks, which was followed during this time, a trademark was considered to represent the physical source of manufacture, a method of distinguishing one manufacturer from another. In the absence of the concept of the intrinsic value of a trademark, and a system where one proprietor would authorise or license another party to carry out manufacture having gained acceptance, licensing was naturally considered to be a most unsatisfactory method of handling trademarks.

The decision in the case of *Bowden Wire* v. *Bowden Brake*[11] was a very important exposition on the source theory of trademarks. The Court held that a license was incompatible with the function of a trademark i.e. to inform the public as to the source of manufacture or at least marketing of the goods. An assignment made with the necessary transfer of goodwill would be valid, as the public would have another single source to trace the goods back to as other features of the business would also have been assigned. Assignments of

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7 (1838) 3 My. & Cr. 338. (*Per* Cottenham L.C.).

8 *In re, G.E. Trademark*, [1973] R.P.C. 297.

9 *Supra* note 4, at p.25.

10 *Supra* note 4, at p.25. The source function of a trademark was fundamentally incompatible with the process of trademark licensing as the process involved giving recognition to a licensee as a manufacturer, who was distinct from the actual proprietor and therefore, a purchaser was understood to have been deceived about the source of the goods as identified by the trademark. The licensee's use was held not to reflect the connection in trade between the mark and the physical source of the goods. An assignee was an entity to which the entire goodwill and business had been consigned. Here, the connection between the trademark and the source had not been changed. Therefore, the mark still denoted a single source of the goods, which could be identified and related to the goods through a trade connection.

11 (1914) 31 R.P.C. 385.

trademarks in gross, on the other hand, were not allowed. Approximately six years after this, licensing of trademarks was first recognised in the U.S.A. in the case of the rights of bottlers of soft drinks to market the products in certain territories[12] and in the case of the owner and licensee being part of the same corporate entity.[13] The "re-bottling cases" laid the cornerstone for the acceptance of the quality theory in the U.S.A. and in Canada.[14]

At a later stage of development, the source function of the trademark was relaxed. This came about with the recognition of the fact that the purchaser may not identify the exact source of the goods by the trademark, but would generally associate it with a particular form of manufacture and its associated qualities, because it bore the mark that it did.[15] At some level, therefore, we can discern a movement away from the source theory in favour of the guarantee of quality. Schechter and Isaacs are two scholars who comprehensively criticised the source theory of trademarks. Schechter argued that even though the purchasers could not usually name the manufacturer, deception could be caused by mistaking one class of goods for another.[16] Isaacs argued that the source theory was without basis as the trademark denoted a guarantee of quality and not source.[17]

FROM SOURCE TO GUARANTEE

The source theory has been largely discarded today. In its place is the quality or the guarantee theory that governs the law of trademark licensing. The reason behind the shift from the source to the quality theory is the realisation of the fact that trademarks have come not to represent the source of the

12 *Coca Cola Bottling Co.* v. *Coca-Cola Co.*, 269 F 796 (D Del 1920).

13 *Re, Radiation* (1930) 47 RPC 37. The mark was held to be a "house mark" that meant that a connection existed between the course of trade of the goods and the group. The licensee was a subsidiary of the licensor and was controlled by the latter.

14 Harold G. Fox, "Trade-Mark Assignments and Licenses in Canada", 35 *The Trademark Rep.*, p.80, (1945).

15 *Birmingham Vinegar Brewery Co. Ltd.* v. *Powell*, [1897] A.C. 710 (*Per* Herschell L.J.). It was held, *"I think that the fallacy of the appellants' argument rests on this: that it is assumed that one trader cannot be passing off his goods as the manufacture of another unless it be shewn that the persons purchasing the goods know of the manufacturer by name, and have in their mind when they purchase the goods that they are made by a particular individual. It seems to me that one man may quite well pass off his goods as the goods of another if he passes them off to people who will accept them as the manufacture of another, though they do not know that other by name at all. In the present case it seems to me that "Yorkshire Relish" meant the manufacture of a particular person. I do not mean that in the minds of the public the name of the manufacturer was identified, but that it meant a particular manufacture, and that when a person sold "Yorkshire Relish," as the defendants did, by selling it as "Yorkshire Relish" and calling it "Yorkshire Relish," they represented to the public that it was that manufacture which was known as and by the name of "Yorkshire Relish.""*

16 Schechter, "The Rational Basis of Trademark Protection", 40 *Harv. L. Rev.*, p.816, (1927).

17 *Supra* note 1.

manufacture, but the source of the quality of the manufacture,[18] which must be constant and monitored in the licensing agreement.[19] The benefits of the quality theory were enormous to the proprietor as the earlier requirement of "active participation" in the preparation or marketing of the product was removed completely. The requirement was modified to the position where the proprietor having control over the quality of the product would suffice.[20]

The quality or the guarantee theory relies heavily on two considerations, viz. the provision for adequate quality control of the licensor over the licensee, and the actual exercise of the control.[21] The forms of control may differ according to the nature of the licensed product and the jurisdiction.[22] However, control must be adequate to ensure that the quality of the goods or services is not below the specified standard.[23] It has been argued, that the control should be of a level so as to ensure public confidence in the mark.[24] Two major forms of quality control are recognised generally- contractual and financial.[25] It is not required that the license agreement be registered or that the licensee become a registered user for a valid license agreement to be entered into. Even in the case of an unregistered user, the Court would look into the questions of the mark becoming deceptive or that the connection between the proprietor and the goods had been lost.[26]

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18 Emil Scheller, "Problems of Licensing and Intent to Use in British Law Countries", 61 *The Trademark Rep.*, p. 445, (1971).

19 *Ibid.* at p.447.

20 Anonymous, "Quality Control and the Antitrust Laws in Trademark Licensing", 72(6) *Yale Law Journal*, p.1177, (1963).

21 Cameron K. Wehringer, "Trademark Licenses: Control Provided, Control Exercised", 47 *The Trademark Rep.*, p.289, (1957).

22 *Ibid.*

23 Anonymous, "Trademark Licensing, The Problem of Adequate Control", 1968(5) *Duke Law Journal*, p.878, (1968). It has been seen that the precise standards of quality control have not been specified in the laws which deal with the licensing of trademarks. The Trade Marks Act, 1938 did not define quality control. What the law has provided for, is that there must be a requirement for quality control in the license agreement. Section 28(4) of the 1938 Act provides that the parties must indicate "the degree of control by the proprietor", what that degree should be, however, has been left unanswered.

24 Link, "The Social Significance of Trade-Marks", 38 *The Trademark Rep.*, p.622, (1928). Cited in *supra* note 20.

25 *Supra* note 4, at p.102. Contractual control is a method usually employed between unrelated parties and depends solely on the performance of the terms of the agreement. In this method, the license agreement would be required to lay down the exact contours of control which would be exercised and the compliance practices expected of the licensee. Financial control, on the other hand, is usually of use when there are forms of financial control between the parties such as ownership, shareholding etc. Financial control can be implied by the forms of relations between the parties and thus may not even require a formal contractual relationship for quality control.

26 *In re, "Bostitch" Trade Mark*, [1963] RPC 183 (Ch D).

On a case to case basis, the Court must inquire whether actual control is exercised by the licensor. Even when a control provision is not adequately made in the license agreement, actual control would validate the agreement.[27] Under the 1938 Act of the United Kingdom,[28] the degree of control required over the licensee's activities was not adequately defined. This led to some irreconcilable decisions on the same topic and the sum ratio that was clearly laid out was that a naked license under which the licensor had no control over the licensee would make the trademark deceptive.[29] The UK Trade Marks Act, 1994[30] enacted to conform to the directive of the European Council continues with the same position as there is no express provision for what an owner may do with a license in favour of a licensee. Under the 1994 Act, the rights of the licensee have been expanded which would ensure that licensee has the right to sue for third party infringement of the trademark. Joining this issue with that of quality control, could it be argued that a licensee may sue a co-licensee for its inadequate quality control standards which may result in the invalidation of the mark or any other financial loss to the licensee? The licensee does not enjoy any proprietary right over the mark and is prevented from suing a person who has the permission of the proprietor to use the mark. A construction of this claim on contract, however, would be an interesting point of study.[31]

Trademark Licensing in the USA

The Lanham Act of 1946 governs licensing of trademarks in the USA.[32] The standards of control in the USA are of legitimate use, no deception to the public and legitimate control.[33] These standards have been interpreted differently

27 *Supra,* note 20.

28 Trade Marks Act, 1938.

29 *Kerly's Law of Trade Marks and Trade Names,* p.361, (London; Sweet & Maxwell, 14th ed., David Kitchin, David Llewelyn et al ed., 2005).

30 The Preamble of the Act states, "An Act to make new provision for registered trade marks, implementing Council Directive No. 89/104/EEC of 21st December 1988 to approximate the laws of the Member States relating to trade marks; to make provision in connection with Council Regulation (EC) No. 40/94 of 20th December 1993 on the Community trade mark; to give effect to the Madrid Protocol Relating to the International Registration of Marks of 27th June 1989, and to certain provisions of the Paris Convention for the Protection of Industrial Property of 20th March 1883, as revised and amended; and for connected purposes." Accessed at http://www.opsi.gov.uk/acts/acts1994/ukpga_19940026_en_1#Legislation-Preamble on 2nd August, 2010.

31 Sections 9, 10, 30 and 31. Also see, Neil J. Wilkof, "Third Party Use of Trade Marks", p.116 in *Trade Mark Use,* (Oxford; Oxford University Press, Jeremy Phillips, Ilanah Simon ed., 2005). Also see, *supra* note 30, at p.359.

32 60 Stat 427 (1946), 15 U.S.C. §§ 1051-1127 (1958). Section 5 of the Act provides for the licensing of trademarks by "related companies". A related company is defined as any person who legitimately controls or is controlled in respect to the nature and quality of services over which the mark is used.

33 *Supra* note 19, at p.1179.

and widely and have come to represent a flexible structure within which a mark could be licensed.[34] The effect of failure to stipulate quality control is that the proprietor is deemed to have abandoned the mark. Once the proprietor forfeits the trademark, he is stopped from asserting rights over the same.[35] Under the current legal system in the USA, the franchisee system has evolved. The purpose of the system was not to distribute the goods bearing the trademark but to carry out business under a common trade name. Under such a system, the trademark represents the goodwill and quality standards of the business. This system does not depend on the source theory but on the end product and the systems.[36]

The Position of Trademark Licensing in India:

In India, under the Trade Marks Act, 1999[37] licensing of registered trademarks is permitted by registered third persons and also by unregistered third parties having a written agreement for that purpose with the proprietor of the trademark.[38] The Act does not expressly deal with the issue of licensing of an unregistered trademark but the same has been held to be valid as common law licensing.[39] Improper application of licenses to goods bearing no connection to the goods of the proprietor may lead to the removal of the trademark from the register.[40] An unregistered licensee has no rights to institute an action for infringement of the trademark. This right is granted to a registered licensee.[41] The registered licensee is also immune from non-use as a ground for refusal to register the license.[42] The registered licensee is also entitled to the legal fiction of having his use of the trade mark deemed to be that of the proprietor himself for any purpose under the Act or any other law.[43] The licensee of an unregistered trademark is also granted this legal fiction where the license agreement stipulated control and supervision of the licensor.[44]

It has been held by the Supreme Court that the license of a trademark without the registration of the licensee would be governed by common law.[45]

34 *Supra* note 19, at p.1177.
35 *Barcamerica International USA Trust* v. *Tyfield Importers Inc.*, 289 F.3d 589. (9th Cir. 2002).
36 Narayanan, *Trade Marks and Passing Off*, p.448, (Kolkata; Eastern Law House, 6th ed., 2004)
37 Act 47 of 1999.
38 Section 2(1)(r).
39 *Supra* note 36, at p.423. *Supra* note 8. Also see the judgment of the Chancery Division from which the appeal was preferred, [1969] RPC 418, at 455-457.
40 *Supra* note 36, at p.424.
41 Sections 52, 53 and Explanation I to Section 54.
42 Section 46(1) (b).
43 Section 47.
44 *Caprihans* v. *Registrar*, (1976) 80 CWN 222 at 228.
45 *Gujarat Bottling Co. Ltd. and others* v. *Coca Cola Company and others*, AIR 1995 SC 2372.

In the *Gujarat Bottling* case, it was held that an unregistered licensee could validly use the trademark on the fulfilment of the three conditions of not causing confusion or deception to the public; not destroying the distinctiveness of the trademark in the public; and maintaining a connection between the proprietor and the goods under the mark.[46]

The Act also imposes several obligations on a registered licensee. Under Section 50, the registered user entry of the registered licensee may be cancelled or altered by the registrar. The grounds for such cancellation or variation have been provided in the Act. However, this provision would only affect a registered licensee and not one who is an unregistered licensee under the Act. Under Sections 57 and 58, the trademark itself may be removed from the register of trademarks on the grounds of violation of any of the conditions to their entry amongst other grounds.

The present discussion on the evolution of the legal principles governing the licensing of trademarks displays how the law sought to govern the practice of licensing wherein it was imperative that the licensee be under certain controls or obligations with respect to the use of the marks. The practice of licensing does denote that trademarks have some value but that cannot be traded independently of the products or be assigned in gross. Where a license over a trademark is granted and the same is used not in respect of goods but as a commodity itself, the same would amount to trafficking.[47] Also, it would violate the guarantee rationale of licensing as the quality of products is definitely not sourced through such an arrangement. The legal response to trafficking in trademarks which is given rise to through a license agreement has been explored in the next section of the paper.

Trafficking of Trademarks

Under the 1938 Act of the UK, registration of licenses that could promote trafficking in trademarks would not be granted.[48] In the Holly Hobbie case[49] the House of Lords defined the term trafficking in the following terms "... *trafficking in a trade mark context conveys the notion of dealing in a*

46 *Ibid*.

47 *Infra* refer footnotes 49-54.

48 Section 28(6).

49 *In re, American Greeting Corporation's Application,* [1984] 1 W.L.R. 189. (*Per* L. Brightman). In the opinion of Lord Bridge, the position under Section 28(6) was a complete anachronism and needed to be repealed. Also see, John Adams, "Trade Marks Law: time to re-examine basic principles?", 12(2) *E.I.P.R.*, p.39, (1990). The 1994 Act that is in force in Britain has dispensed with the reference to trafficking of trademarks and has simplified the licensing procedure. See, Paul Torremans, *Holyoak and Torremans Intellectual Property Law,* p.558, (Oxford; Oxford University Press, 5th ed., 2008).

trade mark primarily as a commodity in its own right and not primarily for the purposes of identifying or promoting merchandise in which the proprietor of the mark is interested."[50] The Court also referred to the judgment in the case of *Re, Batt (J.) & Co.*[51] where trafficking was defined as a type of stockpiling of trademarks without any intention of using them on the proprietor's goods and to deal with them commercially with other traders.[52] The crux of the Court's problem with the issue of trafficking in trademarks seems to be the fact that they are not marketable properties *per se* and gave rise to no rights alone without association with any commodity.[53]

The Supreme Court has also dealt with the issue of trafficking in a trademark and has stated that the act of getting a trademark registered without any intention to use it in relation to any goods but to deal with the mark itself to gain monetary benefit by its sale would amount to trafficking in a trademark.[54] The term "trafficking" is not defined in the Act of 1999. However, the above definition is accepted. The judgment also makes references to the propriety of licenses that are quite analogous to the source theory analysed earlier. The test according to Justice Mukherjee is that the connection between the proprietor and the goods is maintained in addition to the public not being deceived.[55]

Dealing with Trademark Trafficking, A Problematic Solution

There exists a problem with the legal mechanism to deal with the problems of improper licensing and trafficking of trademarks. The approach of the Courts has been to invalidate a trademark and to expunge the same from a register if any. Once this is done, the trademark ceases to be protected and infringement is not actionable anymore. The problem with this approach that may arise is that almost unlimited passing off would become possible.[56] If the consumers do not have knowledge of the de-recognition of the trademark, then the possibility of consumer deception would be made extremely high. This situation would continue till the ordinary consumers would gain knowledge of the decision and would stop associating the trademark with the quality they used to expect.

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50 *Ibid.*

51 *In re, Batt (J.) & Co.'s Trade Marks,* (1898) 15 R.P.C. 262.

52 *Ibid.*

53 The *Holly Hobbie* case cites the judgment of the *Bowden Wire* case which uses this ratio.

54 *American Home Products Corporation* v. *Mac Laboratories Pvt. Ltd. and Another,* AIR 1986 SC 137.

55 *Ibid.*

56 George Rolston, "Trafficking in a Trademark", 50 *The Trademark Rep.,* p.1167, 1168, (1960). *"… the penalty imposed by the Courts was simply to refuse to prevent other traders from copying or "infringing" his mark (and thus indirectly giving their blessing to almost unlimited passing off- but that is another story)."*

Another undesirable effect of the law as explained above would be to act as a disincentive for the proprietor to challenge infringement of his trademark in Court as he could very well destroy his own mark in the process. A practical example of this situation is the celebrated *Turmix* case.[57] In the present case, the defendants had introduced another machine under another trade name when the previous license agreement to produce and sell machines with the plaintiffs was terminated. An action of passing off was brought which was dismissed on the grounds that the defendants had not represented themselves as the agents of the plaintiffs and the previous trademark was not identified with them. The license to use the trademark was not in compliance with the stipulations of section 28 of the Trade Marks Act, 1938 the effect of which would be that the trademark itself would become invalid. It was perhaps because of this possible disastrous result that an action for infringement was not brought.[58]

It can be argued that removal of a particular trademark can be done only when the public is actually being deceived and therefore, there is no real increase in deception after the removal. However, in the view of the researcher, the same would be a dangerous proposition to accept. The harm that one unscrupulous trader can effect on society is not of the same magnitude as several, without any valid or registered trademark albeit, for a short term till the consumers realise that the trademark has ceased to exist.

Another argument that may be taken is that in case of an event of trafficking, the rights of the licensee should be derecognised instead of invalidating the trademark itself. However, in India, there is a dichotomy of status between registered and unregistered licensees. Therefore, the action of removal of the registration of the license would only be an effective remedy against a registered licensee. In order to curtail the activities of an unregistered licensee, the same cannot be done. Therefore, what the Courts will take recourse to in such a case is to cancel the trademark.

The cancellation of a trademark may have the detrimental effect on consumer's rights and it is sure to cause loss to the actual proprietor of the trademark who would lose the capital and labour value of the same due to a poorly drafted license agreement. The reform of the law should address two issues namely; the knowledge asymmetry that would result in the public not knowing about the trademark cancellation and secondly, the consideration for the rights of the proprietor as balanced against the consumer interests.

57 *Oertli* v. *Bowman*, [1959] RPC 1 (HL).
58 *Supra* note 36, at p.426.

Trademark Trafficking on the Internet; Domain Names

It has been seen that in the case of trafficking of trademarks, the licensee does not intend to use the mark in respect to the goods of the proprietor but to sell them at a later point as goods *per se*. In the trafficking of domain names, the domain name bearing marked similarity to the trademark is procured and later sold to the proprietor himself. It is, in some respects, a reverse passing off in which the domain names are "auctioned". The defence taken in such cases is generally that there was no use or intended use of the name and the public could not have been deceived.[59]

The Court in the case of *One in a Million*[60] held that such practice did amount to passing off and trademark infringement as it was likely to deceive the public as to the domain name owner's connection with the trademark owner. Also, an action for trademark infringement did not depend on actual use, but the fact that the practice was an "instrument of fraud" and could be used only to defraud the public.[61] The judgment has been criticised as having unreasonably extended the scope of passing off to actions in the contemplation of the licensee. The judgment has further been criticised since it holds that a similar name without association of goodwill can amount to passing off, it has by a reverse logic, favoured the assignment of marks in gross.[62]

However, the author feels that when the Court has discerned not mere possibility, but probability of passing off, it can surely take recourse to declaring and preventing the same. In the *One in a Million* case, the Court had held that any real use of the domain name would lead to fraud. There seems to be no reason as to why the Court should wait for the passing off to actually occur.

Coming Full Circle; Back to Source Theory?

The theories used to understand the arrangement of trademark licensing developed from the source to the quality or the guarantee theory. However, the position is unsettled and a revisit to the source theory has been carried out on various occasions. The quality control test was completely re-interpreted by the House of Lords in the case of *Scandecor Developments AB*[63] which ruled that the requirement of quality control in a trademark license had been done away in Britain by the Act of 1994. Therefore, if consent has been obtained in the license, then the mark cannot be challenged on that ground. It was held

59 *British Telecommunications Plc. and Another* v. *One in a Million Ltd. and Others*, [1999] 1 W.L.R. 903.
60 *Id*.
61 *Ibid*.
62 Alexandra Sims, "Rethinking One in a Million", 26(10) *E.I.P.R.*, p.445, 446, (2004).
63 *Scandecor Developments AB* v. *Scandecor Marketing AB et al* [2001] ETMR 74.

that the 1994 Act recognised the licensing of trademarks as indicative of the source of goods.

The source however, could be either the licensee or the proprietor. It was held that a license entered into without quality controls was not inherently likely to deceive the public. The judgment also altered the notion of source under trademark licenses. Under Section 23(2) of the Act of 1994, co-proprietors of a trademark are given recognition. Therefore, in the decision, the consideration of source shifts from a single person or proprietor to a business source. It was recognised by the Court that the purpose of a trademark was to convey to the consumer that the goods were from a single business group or undertaking.[64]

The decision of the House of Lords in the present case was on appeal from criticised decisions at the High Court[65] and the Court of Appeal.[66] The Court of Appeal had ruled that because the assignment of the registered word mark was reserved as it was expressly provided that the agreement did not assign the goodwill associated with the mark, the continued use of the same by the assignor would accrue to his benefit. This is against the principles of trademark licensing which would direct the assignment to be held void. As has been noted previously in the paper, an assignment in gross has been held to be invalid. Also, an assignment which reserves or splits the goodwill would render the entire agreement void.[67] We can very well imagine what this decision would mean for future licensing or assignment agreements. Firstly, a formerly disallowed form of assignment seems to have been validated by the Court. Secondly, in the case of licenses, the use of goodwill would become problematic as is explained below.

In the opinion of Wilkof, the decision of the House of Lords does not provide for the situation that may arise upon termination of the license. The licensee may choose to continue to deal in the same goods under a different mark and the licensor may then be able to exploit the goodwill created by the licensee during the term of the license. This would lead to confusion as to the source amongst the public.[68] The decision was rendered in the case of a sole license. The second problem that may arise is that in case of a non-exclusive

64 Lord Nicholls states, *"What is the message which a trade mark conveys today? What does a trade mark denote? It denotes that goods bearing the mark come from one business source: the goods of one undertaking, in the words of s. 1(1) of the 1994 Act. That much is clear."*

65 [1998] F.S.R. 500.

66 Court of Appeal, 23rd July, 1998, unpublished. Cited in Neil J. Wilkof, "Wake-up Call for U.K. on Trade Mark Licensing", 20 *E.I.P.R.*, p.386, [1998].

67 *Ibid.* at p.389. Also see, *Greenlon Inc. of Cincinnati* v. *Greenlawn Inc.*, 217 U.S.P.Q. 790 (S.D. Ohio 1982).

68 *Supra* note 31, at p.118.

license.[69] The "source" function as applied there would be problematic as under the judgment, even the licensee may be considered to be a source.

Conclusion

The present law would normally deal with the situation of trafficking or lack of quality control by simply removing the trademark from the registry and de-recognising it. The alternative remedy of removing the registered licensee cannot be exercised in an unregistered license agreement and therefore, often Courts have no other option but to cancel the trademark. The present legal system is insufficient because once the trademark is de-recognised, anyone can use the mark on any goods and the public becomes vulnerable to unlimited passing off. Also, the erstwhile proprietor is placed at a substantial loss as he loses his trademark and its associated rights.

There are certain measures by which remedy can be made to the situation. Firstly, a necessary requirement to the cancellation of the trademark can be its mandatory public declaration so as to make the public aware that the trademark would soon cease to exist. The effectiveness of the measure may only be found on implementation. The problem with this solution is where the trademark has recognition over a vast geographical area; such declaration may not be effective. Another way in which the researcher feels the law may develop is to remove the provision for the unregistered trademark licensee. When the trademark licensee is registered, the Courts have recourse to removing the license agreement from the register and the same would not affect the trademark's validity. This would ensure that the rights of the proprietor and the interests of the public are counter-balanced.

With regard to the theories of trademark licensing, the author is of the opinion that the quality theory better represents the practicality of trademarks. The same is so because the scope of trademark use now extends beyond borders and it would be impracticable and incorrect to assume that the consumers identify the source of the products and not the quality. The quality representative function of the trademark serves the purpose of the trademark. In such a case, the *Scandecor* judgment would not be able to account for the different circumstances associated with the use of trademark licenses as it relies on a re-invention of the source theory in this area. As has been pointed out previously in the paper, the application of the *ratio* of the judgment would be problematic in case of non-exclusive licenses or those where certain aspects are reserved.[70]

69 *Supra* note 31, at p.118.

70 The author is a final year student at National Law School of India University, Bangalore. The author would like to express his gratitude to Dr. T. Ramakrishna, Professor of Law, NLSIU for his invaluable guidance in writing this paper.

CASE COMMENTS

OBVIOUSNESS IN CHEMICAL AND BIOTECHNOLOGY PATENTS: A POST KSR V. TELEFLEX ANALYSIS

*Sapna Reheem**

Patent jurisprudence with respect to chemical and biotechnological inventions is quite at its nascent stage. The jurisprudence of patentability is constantly in a flux with the thresholds of novelty, utility and obviousness changing to fit into the contours of new technological advances. This is a case comment on KSR v. Teleflex, a US Supreme Court decision, which is observed to be one of the landmark cases in patent law and has shaken the foundation of our understanding of the test of obviousness. The paper particularly deals with the implications of the judgment on chemical and biotechnological patents.

INTRODUCTION

Patent Jurisprudence has developed all around the world with the aim to give rights to the inventor so that her invention is protected from misuse by the public. Inorder to ensure that the patent rights are vested on the worthy, certain thresholds have been established accordingly.[1] In the beginning novelty[2] and utility[3] were installed as gatekeepers of the patent regime. When these thresholds failed, a new requirement of nonobviousness[4] was enacted. Scholars have pointed out that when novelty and utility remain as easier requirements to be met[5], obviousness becomes the "ultimate condition of patentability".[6] Every patent system has to identify trivial improvements or obvious combination of prior art from a patentable invention. Thus, in a perfect system, only true inventions rather than insignificant improvements are patentable. This principle is theoretically meant to encourage the improvement of technology by providing economic inventors to create valuable new products while not rewarding minor improvements.[7] Despite its significance, obviousness as a criterion has been seldom used to determine patentability.[8]

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1 Jeanne C. Fromer, *The Layers of Obviousness in Patent Law,* 22 Harv.J.L.&Tech. 75.

2 35 U.S.C. § 101 (1952).

3 35 U.S.C. § 102 (2002).

4 35 U.S.C.§103 (2004).

5 Daniel Becker, *KSR v. Teleflex: How "Obviousness" Has Changed,* 4 Duke J. Const.L.&Pub. Pol'y Sidebar 45.

6 P.J. Federico, NONOBVIOUSNESS - THE ULTIMATE CONDITION OF PATENTABILITY (Part I), p. 101-111.

7 Timo Minssen, *The US Examination of Non- Obviousness After KSR v. Teleflex with Special Emphasis on DNA- Related Inventions,* IIC 200, 39(8), 886-916.

8 Fromer, *Supra n.1*.

In *KSR v Teleflex*,[9] the Supreme Court clarified the various contours of obviousness test earmarking it as the 'most important patent case of the last twenty years and perhaps since the passage of Patent Act, 1952.'[10]

This paper develops along four axes. Part I discusses the test of obviousness as it existed pre KSR, Part II analyses obviousness as applied to biotechnology and chemical patents; in Part III, the decision of the Supreme Court in KSR is analysed; Part IV addresses possible implications of the decision on biotechnology and chemical patents by analysing the case decisions post KSR; and finally Part V summarises and concludes the findings.

PART I

I. BACKGROUND ON OBVIOUSNESS

§103 of the US Patent Act[11] embodies the principle of obviousness and functions as a significant gatekeeper that denies patent protection for trivial improvements.[12] As per the statute, an invention does not deserve patent protection if it represents only a trivial modification of a prior art.[13] Thusly, the basic guidepost test as per this section stands as: at the time of invention, a claim shall be beyond the predictable variation of a prior art to a person having ordinary skill in the art.[14]

The nonobviousness hurdle to patentability was discussed in 1850 by US Supreme Court in the case of *Hotchkiss v. Greenwood*.[15] Followed by this, there were many decisions by lower courts and Supreme Court which resulted in great confusion as to the degree of non obviousness of an invention.[16] Confronted by this doctrinal confusion in 1952, Congress codified the nonobviousness factor in the 1952 in the Patent Act, which is observed to have

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9 KSR Int'l Co. v. Teleflex Inc., 550 U.S. 398 (2007) [hereinafter, "KSR"].

10 Peter Lattman, *KSR v. Teleflex; The Supreme Court's Big Patent Rule,* http://blogs.wsj.com/law/2007/05/01/ksr-v-teleflex-the -supremecourts-big-patent-ruling/ (March 15, 2010, 09:15 IST) (quoting Michael Barclay).

11 35 U.S.C. §103 (a) : A patent may not be obtained ... if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains

12 Timothy R. Holbrook, *Obviousness in Patent Law and the Motivation to Combine : A Presumption Based Approach* available at http://lawreview.wustl.edu/slip-opinions/obviousness-in-patent-law-and-the-motivation-to-combine-a-presumption-based-approach/ (March 12 ,2010, 16:00 IST).

13 Alison M. Taroli, *Obvious Fallacy : Improving the Standard of Obviousness for Chemical Compounds To More Accurately Reflect Common Practice in the Art,* 21 Syracuse Sci. & Tech. L. Rep. 87).

14 Great Atlantic & Pacific Tea Co. v. Supermarket Equipments, 340 U.S. 147, 153 (1950).

15 Hotchkiss v. Greenwood, 52 U.S. 248, 264-67 (1850).

16 Jeanne C. Fromer, *The Layers of Obviousness in Patent Law,* 22 Harv.J.L.&Tech.75

taken the *Hotchkiss's* initial position.[17] In short, the statutory provision reiterates the following[18]

- It adopts the position of a person having ordinary skill in the art(PHOSITA)
- It states only a negative test, that is, it denies the patentability to that which would have been obvious, without making any effort to state, much less describe a positive standard of ingenuity or inventiveness
- It expressly forbids the use of hindsight
- It adds an extra guard against hindsight by restricting the body of prior art only to the art to which the invention pertains
- It underscores that the test is objective and not subjective by ruling out any consideration of the specific manner in which the invention was made

Approximately after about ten years, the Supreme Court in *Graham v. John Deere Co. of Kansas City*[19] assessed the new statutory provision as a codification of the Hotchkiss standard of inventiveness and articulated for a three part test on obviousness and suggested for including secondary considerations to the test. The four limbs of the test are as follows The Examiner has to determine the

- scope and content of the prior art, which is essentially the state of art at the time when the invention was made
- the differences between the prior art and claimed invention
- the level of ordinary skill in the relevant technology field
- non technical, secondary considerations determining the "circumstances surrounding the origin" of the invention[20]

These four Graham factors thus comprehensively deal with the level of skill of person, focuses on the economic value of an invention, and asserts a need for an enquiry of whether the prior art teaches away, or whether there was a guarantee of commercial success, or whether there have been past failed attempts by others to carry out the conception.

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17 *Id*.

18 Peter K. Yu, (ed.), INTELLECTUAL PROPERTY AND INFORMATION WEALTH: PATENTS AND TRADE SECRETS (Vol.II), 1st ed. (2007), p.8.

19 383 U.S. 1 (1966).

20 *Id* at 17-18, Merck & Co., Inc. v. Teva Pharm. USA, Inc., 395 F.3d 1364, 1369 (2005); Rebecca S. Eisenberg, *Obvious to Whom? Evaluating Inventions from the Perspective of PHOSITA*, 19 Berkeley Tech.L.J. 885, 893-94 (2004).

Test of Reasonable Expectation

In re O'Farrell, another limb was added to the above test of obviousness, which was with respect to the reasonable predictability of success of implementation of an idea, by relying on a prior art which mentions possible successful combinations that might help in making the conception practical. This reasonable predictability would mean that based on the recording of a prior art, a method could be rendered to be obvious or not, by looking into the reasonable expectation of success stemmed from the prior art.[21] Thus the Court held that obviousness does not require absolute predictability; however at least some degree of predictability would do, motivating the practitioner for carrying out the invention.[22]Alternatively, if evidence can be shown that there was no reasonable expectation of success, then it would support a claim for non-obviousness.[23] Thus the law encourages only efforts that solve problems, where the prior art only suggests success among impractically large number of possibilities or general success in a field, with many approaches and there is no absolute predictability of success for reducing it to practice.[24]

Teaching, Suggestion, Motivation (TSM) Test

In re O'Farrell, the position as to how "obviousness does not require absolute predictability of success",[25] but requires only a "reasonable expectation of success" was established.[26] This element of reasonableness is further addressed through the Teaching Suggestion Motivation (TSM) test[27] which was developed by the Federal Court and subsequently made flexible by the KSR decision.[28] The Federal Court developed the TSM test to determine whether a teaching, suggestion or motivation in the prior art was used to modify an existing prior art to arrive at the claimed invention.[29] The TSM test strengthened the *O'Farrel* test and also predicated on the combination of two or more prior art references. It was observed that the prior art can be implicit or explicit, as long as it motivated the inventor to make the invention; thus satisfying the TSM test for obviousness.[30]

21 Jonathan M. Spenner, *Obvious to Try: Obviousness of Chemical Enantiomers in View of Pre and Post KSR Analysis,* 90 J. pat. & Trademark Off. Soc'y 475.

22 *In re* O'Farrell, 853 F.2d 894 (Fed. Cir. 1988)

23 *Id*.

24 *Supra n.* 21at 894, 903 (Fed. Cir. 1988).

25 *Supra n.*21 at 903.

26 *Id*.

27 Winner Int'l Royalty Corp. v. Wang, 202 F.3d. 1340, 1348 (Fed. Cir. 2000).

28 KSR Int'l Co. v. Teleflex, Inc., 550 U.S. 398, 399 (2007) (holding that the "teaching, suggestion, or motivation" (TSM) test should be flexibly applied, not as "rigid and mandatory formulas").

29 Spenner, supra. n. 21.

30 John Knight, *Motivation for the Federal Circuit,* http://digital-law-online.info/papers/jk/tsm.pdf,(March 26,2010, 06:00 IST).

The TSM test and the Graham factors hold a symbiotic relationship. Graham framework identifies the full range of obviousness under §103 whereas the TSM test is the methodology used to carry out the Graham analysis and to determine the motivation factor of the inventor.[31] The TSM test is fundamentally a search for a reasonable rationale as to why an invention is obvious, based on the appropriate prior art.[32] The inventive step for the same would be some sort of motivation to make the combination, and this motivation could come from the prior art, such as the nature of the problem, the knowledge of the person having ordinary skill in the art (PHOSITA) and the prior art teachings that might direct to such a combination.[33] While these remain as means to establish a case of obviousness, teaching away[34] and reasonable expectation of success[35] are well used defences to show non-obviousness.

This test took the limelight in the case of *KSR*, wherein the Supreme Court rejected the rigid application and held that account has to be taken of the interferences and creative steps that a person of ordinary skill would employ while making an invention.

OBVIOUS-TO-TRY TEST

Obvious-to-try test has been used as a subcategory of obviousness to establish a prima facie case. Prior to KSR the obvious to try test was rarely used by the court to establish obviousness under §103.[36] The obvious-to-try test has two subcategories: a permissible 'finite" obvious to try results and an impermissible "non finite" argument.[37] The "finite" argument can be understood as explained in the case of *In re Merck*, where in the prior art refers to a particular combination or a method that would result to finite number of ways of carrying out the invention in question; whereas in the "non-finite" string, as could be understood in *In re Bergel*[38] means that there exists a large group of combinations to start with, and through trial and error method the result one is looking for, could be reached. But it was held that in such cases of 'non-finite' obvious-to-try combinations, there would be no motivation and hence would not be considered to be obvious. Even if an invention comes under the former,

31 *Id*.
32 *Id*.
33 Holbrook, Supra n.17.
34 As per this test, if a prior art exists which teaches away sufficiently from arriving at the claimed invention, then it may eliminate any motivation or reasonable expectation of success,United States v. Adams, 383 U.S. 39, 51 (1966).
35 *In re* Soni, 54 F.3d 746, 750 (Fed. Cir. 1995); explained under *O'Farrel* decision.
36 Jonathan M. Spenner, *Obvious to Try: Obviousness of Chemical Enantiomers in View of Pre and Post KSR Analysis*, 90 J. Pat. & Trademark Off. Soc'y 475.
37 *Id*.
38 292 F.2d at 956.

the finding may be rebutted by a sufficient showing of unexpected results or secondary considerations.[39]

Thus the caveat that is usually attached while applying the obvious to try test are as follows:

- In some cases, what would have been "obvious-to-try" would have been to vary all parameters or try each of numerous possible choices until one possibly arrived at a successful result where the prior art gave either no indication of which parameters were critical or no direction as to which of many possible choices was likely to be successful
- In others, what was "obvious-to-try" was to explore a new technology or general approach that seemed to be a promising field of experimentation, where the prior art gave only general guidance as to the particular form of the claimed invention or how to achieve it.[40]

As it could be understood from the nuances of this test, it is susceptible to hindsight bias because it uses an inventor's own reasoned approach to solve a problem against him. Thus effecting the extensive use of the 'obvious-to-try' test to deny patent protection for logically guided research; while rewarding patent protection for inventions obtained through irrational behaviour or luck and discouraging thoroughly researched inventions on account that they are obvious.[41] In *KSR*, obvious-to-try test was resurrected and used in consonance with the TSM test for determining obviousness.

It could be summarised that the *Hotchkiss* standard of obviousness received statutory recognition with the legislation of §103; whereas the decision of *Graham* tried to explain the comprehensive test for obviousness under the section. The motivation factor that was touched upon by *Graham* was explained by the 'reasonable expectation of success' test in *O'Farrel*, which lead to the discussion of 'obvious-to-try' claims. Later on the Federal Court developed the TSM test to determine the Graham factors on obviousness and adhered to a very rigid application of the same.

II. Obviousness in Chemical and Biotechnological Patents Pre-KSR

As explained in the above section, through various case decisions the Court developed an equation for determining obviousness of inventions; but

39 *Id*.

40 *In re* O'Farrell, 853 F.2d 894 (Fed. Cir. 1988) at 903.

41 Scott R.Conley, *Irrational Behaviour, Hindsight, And Patentability: Balancing The "Obvious To Try" Test With Unexpected Results*, available at http://ssrn.com/abstract=1445553, last assessed on April 18, 2011.

these tests were held to be insufficient for unpredictable arts.[42] Chemical patents and biotechnological patents which include physiological process are considered to be unpredictable arts.[43]Firstly, this part would briefly touch upon test of obviousness in chemical arts, followed by biotechnological arts.

Due to the intrinsic unpredictable nature of chemical arts, the Courts have seemingly found it difficult to determine chemical obviousness through the existing tests.[44] This dilemma has been expressed *In re Hass*[45] and *Application of Henze*[46], the pioneer cases on chemical obviousness in which the Court aimed for a balance with the existing tests and came up with an evolved version of obviousness tests for chemical and biotechnological patents, called as the "structural obviousness" test. As mentioned earlier, it became problematic for the authorities to determine chemical obviousness since the precedents have focused only on combination patents. So it became necessary to cull out a test for determining the genuineness of an invention of a new chemical compound.[47] Before these two seminal cases, *In re Papesch*[48] laid out the modern chemical obviousness regime. According to *Papesch* regime, the obviousness analysis of a chemical compound proceeds on two stages. This two stage process could be explained with the following example: Consider the claimed compound is B; the first limb of the test is- to find whether there is a prior art compound A, which is sufficiently close in structure to the claimed compound B. If the answer is negative, then the inquiry is completed and there is no obviousness for such a compound. Usually, there is a high predictability of properties of a compound keyed to structure, such that the disclosure of a prior art compound suggests that the claimed compound can and shall be synthesised to achieve like results. Thus the claimed compound becomes obvious on the basis of "structural obviousness". Therefore according to *Papesch*, when there is a prima facie obviousness case based on the closeness of structure, it is vested on the patent applicant to demonstrate that there are actual differences between the claimed compound and the prior art such that the invention as a whole is non obvious.[49]

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42 Janice M.Mueller, *Chemicals, Combinations and Common Sense: How the Supreme Court's KSR Decision is Changing Federal Circuit Obviousness Determinations in Pharmaceutical and Biotechnology Cases*, 35. N.Ky.L.Rev. 281.

43 Sean B. Seymore, *Heightened Enablement in the Unpredictable Arts,* 56 UCLA L. Rev. 127.

44 *Id*.

45 *In re* Hass, 141 F.2d 122 (C.C.P.A. 1944)

46 Application of Henze, 181 F.2d 196 (C.C.P.A. 1950).

47 Seymore, *Supra n.43*.

48 *In re* Papech, 315 F.2d 381 (CCPA 1963) (Rich, J.)

49 Harold C. Wegner, *Chemical and Biotechnological Obviousness in a State of Flux,* 26 Biotechnology L. Rep. 437.

Whereas the resulting principle of law derived from the above mentioned seminal cases known as the *Haas-Henze doctrine*[50] is that if an examiner finds a compound in the prior art that is close enough to the claimed compound such that it would motivate a PHOISTA to make the claimed compound (e.g. a homologue as *In re Haas* and Henze) it would be obvious, unless evidence is provided which shows that the claimed compound possess unexpected properties.[51]Along with these requirements as mentioned earlier "structural similarity" [52] with a prior compound which motivated the inventor to come up with the new compound was also considered as a ground for obviousness. [53] Thus an obvious rejection based on structural similarity and function in a chemical patent case would essentially mean that there was sufficient motivation for a PHOSITA to create a new compound that would exhibit properties similar to that of a prior art compound because of their structural similarity.[54] But as mentioned in *Papesch*, it can be rebutted by showing that the compounds exhibited unexpected properties.[55] The Haas-Henze doctrine thus uses " structural similarity" to determine motivation or suggestion to an inventor to modify existing compounds or to obtain new compounds, establishing obviousness.[56]

Biotechnology patents mainly include DNA and gene patents.[57] Since things that occur in nature cannot be patented, the additional steps of isolating and purifying the gene, aid inventions in biotechnology to overcome the initial hurdle to patentability.[58] However, disclosure of only an isolated and components of the DNA (i.e. the purified nucleotide sequence) is not sufficient to obtain a patent.[59] The inventor must disclose a "specific, substantial, and credible utility for the claimed isolated and purified gene" in order to be awarded a patent.[60] While the patentability of genes was questioned originally, the United States Patent and Trademark Office (USPTO) issued guidelines stating affirmatively

50 Harold C. Wegner, *Prima Facie Obviousness of Chemical Compounds*, 6 AIPLA Q. J. 271 (1978).

51 Harold C. Wegner, POST-KSR CHEMICAL OBVIOUSNESS IN LIGHT OF PFIZER V. APOTEX8(2007),available at http://www.patenthawk.com/blog_docs/070613_PostKSR ChemicalObviousness.pdf (March 26, 2010, 9:30 IST).

52 *In re* Dillon, 919 F.2d 688 (Fed. Cir. 1990).

53 *Id.* at 692.

54 *Id*.

55 Application of Papesch, 315 F.2d 381 (C.C.P.A. 1963).

56 Wegner, *supra n.* 49.

57 Rebecca Hays, *Biotechnology Obviousness in the Post- Genomic Era: KSR v. Teleflex and In re Kubin,* MINN. J.L.SCI. & TECH.2009;10(2):801-835.

58 *Id*.

59 *Id*.

60 *Id*.

that once genes have been identified and isolated, they can be patented[61], provided that the invention satisfied the requirements of the U.S. Patent Act.[62] The USPTO further clarified its statement that "an inventor's discovery of a gene can be the basis for a patent on the genetic composition isolated from its natural state and processed through purifying steps that separate the gene from other molecules naturally associated with it."[63]

Many commentators believe that while applying the requirements of obviousness to biotechnology patents, the Federal Court has taken a slightly different stand.[64] The Graham factors along with TSM are used to determine obviousness by the Court for biotechnological patents[65] but the application of the same can be understood better by analysing two cases that have been decided before KSR. In the case of *In re Bell*[66], the Federal Court was presented with the issue of whether a *prima facie* case of obviousness existed for a gene, wherein the prior art disclosed a biological relationship (both the amino acid sequence of the corresponding protein and a general method of cloning) between the molecules disclosed in the prior art and those claimed by the patent.[67] The prior art contained two scientific articles: one which disclosed the amino acid sequence corresponding to the claimed DNA and RNA sequences and a second one which had a patent that disclosed a method for isolating a gene when atleast a sequence of amino acid is known.[68] The patent examiner rejected the claim and the Board of Patent Appeals and Interferences affirmed the rejection on the basis of structural similarity between the nucleic acid and amino acid sequence stating that the prior art references make the claims obvious.[69] The Federal Circuit Court reversed the Board's decision on appeal, holding the claimed DNA and RNA sequences to be non-obvious.[70] The court probed into whether a PHOSITA could arrive at the claimed invention in the light of references in the prior art. The Court held that the standard of

61 Varu Chilakamarri, *Structural Nonobviousness: How Inventiveness is Lost in the Discovery*, Va. J.L. &Tech. Vol. 10, No. 7, P3 (Summer 2005), available at http:// www.vjolt.net/vol10/ issue3/v10i3_a7-Chilakamarri.pdf (March 28,2010, 07:00 IST).

62 Steven P. Smith & Kurt R. Van Thomme, *Bridge Over Troubled Water: The Supreme Court's New Patent Obviousness Standard in KSR Should Be Readily Apparent and Benefit the Public*, 17 Alb. L.J. Sci. & Tech. 127, 148 (2007).

63 Utility Examination Guidelines, 66 Fed. Reg. at 1093.

64 Dan L. Burk & Mark A. Lemley, *Biotechnology's Uncertainty Principle*, 54 Case W. Res. L. Rev. 691, 691 (2004).

65 Kate M. Lesciotto, *KSR: Have Gene Patents Been KO'D? The Non-Obviousness Determination of Patents Claiming Nucleotide Sequences When the Prior Art Has Already Disclosed the Amino Acid Sequence*, 86 Wash. U.L. Rev.209.

66 *In re* Bell, 991 F.2d 781 (Fed. Cir. 1993).

67 *Id.* At 782- 83

68 *Id*.

69 *Id*.

70 *Id.* at 785.

structural similarity reasoning as put forward in chemical patent cases as *In re Dillon*, cannot be applied to biotechnology patents that deal with genetic relationship between nucleic acids and amino acids.[71] The Federal Court further stated that the prior art divulging information of amino acid sequences would only allow one to "hypothesize possible structures" and motivate one on to assess "the potential for obtaining that gene".[72] It has to be kept in mind, that such an amino acid sequence disclosed in the prior art can have been encoded by 1036 different nucleotides[73], thus rendering it non obvious on the ground that none could have possibly fathomed as to which possible sequences would constitute for the claimed gene.[74] The court also rejected the notion that the use of a generally known method to isolate gene sequences renders the sequences themselves obvious.[75]

The other important case is *In re Deul*[76]; the question that was presented in this case was of whether a prior art reference for teaching a method of gene isolation could be combined with another reference disclosing a partial amino acid sequence to establish a case of prima facie obviousness.[77] Whereas the prior art *In re Bell* disclosed the full amino acid sequence of the protein, *In re Deul* it was only the first nineteen amino acids.[78] The Federal Circuit while reversing the judgment of the Board of Patent Appeals, affirmed its stand as it held *In re Bell* decision.[79] The Court held that knowledge of a general technique and partial knowledge of a protein's amino acid sequence would not necessarily lead a person of ordinary skill in the art to prepare the specific sequence claimed[80], although it may have been obvious-to-try to prepare the claimed sequences even if the actual sequences themselves were not obvious.[81]

PART II

I. OBVIOUSNESS AS ADDRESSED IN KSR V. TELEFLEX

KSR v. Teleflex has become one of the important cases under Patent regime. It addresses one of the primary foundations of patentability. The case

71 *Id.* at 783 (quoting In re Rinehart, 531 F.2d 1048,1051 (C.C.P.A. 1976).
72 *Id.* At 784.
73 *In re* Bell. 991 F.2d at 784, Anita Varma & David Abraham, DNA Is Different: Legal Obviousness and the Balance Between Biotech Inventors and the Market, 9 Harv. J.L. & Tech. 53,68-69 (1996) (stating that at the time of In re Bell that technology has developed in a way to determine al the 1036 possibilities).
74 *In re* Bell, at 784
75 *Id.* at 785.
76 51 F.3d. 1552 (Fed. Cir. 1995).
77 *Id.* at 1557.
78 *Id.* at 1556.
79 *Id.* At 1560.
80 *In re* Deul ar 1559.
81 *In re* O'Farrell, 853 F.2d 894, 903 (Fed. Cir. 1988)

dealt with the "need for caution in granting patents based on combination of elements of prior arts."[82] The invention at issue in KSR was of a pedal assembly that could be adjusted to accommodate drivers of different statures. Teleflex sued KSR, for infringement on its patent. KSR refuted the allegation by countering that Teleflex's patent was obvious. The District Court granted summary judgment to KSR, as each component of the invention existed in previous patents. Teleflex approached the Court of Appeals for the Federal Circuit which reversed the District Court's Judgment. The reason advanced by the Court was that the District Court did not apply the TSM test fully. According to the test, the Court would have needed to identify the specific "teaching, suggestion or motivation" that

would have led a knowledgeable person to combine the two previously existing components. KSR appealed to the Supreme Court on the ground that the Circuit Court's decision conflicted with the precedents by the Supreme Court. Justice Kennedy, who wrote the opinion for the Court ruling in favour of KSR, stated that a patent for an invention which is a combination of two previously existing components may not amount to be obvious. It would be helpful in such cases for a court to identify, a reason that would have motivated a knowledgeable person to combine the components.

The Court held that the TSM test makes the obviousness test too narrow and rigid as it looks only on the specific problem the patentee was attempting to solve. Teleflex's invention was inspired by previous inventions aimed at different problems. The Court stated that even though no one had combined the technology in the way Teleflex had done, it held that the existence of the technology would have caused any person of ordinary skill to see the obvious benefit of combining the two, solving the specific problem before the patentee, thus making the patent obvious and invalid.[83]

II. Changes in Obviousness Jurisprudence due to KSR

The following were the changes made in the jurisprudence of obviousness as a result of this decision:

Teaching Suggestion Motivation Test

The issue of contention in the KSR case was that the United States Patent No. 6,237,565 B1 entitled "Adjustable Pedal Assembly with Electronic Trottle Control" (Engelgau Patent)[84] was inspired by various prior arts. KSR

82 KSR at 1395

83 Stephen G.Kunin,Andrew K. Beverina, *KSR's Effect on Patent Law,* 106 Mich.L.Rev. First Impressions 50.

84 KSR Int'l Co. v. Teleflex Inc., 550 U.S. 398, 421-22,. at 405-06, 82 U.S.P.Q.2d (BNA) at 1387.

contended that there existed enough teachings and suggestions which motivated Teleflex to come up with the invention, making the patent obvious. In *KSR*, the Supreme Court of America identified the difference in interpretation of §103 by the Federal Court, stating that a combination of pre- existing elements will not constitute an 'invention' and will not satisfy the 'conditions of patentability', if each element in the claimed combination does nothing more that what it was previously known or designed to do.[85] Thus the apex Court indicated the rigid application of the obviousness test by the Federal Courts[86] and pointed out how the TSM test was wrongly applied by them.[87]

The Supreme Court recommended "an expansive and flexible approach" to the application of the TSM test with its own precedents to be applied to determine obviousness.[88] The Court, instead of killing the TSM test, set out to rehabilitate it from the Federal Circuit Court's allegedly misguided application. The Apex court restructured the test with the following limbs

- in instances of existing prior arts, the applicant must show that the claimed invention has unexpected or superior results
- or that the invention goes beyond a combination of known elements yielding predictable results
- the steps undertaken by the applicant are not apparent
- and that the invention is not a result of market pressure or an identifiable predictable solution that could have been reached by a person of ordinary skill with common sense by relying on the prior arts (PHOSITAACS – Person Having Ordinary Skill In The Art And Common Sense).

Since the inception of the Patent Act in 1952, the United States Supreme Court has not explicitly given the qualifications of a person with ordinary skill. But implicit from the decisions prior KSR,a PHOSITA constituted a hypothetical "reasonable man specialised in the pertinent art." [89]In KSR, the Court relied on the the problem-solving capabilities of a person of ordinary skill in the art while determining the patentability.[90] Previously, it had been held that if a person of ordinary skill applies domain-specific principles mechanistically, then the invention would be obvious.[91] KSR changed the perspective of a PHOSITA from an

85 Petition for Certiorari, at 4.

86 Janice M.Mueller, *Chemicals, Combinations and Common Sense: How the Supreme Court's KSR Decision is Changing Federal Circuit Obviousness Determinations in Pharmaceutical and Biotechnology Cases*, 35. N.Ky.L.Rev. 281.

87 Kunin et. al, supra n. 83.

88 *Id.* at 415, 82 U.S.P.Q.2d (BNA) at 1394.

89 Anderson's-Black Rock, Inc. v. Pavement Salvage Co., 396 U.S. 57, 60 (1969); United States v. Adams, 383 U.S. 39, 51-52 (1966)

90 550 U.S. 398, 415- 418 (2007)

91 *Id*. At 421.

unsophisticated, unimaginative, uncreative plodder to someone with creative skill who can identify solutions to existing problems from identifiable predictable solutions that exist in the prior arts.[92]

- Obvious- to- try test

Before the KSR decision, the Federal Court had reiterated how the obvious-to-try test is improper to determine obviousness.[93] In KSR, the Supreme Court concluded that the Federal Circuit had committed a mistake while determining the obviousness of an invention by merely showing that the combination of elements was 'obvious-to-try'.[94] In doing so the Supreme Court addressed the obvious to try standard as follows:

"*When there is a design need or market pressure to solve a problem and there are a finite number of identified, predictable solutions, a person of ordinary skill has good reason to pursue the known options within his or her technical grasp. If this leads to the anticipated success, it is likely the product not of innovation but of ordinary skill and common sense. In that instance the fact that a combination was obvious to try might show that it was obvious under §103.*"[95]

However it is important to note that the Supreme Court limited this standard to "finite predictable solutions" and "anticipated success"[96] derived by a PHOSITA with "common sense".

Part III

I. **Analysis of Chemical and Biotechnological Patents Post KSR**

Eventhough it is true that KSR has dismantled the overly rigid application of TSM test, it has breathed new life into the overall obviousness test. The prongs that remain contentious are as follows:

- Whether after KSR it is unquestionably easier to establish a prima facie case of obviousness
- Whether the combination of prior art teachings can inspire a person skilled in the art and having common sense to expect reasonable success by relying on the existing material.

92 Sean B. Seymore, *Heightened Enablement in the Unpredictable Arts,* 56 UCLA L. Rev.127
93 76 Fordham L.Rev. 2625
94 KSR Int'l Co. v. Teleflex Inc., 127 S. Ct. 1727, 1742 (2007).
95 Id.
96 Id.

- Whether a prima facie case of obviousness if established can be rebutted.[97]

As far as the unpredictable sciences are concerned, the post KSR decisions are testimonial to the fact that the implications of the decision on the pertinent arts are immense.[98] One such impact is the raising of the standard of the ordinary skill of a person in the art to one having common sense.[99] In the case of similar compounds, KSR gives enough scope to use unexpected results and varying results to rebut it.[100] The chemical and the biotechnological patent cases that followed KSR also show that now the "obvious-to-try" test can be applied to unpredictable arts.[101]

The USPTO has also issued the following guidelines for examiners post KSR to test obviousness[102]:

- Combining prior art elements according to known methods to yield predictable results
- Simple substitution of one known element for another to obtain predictable results
- Use of known technique to improve similar devices (methods, or products) in the same way
- Applying a known technique to a known device (method, or product) ready for improvement to yield predictable results.[103]

In lieu of this, the Federal Circuit has decided the obviousness factor for various chemical and biotechnological cases, some of which are listed hereunder. The pertinent case laws post KSR show that the Courts still continue to use secondary considerations and the skill of the person to decide on obviousness thus misapplying *KSR*. This confusion among the lower Courts has been duly pointed out by scholars in the field. [104]

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97 35 N.Ky.L.Rev.281.
98 35 N.Ky.L.Rev.281.
99 Daiichi Sankyo Co., Ltd. v. Apotex, Inc., 501 F.3d 1254 (Fed. Cir. 2007).
100 Jonathan M. Spenner,90 J. Pat. & Trademark Off. Soc'y 475.
101 Gabriel J. McCool, *"Obvious to Try": A New Standard for Biotechnology Inventions?*, available at http://www.martindale.com/biotech-life-sciences/article_Edwards-Angell-Palmer-Dodge-LLP_821118.htm (April 15, 2010, 05:00 IST).
102 Mary Ann Liebert, *Examination Guidelines for Determining Obviousness under 35 U.S.C 103 in view of the Supreme Court Decision in KSR International Co. v. Teleflex Inc.*, 26 Biotechnology L.Rep.649.
103 Mueller, *Supra n.*81.
104 Spenner, *supra n.*21.

II. Cases

Takeda v. Alphapharm

Takeda v. Alphapharm is the first pharmaceutical case decided by the Federal Circuit Court post KSR.[105] The Court considered whether genus and species claims covering a compound called pioglitazone were invalid as obvious; as the claimed chemical compound showed structural similarity between the closest prior art. The Federal Court while handing the decision stated that KSR hasn't modified the manner of establishing the prima facie obviousness of a new claimed compound by showing some reason that would have led a chemist to modify a known compound in a particular manner.[106] The Federal Court focused on predictability as a touchstone while determining the obviousness in this case. The Court found that one of ordinary skill in the art would not have selected compound B as the lead compound based on the prior teachings that disclosed its toxicity and activity. Thus the obvious to try argument of the Alphapharm was dismissed on the position as laid down *In re Deuel*[107] and *In re Dillon*.[108] Also, the Court held that the prior art at the time of Takeda's invention did not disclose a 'finite number" of "predictable solutions", but rather gave a "broad selection" of compounds for further investigation and directed the PHOSITA away from the claimed compound.[109]

Sanofi-Synthelabo v. Apotex

In *Sanofi-Synthelabo v. Apotex*, the matter of contention was the patentability of enantiomers. Enantiomers are molecules that are mirror images,[110] of one another and individually have nearly identical physical properties,[111] but different biological activities. Through the process of racimization, one enantiomer may be converted to the other.[112] In the case, the validity of the patent covering the active enantiomer ingredient in Plavix was challenged. Apotex contented that the pharmaceutical salt clopidogrel bisulfate used in the drug was obvious. The *Sanofi* Court held that eventhough there existed prior art which disclosed the similarities of enantiomers developed through

105 Michael R. Dzwonczyk, *Implementing a "Predictable" Obviousness Standard Post KSR*, http://www.sughrue.com/files/Publication/c184ddaf-8489-4b7c-84a9061409df7037/Presentation/PublicationAttachment/35de691e-b34e-4e83-9ce6-092161dca7d8/Implementingapredictable.pdf (April 18, 2010, 09:00 IST)

106 Takeda Chem. Indus. V. Alphapharm Pty.,Ltd., 492 F.3d.1350 (Fed. Cir. 2007) at 1357.

107 *In re* Deuel, 51 F.3d 1552, 1558 (Fed. Cir. 1995).

108 *In re* Dillon, 919 F.2d 688, 692 (Fed. Cir. 1990)).

109 Takeda, 492 F.3d at 1359.

110 Ortho-McNeil, 348 F. Supp. 2d at 720.

111 Jonathan M. Spencer, *Obvious-To-Try Obviousness of Chemical Enantiomers in View of Pre and Post- KSR Analysis*, 90 J.Pat.& Trademark Off. Soc'y 475.

112 Sanofi-Synthelabo v. Apotex, Inc., 492 F. Supp. 2d 353, 369 (S.D.N.Y. 2007).

racimization, the unexpected results of the salt invalidated the *prima facie* case of obviousness. Thus, the obvious to try test was rebutted by the Court's long standing employment of expectation of success test.[113]

Board of Trustees v. Roche

The obvious to try test was applied by the District Court to invalidate a claim involving a biotech patent. The invention claimed a method of evaluating the effectiveness of anti- HIV therapy through quantifying the amount of HIV RNA by PCR.[114] Prior art existed in form of an article authored by Holdniy disclosing a method of quantifying the amount of HIV RNA molecules by PCR and using it as a marker for the amount of HIV virus[115] ;whereas the correlation between therapeutic effectiveness of a drug and the amount of HIV virus though viral culture was disclosed by an article of Ho.[116] The Court found the claim to be obvious even though it was arguably not obvious to try with any reasonable expectation of success. Any difference between the claims and Holdniy's article was obvious in light of Ho's article.[117]

In re Kubin

The impact of the KSR decision on unpredictable arts like biotechnology was established in this case. The Federal Circuit applied the obvious-to-try test and held that the isolation and sequencing of a human gene that encodes a particular domain of protein is obvious. While rendering the judgment the court classified two situations. First, an obvious-to-try combination may not be obvious when the inventor "merely throws metaphorical darts at a board filled with combinatorial prior art possibilities . . . ."[118] Secondly, an obvious-to-try combination may not be obvious "where the prior art give only general guidance as to the particular form of the claimed invention or how to achieve it rather than providing a detailed enabling methodology for practicing the claimed invention."[119] The case to a certain extent overruled *In re Deul*.[120]

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113 Andrew V.Trask, *Obvious to Try: A Proper Patentability Standard in the Pharmaceutical Arts?*, 76 Fordham L.Rev. 2625.

114 Kamrin T. MacKnight, *Polymerase Chain Reaction (PCR): The Second Generation of DNA Analysis Methods Takes the Stand*, 20 Santa Clara Computer &High Tech. L.J. 95, 108-16 (2003).

115 Roche, 563 F. Supp. 2d at 1023 n.2.

116 *Id*.

117 *Id*. at 1044.

118 *Id*. at 1359.

119 *Id*.

120 Hays, *Supra n*. 39.

PART IV

CONCLUSION

In KSR, the Supreme Court by flexibly applying the TSM test directed the Court of Appeal to follow its own precedents as decided in *Dystar*[121], *Alza*[122] etc. Furthermore the Court stated that finite obvious-to-try results to be a permissible basis for determining obviousness. Such a rationale was propounded in some of the cases prior KSR.[123] In light of the cases decided after KSR, application of obvious-to-try test in the unpredictable arts has been dicey. There are various positions with regard to understanding the obviousness regime post *KSR.* Some say, that it has changed the position of law substantively; some say it has not been changed and that the Apex Court had directed the Federal Court to look into its rigid application. As mentioned in the paper, atleast with the unpredictable arts like chemistry and biotechnology, the position of law has been more or less the same; i.e. in these arts, it is easier to establish a prima facie case on obviousness on structural similarity and the like but it s vested on the applicant to prove that the claimed compound/gene has unexpected properties and superior properties, thus rebutting the presumption of obviousness.

The researcher feels that an interpretation of *KSR*'s obvious-to-try test with respect to unpredictable arts should be context-specific. When KSR calls for a finding of obviousness where there is a "finite number of identified, predictable solutions,"[124] the Federal Court has limited the standard to an "easily traversed, small and finite number of alternatives",[125] a standard specifically tailored to accommodate the biotechnology and pharmaceutical industries.[126] Thus, KSR's flexible application of TSM might result in a situation where certain deserving inventions in biotechnological and pharmaceutical arts may fail to achieve the requirements of patentability. Even though one believes that KSR decision has risen the bar for patentability of chemical and biotechnological inventions, it is always a best option to develop industry specific obviousness requirements.

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121 DyStar Textilfarben GmbH & Co. Deutschland KG v. C. H. Patrick Co., 464 F.3d1356, 1367 (2006).

122 Alza Corp. v. Mylan Labs., Inc., 464 F.3d 1286, 1291 (2006).

123 Ortho-McNeil Pharm., Inc. v. Mylan Labs., Inc., 348 F.Supp. 2d 713 (D.W.Va. 2004), aff'd, 161 Fed. Appx. 944 (2005); In re Merck & Co., 800 F.2d 1091, 1098 (Fed. Cir. 1986).

124 KSR Int'l, 550 U.S. at 421.

125 Ortho-McNeil, 520 F.3d at 1364.

126 Hays, *Supra n.* 39..

4 IJIPL 95-102 (2011)

Case Comments

Understanding the Machine-or-Transformation Test: Bilski *Et Al.*, v. Kappos[1]

*Hima Bindu Killi**

Introduction

Patent laws protect "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement."[2] "The term 'process' means process, art, or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material."[3]The present case examines whether a procedure to hedge energy commodity market risks is a patentable 'process' according to the laws.

Facts of the Case

The patent application in the present case claims protection for a procedure or process that ‑instructs buyers and sellers of commodities in the energy market how to protect, or hedge against the risk of price fluctuations. Claim 1 of the application describes a series of steps instructing how to hedge risk in a series of steps. The other relevant claim, Claim 4 puts this concept into a simple mathematical formula. The remaining claims explain how Claim 1 and 4 can be used in the energy market to minimize risks.[4]

The patent examiner rejected the petitioners' application because it wasn't "implemented on a specific apparatus and merely manipulate[d] an abstract idea and solve[d] a purely mathematical problem without any limitation to a practical application".[5] The Board of Patent Appeals and Interferences affirmed and concluded that the application only involved mental steps directed to an abstract idea and did not transform physical matter. The United States Court of Appeals for the Federal Circuit heard the case and affirmed.[6] The Court concluded that the "machine-or-transformation test" was the sole test for governing §101 analyses and thus, the test for determining patent eligibility of a process under that section. Three Judges wrote the dissent to the Court's opinion. Judge Mayer held that the application was not patentable because it was a "business method." Judge Rader found the claims an unpatentable abstract

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1 130 S.Ct. 3218 (2010): 561 U.S. (2010).

2 35 U.S.C. § 101.

3 35 U.S.C. § 100.

4 Bilski, slip op. at 1.

5 *Id*.

6 *In re Bilski,* 545 F.3d 943 (Fed. Cir. 2008).

idea. Judge Newman "disagreed with the court's conclusion that petitioner's application was outside the reach of §101. He did not say that the application should have been granted but only that the issue should be remanded for further proceedings to determine whether the application qualified as patentable under other provisions."[7]

The petitioners appealed again and the United States Supreme Court granted Certiorari.

HOLDING

The Supreme Court confirmed the decision of the Court of Appeals and dismissed the Certiorari petition. Justice Kennedy delivered the opinion of the Court and Justice Stevens along with Justices Ginsburg, Breyer and Sotomayor, wrote a concurring opinion but differed on the reasoning given by Justice Kennedy. To decide the case, Justice Kennedy used the definition of process under §101 and the machine or transformation test as laid down in Parker v. Flook[8], Diamond v. Diehr[9] and Gottschalk v. Benson.[10] According to him, §101 specifies four independent categories of inventions or discoveries that are eligible for patent protection: processes, machines, manufactures and compositions of matter. It is a broad section, and uses 'wide and expansive terms.' [11] A §101 patent eligibility enquiry is only a threshold inquiry and any invention in question needs to fulfill conditions of novelty, nonobviousness, etc. The section does not cover three specific instances: 'laws of nature, physical phenomena and abstract ideas.'[12] Justice Kennedy regards the appellants' process as an unpatentable abstract idea.

The process claimed to be patented in the present case is simply a series of steps. It is held to be an abstract idea. Justice Kennedy, while striking down the present process as unpatentable goes on to say that any series of steps that is not itself an abstract idea or law of nature may constitute a process within the meaning of §101. However, Justice Stevens doesn't agree with this. He uses historical and constitutional justification for interpreting the Act and the provisions of the section. He finds fault with Justice Kennedy's holding that the method in question was unpatentable because it is a series of steps.[13] According to him, the appellant's method was unpatentable because it is a business method.

7 *In re Bilski,* (Newman, C.J., dissenting).
8 Parker v. Flook, 437 U.S. 584.
9 Diamond v. Diehr, 450 U.S. 175.
10 Gottschalk v. Benson, 409 U.S. 63.
11 Chakrabarty, 450 U.S. at 308.
12 *id.* at 309.
13 Bilski, slip op. at 2 (Stevens J., concurring).

ROADMAP

The present paper is a case comment and follows that pattern. The author introduces the case and the controversy in the first part and describes briefly the holding of the two justices that have written the judgment. This case is most important for holding that the machine-or-transformation test is not the sole test for determining patentability. Hence, the second part of this paper discusses this test in detail while highlighting the cases that the Court has relied upon. Some aspects that the court has brought up but has not dealt with will also be briefly pointed out here. This part introduces an international aspect to the comment by talking about this case in the context of the Indian Patent Act, 1970. The author discusses business method patents and abstract ideas in this part, thus bringing the decision closer to home and making this comment more relevant. The final part is the Conclusion and it highlights some key aspects using the opinion written by the concurring judge, Justice Stevens.

DETAILED ANALYSIS OF THE JUDGMENT

THE MACHINE OR TRANSFORMATION TEST AND UNPATENTABLE ABSTRACT IDEA

These two ideas are the core elements of Justice Kennedy's opinion. The machine or transformation test essentially requires the process, art or method to be tied to a machine or transform an article to be patentable, among other things. Other conditions include the requirement of novelty under §102, nonobviousness under §103, and full and particular description under §112.[14] Unpatentable abstract idea is an exception created by the Courts to the four independent categories of inventions or discoveries that are patent eligible: processes, machines, manufactures and compositions of matter.[15] While not required by statutory text, these exceptions are consistent with the notion that patentable processes must be new and useful.[16]

In Cochrane v. Deener, the Court explained that "a patentable process is an act or a series of acts performed upon the subject matter to be transformed and reduced to a different state or thing."[17] Benson held that "a claimed process is surely patent-eligible under §101 if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing."[18] In *Diehr*, it was held, the "transformation and reduction of an article 'to a different state or thing' is the clue to the patentability of a process claim."[19]

14 *Id.* at 9.
15 Chakrabarty, 447 U.S. at 308.
16 Le Roy v. Tatham, 14 How. 156, 174.
17 Cochrane v. Deener, 94 U.S. 780,788 (1877).
18 Benson, 409 U.S. at 70.
19 Diehr, 450 U.S. at 192.

Based on these decisions, the Court of Appeals ruled that the "machine or transformation test" was the sole test to be used for determining the patentability of a process under the Patent Act.

However, The Supreme Court cautions against making this the sole test for determining patentability. In other words, even if a process patent did not meet the machine or transformation test, it could still be patented in certain cases. In Flook, the court "assumed that a valid process patent may issue even if it does not meet the machine or transformation test."[20] While acknowledging the fact that "patents for inventions that did not satisfy the machine-or transformation test were rarely granted in the earlier eras," [21] due to the change in times and the unexpected ways in which technology was progressing, the Court held that a dynamic construction to the language of §101 was to be given and a "categorical rule denying patent protection for inventions in areas not contemplated by Congress… would frustrate the purposes of patent law." (citation omitted)[22]

The machine or transformation test that this Court relies upon, talks about a process that is either attached to a machine or transforms an article in order to be patentable. Since the present process is neither, it is held to be unpatentable. The opinion of the Court never provides a satisfying account of what constitutes an unpatentable abstract idea.[23] It is assumed that the meaning will be obvious and that there is no necessity to point out a test to figure out how to identify an abstract idea. It is quite easy to believe that if the claimed invention is not attached to a machine or doesn't transform an article, it is practically an abstract idea that does not belong to any particular person or entity. This is the pitfall that the Court of Appeals seems to have fallen in. It looks at all the precedents which talk about the machine or transformation test as "the important clue" in Benson or an "idea be[ing] surely patentable if it satisfied the machine or transformation test" in *Diehr* and assumes that the test was the sole test for determining patent eligibility in the first stage (emphasis supplied). This is confusing because those cases lay down that the machine or transformation test is only an important clue and not the only test for determining patentability. In other words, the Court has done nothing to clear the confusion as to what the scope of the three exceptions (laws of nature, physical phenomena and abstract ideas) actually are.

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20 Flook, 437 U.S. at 590.
21 Bilski, slip op. at 12.
22 *Id*.
23 Bilski, slip op. at 9 (Stevens J., concurring).

Business Methods & History and Interpretation of Process Under §101

The main thrust of Justice Steven's concurring opinion is that the present claims are unpatentable because they are a series of steps for conducting business. In other words they are business methods and hence are not patentable. The other prong is his interpretation of §101 of the Act. It defines patentable inventions in expansive terms[24] and includes processes within that meaning. The petitioner claims that their invention is a process under the meaning of that section and hence patentable. Justice Stevens starts off his discussion of patentability with this provision and justifies his decision with the historical acts of Congress.

Justice Kennedy suggests that any series of steps that is not in itself an abstract idea or law of nature may constitute a process within the meaning if §101. This, according to Justice Stevens' decision will 'only cause mischief.'[25] He believes, "the wiser course would have been to hold that the petitioner's method is not a process because it describes only a general method of engaging in business transactions and business methods are not patentable."[26]

Generally speaking, methods are patentable if they fulfill certain other conditions since they are within §100(b)'s definition of process. According to Justice Kennedy, the "ordinary, contemporary, common meaning"[27] of method includes business methods. He looks at §273(b) defense of a claim of prior use for 'a method in a patent.' For purposes of this defense in §273(a)(3), method is defined as a 'method of doing or conducting business.' Thus, "by allowing this defense, the statute itself acknowledges that there may be business method patents." [28] A conclusion that business methods are unpatentable would render this defense unnecessary. Again, the Court cautions against assuming that since there is a defense available, all business methods are patentable. Some business method patents raise special problems in terms of vagueness and suspect validity.[29]

Justice Stevens looks at other justifications for holding that business methods are not patentable. He looks at Congress' decision to "enact the Patent Act… against the background of a well settled understanding that a series of steps for conducting business cannot be patented."[30] Justice Stevens looks at

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24 *Id.* at 10.
25 *Id.* at 2.
26 *Id.* at 2.
27 *Id.* at 14.
28 *Id.* at 15.
29 EBay Inc v. MercExchange, L.L.C., 547 U.S. 388, 397 (2006).
30 Bilski, slip op. at 15 (Stevens J., concurring).

the understanding of business methods according to English law and, early American patent law where patents power was first issued for the "promot[ion] of… useful arts."[31] From the above, he concludes that "regardless of how one construes the term useful arts business methods are not included"[32] (internal quotations omitted).

INDIAN LAW

The law regarding the patentability of a process unconnected to a machine and explaining only a claim as a series of steps is unclear. The fact that the laws have been amended in 2005 and not a lot of litigation has taken place in this arena to concretize the new law does not help the situation either.

According to §2(m) of the Patents Act, 1970 (as amended by the 2005 Act), a patent is granted to an 'invention' under the Act. The new definition of an invention, according to §2(j) is:

> "A new product or process involving an inventive step and capable of industrial application."

In the old 1970 Act, an invention was defined as,

> " … Any new and useful-

(i) Art, process, method or manner of manufacture;

(ii) Machine, apparatus or other article;

(iii) Substance produced by manufacture, and includes any new and useful improvement of any of them".

This change in definition clearly indicates the shift in mindset of the Parliament. Though an invention had to be attached to a machine in the old Act to be patentable, the new Act has removed that requirement and has made any process that involves an inventive step patentable. This requirement of inventive step is slightly wider than the American requirement of nonobviousness,[33] which is an enquiry to be made if the claimed invention passes the threshold enquiry of abstract idea, laws of nature and physical phenomena.

The other requirement of industrial application is also on the lines of moving away from the requirement of attachment to a machine because industrial application does not necessarily have to be associated to a machine.

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31 *Id.* at 20.

32 *Id.* at 22.

33 FEROZ ALI KHADER, THE LAW OF PATENTS- WITH A SPECIAL FOCUS ON PHARMACEUTICALS IN INDIA 520 (2007).

"Industry [in this section] should be understood in its broadest sense as including any useful, practical activity as distinct from purely intellectual or aesthetic activity, and does not necessarily imply the use of a machine or the manufacture of an article."[34] However, the legislation also disqualifies abstract theories and scientific discoveries according to §3(c). Taken together, an invention that is not an abstract theory, is patentable if it is a process capable of industrial application and has an inventive step. These two requirements form the same network of laws like in the US statute.

Applying this to the present case, it is clear that the claims are processes capable of industrial application. Now, applying Justice Kennedy's decision, they are a series of steps instructing one as to how to hedge risk. This is an abstract idea and not capable of protection. Thus, the present claims do not meet the inventive step and non-abstract theory requirements under Indian law either. Though the requirements may be slightly different in both laws, the result has turned out to be the same, in that, a series of steps that describe a method of hedging risk and nothing more, does not constitute a patentable process.

CRITIQUE

The present judgment can be seen as something that is settling the confusion in the area of patentability of processes and business methods. However, there are some flaws in the Court's opinion, most of which have been pointed out by Judge Stevens and taken care of.

First of these flaws is the fact that the Court confines itself to commenting upon three cases: Diehr, Flook and Benson. Although they may be landmark judgments when it comes to patenting processes, restricting the scope of this judgment means that the court is refraining from laying down a concrete test for determining the patentability of a process. Several amici have pointed out that making the machine-or-transformation test the sole test for determination will cause confusion but leaving the question open ended may not be the answer either.

The second issue is in Justice Stevens' critique of the Court's opinion. He frowns upon the Court's interpretation of the "terms in the Patent Act as lay speakers use those terms and not as they have traditionally been understood in the context of patent law." However, he misses the point entirely as to why the Court is discussing this interpretation. Justice Kennedy discussed this interpretation in the context of understanding "manufacture" according to §101.

34 Sri Gajalakshmi Ginning Factory Ltd. v. CIT (1952) 22ITR 502 (Mad)

The Court makes it clear that any deviation from the ordinary meaning should only be for the exceptions of laws of nature, physical phenomena and abstract ideas. Presumably, this is to narrow down the exceptions. [It is interesting to note, however, that Stevens himself refers to 'Noah Webster's First American Dictionary" and several other dictionaries when there is well established precedent to understand the meaning of the term 'art.']35

The third issue is the question of the application of the claimed process. The applicants have not clearly described the application of their claimed invention and as Justice Stevens points out, "the Court has limited the petitioner's claims on processes for pricing as 'claims on the basic concept of hedging or protecting against risk.' The application of these processes, what data to use, etc., that were part of other claims, are understood to be mere 'token post solution components.' By doing this, the Court has "limit[ed] the petitioners claims to hedging and then concludes that hedging is an abstract idea rather than a term that describes a category of processes including the petitioner's claims."36

The fourth point, again as pointed out by Justice Stevens is the Court's categorical rejection of the submission that the word "process" must be read noscitur a sociis and limited to technological developments. Since, in §100(b) the "definition itself contains the very ambiguous term" 37 to be defined, this was not a case "in which we must either follow a definition or rely on neighboring words to understand the scope of the ambiguous term" (internal quotation marks removed).38

From the above discussion, it is clear that the machine or transformation test has been declared as an important test in determining patentability and not the sole test for the same. However, the fact that the Court has failed to provide a concrete test or at least a direction to decide the threshold level of patentability is a little disappointing. The two parts of the judgment work very well together with Justice Kennedy taking one viewpoint towards deciding claims and Justice Stevens taking the other. Both judges start with an examination of §101 of the Act and the definition -of process under it but end up with radically different reasons for holding those claims unpatentable. The case is also an example of a balance struck between confining the case to the facts and laying down a precedent that is good for all kinds of facts. However, this kind of balance does leave the reader a bit confounded as to the law and leaves them at the same point where they started.

35 Bilski, slip op. at 22 (Stevens J., concurring).
36 Bilski, slip op. at 8 (Stevens J., concurring).
37 *Id.* at 12.
38 *Id.*

4 IJIPL 103-120 (2011)

LEGISLATIVE COMMENTS

THE EFFECT OF THE INDIAN PATENTS (2005) AMENDMENT ON THE PHARMACEUTICAL INDUSTRY AND ACCESS TO MEDICINES IN INDIA

Subhajit Banerji and Anagh Sengupta[*]

> *That he the inventor, ought to be both compensated and rewarded …will not be denied …it would be a gross immorality of the law to set everybody free to see (or use) a person's work without his consent and without giving him an equivalent*
>
> John Stuart Mill (1848)

> *The United States will henceforward implement its health care and trade policies in a manner that ensures that people in the poorest countries won't have to go without medicine they so desperately need*
>
> Bill Clinton[1]

I. INTRODUCTION

These abovementioned quotes sum up the debate between developed and developing countries over the issue of patent rights and access to medicines as a human right.[2] The Indian Patents (Amendment) Act, 2005[3] (*hereinafter* Amendment) marked a new phase in Intellectual Property Rights (*hereinafter* IPR) with the fifth amendment to the Act introducing significant statutory provisions.[4] Previously, the Ayyangar Committee[5] recommended, *inter alia*, the exclusion of product patents from the Indian Patents Act, 1970 as Multi-National Companies (MNCs) had numerous applications pending for grant of

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1 William J. Clinton, Remarks as a World Trade Organization Luncheon in Seattle, 35 WEEKLYCOMP PRESS DOC 2494 (December 1, 1999).

2 *See* Pharmaceutical Manufacturers' Association of South Africa v President of the Republic of South Africa, Case No. 4183/98.

3 *See* The Gazette of India, Ministry of Law and Justice, *The Patents (Amendment) Act, 2005 (15 of 2005*), received assent of President on April 4, 2005 and published on April 5, 2005, entered into force on January 1, 2005 available at http://www.patentoffice.nic.in/ipr/patent/patent_2005.pdf (Last accessed on April 4, 2012).

4 The Act has been amended five times - The Repealing and Amending Act, 1974 (Act 56 of 1974); The Delegated Legislation Provisions (Amendment) Act, 1985 (Act 4 of1985); The Patents (Amendment) Act, 1999 (17 of 1999); The Patents (Amendment) Act, 2002 (38 of 2002); The Patents (Amendment) Act, 2005 (15 of 2005).

5 *See* N.R. AYYANGAR, REPORT ON THE REVISION OF THE PATENTS LAW (1959).

patents, apart from the scores of patents that already existed in India.[6] The MNCs acquired patents for protecting their imports in India. Therefore, the recommendations of the Ayyangar Committee were accepted and product patents were not granted from 1970 till 2005 as a measure to protect the Indian industry. The latter three amendments were the result of India's obligations as a signatory to the Trade Related Aspects of Intellectual Property Rights[7] (*hereinafter* TRIPS), the Indian government fulfilled its TRIPS obligations in three instalments the last being the 2005 Amendment.[8]

The seeds were sown in 1999 when interim protection for pharmaceutical products was granted by way of *mail box*[9] applications which were opened in 2005, till when these applications enjoyed Exclusive Market Rights (*EMRs*).[10]

The paper shall be segregat such a regime. The second section shall be devoted to the interpretation of the Amendment which it is argued effectively makes the current threshold of patentability more stringent. The author shall analyse the new additions to the Patents Act and argue whether these changes are justified. In the third section the author shall delve into the question of Compulsory Licensing being the tool that will provide the balance between the rights of the patent holder *vis-à-vis* the fundamental right of health enshrined in the Constitution of India. And finally the author shall analyse the effect of the Amendment on the pharmaceutical industry and whether the Amendment has been able to strike a balance with the Human Right to Access to Medicines and the need for innovation in the industry.

II. The Changes Brought in by the Amendment and their Significance

The Amendment has brought in an array of changes to the Act.[11] These

6 The Indian Government introduced the Patents Act, 1970 which categorically excluded pharmaceuticals and agrochemical products from eligibility for patents. This exclusion was initiated to address India's dependence on imports for bulk drugs and provide for development of a self-reliant, indigenous pharmaceutical industry. *See* Sheja Ehtesham and Niranjan Mansingh, *Conflicting Interests in Drug Pricing: Innovation v. Social Needs*, 94(2) Current Science 168 (January 25, 2008).

7 The text of TRIPS is available at http://www.wto.org/english/docs_e/legal_e/27-trips.pdf (Last accessed on June 15, 2012). India signed the TRIPS w.e.f. 1994 and entered the World Trade Organization w.e.f. 1995.

8 Product patents were introduced in compliance with Article 27 of TRIPS.

9 The Mailbox Application is a facility that enables the filing of a patent application for chemicals, foods, drugs till the time the product patent regime has been devised and enacted.

10 This is in accordance with Article 70.8 of TRIPS. For further understanding of the mail box applications and the applicability with TRIPS see www.wto.org/english/tratop_e/trips_e/intel2c_e.htm#transitional. (Last accessed on June 15, 2012)

11 Section 3(k) excluded *a computer programme per se* from the scope of patentability, the pre-grant opposition has been widened and provisions for post-grant opposition have been introduced. For a more detailed understanding *see* Shamnad Basheer, *India's Tryst With TRIPS:The Patents (Amendment) Act, 2005*, 1 The Indian journal of law and technology 19 (2005).

changes were apparently[12] in compliance with TRIPS and were in furtherance of raising the patentability threshold.[13]

A. New Invention Defined

The definition of *new invention*[14] which has been added by the Amendment is a debatable feature in the Act on two counts. Firstly, the Act already had a definition of *invention*[15] which clearly lays down the criteria for a valid patent[16] which contains the word *new.* The presence of this term is sufficient for statutory and interpretative purposes. The Amendment, in defining *new invention,* brings out ambiguity in the legislative intent and hence in interpretation. It appears that the intent was to address and include terms like *state of the art* and *technology* in furtherance of which the granting of patents would be more stringent.[17]

Further, if the legislature had intended to clear the ambiguity that existed in the Act before the Amendment, a prudent step would have been to define the terms that were to be added such as *state of the art, technology* and the terms that were ambiguous such as *new.* The introduction of the *new invention* definition proves to be cyclical and redundant, as it leaves much for interpretation and thus creates a vacuum in the law, with no indication as to the Legislature's real intention. Secondly, the standard of novelty is not consistent throughout the Act. S.25 of the Act provides grounds under which patents can be opposed.[18]

12 The validity of Section 3(d) was challenged in Novartis AG v Natco Pharma and Others(2007) 4 MLJ 1153 on the grounds of not being in compliance with TRIPS. The constitutionality of Section 3 (d) was upheld. For a detailed discussion see Section II (C).

13 Manoj Pillai , *The Patents (Amendment)Act, 2005 and TRIPS Compliance- A critique*, INDIANJOURNAL OF INTELLECTUAL PROPERTY RIGHTS 236 (May 2005).

14 Section 2(1)(l) reads as : *any invention or technology which has not been anticipated by publication in any document or used in the country or elsewhere in the world before the date of filing of a patent application with complete specification, i.e. the subject matter has not fallen in public domain or that it does not form part of the state of the art.*

15 Section 2(1) (j) reads as "*invention" means any new and useful-(i) art, process, method or manner of manufacture;(ii) machine, apparatus or other article;(iii) substance produced by manufacture, and includes any new and useful improvement of any of them and an alleged invention*"-----.

16 Under the Patent Act the three necessities that need be fulfilled for an invention to be granted a patent are novelty, inventive step and industrial application.

17 The framers should have realised that not defining these terms would be a potential gateway for unnecessary litigation as has been the case in England, *See* General Tire and Rubber Co. v. Firestone Tyre and Rubber Co., [1972] RPC 457: The plaintiffs claimed infringement of the patent for the oil extended rubber by the defendants who counterclaimed for the revocation for the patent, *inter alia,* on the grounds of novelty. It was alleged that the patent should have been anticipated by cert ain documents published. The prior publication should not be in a manner that is capable of being understood by anyone who is skilled in the art. *Also See* Novartis AG v Natco Pharma and Others (2007) 4 MLJ 1153.

18 This section is based on novelty restricted for the patent to be invalid if it is *known or used in India* while Section 2 (1)1 stipulates for patent invalidity if it is known or used in the *entire*

This inconsistency means that a competitor of the patent applicant would not be able to successfully oppose a patent if the invention is known or used in any part of the world except for India. It can be thus concluded from the sloppy, inconsistent and hasty manner in which the Ordinance was promulgated and the Amendment drafted, that it was simply in lieu of the deadline of 1st January, 2005.[19]

B. Inventive Step

Prior to the amendment the inventive step required *non-obviousness to the person skilled in the art.*[20]

The amendment conveniently has added further prerequisites of *technical advance* and *economic significance* that is *non-obvious*[21] to an expert. The sole purpose of the inventive step is to achieve a higher degree of technical progress for a patent to be granted and with it the monopolistic rights. However, the *non-obviousness* test has been criticised on account of its complicated nature.[22]

Further, the added terms of *technical advancement* and *economic significance* reiterates the same prerequisites of non-obviousness and industrial application respectively but a careful reading of the amended section reveals that the patent could satisfy the inventive step test if it has *economic significance* alone i.e there could be a patent which does not have sufficient degree of advancement.[23] Also the phrase *technical advances as compared to existing knowledge* may dilute the novelty requirements.[24] The amended terms adds to the ambiguity and also gives discretionary powers to the patent officer to interpret the undefined terms not to mention the increased probability of superfluous litigation. Thus the desired higher degree of patentability now seems unfulfilled.

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world or in India; For a more detailed discussion *see* Shamnad Basheer, *India's Tryst with TRIPS: The Patents (Amendment) Act 2005* 1 Indian Journal of Law and Technology (2005).

19 In order to meet the deadline stipulated in the TRIPS agreement, the Patents (Amendment Bill), 2003 was passed by a Presidential Ordinance [Patents (Amendment) Ordinance, 2004]. The Amendment was published in the Gazette of India on April 1, 2005 with retrospective effect from January 1, 2005.

20 Section 2(ja) defines 'inventive step' as *a feature that makes the invention not obvious to a person skilled in the art.*

21 *See* Article 27.1 of TRIPS.

22 *See* Biogen Inc. v. Medeva plc, [1997] RPC 1; Benmax v Austin Motor Co Ltd 1970 RPC 284; Biswanath Prasad Shyam v Hinudstan MetalIndustries (1979) 2 SCC 511.

23 K M Gopakumar & Tahir Amin, *Patents (Amendment) Bill 2005: A Critique,* 40 Econ & Pol. Weekly 1503-1505. (April 9, 2005).

24 *See* Pillai, *supra* note 13, p. 236

C. The Maligned Section 3(d)

The much maligned Section 3(d) of the Amendment suffers from two counts of obfuscation. Firstly, in the vague and unclear wording of the Section itself which lends itself to unnecessary litigation, and secondly, in the confused interpretation of the courts in clearing up the inadequacies inherent in the law.

The intention of Section 3(d) ostensibly, is to prevent the phenomenon of 'ever-greening'[25] , i.e. the practise of stockpiling patent protection by obtaining separate 20 year patents on multiple attributes to a single product. This unique section sought to achieve this by prohibiting the patenting of new forms of existing pharmaceutical products that do not demonstrate significantly enhanced efficacy.[26]

The underlying assumption is that there is significant difference between ever-greening and incremental innovation, and that the distinction between the two is always clear to the adjudicating authority, which may not always be true as courts have interpreted it in several ways, none of which clearly bring to light the intention of the Legislature. Furthermore, an analysis of the terms in the section brings to light the injudicious drafting of the section. Section 3 is the main section on qualifying patents under the Indian Patent Act. Part (d) of this section lists particular non eligible patent matter. The Amendment inserts Section 3(d):

> *"the mere discovery of a new form of a known substance which does not result in the enhancement of the known efficacy of that substance or the mere discovery of any new property or new use for a known substance or of the mere use of a known process, machine or apparatus unless such known process results in a new product or employs at least one new reactant.*

The Amendment poses more questions than it solves. There are several terms in the inserted clause that prove vague and unclear. The term *enhancement of the known efficacy* goes unexplained. Given that the statute provides no explanation towards the same, the precise meaning of the term efficacy is unclear. It is important to note that the definition of efficacy needs to be looked at in the light of the intention of legislation. It may be argued that proving efficacy, especially with respect to making the new form of the substance patentable in its own right, can be done not just with respect to the definition as it is widely understood, i.e. therapeutic efficacy, but also with

25 Shamnad Basheer and Prashant T. Reddy, *The Efficacy of Indian Patent Law: Ironing Out the creases in Section 3(d)*, 5(2) SCRIPTed 238 (2008).

26 *Id*.

respect to efficacy in various other terms such as efficiency in the manufacturing process, heat stability of the reactants and derivatives of the known substance being used in the manufacture of the drug, drug delivery mechanisms etc.

In the *Novartis* judgement at the Madras High Court, the Court applied the restrictive interpretation of efficacy, i.e. the definition of efficacy as therapeutic efficacy only.[27] This interpretation left out of its scope the bio availability of differentiated forms of derived substances. The Court held that even 30% of increased bio-availability[28] was not enough to be considered as proof of significantly enhanced efficacy. In any case, the definition of therapeutic efficacy being restricted to only "*how effective the new discovery made would be in healing a disease / having a good effect on the body*" leaves out of its scope the various other forms of increased efficiency in producing and making available the drug to the general public, such as heat stability, humidity resistance, side effects, toxicity and dosage (in the form of quantity, frequency, form and manufacturing efficiency).[29]

Furthermore, the interpretation of efficacy as therapeutic efficacy is short-sighted on the part of the judiciary as various substances other than pharmaceuticals such food, agri-products and other chemicals are also covered under the application of this section.

Thus, it seems that Section 3(d), in exhibiting compliance to the TRIPS, does not take into account the issue of access to medicines as an integral part of the fundamental right to health read under Article 21 of the Indian Constitution.[30] The increased efficacy of derivatives of the known substance are realised not just through the significant increase in therapeutic efficacy of the said derivative but also with respect to how that accessible that particular end product or medicine is to the general public.

The Madras High Court may have reached what many experts widely regard as the right decision, but for all the wrong reasons.[31] The availability of

27 Novartis AG v Natco Pharma and Others (2007) 4 MLJ 1153. Novartis filed a patent application covering *the beta crystalline* form of *imatinib mesylate*. However, Novartis claims that that the beta form "*stores better, is less hygroscopic, is easier to process and guarantees a constant quality of the final drug product*."

28 Bioavailability has been defined as: " *the proportion of a drug which reaches its site of pharmacological activity when introduced into the body; more loosely, that proportion of any substance so introduced which enters the circulation.*" *See* Oxford English Dictionary Online, Oxford University Press (2nd edn, 1989).

29 See Aditya Kant, *Section 3(d): 'New' Indian Perspective*, 14 Journal of Intellectual PropertyRights 385-396. (September 2009).

30 *See* Consumer Education and Resource Centre v Union of India AIR 1955 SC 636, State of Punjab and Others v Mohinder Singh AIR 1997 SC 1225.

new forms of patentable pharmaceuticals which exhibit increased efficacy, for example with variations in the manufacturing process that reduce the costs of production, or more bio available derivatives of the original patent protected drug are important to the public health policy initiatives of the Indian government. The methods for maintaining the balance between TRIPS related patent protection and the interests of public policy will be discussed in the following section.

D. Bolar Provisions

As a widely accepted international principle, the Bolar Exception allows research and development work to be carried on during the lifetime of the patent for the purpose of obtaining information to be submitted to a regulatory authority without any infringement of the patent. The 2005 Act recognizes this exception in Section 107A and also brings the act of importing within the ambit of the exception. This, therefore, will no doubt aid the generic industry to oppose those patents which have been frivolously granted.[32]

E. Parallel Imports

The doctrine of parallel imports allows the importation of patented drugs which have been previously exported abroad with the consent of the patent-holder, into the domestic market at cheaper costs. Section 107A(b) of the 1970 Act as amended by the 2005 Act introduces a modified version of this concept by providing that importation of patented products from a person who is duly authorized under the law to produce and distribute the product will not amount to an infringement of patent rights. This provision, however, is subject to the principle that the patent-holders' rights have been exhausted through the first sale in order to protect the interests of the patent-holders.[33]

Thus, from the above discussion, it may be concluded that although the 2005 amendment sought to strike a balance between the conflicting interests of "intellectual property protection with public health concerns and national security"[34], it ended up tilting the balance more towards the public health lobby by considerably restricting the scope of patentability of pharmaceutical products as well as by providing a series of exclusionary provisions, thereby undermining the strengthening effect of the product patent regime to a great extent.

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31 *See* Basheer, *supra* note 11.

32 *Id*.

33 Prabhu Ram, *India's New "TRIPS-Complaint" Patent Regime: Between Drug Patents and the Right to Health*, 5 CHI-KENT J. INTELL. PROP. 195, 204 (2005-2006).

34 Press Release, MINISTRY OF COMMERCE & INDUSTRY, *Kamal Nath's Statement on the Ordinance Relating to Patents (Third) Amendment* (December 27, 2004), ¶ 14, available at http://pib.nic.in/release/rel_print_page.asp?relid=6074 (Last accessed on June 15, 2012).

III. Compulsory Licensing and Public Health Policy

A. International Recognition of Right to Health

The product patent regime, introduced in pursuance to India's obligation under the TRIPS, is beset with its very own merits and demerits. While it provides the pharmaceutical industries with the necessary incentive to invent and innovate, its potential effect upon the availability of generic drugs has been the topic of discussion for long. Article 30 of the TRIPS Agreement further allows member countries to provide for limited exceptions to the rights of the patent holder. The pharmaceutical industry should be considered as an exception to the general product patent regime and compulsory licensing provisions should be generously made applicable in situations where generic drugs are required to address public health matters.

A sovereign nation had the right to protect public health even at the cost of not honouring intellectual property rights.[35] Article 25 of the Universal Declaration of Human Rights states that '*everyone has the right to a standard of living adequate for the health and the well-being of himself….*". A similar provision finds reference in Article 12 of the ICESCR that states that "*….. right of everyone to the enjoyment of the highest attainable standard of physical and mental health*". A reading of the abovementioned provisions would suggest that the '*human right to health*' includes '*accessibility to medicines*'.[36]

The Declaration on the TRIPS Agreement and Public Health (*hereinafter* Doha Declaration) adopted at the Ministerial Conference of the World Trade Organization in Doha affirms that the WTO Agreement on the Trade Related Aspects of Intellectual Property Rights "*can and should be interpreted and implemented in a manner supportive of the WTO Members' right to protect public health and, in particular, to promote access to medicines for all…*".[37] This Declaration

35 See WTO Ministerial Conference, Declaration on Public Health, WT/MIN(01)/DEC/2, ¶2 (14 November2001), http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_trips_e.htm (Last accessed on June 15, 2012).

36 In Minister of Health v. Treatment Action Campaign, The Constitutional Court of South Africa explicitly recognized that accessibility to medicine is a part of the human right to health, Minister of Health and others v. Treatment Action Campaign and others, 2002 (5)SA 721 (CC).

37 Declaration on the TRIPS Agreement and Public Health (Nov. 14, 2001), Doc. WT/MIN (01)/DEC/2(Nov.20, 2001). The Doha Declaration and many other WTO documents referred to in this article are available at the WTO Web site, http://www.wto.org, ¶4 (referring to Agreement on Trade-Related Aspects of Intellectual Property Rights, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Apr.15 1994, in World Trade Organisation, Legal Texts: The Results of the Uruguay Round of Multilateral Trade Negotiations 321 (1999). The TRIPS Agreement is applicable to all the members of the WTO.

was followed by the Decision on Implementation of Paragraph 6 of the Doha Declaration on TRIPS Agreement and Public Health in August, 2003.[38]

One of the primary objectives of the Decision was to facilitate and support countries lacking sufficient production capacity in pharmaceuticals to use provisions of compulsory licensing in an effective way to solve and mitigate public health problems.[39] The following section will discuss the effect of the new product patent regime post the Amendment on accessibility to medicines in India in the backdrop of severe public health concerns.

The absence of any stringent product patent regime in Indian patent law acted as a catalyst to the unprecedented growth of the pharmaceutical industry. This facilitated the availability of cheap drugs in a country that lacked sufficient manufacturing capacity. The generic production of *Fulcanazole*, a drug that treats HIV, was priced at $55 for 150 milligrams compared to $697 in Malaysia and $ 817 in Philippines.[40] With the advent of the product patents pursuant to the Indian government fulfilling its obligations under the TRIPS, the availability of generic medicines in the country will be adversely affected. A Product patent on a certain drug will grant pharmaceutical companies the right to prevent generic production for the next 20 years.[41] Such non-availability of cheap drugs will impair the human right to health.

Pharmaceutical companies argue that the advent of product patents has acted as a boon as it will encourage further R&D, leading to the manufacture of newer essential drugs to alleviate public health troubles.[42] This argument is based on the assumption that developing countries like India have the required capacity to indulge in path-breaking research. The question therefore is whether India's obligation to comply with the TRIPS can be assisted by a regime that facilitates easy access to drugs.[43] To answer this, one can seek support from Article 8 of the TRIPS[44] to deny obligations imposed under Article 27 of the TRIPS arguing that such an obligation would be detrimental to public health.

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38 Implementation of 6 of the Doha Declaration on the TRIPS Agreement and Public Health (Aug.30, 2003), Doc WT/L/540 (September 1, 2003), available at http://www.wto.org/english/tratop_e/trips_e/implem_para6_e.htm (Last accessed on June 15, 2012).

39 *Id.*, ¶ 6(i).

40 *See* Human Development Report, 2000, p. 84.

41 The TRIPS Agreement obliges all the countries to provide patent protection to the patent holder for a period of 20 years.

42 P. Cullet, Intellectual Property Protection And Sustainable Development 394-398 (2005).

43 Prabhash Ranjan , *Understanding the Conflicts between the TRIPS Agreement and the Human Right to Health*, 9(6) Journal of World Investment and Trade 24 (2008).

44 Article 8 of the TRIPS explicitly allows members to adopt measures *"necessary to protect public health and nutrition and to promote the public interest in sectors of vital importance to their socio-economic and technological development"*

Article 30 of the TRIPS Agreement allows for '*limited exceptions*' to the rights of the patent holder in municipal law. The term limited exception is subject to much criticism in situations where there is an imperative need to issue compulsory licensing in cases of public emergency.[45]

In the *Canada-Generic* Pharmaceutical case the Panel opined that 'limited exception' would mean 'narrow exception' to patent rights.[46]

B. The Constitution of India Mandates for Health

Article 51(c) of the Constitution which is one of the Directive Principles of State Policy enshrined in the Part IV of the same provides that the State *shall* endeavour to foster respect for international law and treaty obligations.

This needs to be read in the light of Article 37 of the Constitution which states that the principles laid down in Part IV are fundamental to the governance of the country. In other words, it shall be the *duty* of the State to keep in mind the international principles while legislating new laws. It is thus prudent to believe that the *raison d'etre* of Article 51(c), when read with Article 37, is to introduce and implement various international instruments which are consistent with the fundamental rights and in harmony with its spirit[47]. Since India is a signatory, she is bound to fulfil its obligations enumerated in ICESCR & UDHR and facilitate the enjoyment of *right to health* by its citizens.

Also, Article 21 of the Constitution has been held to include *right to health*.[48] Article 21 of the Constitution provides expressly the protection for life and personal liberty by stating that *no person* shall be deprived of his life or personal liberty except according to the procedure established by law. The Supreme Court has conveniently and quite rightly has extended the ambit of Article 21 so as to make life meaningful and not a mere vegetative existence. In addition, it has to be emphasised that the improvement of public health is one of the paramount duties that the State necessarily needs to execute.[49]

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45 *See* Cullet, *supra* note 42.

46 Canada –Patent Protection of Pharmaceutical Product, WTO Doc. WT/DS114/R (adopted Apr. 7, 2000) discussed in Frederick M. Abbott, Compulsory Licensing for public health needs: The TRIPS agenda at the WTO after the Doha declaration on public health (UNO Occasional paper no.9, Feb .2002), Available at http://www.geneva .quno.info/index.php?pageid+indo1 (Last accessed on April 4, 2012).

47 *See* Vishaka v. State of Rajasthan AIR 1997 SC 3011; *Also see* People's Union for Democratic Rights v. Union of India AIR 1982 SC 1473.

48 M.K. Sharma v. Bharat Electronics Ltd, AIR 1987 SC 1792.

49 Article 47 of the Constitution of India.

C. Compulsory Licensing is the Rescue

In India, the Amendment permits manufacturers to continue producing generic versions of new drugs which are in the mail box and which can now be patented, as well as pre-mailbox drugs on the condition that the eventual patent holder of a mailbox application, who has made a significant investment in Research and Development, be entitled to receive a '*reasonable royalty*' from those generic manufacturers under the provisions of compulsory licensing[50]. The Amendment also introduced S. 92A, wherein compulsory licensing is made available for the manufacture and export of patented pharmaceutical products to any country having insufficient or no manufacturing capacity in the pharmaceutical sector, for the concerned product, to address public health problems.[51]

However, the issue is whether the compulsory licensing provisions, despite being comprehensive[52], will be able to sufficiently address the inefficient supply of generic drugs in India following the introduction of the product patent regime. Even the Doha Declaration provides an *ad hoc* solution with no suggestions to the prudent use of compulsory licensing provisions under adverse situations.[53]

IV. The Effect of the New Patent Regime on Pharmaceutical Companies

The major question that needs to be tackled to analyze the impact of the new product patent regime of India imposed in 2005 is whether Indian pharmaceutical companies are actually creating innovative drugs or simply marginally improving the existing drugs, obtaining patents on them and selling them off in the pharmaceutical market. After 2005, the Indian pharmaceutical industry has found a new lifeline in research and development. Indian Pharmaceutical Industry has emerged as the world's fourth largest producer in terms of volume, producing about 8% of the world's total production, while in terms of value it accounts for 1.5% of the world's production with a rank 13th in the world.[54] India's pharmaceutical market grew at 15.7 per cent during

50 Through *automatic licensing*, a generic manufacturer, who has made a significant investment and is already manufacturing and producing a drug in India that was patented before January 1,1995 can continue to do so by payment of a reasonable royalty to the patent holder.

51 The provisions of Section 11A need scrutiny as it stipulated granting compulsory licenses to those manufacturers which made a 'significant investment' and were 'producing and marketing' a drug pending in the mailbox applications in lieu of a *reasonable royalty* and *other remuneration*.

52 The terms *reasonable royalty* and *other remuneration* give the patent holder leeway to make unreasonable demands. The use of ambiguous terms makes loopholes which could be exploited by the patent holders. The absence of ceiling prices could be used by the patent holder in gathering an injunction to the compulsory license and slowing down the process through litigation.

53 E.R. Gord and D. K. Bam, *Balancing Trade in PATENTS: Public Non-Commercial Use and Compulsory Licensing'*, 6 Journal of World Intellectual Property 13(2003).

54 Fox and Mandal Associates, Indian Pharmaceutical Industry and Intellectual Property Laws: An Attempt to Strike a Balance , available at http://foxmandallittle.com/Publications/upload

December 2011, with appreciable enlargement in anti-diabetics, derma and vitamins.[55]

To tackle the restrictions on manufacturing patented drugs posed by the Amendment, Indian as well as foreign pharmaceutical companies have altered their strategies and resorted to other innovative methods in several sectors. The most important of these strategies shall be dealt by the author in this part.

A. Investment in Research and Development

While in the 1970, foreign firms had more than two-thirds of the Indian market share, this had diminished to less than 23% in 2003, before the new patent regime came in.[56]

With the new regime becoming effective, the Indian pharmaceutical industry is entering into an era in which it is becoming a global hub for research and development.[57]

Prior to the Amendment, the domestic companies also invested far lesser in research and development than the MNC's. For instance, in 2005 Ranbaxy and Dr. Reddy's Laboratories invested 7 and 10 percent of its total sales into R&D, which by comparison is far below the average R&D investment of 15 percent for 15 of the top global pharmaceutical companies.[58] Yet, in spite of increase in the research expenditure of the few major Indian Pharmaceutical companies, the average R&D spending of Indian companies are very small compared to their international counterparts. In India, average R&D spending comes to about 4 percent of the total turnover which is in stark contrast to that of Germany which stands at 9 percent.[59]

Indian_pharmaceutical_industry_and_intellectual_property_laws.pdf, February 2010, (Last accessed on June 15, 2012). *Also see* www.ibef.org/industry/pharmaceuticals.aspx which states India as 3rd in terms of volume and 14th in terms of value. The Indian pharmaceutical market is expected to touch US$ 74 billion sales by 2020 from US$ 11 billion now, according to a PricewaterhouseCoopers (PwC) report.

55 According to data compiled by market research firm All India Organisation of Chemists and Druggists (AIOCD). *See id.*

56 Sudip Chaudhari, The WTO And India's Pharmaceutical Industry : Patent Protection, Trips And Developing Countries 18(New Delhi: 2005).

57 Ravi Kiran & Sunita Mishra, *Performance of The Indian Pharmaceutical Industry In Post-Trips Period: A Firm Level Analysis*, International Review of Business Research Papers, Vol.5 No.6, 6th November 2009, p. 149.

58 Katherine Connor Linton and Nicholas Corrado, *A "Calibrated Approach": Pharmaceutical FDI and the Evolution of Indian Patent Law* Journal of International Commerce and Economic, August 2007, available at <http://www.usitc.gov/publications/332/journals/pharm_fdi_indian_patent_law.pdf> (Last accessed on June 15, 2012).

59 Uwe Perlitz, *India's Pharmaceutical Industry on course for Globalisation*, Deustche Bank Research, April 9, 2008, p. 7.

Thus, if we see the situation at face-value, we see that not much development has been done to the sphere of research and development even after the Amendment. It is only the big players in the Pharmaceutical market who have improved their expenditure, whereas the small and medium pharmaceutical enterprises which mainly lived on reverse-engineering till 2005 have fallen apart. The effect of the new Amendment was instantaneous. While the expenditure of the major spenders in the Indian Pharmaceutical Industry was 7.83% in 2004-05, it improved significantly to 8.79% in the year 2005-06[60], that of the other smaller companies have decreased considerably from 1.4% to 1.2%.[61] As a result of this Amendment, the Indian companies, if they have to survive in the market have to resort to new and innovative research. The previous extensive usage of the reverse-engineering process has thus been completely neutralised by this Amendment.

B. Mergers, Alliances and Acquisitions

Large Indian companies have started expanding their business to foreign countries through mergers and acquisitions. As of 2008, before Ranbaxy itself was acquired by Daichii Sankyo, it exported products to more than 125 countries, had subsidiaries in nearly 50 countries and had production plants in 20 countries across the globe.[62] In effect, nearly 80% of its total sales were generated abroad.[63]

One of the biggest issues which are triggering buyouts of Indian Pharmaceutical firms by foreign companies is that the Amendment grants patent protection to the product itself and not the process by which the product is made. The earlier kind of patenting would mean that the local manufacturers could use the reverse-engineering process to create a similar product and sell it off at lower prices in the domestic market.[64] Under the Amendment, such reverse-engineering process is prevented. Thus, mergers and acquisitions have picked up after the passing of the Amendment.

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60 Sudip Chaudhuri, *Is Product Patent Protection Necessary in Developing Countries for Innovation? R&D by Indian Pharmaceutical Companies after TRIPS*, Working Paper Series WPS No. 614/ September 2007 retrieved from http://www.iimcal.ac.in/res/upd/Sudippercent20Wppercent20614.pdf (Last accessed on June 15, 2012).

61 *Id*.

62 *See* Kiran & Mishra, *supra* note 57, p.9.

63 *Id*.

64 Rajesh Garg, Gautam Kumra, Asutosh Padhi and Anupam Puri, *Four Opportunities in India's Pharmaceutical Market*, The McKinsey Quarterly, No. 4 (1996), available at < http://www.questia.com/googleScholar.qst?docId=5000463125 > (Last accessed on June 15, 2012).

C. In-licensing and out-licensing

The Amendment reduces opportunities of companies to benefit from reverse-engineering. Thus they no longer can rely on generics or export of bulk drugs to boost sales. To balance the negative effects of such an Amendment, Indian companies have resorted to a symbiotic relationship with foreign companies. Through such licensing agreements, the foreign and Indian companies collaborate on research and development. As it is hard for Indian companies to come out with absolutely new molecules, they often enter into licensing agreements with multinational companies for the development of such molecules.[65]

The recent deals of Nicholas Piramal with BioSymtech Inc. and Morvus Technology involve researching for a drug to relieve chronic heel pain and to undertake research in the area of cancer, diabetes and arthritis respectively.[66] These mutual alliances to research and develop new drugs often meet with enormous success, considering the research potential of the Indian companies backed up by the infrastructural support from the foreign companies.

While in-licensing involves the carrying out of research and development of a drug for a foreign company by a local company, out-licensing is exactly the reverse. Out-licensing involves licensing out molecules under development to foreign MNC's who can support their research and development. By out-licensing, Indian Pharmaceuticals can partner with global players by coming out with innovative molecules and relying on foreign players for their research and development.[67] Multi-million dollar out-licensing deals have come through post the Amendment, with Ranbaxy's deal with PPD Inc. for the RBx 10558 molecule for $44 million and Glenmark's deal with Eli Lilly for $ 135 million being some of the largest deals by Indian players.[68]

Thus we see that the Amendment, which imposed the new product regime in 2005, has to some extent achieved what it aimed at. By completely curbing the reverse- engineering process, it has tightened the noose on the necks of smaller

65 M. D. Janodia, S. Pandey, J. Venkara Rao, D. Sreedhar, V. S. Ligade & N. Udupa, *Patents Regime in India: Issues, challenges and opportunities in Pharmaceutical Sector*, The Internet Journal of Third World Medicine, Volume 7 Number 1, 2008, available at <http://www.ispub.com/journal/the_internet_journal_of_third_world_medicine/volume_7_number_1_17/article/patents_regime_in_india_issues_challenges_and_opportunities_in_pharmaceutical_sector.html> (Last accessed on June 15, 2012).

66 Ernst and Young's Report to India Brand Equity Foundation (IBEF), Pharmaceuticals: Markets and Opportunities, available at <http://www.ibef.org/download/Pharmaceuticals_210708.pdf> (Last accessed on June 15, 2012).

67 Sasikanta Mishra, Interview with Nagesh M. Joshi, *SME's may explore out-licensing for expansion*, Express Pharma, 1-15 September, 2007 Issue, available online at http://www.expresspharmaonline.com/20070915/interphexindiaipaconventionspecial02.shtml (Last accessed on June 15, 2012).

68 *See* Garg et al., *supra* note 64.

companies, forcing them to invest in research and development or merge with other larger multinational companies. To tackle such a rigid regime, we can see a lot of mergers between foreign and Indian players alongside sharing of mutual resources and the development of a symbiotic relationship between them.

V. PUBLIC HEALTH & THE NEED TO ACCESS ESSENTIAL MEDICINES

Since India is a country which has to deal with underdevelopment, poverty as well as many other issues plaguing society, the most important argument which has been made is that the rising drug prices as a result of this new patent regime will lower the access to medicines, especially life-saving medicines, for most Indian people. Whenever we question the issue of public health, two diverging questions arise – that of providing wider access to medicines to all those who need it at affordable prices, and that of granting incentives to invest in the research and development of new therapeutic products.[69] These are issues that are intertwined and can sometimes run contrary to one another both in the short run as well as the long run. This is because a product patent regime usually leads to an increase in drug prices as it gives monopoly rights to some companies who can invest extensively in research and development and thereby destroying competition from generic drug industry.

The arguments made against this regime thus say, following the mandate of the World Health Organization's essential drug policy which imposes an obligation on the governments of all countries alike to bring down drug prices, no such policy can be supported which negatively affects the right to access essential medicines at affordable prices in the developing and least-developed countries.[70] Apart from this, it has been argued that a product patent regime in India should be opposed because it might induce 'evergreening' strategies, i.e. techniques to maintain and extend patent benefits by filing new patents over the process, dosage form, or method of administration rather than the active ingredient itself as observed in the US, which in turn stall the introduction of the patented drugs in the public domain even after the expiry of the original patent protection term, thereby restricting cheaper availability of these drugs by delaying their generic production.[71]

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69 Jean O. Lanjouw, *Intellectual Property and the Availability of Pharmaceuticals in Poor Countries*, Innovation Policy and the Economy, Vol. 3, 2002, 4.

70 *See* Sajeev Chandran, Archna Roy & Lokesh Jain, *Implications of New Patent Regime on Indian Pharmaceutical industry: Challenges and Opportunities*, Journal of Intellectual Property Rights, Volume 10, No. 4, July 2005, pp. 273, 274.

71 Discussion Meeting on: EU Competition Commission's Report on The Pharmaceutical Sector: What Lessons for India, August 7, 2009, New Delhi, available at http://www.centad.org events_56.asp (Last accessed on June 15, 2012).

As a result of all these negative arguments, most Indian pharmaceutical companies opposed the passing of this amendment and this new patent regime, while the Indian Drug Manufacturer's Association (IDMA) specifically warned that this kind of a strengthened patents regime could have adverse repercussions for the drug industry and consumers in India.[72]

But the Indian pharmaceutical industry has been thriving on 'reverse-engineering' since 1970. A gestation period of 35 years is sufficient to gather enough foothold in the industry to invest in R & D. also India boasts of the most comprehensive compulsory licensing regime in the world.[73] In spite of the loopholes in the compulsory licensing provisions, it is imperative that innovation is encouraged and not reverse engineering. Thus, in the Indian context, a stronger patent regime was required for spurring innovative drug manufacturing activities within the country rather than merely producing copied versions of branded drugs through reverse engineering.[74]

However, in reality, the Amendment has had huge positive progress as well. With increased investment in research and development, and along with that collaboration, mutual licensing, mergers and acquisitions coming up galore, it indeed seems that the Amendment has increased access to medicine, by allowing foreign medicinal research to be shared in India and Indian indigenous research to be shared outside.[75]

All the questions and issues with respect to massive price increase in drugs have been silenced because of the very minor increase in costs. According to government authorities, price rise in prices of medicines that are under price control is only 1%, whereas drugs that are not under price control have an average price rise of around 7% in the past decade.[76] Thus, we can see that the drug prices have not risen dramatically post- 2005. The reasons for this can be attributed to the change in the face of Indian Companies post the Amendment as well as the preventive measures like compulsory licensing and

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72 Janice M. Mueller, *The Tiger Awakens: The Tumultuous Transformationof India's Patent System and the Rise of Indian Pharmaceutical Innovation*, University of Pittsburgh Law Review, Vol. 68, 2007), p. 540.

73 *Id.*, p. 580.

74 *Id.*, p. 496.

75 Corporate Catalyst of India, Report on the Indian Pharmaceutical Industry, available at < http://www.cci.in/pdf/surveys_reports/indias_pharmaceutical_industry.pdf> (Last accessed on June 15, 2012).

76 Padmashree Gehl Sampath, *Economic Aspects of Access to Medicines after 2005: Product Patent Protection and Emerging Firm Strategies in the Indian Pharmaceutical Industry,* United Nations University-Institute for New Technologies (UNU-INTECH) available at http://www.who.int/intellectualproperty/studies/PadmashreeSampathFinal.pdf (Last accessed on June 15, 2012).

stern price control measures imposed by the Government. This, in effect, implies that not only has the access to medicines increased post-2005, but also access to a diversity of medicines. Thus, the right to health as envisaged by the Constitution and as illustrated by this Amendment is justified.

VI. Conclusion

India is a developing country with a vast population, most of it below the invisible line of safety from disease and qualitative healthcare standards. Despite its remarkable progress in various fields with respect to technology and innovation and its excellence in intellectual capital, there are very grave public policy questions that face administrators today. The need to guarantee qualitative healthcare to its masses is more than just an election promise. It forms a part of the core fundamental rights guaranteed to the individual under the Indian Constitution. Even on the international level, there are various instruments that India is signatory to that make imperative the basic human right to health such as the UDHR, ICESCR and others. This is in stark contrast with India's obligations under the TRIPS and the patent protection norms that come along with it.

India has a flourishing domestic industry in generic drug manufacturing, present mainly due to the protection from patentability provided to it thus far by the Indian government. But this has all changed with the introduction of the 2005 Amendment Act that brought India in line with the TRIPS regime and made it accountable to intellectual property considerations. Thus, India has a decision to make with respect to the future of the patent regime in its country, and the questions of access to medicines for its masses.

The quest to balance out competing interests should not be held hostage to the relative importance of these competing interests. While fulfilling its obligations under the TRIPS is definitely a responsibility of no small significance, India needs to consider the much more staggering responsibility to it in allowing access to medicines, in pursuance of its welfare objectives for the common man, to whom it has guaranteed the basic human and constitutional right to health.

The revolutionary 2005 amendment to the Patents Act, 1970 was brought in to give effect to the mandate of the TRIPS Agreement by effecting a shift from a mere process patent regime to a product patent one with respect to pharmaceuticals in India. Now, since pharmaceuticals is a special kind of products having a significant bearing on people's lives in modern days, especially so because of the growing AIDS concern and the higher demand of life-saving medications in developing countries, imposition of a stronger patent protection

regime for pharmaceutical products in any developing country like India has to face the challenge of striking a delicate balance between protection of long-term investment in the pharmaceutical industry and keeping essential medicines available to the general public at affordable rates. The 2005 Act has very tactfully achieved this fair balance by imposing a product patent regime thereby strengthening the scope of pharmaceutical patent protection in India, while making maximum use of the flexibilities offered by the TRIPS Agreement. Thus, the amended Patents Act has an effective opposition system for challenging frivolous patents, limited patentability exceptions, elaborate provisions pertaining to effective compulsory licensing, and parallel importation facilities. As a result, the post 2005 pharmaceutical industry has witnessed a tendency to invest more in research and development by both domestic and international pharmaceutical companies and a paradigm shift of focus from a generic drug industry to an originator one. This, therefore, leads to the conclusion that the new patent law in India is full of the required potential for taking the balance between stronger patent protection and public health to newer unachieved levels subject to the effective utilization of the provisions of the new law. The effective cultivation of this potential however, remains to be seen.

4 IJIPL 121-138 (2011)

NOTES

SECTION 107A(B) OF THE PATENTS ACT: WHY IT MAY NOT REFER TO OR ENDORSE DOCTRINE OF INTERNATIONAL EXHAUSTION?

*J. Sai Deepak**

ABSTRACT

The specific and limited objective of this article is to interpret Section 107A(b) of the Patents Act, 1970 in order to evaluate the validity of the popular assumption that the provision embodies the doctrine of international exhaustion. The corollarial popular assumption is also that "parallel import" invariably connotes "international exhaustion". The Author has primarily relied upon principles of statutory interpretation to question these popular assumptions, and has placed adjunctive reliance on legislative debates and other *travaux preparatoires* to corroborate his line of enquiry and his conclusions. The underlying broad objective of this exercise is to dissuade a populist approach to the law of patents, and to advocate the use of principles of statutory interpretation as primary guiding lights to understand the Statute, as opposed to preconceived notions based on word-of-mouth. The Author categorically states that the opinions presented in the article reflect his personal academic opinions, and are not representative of the opinion of any professional organization of which he was or is or may be a part.

INTRODUCTION

Ever since the Patents Act, 1970 (hereinafter referred to as "the Act") was amended in the year 2005[1] after two sets of amendments in the years 1999 and 2002, one of the most highlighted and discussed amendments to the Act is the one effected to Section 107A(b) of the Act. Section 107A is part of Chapter XVIII of the Act which is titled "Suits Concerning Infringement of Patents"; Section 107A is preceded by Section 107 which spells out the grounds of defence available to a defendant in a suit for infringement[2], and is followed by Section 108 which enumerates the reliefs available to a patentee in a suit for infringement.

However, that Section 107A does not strictly constitute a "defence" too becomes apparent; what this means is that although Section 107A may be invoked by a defendant to "defend" himself against an allegation of infringement, it essentially identifies a "patent null" realm which places it at a higher pedestal

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1 The Patents (Amendment) Act, 2005

2 The grounds of defence available under Section 107 are strictly circumscribed by the grounds of revocation available under Section 64 of the Act.

than the defences available under Section 107. In other words, the patent-free niche protected by Section 107A preserves an ostensibly "larger" interest, namely "public interest". This is evident from, besides the title of the provision which is "Certain Acts Not to be Considered as Infringement", the nature of non-infringing acts identified in the provision such as (i) use of a patented invention for development and submission of information to regulatory Authorities (Section 107A(a)), and (ii) conditional import of patented products (Section 107A(b)).

The latter act i.e. conditional import of patented products, forms the very subject-matter of rumination of the instant article. The popular assumption is that Section 107A(b) refers to the doctrine of international exhaustion. What is also assumed is that "parallel imports" must necessarily translate to or be synonymous with international exhaustion. In the following parts of this article, the Author attempts to question these assumptions since a clear unbiased reading of the provision does not give a practitioner of the subject or a student of law the impression that it has anything to do with international exhaustion, although it may have something to do with conditional parallel imports. This line of enquiry has been elaborated in detail in the following portions.

Territoriality of Patent Rights and Exhaustion

All forms of Intellectual Property Rights such as Patents, Copyright, Trademarks and Industrial Designs are territorial in nature, which means they are vested by, and exercised and enforced under national legislations. This, despite the fact that the national legislations which govern the grant of such IP rights have been subjected to global harmonization pursuant to Trade-Related Aspects of Intellectual Property Rights (TRIPS) of the World Trade Organization (WTO). The concept of territoriality applies with greater vigour to the law of patents since under TRIPS, despite promulgation of certain minimum standards and obligations, every member nation has been permitted "national flexibilities" to set its own standards of patentability, and create certain exceptions/limitations to the rights of patentees. Further, the fundamental jurisprudence of patents envisages situations where patents over the same invention may be held by two completely unrelated entities in two different jurisdictions. Also, it is possible under the law of patents that the same invention is granted a patent in one jurisdiction, and denied in another, based on the standards followed in each jurisdiction. Each of these situations is firmly rooted and grounded in the territorial nature of patent jurisprudence. This territorial nature also has a bearing on the doctrine of "exhaustion".

"**Exhaustion**" essentially relates to the limits on the scope of rights of a right holder, which concept is applied to all major forms of IPR such as patents,

copyrights, trademarks and industrial designs. Exhaustion refers to that point where the rights of the IP right holder end, and the realm of commons begins. The concept is based on the premise that upon the first sale of the product which embodies the right of the right holder, and upon the product being put in circulation, the ability of the right holder to dictate further movement of the product ends since he has already reaped the benefits of his right through the act of first sale. Depending on the territorial extent to which the concept of exhaustion applies, it is further classified into 3 categories/doctrines, namely (1) National Exhaustion, (2) Regional Exhaustion and (3) International Exhaustion.

National Exhaustion- National Exhaustion refers to a situation where the law of a country recognizes, that upon the first sale of the product which is protected by an IP right, the right holder loses the right to control its movement only within the territory of the country. However, the law still guarantees his right to prevent unconsented import of his own genuine goods from a foreign territory, by a third party. This is to ensure that his own goods which have been put in circulation by him/his agents with his consent in a foreign territory do not disrupt the movement of his goods in other jurisdictions. For instance, an Indian entity may own patents over the same invention in India and China. The doctrine of national exhaustion does not let the Indian entity control the movement in India of the goods protected by the Indian patent after the act of first sale in India. However, the Indian entity still retains the right to prevent unconsented import (by third parties) into India of its own goods protected by its own Chinese patent. This is to ensure that there is no cross-contamination of markets since the Indian entity is entitled to reap the benefits of its Indian and Chinese patents from the respective markets. It is critical to bear in mind that in the absence of a legislative intent to the contrary, national exhaustion is the default or standard rule which applies. This is because a departure from the doctrine of national exhaustion is also a limited yet critical departure from the default rule of territoriality, and therefore requires express legislative intent which is manifest in the wording of the statute. A departure from the doctrine of national exhaustion has the effect of recognizing as valid, acts of sale committed outside the territory of a country. Therefore, according to well-settled principles of legislative drafting, recognition of extra-territorial acts in the context of a strictly territorial right *per force* carries with it the indispensable necessity of clear and express statutory language.

Regional Exhaustion- Regional Exhaustion is clearly a broader variant wherein the law under a regional or bilateral treaty such as the EU recognizes regional exhaustion. This means that once the goods are put in the stream of

commerce after the act of first sale, the right owner cannot control its movements in the entire region i.e. in the States which form members of the regional treaty/arrangement. As stated earlier, for regional exhaustion to apply, there must be a clear expression/provision to that effect since it is a limitation on the rights of an IP right holder by recognizing acts committed in the region, but outside the territory of a member country.

International Exhaustion- International Exhaustion is the broadest variant wherein the law of a country takes the clear, express, unambiguous and unequivocal position that regardless of where the goods are sold, so long as they are not counterfeit, and have been "lawfully acquired/sold/purchased" from an agent or licensee or distributor of the right owner, the right owner cannot prevent its import into the country. This is the position India has taken with respect to trademarks as clearly and unequivocally reflected by Section 30 of the Trademarks Act, 1999. However, the this is not the position of Indian law with respect to patented products and products made from patented processes under the Patents Act, 1970. The ensuing portions of the Article will elaborate further on the arguments of the Author.

Dissecting Section 107A(b)

The right of a patentee under the Patents Act, 1970 is spelt out under Section 48 of the Act, which is the exclusive right to prevent third parties, who do not have his consent, from the act of making, selling, using, offering for sale, selling or importing for those purposes the patented invention into India. It must be noted that the right granted is essentially a negative right i.e. an exclusive right to prevent third parties. This right is granted subject to other provisions of the Act, such as but not limited to Section 47 and Section 107A of the Act. The latter provision deals with certain acts which are not to be treated as infringement of patent rights, which forms the subject-matter of the Article.

Section 107A was originally introduced in the Patents (Amendment) Act, 1999. In the 1999 Act, the provision read as follows:

107A. Certain acts not to be considered as infringement: *For the purposes of this Act,-*

(a) any act of making, constructing, using or selling a patented invention solely for uses reasonably related to the development and submission of information required under any law for the time being in force, in India, or in a country other than India, that regulates the manufacture, construction, us or sale of any product;

(b) importation of patented products by any person from a person who is duly Authorized by the patentee to sell or distribute the product, Shall not be considered as a infringement of patent rights.

The provision was subsequently amended as follows by the Patents (Amendment) Act, 2005:

107A. Certain acts not to be considered as infringement: For the purposes of this Act,-

(c) any act of making, constructing, using, selling or importing a patented invention solely for uses reasonably related to the development and submission of information required under any law for the time being in force, in India, or in a country other than India, that regulates the manufacture, construction, use, sale or import of any product;

(d) importation of patented products by any person from a person who is duly Authorized under the law to produce and sell or distribute the product, Shall not be considered as a infringement of patent rights.

The first principle of statutory interpretation is to give due attention and respect to the wording of the statute. This requires us to peruse with care Section 107A. In understanding the provision, what must be borne all through is that the reference to a "patent"/"patented" in the provision is to an Indian patent[3]. The first limb of the provision relates ***to any act which is done in India*** with respect to a "patented invention" with the intent of developing and submitting information to regulatory Authorities in India or outside India; such an act would not be considered as infringement. The reference to "patented invention" is broad enough to include a "patented product", a "patented process" and "product made from a patented process", the support for which may be drawn from the definition of "patented article" in Section 82 of the Act.[4]

The second limb of the provision, which refers to importation of patented products, does not use "patented invention". This difference is of no consequence since the definition of "patented article" may be used to understand "patented product" as well. Further, there is no apparent logic to support the other interpretation that the application of the second limb of the provision is restricted to product patents alone. Simply put, the second limb of the provision, which relates to importation, must necessarily apply to product patents, and

3 Section 2(1)(m) defines " patent" as a patent for any invention granted under this Act

4 In Section 82(a), " patented article" includes any article made by a patented process.

products which are produced from patented processes as well. This clarifies the scope of application of Section 107A(b).

The next step is to interpret the provision in entirety. The prevalent literature on the provision pays excess attention to the word "importation", instead of reading the provision as a whole to make complete sense of it. For the sake of convenience, Section 107A(b) is reproduced below:

(b) importation of patented products ***by any person from a person who is duly Authorized under the law to produce and sell or distribute the product****, Shall not be considered as a infringement of patent rights.*

The provision does not exempt any and all importation; it places certain restrictions. If re-stated, the first part of the provision categorically states that a patented product may be imported "by any person". In other words, there are no fetters on who may import the patented product into India. However, the concluding portion of the provision is where the catch lies, and which in the Author's opinion, holds the key to understanding the true import of the provision.

Although the patented product may be imported into India by any person, let's call him "X", X may not source the patented product "from any person". X may source the product ***only from a person who is duly Authorized under the law to produce and sell or distribute the product***. The use of the language in this portion of the provision is unorthodox, and certainly does not lead to a straight-forward or simplistic conclusion of "international exhaustion". The person from who X imports the patented product into India, let's call him "Y", must:

1. Have been "duly Authorized under the law"; and
2. Have been "duly Authorized under the law" for the specific purpose of producing and selling or distributing the patented product.

Unless and until these twin conditions are satisfied by Y, X may not import the patented product from Y. The questions that need to be asked here are:

1. What does "duly Authorized under the law" mean?
2. Which law is referred to in "duly Authorized under the law"?
3. Why is there a specific reference to "produce and sell or distribute"? How is "produce and sell or distribute" to be interpreted?

The first two questions may be addressed together. The words "duly Authorized under the law" have not been used in connection with importation

of the patented product. Instead, they have been used in connection with "produce and sell or distribute". The words "duly Authorized under the law" carry with it a certain degree of formality, which effectively translate to express permission or "Authorization under the law" to produce and sell or distribute the patented product. *It is critical to note here that "Authorized under the law" is not the same as "Authorized by law" or "permitted by the law"*. In other words, "duly Authorized under the law" cannot be an allusion to any "soft" or "implied" principle of exhaustion or tacit consent. The reference in "duly Authorized under the law" cannot be to a foreign law for reasons given below.

Established rules of legislative drafting require that if a reference is made to foreign law, the reference must be crystal clear and apparent from a plain literal reading of the provision. This is simply not the case with Section 107A(b). An unconstrained reading of Section 107A(b) tells us that "under the law" is an implicit reference to Indian law. Explained below are a few scenarios to advance this argument.

A. If the reference were to be to foreign law, it would be possible for an importer to eviscerate and defeat the rights of an Indian patentee by importing the patented product from a foreign producer who has been Authorized by the law of his country to produce and sell the patented product. In others words, Y may be authorized by his country to produce and sell or distribute a product over which there exists a patent in India. This Authorization cannot be a sufficient basis for permitting import of the product into India since it would render nugatory the rights of the owner of the Indian patent;

B. The second scenario is where a third party holds a foreign patent over the same invention as the Indian patentee, which is theoretically conceivable and practically possible in the law of patents. If the reference were to be to a foreign law, the foreign patent held by the third party could also be treated as falling within "duly Authorized under the law", thereby paving way for import of the patented product into India at the expense of the Indian patentee. An identical factual matrix was encountered in the case of *Strix Limited v. Maharaja Appliances* before the High Court of Delhi.[5] In that case, the defendant had invoked Section 107A(b) under the pretext that its products were protected by a Chinese patent held by a China-based party. In other words, according to the defendant in that case, since the production of the imported products

5 2009(7) AD Delhi 609.

was "duly Authorized under the law" by way of a Chinese patent, importation of the products into India did not infringe the rights of the Indian patentee. The High Court in that case was not convinced by the Defendant's submission because the Defendant could not furnish the name of the Chinese supplier, and hence did not inspire confidence. However, it is unfortunate that the Court did not seize the opportunity to clarify whether the existence of a Chinese patent, if at all it existed, would have indeed justified the import of the patented product under Section 107A(b). It is the Author's opinion that the existence of a foreign patent in the name of a third party cannot be treated as falling within the meaning of "duly Authorized under the law" since it would undermine the grant of a patent by the Indian State. In other words, there is no merit in the argument that the rights of the Indian patentee are inferior to the rights of the holder of a foreign patent;

C. The third scenario could be where a foreign patent over an invention is held by the party which also holds an Indian patent over the same invention. Would such a foreign patent constitute "duly authorized under the law"?

D. The fourth scenario could be one, where even though the holder of the Indian patent may not hold a patent over the same invention in a foreign country, he or his licensee could still be manufacturing the product in such foreign country. Can the products of such party or his licensee be imported into India under Section 107A(b)?

Scenarios C and D are the ones typically used by proponents of international exhaustion to make their case. However, the language of the provision forces us to move away from scenarios C and D for reasons enumerated as under.

Internal Aids of Interpretation - Sections 84 and 90 of the Patents Act

That the reference to law in Section 107A(b) cannot be to foreign law and that the provision does not relate to parallel imports is borne out from the interpretation of Section 84 of the Patents Act, which relates to grant of Compulsory Licenses. An application for a Compulsory License is made under Section 84 of the Act on the grounds that:

(E) the reasonable requirements of the public with respect to a patented invention have not been satisfied; or

(F) that the patented invention is not available to the public at a reasonably affordable price or

(G) that the patented invention is not being worked in the territory of India.

In particular, the Author's line of interpretation may be supported using Section 84(7)(e). According to Section 84(7)(e), a patentee would be deemed to have not satisfied the reasonable requirements of the public if the working of the patented invention in the territory of India on a commercial scale is being prevented or hindered by the importation from abroad of the patented article by-

(i) the patentee or persons claiming under him; or

(ii) persons directly or indirectly purchasing from him; or

(iii) other persons against whom the patentee is not taking or has not taken proceedings for infringement.

Since, according to Section 84(7)(e), importation of the patented invention into India by persons directly or indirectly purchasing from him could amount to prevention of or hindrance to working of the patented invention by the patentee, it makes little sense to argue that Section 107A(b) embodies international exhaustion and permits parallel importation of the patented invention. Stated otherwise, how can something which adversely affects the working requirements of a patentee under Section 84(7)(e), be granted a *carte blanche* under Section107A(b)? It is one of the cardinal principles of statutory interpretation that a statute must be interpreted as a whole, and that interpretation of a provision must be upheld which gives due and consistent meaning to the rest of the statute. It follows that (i)territorial exhaustion and (ii) importation from a person duly Authorized under Indian law to produce and sell or distribute, facilitate harmonious interpretation of the rights of the patentee under Section 48, his working requirements under Section 84 and non-infringing importation under Section 107A(b).

Similarly, the terms and conditions under which a Compulsory License is granted are enumerated under Section 90 of the Act. Of specific relevance to the issue at hand are sub-sections 2 and 3 of Section 90. Sub-section 2 of Section 90 is reproduced as follows:

> *"90(2).No license granted by the Controller shall Authorize the licensee to import the patented article or an article or substance made by a patented process from abroad, where such importation would, but for such Authorization, constitute an infringement of the rights of the patentee."*

It is clear from the above reproduced portion that a Compulsory License does not authorize the Licensee to import the patented invention. Further, it

clarifies that without an Authorization under Section 90 to import the patented invention, the importation would amount to infringement of the rights of the patentee. The question that needs to be asked here is if Section 107A(b) permits parallel imports by way of international exhaustion, why would Section 90(2) state that import of the patented invention by the Compulsory Licensee without such Authorization would amount to infringement of the patentee's rights? In other words, if the right of parallel import is otherwise available under Section 107A(b), why would the Legislature require Authorization under Section 90 and thereby curtail and abridge the rights of Compulsory Licensee by preventing him from exercising his right to import under Section 107A(b)? This clearly establishes that the only logical conclusion that a holistic reading of the Statute gives rise to is that Section 107A(b) does not refer or allude to unauthorized parallel imports or international exhaustion. Further, Sub-section 3 of Section 90 clarifies this interpretation. The sub-section allows the Controller of Patents to Authorize import of the patented article by the Compulsory Licensee, subject to conditions which the Controller deems fit such as quantum of royalty payable to the Patentee. Therefore, it becomes clear that imports from a person who is not authorized under Indian law are prohibited by the Patents Act.

External Aids of Interpretation

One point of reference is the originally proposed amendment to Section 2(m) of the Copyright Act, 1957 in the Copyright (Amendment) Bill, 2010, which has now been dropped in the version that was passed by the Rajya Sabha on May 17, 2012. In the said version of the Bill, the following Proviso was sought to be inserted in Section 2(m) of the Copyright Act:

> *"(v) in clause (m), the following proviso shall be inserted, namely:—*
>
> *"Provided that a copy of a work published in any country outside India with the permission of the Author of the work and imported from that country into India shall not be deemed to be an infringing copy;";*

It is apparent from the clear language of the above-reproduced Proviso that it embodied the doctrine of International Exhaustion. A comparison with Section 107A(b) of the Patents Act informs us that the language in the latter is nowhere similar or close to the said proposed Proviso. Therefore, the direct and logical consequence of the Petitioner's interpretation of Section 107A(b) is that Indian Patent law follows territorial exhaustion, which proscribes and prohibits parallel imports from a person who is not duly Authorized under Indian law.

INDIA'S COMMUNICATION TO URUGUAY ROUND OF GATT

As mentioned earlier, if the legislative intent was to give effect to the doctrine of international exhaustion, the language of the provision would have been as straight-forward and as clear as it is in Section 30 of the Trademarks Act, 1999 which is reproduced below:

30(3). Where the goods bearing a registered trade mark are lawfully acquired by a person, the sale of the goods in the market or otherwise dealing in those goods by that person or by a person claiming under or through him is not infringement of a trade by reason only of—

(H) the registered trade mark having been assigned by the registered proprietor to some other person, after the acquisition of those goods; or

(H) the goods having been put on the market under the registered trade mark by the proprietor or with his consent.

Section 30(3) of the Trademarks Act has been rightly construed as embodying the doctrine of international exhaustion since it refers to a good bearing the registered trademark which is "lawfully acquired". In other words, it refers to a product bearing the registered trademark which is acquired from a lawful/legal channel. The adoption of international exhaustion with respect to trademarks is consistent with India's representation to Uruguay Round of General Agreement on Trade and Tariffs (GATT). In its communication dated July 10, 1989 and titled "Standards and Principles Concerning the Availability, Scope and Use of Trade-Related Intellectual Property Rights", India elaborated on its position with respect to intellectual property rights (hereinafter referred to as "the Uruguay Communication"). Relevant to the instant Article are Parts II and I of the Uruguay Communication where India has clarified its stance with respect to Trademarks and Patents respectively.

With specific reference to trademarks, India categorically favoured the adoption of doctrine of international exhaustion which is borne out from the following excerpts from Part II of the Uruguay Communication:

"QUALITY ASSURANCE FUNCTION OF TRADEMARKS"

37. Quality assurance is an important function of trademarks and it should receive as much attention as protection in any trademark regime. Very recently, in a "parallel imports" case, the import of a product bearing a well-known trademark from the subsidiary of a transnational corporation located in a developing country was prevented by another subsidiary of that transnational corporation manufacturing the same

product with the same trademark in a developed country on two grounds, namely (a) the product manufactured by the subsidiary in the developing country was of an "inferior" quality (although it carried the same trademark), and (b) the export of the product from that developing country had been prohibited by the transnational corporation. This shows that even where a product is manufactured in a developing country with this well-known trademark of a transnational corporation, there is no guarantee that its quality is the same as that of the product manufactured by the parent company or its subsidiary in an industrialized country, and on that ground alone, the export of the product from the developing country can be questioned in a litigation. Therefore, the trademark law should have a clear stipulation that the foreign trademark owner should give a categorical assurance that the quality of the product manufactured by the licensor himself in his own country and that in any litigation or proceeding concerning the quality of the product, he will give an assurance to that effect. In particular, developing countries should have the freedom to regulate the quality assurance aspect of the use of trademarks which may extend not only to the quality control responsibilities of the trademark licensor but also to quality certification vis-à-vis products bearing the same trademarks in other countries.

Exhaustion of rights

38. The doctrine of "Exhaustion of Rights" is linked to "parallel imports". The exhaustion of the exclusive rights of the trademark owner should not be limited to the same country or the same free trade area, but should extend globally. ***In other words, the principle of international exhaustion of rights should apply to trademarks****."*

Paragraph 38 of the Uruguay Communication leaves nothing to imagination since it contains an unambiguous reference to adoption of international exhaustion with respect to trademarks. In fact, the very quality requirements, that have been sought for in Para 38 of the said Communication, form part of the requirements under Section 30 of the Trademarks Act, 1999. It is critical to note that the clear language used in Section 30 of the Trademarks Act is in stark contrast to the use of "from a person who is duly Authorized under the law" in Section 107A(b) of the Patents Act. If the legislature had indeed intended to give effect to the doctrine of international exhaustion in the Patents Act, the language of Section 107A(b) would have been broader and as express as Section 30 of the Trademarks Act.

Part I of the very same Uruguay Communication also clarifies the Indian position with respect to patents. Specifically, Paragraphs 5 to 31 of the Uruguay

Communication deal with all major aspects of patent law such as Basic Approach, Working of Patents, Compulsory License, Licence of rights, Exclusions from Patentability, Product versus Process Patents, Duration of Patents, ***Government use of Patents in Public Interest,*** Revocation of Patents and Restrictive and Anti-competitive Business Practices. It is critically pointed out by the Author that nowhere in the Communication is there a reference or remote allusion to international exhaustion with respect to patents. In fact, the discussion with respect to exhaustion is limited to trademarks alone.

Of particular relevance is the portion titled ***Government use of Patents in Public Interest*** in Paragraph 28 of the Communication. The said Para is reproduced as follows:

"28. As explained earlier, the patent system of developing countries should strike a rational and reasonable balance between the private monopoly interests of the patent owner and the larger public interest of the society. Therefore, where the public interest, and in particular, national security, food production, poverty alleviation, nutrition, health care or the development of other vital sectors of the national economy so requires it, the host country government or any third person designated by it should be free to work and use the patented invention in the country, including the importation of the patented product if necessary, without the consent of the patent owner on such terms and conditions as the host country government may decide."

The above reproduced Paragraph broadly relates to work and use of the patented invention by the Government in public interest. The underscored portion of the Uruguay Communication supports the Author's interpretation of Section 107A(b) of the Patents Act. The underscored portion of Para 28 of the Uruguay Communication states that the Government could import or *permit importation of the patented product if necessary, without the consent of the patent owner on such terms and conditions as the government may decide*. This supports the line of interpretation of Section 107A(b) that the Author puts forth below, and which is a restatement of Section 107A(b):

"Unless the patented product is imported from such a person who has been specifically "designated or Authorized under the (Indian) law" to produce and sell or distribute the patented product, importation of the patented product by any person would amount to infringement of the patent"

The fact that the wording of Section 107A(b) is consistent with the Indian intent clarified in the Uruguay Communication cannot be dismissed as mere

coincidence. What is even more clinching is the second aid of external interpretation, which is elaborated below.

Legislative Debate on the Patents (Amendment) Act, 2005

The Patents (Amendment) Act, 2005 was passed on April 4, 2005. A combined discussion was held in the Lok Sabha, the Lower House of the Parliament, on March 22, 2005 under the Statutory Resolution regarding disapproval of Patents (Amendment) Ordinance, 2004 (No.7 of 2004) and the Patents (Amendment) Bill, 2005. This was a motion moved by Mr.Kamal Nath, then Minister of Commerce and Industry. In the said debate, the Minister of State for Parliamentary Affairs, Mr.Pawan Kumar Bansal (a cabinet colleague of Mr.Kamal Nath), stated thus:

*"The second point, Madam, which has now been incorporated in the present Bill and as also in the Ordinance, is an amendment to Section 107A(b), providing for parallel import. Here, this amendment says: "**On import of patented commodity from anywhere in the world, the Government reserves the right." Despite the fact that a particular medicine may be patented here by any other company, we have the right to import that patented commodity from anywhere in the world, where it is cheaper, even though it is patented here. Earlier however, this required that the foreign exporter was duly Authorised by the patentee. That was the condition earlier. I may remind my hon. friends on the other side that it has been taken off. Now, the law would be, as it has been included here in the Bill before us now, that 'no longer do we only need to stick to that condition that the foreign exporter was duly Authorised by the patentee to sell and distribute the products.' The position now would be that 'the foreign exporter be Authorised under the law, thus making the parallel imports easier.' This mechanism, as you know, would help in price control."***

The above-reproduced paragraph amply clarifies the true meaning and scope of Section 107A(b) and supports the interpretation put forth by the Author. It bears noting that nowhere in the legislative debate is there a *carte blanche* to permit "importation from any person". The reference in the debate is expressly to the "Government's right" to import or to Authorize imports. It is no coincidence that this position is similar to the position taken by India in the Uruguay Communication. Therefore, the interpretation that Section 107A(b) refers to untrammelled and unauthorized parallel imports is incorrect and has no basis in facts and law.

The long and short of the provision is that it vests the Government with the power to import on its own, or authorize and facilitate imports into India. Simply put, instead of the patentee Authorizing imports into India, it is the Government which has the power to import from a foreign entity or Authorize/ recognize a foreign entity to produce and sell/distribute the patented product. Such importation would not be considered as infringement under Section 107A(b).

In a way, this mechanism is the reverse of the one envisaged under Section 92A of the Act; under Section 92A, a compulsory license may be issued by the Indian Government to a "person interested", to satisfy the pharmaceutical requirements of another country. One of the circumstances in which the mechanism under Section 107A(b) could be employed is probably one where no player in India has the wherewithal to meet a particular exigency which is related to the supply of a product protected by an Indian Patent.

Price Control Mechanism under Section 107A(b)

The mechanism envisaged under Section 107A(b) is a lesser known but equally legitimate form of parallel import wherein the Government of a country identifies the jurisdiction with the best international price and quality possible for its country with respect to a patented product and sources/imports the products from that jurisdiction. This is a price control mechanism that is to be invoked when the price of the patented product becomes unaffordable to the consuming public in India. In fact, the mechanism under Section 107A(b) could serve as the first gear in controlling prices of patented products before switching gears to invoke the compulsory licensing provision under Section 84 of the Act. The advantage offered by Section 107A(b) is that one need not wait for a period of three years from the date of grant of the patent to lapse as required under Section 84 of the Act.

Also, under Section 107A(b), it is possible for the Government to choose a manufacturer in a jurisdiction where the cost of manufacturing the patented product is the cheapest, and thereafter import or authorize import of the products into India. In a way, this means that the Act envisages a two different ways of keeping the prices of patented products under check, one under Section 84 of the Act and the other under Section 107A(b). This interpretation of Section 107A(b) also addressed another eventuality. It is perfectly possible that even when a patentee does not fulfil his working obligations under the Act, no "person interested" may apply for a compulsory license under Section 84 for multifarious valid reasons. Under Section 85 of the Act, the Government may not revoke a patent for non-working until expiration of two years from the date of grant of

the first compulsory license. This means that if no compulsory license is applied for by a "person interested", it is not permissible for the Government to revoke the patent for non-working under Section 85. Does this mean the Government has no alternative course of action available under the Act? The interpretation of Section 107A(b) put forth by the Author ensures that in the absence of any "person interested" who can act as a compulsory license, the government is not bereft of options to secure public interest in critical areas such as public health and nutrition. Is there a precedent for such a mechanism anywhere in the world?

Tricolour Draws Colour from the Rainbow

It must be pointed out that the mechanism envisaged under Section 107A(b) is not peculiar to India. Other developing countries which share similar concerns to that of India too have put in place similar mechanisms. In December 1997, the government of South Africa amended its Medicines and Related Substances Control Act (MRSCA) which, inter alia, permits the Minister of Health to suspend patent rights where it was deemed necessary to offset a high price of patented drugs. The law legalized parallel imports of patented medicines in such cases. In particular, the new Section 15C of the Medicines and Related Substances Control Act permitted such Authorized Government-sanctioned parallel imports. The said provision reads as follows:

Section 15C: The minister may prescribe conditions for the supply of more affordable medicines in certain circumstances so as to protect the health of the public, and in particular may-

(a) notwithstanding anything to the contrary contained in the Patents Act, 1978 (Act No. 57 of 1978), determine that the rights with regard to any medicine under a patent granted in the Republic shall not extend to acts in respect of such medicine which has been put onto the market by the owner of the medicine, or with his or her consent;

(b) prescribe the conditions on which any medicine which is identical in composition, meets the same quality standard and is intended to have the same proprietary name as that of another medicine already registered in the Republic, but which is imported by a person other than the person who is the holder of the registration certificate of the medicine already registered and which originates from any site of manufacture of the original manufacturer as approved by the council in the prescribed manner, may be imported:

(c) prescribe the registration procedure for, as well as the use of, the medicine referred to in paragraph (b).

The constitutionality of Section 15C was challenged by 39 pharmaceutical companies in South Africa as an association, however the provision was subsequently upheld by South African Courts after a vigorous and spirited defense was put up by the Government of South Africa. The above-reproduced provision makes it abundantly clear that the mechanism provided for in Section 107A(b) is not unheard of, and is certainly a plausible one.

What is also borne out is that Section 107A(b), in effect, refers to conditional parallel import, which stands distinguished from parallel import by way of international exhaustion. The mechanism envisaged under Section 107A(b) of the Indian Patents Act and Section 15 C of the South African Medicines Act is a lesser known but equally legitimate form of parallel import wherein the Government of a country identifies the jurisdiction with the best international price and quality possible for its country with respect to a patented product and sources/imports the products from that jurisdiction. James Packard Love, a reputed IP policy analyst and the Director of US-based NGO "Knowledge Ecology International", earlier known as "Consumer Project on Technology", an organization founded by consumer activist, humanitarian and environmentalist Mr.Ralph Nader, had the following to say on Government-Authorized parallel imports in connection with Section 15C of the South African Medicines Act[6]:

"In the beginning, the South Africa government was trying to expand use of off-patent generic drugs, and also to permit the import of patented medicines, in cases where the patent owner was selling the medicine cheaper in another country. South Africa was then facing higher prices for several medicines than were found in neighboring countries, or in several cases, than in the US and European markets.....This is very important, but almost entirely misunderstood — contrary to popular misconception, parallel imports does not involve buying from generic suppliers, but rather just shopping around for the best price a company charges internationally..... Put another way, if South Africa permits parallel imports, it will be able to import an Indian version of Glaxo's AZT, but not CIPLA's generic version of the same drug."

6 http://lists.essential.org/pipermail/pharm-policy/2001-March/000740.html

The above-reproduced Paragraph captures the heart and soul of the Author's contention i.e. "parallel imports" need not always refer to or be a consequence of international exhaustion. It could also refer to those situations where a country's Government decides to shop or enable import of patented products from a particular jurisdiction which meets its demands. This is precisely the mechanism provided for in Section 107A(b).

Implications of the Author's Interpretation of Section 107A(b)

The obvious consequence of the Author's interpretation of Section 107A(b) is that it is possible to argue realistically that Indian Patent law follows territorial exhaustion. It could be legitimately argued that:

(a) in the absence of an express provision which recognizes international exhaustion, and

(2) subject to the right of import from a Government Authorized person under Section 107A(b)

the importation right of the patentee under Section 48 of the Act remains sacrosanct, thereby alluding to the doctrine of territorial exhaustion.

Conclusion

The unquestioned assumption that Section 107A(b) refers to international exhaustion, points to a disturbing trend where rigorous legal research takes a back seat in interpreting the law, and politico-economic arguments and biases dictate the course of law and logic. This does not augur well for a developing patent regime like India where a clear and reasoned approach to the law of patents is the need of the hour, particularly when the opportunities for the judiciary to set the law are far and few in between. Therefore, it is imperative to shun herd mentality since the interpretation of patent law or the application of logic is no one individual's sole propriety. Finally, it is critical that we revisit long-held beliefs since it is not uncommon in a developing field of law to find that practice, which is based on consensus, is often at variance with the letter of the law, and hence express legislative intent.

4 IJIPL 139-157 (2011)

NOTES

WHAT IS THE CONFUSION OVER DILUTION?: TOWARDS A MEANINGFUL UNDERSTANDING OF SECTION 29(4) OF THE TRADEMARKS ACT, 1999

Gaurav Mukherjee and Srishti Kalro[1]

ABSTRACT

Dilution of a trademark, historically has been closely associated with the tort of passing off, and has never featured as an independent cause of action under Indian law. Section 29(4) of the Trademarks Act, 1999, incorporated, for the first time, statutory anti-dilution provisions into Indian trademark law. These provisions have remained largely unused during the last decade, and only as a recent phenomenon have they featured as independent claims in infringement actions. The statutory provisions offer substantially greater protection to trademarks from dilution than previously available under passing off actions. The authors are of the opinion that a meaningful implementation of the legislative purpose of these provisions is only possible if pragmatic and consistent standards are set by the judiciary in dealing with actions under Section 29(4). The purpose of this paper, then, is to examine viability of the standards that have been adopted by Indian Courts when dealing with cases where trademark infringement is alleged under this provision, and to recommend suitable standards where none have been determined.

> *"No part of trademark law that I have encountered in my forty years of teaching and practicing IP law has created so much doctrinal puzzlement and judicial incomprehension as the concept of dilution …*
>
> *..I believe that few can successfully explain it without encountering blank stares of incredulity or worse, nods of understanding which mask and conceal puzzlement and misconceptions. Even the U.S. Supreme Court has failed to grasp the contours of the doctrine."*
>
> *- Thomas McCarthy*[2]

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I. INTRODUCTION

Trademarks are the words, symbols and marks by which companies can differentiate their products from those of their competitors[3]. Much like a badge of origin, they aid consumers in identification, and, in conditions where the market is broad and varied, are indications of reliable source and quality.[4] Legal protection to trademarks has been granted for precisely the same reason- to prevent consumers from being misled about the source and quality of goods and services.[5]

However, in the case of dilution, consumer protection becomes secondary to another normative consideration- protecting the painstaking effort and investment of the owner in building the reputation and distinctiveness of the trademark.[6] In the year 1927, observing the evolution of German jurisprudence on this very aspect, Frank Schecter, in a seminal piece in the Harvard Law Review, propounded the idea that the only rational basis for trademark protection was the preservation of the *uniqueness of a trademark*,[7] since a mark would 'lose its uniqueness and consequently, its selling power, if it could be used on pianos, shaving creams, and fountain pens' all at the same time[8]. This statement is commonly regarded as the foundation of the modern law of dilution[9] which protects distinctive trademarks from losing their hold on the public mind, by their unauthorized use on *non-similar or non-competing goods.*[10] To put it simply, 'if courts permitted Rolls-Royce restaurants, Rolls-Royce cafeterias, Rolls-Royce pants and Rolls-Royce candy, in ten years the Rolls-Royce mark

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2 J. Thomas McCarthy, *Proving A Trademark Has Been Diluted: Theories Or Facts?,* 41 HOUSTON L. REV. 713, 726 (2004).

3 The Trademarks Act, §No. 47 of 1999, § 2(zb).

4 J. THOMAS MCCARTHY, MCCARTHY OF TRADEMARKS AND UNFAIR COMPETITION §3.01 [2] (4th ed. 1998), in Robert N. Klieger, *Trademark Dilution: Whittling Away of the Rational Basis for Trademark Protection,* 58 U. PITT. L. REV. 789,790 (1996-1997).

5 P.S. NARAYANAN, LAW OF TRADEMARKS AND PASSING OFF 8 (4th ed. 2004).

6 Clarisa Long, *Dilution,* 106 COLUMBIA L. REV. 1029, 1033-34(2006);MCCARTHY, *supra* note 4, at § 24:67; Anne E. Kennedy, *From Delusion to Dilution: Proposals to Improve Problematic Aspects of the Federal Trademark Dilution Act,* 9 N.Y.U. J. LEGIS. & PUB. POL'Y 399-400 (2005-2006); Justin G. Gunnel, *Evaluation Of The Dilution-Parody Paradox In The Wake Of The Trademark Dilution Revision Act Of 2006,* 26 CARDOZO ARTS AND ENTERTAINMENT L. J. 441, 445 (2008); Marcus H.H. Luepke, *Taking Unfair Advantage or Diluting a Famous Mark- A 20/20 Perspective on the Blurred Differences between U,S, and E.U. Dilution Law,* 98 TRADEMARK REP. 789,791 (2008*); See generally,* Mark P. Mckenna, *Testing Modern Trademark Law's Theory of Harm,* 95 IOWA L. R. 63 [2009]; Mark P. Mckenna, *The Normative Foundations of Trademark Law,* 82 NOTRE DAME L. R. 1839 (2007).

7 Frank L. Schecter, *The Rational Basis of Trademark Protection,* 40 HARVARD L. R. 813, 831 (1927).

8 *Id.,* at 830.

9 Long, *supra* note 6, at 1036 (Footnote 41) ; Klieger, *supra* note 4, at 801.

10 Schecter, *supra* note 7, at 831.

would not exist' and it is *this* consequence that the doctrine of dilution guards against.[11]

The dilution of a trademark can occur in three ways, and all of these, as will be seen later, have been protected against by provisions of the Indian Trademarks Act of 1999.

1. ***Dilution by Blurring:*** Building on Schecter's formulation[12], this is understood to be the dispersion of consumers' association between a particular trademark and a particular kind of product or service.[13] The damage in this specie of infringement does not necessarily require confusion, or a likelihood thereof, but is characterized by reduction of a trademark's power to indicate its source.[14] An example of this kind of injury is the creation of brands such as Honda pressure cookers[15] or Mercedes underwear.[16]

2. ***Dilution by Tarnishment:*** Dilution by tarnishment occurs when the association created by the commercial use of the subsequent mark occurs in a context that is unfavourable to the senior registered trademark[17]. This is understood to be an erosion of the quality representation function of a trademark[18], as a result of which doubts may be born in the mind of the consumer about the standard that he has come to expect from owner of the senior mark.[19] An example of this might be an adult movie service titled 'Walt Disney Pictures Ltd.'.

3. ***Dilution by Unfair Advantage:*** Borrowed from E.U. jurisprudence on dilution[20], unfair advantage is taken of a reputed mark when the goodwill that the public attaches with a product is transferred to the user of the subsequent mark.[21] This, in turn causes the consumer to expect that the product associated with the subsequent mark shall have the same quality

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11 Susan L. Serad, *One Year After Dilution's Entry into Federal Trademark Law,* 32 WAKE FOREST L. REV. 215, 217 (1997).

12 Paul Edward Kim, *Preventing Dilution of the Federal Trademark Dilution Act: Why the FTDA Requires Actual Economic Harm,* 150(2) U. PENN. L. REV. 719, 732 (2001).

13 Klieger, *supra* note 4, at 823.

14 TATA Sons v. Tata Sumo Industrials, MANU/DE/3124/2009, at ¶26.

15 Honda Motors Co. Ltd. v. Charanjit Singh, 2003 (26) PTC 1 Del, at ¶18.

16 Daimler Benz Aktiegesellschaft v. Hybo Hindustan, AIR 1994 Delhi 239, at ¶18.

17 Mathias Strasser, *The Rational Basis of Trademark Protection Revisited: Putting the Dilution Doctrine into Context,* 10 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 375 (2000).

18 Klieger, *supra* note 4, at 828.

19 TATA Sons v. Manoj Dodia, MIPR 2011 (1) 341, at ¶8.

20 Article 5(2), Trademark Harmonization Directive of 1989, Council Directive 89/104/EEC.

21 *See,* Luepke, *supra* note 6, at 815; Stylianos Malliaris, *Protecting Famous Trademarks: Comparative Analysis Of Us And Eu Diverging Approaches – The Battle Between Legislatures And The Judiciary Who Is The Ultimate Judge?* 9 CHI.-KENT J. INTELL. PROP. 45, 54-55 (2010).

and characteristics as that of the senior mark.[22] The criteria to determine whether the goodwill is at risk of being transferred includes similarity of goods and services, overlap of consumer circles, and similarity in pricing.[23]

Anti-dilution provisions, although not worded as such, were incorporated into the statutory corpus of Indian trademark law for the first time *vide* Section 29(4) of the Trademarks Act, 1999, and offered protection against all the types of dilution listed above.[24]

The jurisprudence of dilution prior to this statutory of what a dilution of distinctness was, ranging from "reduction in brand value"[25], to a "diminishing of the reputation and goodwill attached to the trade dress and a reduction in the strong identification value thereof"[26], and even likening it to a "debasement of brand name"[27].

Commentators have noted these trends with some concern in the past, and have been particularly alive to the possibility that the judicial inconsistency of the past may be incompatible with the future that legislators had envisioned at the time of enacting Section 29(4).[28] Although valuable suggestions have been made to tame the potentially wild horse that is dilution, the authors believe that judicial consistency in the application of this provision has not yet been achieved. However, the authors are of the opinion that the standards laid down in the judgement of the Delhi High Court in the case of *ITC v. Philip Morris*[29] are both clear and consistent, and have sought, through this paper, to develop them further through comparative analysis.

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22 *Id*.

23 *Id*.; *See* Mattel, Inc. v. 3894207 Canada Inc., [2006] 1 S.C.R. 772, cited with approval in ITC v Philip Morris Products S.A. 166 (2010) DLT 177[Hereinafter referred to as ITC v. Philip Morris], at ¶42.

24 §29(4) of the Trademarks Act, No. 47 of 1999, reads as follows: "
(4) A registered trade mark is infringed by a person who, not being a registered proprietor or a person sing by way of permitted use, uses in the course of trade, a mark which-
(a) is identical with or similar to the registered trade mark, and
(b) is used in relation to *goods or services which are not similar* to those for which the trade mark is registered, and
(c) the registered trade mark has a reputation in India and the use of the mark without due cause takes *unfair advantage of or is detrimental to, the distinctive character or repute of the registered trade mark.*"
As is clear from the above dilution by blurring is covered by the phrase "detrimental to the distinctive character", dilution by tarnishment is covered by the phrase "detrimental to the repute" and taking unfair advantage is clearly prohibited *vide* the abovementioned provision.

25 Fritco-Lay India v. Uncle Chipps Private Limited, 2000 (2) ARBLR 519 Delhi, at ¶4.

26 Colgate Palmolive Co. Limited. v. Patel, 2005 (31) PTC 583 Del at ¶54.

27 Aktiebolaget Volvo of Sweden v. Volvo Steels Ltd. of Gujarat, 1998 PTC (18) DB 4773, at ¶77.

28 Gangjee, *supra* note 25.

29 ITC v. Philip Morris, *supra* note 23.

The essay is divided into eight parts: Part II will highlight how dilution differs from other infringement proceedings under Section 29 (1) and 29(2) from the action of passing off, while Part III of the essay contains an elaboration the standards adopted till date by Indian courts, and shall analyse judicial consistency in the application of the said standards. Part IV of the article discusses the judgment of the Delhi High Court in the case of ITC v. Philip Morris in detail, pointing out how the ratio of the case has been the most detailed exposition on the subject of trademark dilution to emerge from an Indian court till date. Part V shall discuss the standards applied in various international jurisdictions for determining and disposing of cases where dilution is alleged. Part VI shall make with certain recommendations which the authors believe will contribute to the effective and meaningful development of dilution jurisprudence under Indian law. Part VII will elaborate on the practical means by which courts may decide cases of dilute and Part VIII will conclude.

II. Passing off, Infringement and Dilution: What's the Difference?

i. Infringement Actions and Dilution

Dilution is only one species of infringement recognised under the Trademarks Act, 1999. Section 29(1)[30] and (2)[31] embody more traditional species of infringement, and broadly, provide remedies in cases where *similar* marks are used for *similar* goods. The test to be applied in such cases is whether the two marks are identical, or so nearly resemble each other such that they are likely to deceive or cause confusion in the mind of an average person with imperfect recollection. In such cases, courts will have to visualise an ordinary consumer and decide whether such a consumer would mistake one mark for another.[32] In cases falling under Section 29(1) and (2), if the marks are identical, the court will not enquire about whether there is a likelihood of confusion- such considerations are only relevant when the marks are similar.[33]

30 "(1) A registered trade mark is infringed by a person who, not being a registered proprietor or a person using by way of permitted use, uses in the course of trade, a mark which is identical with, or deceptively similar to, the trade mark in relation to goods or services in respect of which the trade mark is registered and in such manner as to render the use of the mark likely to be taken as being used as a trade mark."

31 "(2) A registered trade mark is infringed by a person who, not being a registered proprietor or a person using by way of permitted use, uses in the course of trade, a mark which because of-
(a) its identity with the registered trade mark and the similarity of the goods or services covered by such registered trade mark; or
(b) its similarity to the registered trade mark and the identity or similarity of the goods or services covered by such registered trade mark; or
(c) its identity with the registered trade mark and the identity of the goods or services covered by such registered trade mark, is likely to cause confusion on the part of the public, or which is likely to have an association with the registered trade mark."

32 K. Kailasam & Ramu Vedaraman, Law of Trademarks and Geographical Indications, (2005), 475.

33 *Ibid*., at 473.

Section 29(1) is a general proposition of law, whereas the remaining sub-sections of Section 29 describe the various circumstances under which a trademark is infringed.[34] Thus, although Section 29(4) is an elucidation of the general proposition contained in Section 29(1), the remedy under this Section is available only in *limited* and *extraordinary* instances where *similar* marks are used in relation to *dissimilar goods.* This is a broader species of protection available only to *marks with reputation* even when their trademarks are used in relation to *dissimilar goods.* This remedy is available not to prevent *consumer confusion,* but to protect the repute of marks which have a reputation in India.

ii. Passing Off Actions and Dilution

The economic tort of passing off has traditionally been associated with the protection of the producer's proprietary interest in the goodwill that his mark seeks to sustain.[35] The requirements for successfully proving that an instance of passing off has been perpetrated are manifold, well established[36], and have been cited as being a barrier in its utilization as an effective weapon against dilution of a mark. Further, it has sought to protect traders against misrepresentations that have a direct negative impact upon the goodwill that they have built up[37]. This necessarily implies that it is limited in its application to only the specific category of cases where all of the requirements have been met.[38] Till date, Indian trademark law has mostly witnessed dilution of a mark being classified as a consequent damage resulting from the act of passing off. [39] It had never subsisted as an independent cause of action prior to its statutory inclusion. Because of this, the owner of a mark had to prove confusion in the mind of a consumer, in addition to the fulfilment of the aforementioned conditions in order to effectively combat the dilution of his mark. Further, being a category of damage that the act of passing off caused, the legal regime proved ineffectual at protecting against similar marks on dissimilar goods. This is why a separate

34 *Id*.

35 W.R. Cornish & David Llewelyn , Intellectual Property: Patents, Copyrights, Trademarks and Allied Rights 593 (5th ed. 2003).

36 The five-fold requirement of a misrepresentation made by a trader in the course of trade to prospective customers of his or ultimate consumers of goods or services supplied by him, which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence) and which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a *quia timet* action) will probably do so, as laid down in Erven Warnink Besloten Vennootschap v. J. Townend & Sons (Hull) Ltd. , [1979] 2 All E.R. 927, was confirmed by the Supreme Court of India in Cadila Healthcare, Ltd. v. Cadila Pharm., Ltd., AIR 2001 SC 1952, at ¶ 10.

37 *See* Gangjee, *supra* note 25, at 617, 621; Caterpillar Inc. v. Mehtab Ahmed, 2002 D.L.T. 99 (Del. H.C.) 678, at ¶ 23.

38 *Id*.

39 *See* Gangjee, *supra* note 25, at 614-15.

cause of action for the whittling away of distinctiveness of a mark was considered necessary, and in pursuance of this, Section 29(4) was introduced into the Act.[40] As will be elaborated upon in the course of this paper, dilution as an independent, statutorily recognised cause of action has received relatively little attention in Indian jurisprudence. The authors believe that as case law continues to develop on the statutory provision, dilution shall come to be seen as an effective tool to combat the loss of distinctiveness of a mark, and cease being a result of goods being passed off.

III. ITC v. Philip Morris: Setting New Standards

i. The Factual Overview

The marks in issue in the present case belonged to two parties, both of whom had established reputations in India. ITC contended that in 2008, Philip Morris had abandoned its traditional roof design used for marketing Marlboro cigarettes in India, and had begun to use a hollow flaming roof design, which was similar to the Welcome-NAMASTE mark that ITC had used in respect of its hospitality business since the 1970s.[41] ITC alleged that the continued use of the mark on the packaging of Marlboro cigarettes, diluted the distinctiveness of ITC's trademark, and claimed relief on the basis of Section 29(4) of the Trademarks Act, 1999.

ii. The Decision

In a landmark judgement, the Court in this case held for the first time, that the test evolved for infringement actions were *inapplicable or inapposite* to cases falling under Section 29(4)[42], and therefore dissociated comprehensively the *likelihood of confusion* test from all actions falling under this Section.[43]

The Court observed that the absence of a presumption of infringement under Section 29(4), unlike the preceding clauses of Section 29, was indicative of the legislative intent requiring a higher standard of proof in cases falling under Section 29(4).[44] The Court also noted the difference in object of traditional trademark law and trademark dilution, stating that the former was geared toward the protection of consumer interest, while the latter focussed on the protecting the uniqueness of the trademark itself.[45]

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40 *See generally*, Gangjee, *supra* note 25.

41 For a visual representation of the marks, *See* Sumatha Chandrashekaran, ITC loses TM Dilution case against Philip Morris, January 17, 2010, available at http://spicyipindia.blogspot.com/2010/01/itc-loses-tm-dilution-case-against.html.

42 ITC v. Philip Morris, *supra* note 23, at¶49.

43 ITC v. Philip Morris, *supra* note 23, at ¶34.

44 ITC v. Philip Morris, *supra* note 23, at ¶34.

45 ITC v. Philip Morris, *supra* note 23, at ¶35.

The Court also discussed each of the elements of the sub-clauses of Section 29(4):

(1) The mark '*is identical with or similar to the registered trade mark'*- The test for the similarity of marks is *not* the deceptively similar standard, it is something higher, almost a near identification of the two marks or "closest similarity"[46] must be established while viewing the marks from a global perspective[47]

(2) '*The registered trade mark has a reputation in India'*- The Court, when confronted with the issue of whether the mark of the plaintiff had a reputation in India with respect to the category of products in question, utilized Canadian jurisprudence[48] on the matter to rule in the negative. Thus, while the mark in question could evoke an *aura* of luxury in the mind of the consumer, no material had been placed before the Court to suggest that such an *aura* could extend to the category of premium cigarettes[49].This clearly establishes a threshold that the reputation of the plaintiff would have to extend beyond the particular goods/services marketed by it to such a degree that it would create an association with the allegedly infringing trademark.

(3) 'The use of the mark without due cause takes unfair advantage of or is detrimental to, the distinctive character or repute of the registered trade mark'- On the subject of infringement by dilution, the Court noted that the plaintiff had not produced evidence to should the use of the mark by the defendant *would affect* prejudicially the business of the plaintiff.[50]

(4) The requirements of Section 29(4) were conjunctive due to the usage of the term "and" between the sub-clauses of this Section.[51]

The authors believe this case to be the first comprehensive discussion till date, of the legislative and policy components that underpin Section 29(4), as well as the first instance of an Indian court articulating the essentials and requirements to be satisfied thereunder. However, the authors share the opinion that the aspect of *actually establishing* dilution deserves more consideration

46 ITC v. Philip Morris, *supra* note 23, at ¶48.
47 ITC v. Philip Morris, *supra* note 23, at ¶49.
48 Veuve Clicquot Ponsardin, Maison Fondée en 1772 v. Boutiques Cliquot Ltée, Mademoiselle Charmante Inc. and 3017320 Canada Inc., [2006] 1 S.C.R. 824., quoted with approval in ITC v. Philip Morris, *supra* note 23, at ¶42.
49 ITC v. Philip Morris, *supra* note 23, at ¶50.
50 ITC v. Philip Morris, *supra* note 23, at ¶50.
51 ITC v. Philip Morris, *supra* note 23, at ¶48.

since the court in the present case only opined that the material placed on record was insufficient to prove dilution but did not discuss circumstances under which dilution would be proved. This is important, since the *likelihood of confusion test* has been discarded in dilution cases, leaving a vacuum in its wake, making it difficult for a predictable and consistent judicial standard to exist, as will be seen in the next part.

IV. The Confusion Over Dilution

Although some cases have been decided on the basis of the four ingredients outlined in the previous Part[52], it would not be an exaggeration to say that there has been little consistency with which Indian courts have decided dilution cases. In particular, while determining whether unfair advantage has been taken, or detriment caused to the owner of the registered mark, no test equivalent to the 'likelihood of confusion' test has been evolved.

In one case, the Court recognised Section 29(4) as being an exception to the Act, but then went on to state that the provision deals specifically with well-known trademarks.[53] This is problematic since the Section protects 'marks with reputation' and applying the same only to well-known trademarks would significantly whittle down its scope. This presents a situation wherein the Court overlooked precedent on the matter, and as a result came to an erroneous conclusion.[54]Another case outrightly applied and endorsed the likelihood of confusion standard[55] (clearly not applicable to such cases), while also stating that the reputational aspect was the crux of the Section (contrary to the *conjunctive* nature of the Act).[56] Other cases have relied on cases decided

52 Nestle India Limited v. Mood Hospitality Private Limited, 2010 (42) PTC 514 (Del.), at ¶ 36, Sasken Communication Technologies Ltd. v. Anupam Aggarwal, 2009 (41) PTC 523 (Del), at ¶11, ¶13, ¶17, Ashok Leyland Limited v. Blue Hill Logistics Pvt. Ltd, MIPR 2011 (1) 249.

53 Ford Motor Company v. C.R. Borman, MIPR 2008 (3) 418, ¶ 16, Tata Sons Ltd. v. Mr. Md. Jawed, CS(OS) No. 264/2008, decided on 28 March, 2011, at ¶8; *See also* IHHR Hospitality Pvt. Ltd. v. Bestech India Pvt. Ltd., CS(OS) No. 207/2011, decided on 31 May, 2011, at ¶ 4.

54 The Madras High Court, on 21-12-2010, delivered its judgment in Ashok Leyland Limited v. Blue Hill Logistics Pvt. Ltd, MIPR 2011 (1) 249. Ramasubramanian, J, in paragraph 43 of the judgment clearly laid down the following proposition:
"..Section 29(4)(c) deals only with the reputation of the mark and not the reputation of "well known trade mark". The Act defines a well known trade mark under Section 2(1)(zg). The lawmakers have been careful enough not to incorporate the expression "well known trade mark" in Section 29(4)(c), though they chose to use the expression "reputation". In other words, Section 29(4)(c) does not expect the registered trade mark of the plaintiff to have become a 'well known trade mark' within the meaning of Section 2(1)(zg). Section 29(4)(c) requires the registered trade mark only to have acquired a reputation in India."

55 Skol Breweries v. Unisafe Technologies, CS (OS) 472/2006, decided on 25 August, 2010, at ¶ 10, 17, Hamdard National Foundation v. Abdul Jalil, IA 7385/2004 in CS (OS) 1240/2004, decided on 13 August, 2008, at ¶ 29.

56 Skol Breweries v. Unisafe Technologies, CS (OS) 472/2006,decided on 25 August, 2010, at ¶ 10, 17, Tata Sons Ltd v. Tata Industrial Recruitment, 009 (41) PTC. 753 (Del), at ¶18, Tata

prior to the promulgation of the Act of 1999[57] which are inapplicable since dilution is no longer a sub-set of the tort of passing off. Still other cases have simply said that there is no linkage between the marks so as to cause dilution[58], or that the mark is only *likely* to be detrimental to reputation of the distinctive character of the plaintiff's mark[59], and have even regarded the sub-clauses of Section 29 as individual and distinct causes of action![60] In yet another perplexing case, Section 29(4) has been held to be inapplicable where the mark or name is used as trade or corporate name as opposed to a mark on goods or services.[61]

V. LIKELIHOOD OF HARM V. ACTUAL HARM : A COMPARATIVE PERSPECTIVE

From the previous Part, it becomes apparent that an appropriate threshold for deciding whether dilution has taken place has not yet been developed in Indian jurisprudence. A study of international practice reveals that two possible standards are possible: (1) courts may grant relief where there is a *likelihood of dilution* of a trademark in a particular case, as is the standard in the United States of America; or (2) courts may grant relief only when *actual dilution* of a trademark has been established, as is the case in the United Kingdom.

i. The Position in the United States

The final and decisive word on the kind of damage required for proving dilution under the Lanham Act[62] was laid down by the Supreme Court of the United States in *Moseley v. Victoria's Secret Catalogue*[63], resolving a marked split in various circuit court decisions[64]. Holding that proof of actual damage as a result of the questioned usage was necessary in terms of marks that were not identical, it emphasized that a mere mental association between the senior and impugned marks would not be sufficient to establish that dilution had occurred.[65] Explaining why the actual harm standard has been upheld.[66] and

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Sons Limited & Ors. v. Tata Sumo Industrial, MANU/DE/3124/2009, at ¶ 22.

57 Rolex Sa . v. Alex Jewellery Pvt Ltd, 2009 (41) PTC 284 (Del), at ¶ 15, ¶23-24.

58 Kamdhenu Ispat Limited v. Kamdhenu Pickles & Spices, 173(2010) DLT 540, at ¶ 26.

59 Tata Sons Ltd. v. Md. Jawed, CS(OS) No. 264/2008, decided on 28 March, 2011, at ¶ 20.

60 Aktiebolaget Volvo v. Vinod Kumar, CS (OS) No. 713/2009, decided on 7 March, 2011, at ¶ 25, 26.

61 Raymond Limited v Raymond Pharmaceuticals Pvt. Ltd., MIPR 2010 (2) 400, at ¶ 9. (*But also See* Shamnad Basheer, *Trademark Dilution and Trade Names: Dispensing with "Interim" Injunctions?*, available at http://spicyipindia.blogspot.com/2010/10/trademark-dilution-speedy-trials-and.html (citing a Supreme Court order reversing to this decision)).

62 Lanham Act, 2000 § 43(c), 15 U.S.C. § 1125(c).

63 Moseley v. Victoria's Secret Catalogue, Inc., 537 U.S. 418 (2003).

64 *See* Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Dev., 170 F.3d 449 (4th Cir. 1999), for the opposing, liberal interpretation of the Federal Trademark Dilution Act, 1995, *see* Nabisco, Inc. v. PF Brands Inc., 191 F.3d 208 (2d Cir. 1999).

65 *Id*. at 433.

66 Moseley v. Victoria's Secret Catalogue, Inc., 537 U.S. 418 (2003).

found to be consistently used in[67], cases alleging trademark dilution, McCarthy states that such cases should involve a much higher degree of proof, and be more difficult to prove than those involving passing off.[68]

However, immediately after the Supreme Court pronounced its decision in this seminal case, Congressional intervention amended the Federal Trademark Dilution Act, 1995 to incorporate the *likelihood of dilution* as the appropriate threshold for determining whether dilution has taken place in any particular case.[69]

ii. The Position in the United Kingdom

Section 10(3) of the Trademarks Act, 1994[70], which incorporated EU Directive 89/104 into UK law, and whose interpretation was significantly altered following the decisions of the ECJ in the *Davidoff*[71] and *Adidas*[72] cases, imposes virtually the same conditions as the Indian Act in situations where an

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67 Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94(6) California L. Rev. 1581, 1589. (2006)

68 J. Thomas McCarthy, *Proving A Trademark Has Been Diluted: Theories Or Facts?,* 41(3) Houston L. Rev. 713 (2004).

69 The Federal Trademark Dilution Act, 1995, § 3, read as follows:
"(c)(1) The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and *causes dilution* of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection."
With the effect of the Trademark Dilution Revision Act, 2006, § 2, the same provision now reads as:
"(c)(1)Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce as a designation of source of the person's goods or services that is *likely to cause dilution by blurring or dilution by tarnishment, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury."*

70 United Kingdom Trademarks Act, 1994, § 10(3) reads as below:
"(3) A person infringes a registered trade mark if he uses in the course of trade in relation to goods or services a sign which - (a) is identical with or similar to the trade mark, where the trade mark has a reputation in the United Kingdom and the use of the sign, being without due cause, *takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark*."

71 SA Zino Davidoff v. Gofkid Ltd, Case C-292/00, [2003] ECR I-389, wherein the European Court of Justice held, going against a literal reading of the provision, that protection against dilution of a previous, registered mark is to be extended to identical or similar signs used on similar goods as well as non-similar goods, regardless of whether confusion occurred in the mind of the consumer or not.

72 Adidas-Salomon AG v. Fitnessworld Trading Limited, Case C-408/01, [2003] ECR I 12537, in which the ECJ, when called upon to interpret the harmonisation of Section 10(3) of the UK Trademarks Act, 1994 with the EU Directive, stated that it is mandatory to protect a mark both in terms of similar and dissimilar goods, and that such protection would not be conditional upon confusion or likelihood of confusion between the two marks in question.

infringement action based upon dilution is brought before a Court. Apart from meeting the bare conditions necessary to prove infringement, it is interesting to note that a mere association between the infringing mark and the claimant's trademark has been held to not be adequate to constitute a case of dilution.[73] What is necessary in such a case would be to demonstrate actual detriment or unfair advantage, and not a risk or likelihood of the same.[74] While there is some degree of largely academic debate[75] about what the standard of harm that requires to be displayed is, the emerging consensus is that an actual proof of detriment is required, with articulations of this idea moving between "proof of real future unfair advantage or detriment and merely a risk of such"[76], to "adverse consequences being reasonably foreseeable"[77]. When called upon to interpret the provisions of Article 4(4)(a) of the Trademark Directive[78], the ECJ has prescribed strict standards with respect to cases alleging dilution of a trademark , seeking actual proof of alteration in the economic behaviour of a consumer following the formation of an association between the two marks in question.[79]

VI. Determining Workable Standards for India

i. Standard for dilution

From the preceding discussion, it is clear that Indian courts need to adopt a consistent, reasonable and pragmatic threshold for determining whether relief

73 Premier Brands v. Typhoon Europe Limited [2000] All ER (D) 52, at ¶22; Diamler Chrysler AG v. Alavi [2001]RPC 42, at ¶94.

74 *Id*., at ¶92.

75 Ilanah Simon, *The Actual Dilution Requirement in the United States, United Kingdom and European Union: A Comparative Analysis* 12(2) B.U. J. Sci. & Tech. L. 271 (2006).

76 Application by Hitachi Credit (UK) plc, Case O-059-04, (Trade Mark Registry, 10 March, 2004) available at http://www.patent.gov.uk/tm/t-decisionmaking/t-challenge/t-challenge-decision-results/o05904.pdf. (Last accessed 8-05-2011).

77 Application by Quorn Hunt, Case O-319-04, [2005] E.T.M.R. 11 (Trade Marks Registry), Available at http://www.patent.gov.uk/tmt/t-decisionmaking/t-challenge/t-challenge-decision-results/o05904.pdf (Last accessed 9-05-2011).

78 Article 4(4)(a) of the Directive 2008/95/EC of The European Parliament and of The Council of 22 October 2008 to Approximate The Laws of The Member States Relating to Trade Marks reads as follows:
Any Member State may, in addition, provide that a trademark shall not be registered or, if registered, shall be liable to be declared invalid where, and to the extent that:
(a) the trade mark is identical with, or similar to, an earlier
national trade mark within the meaning of paragraph 2 and is to be, or has been, registered for goods or services which are not similar to those for which the earlier trademark is registered, where the earlier trade mark has a reputation in the Member State concerned and where the use of the later trade mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark.

79 Intel Corp. v. CPM UK, Case C-252/07, at ¶3. The idea of requiring an alteration in the economic behaviour of the consumer in proving that an instance of trademark dilution had occurred had previously been touched upon in Electrocoin, [2004] E.W.C.H. 1498, at ¶102.

must granted in cases where dilution is alleged. Additionally, it is also apparent that the possible choice of threshold can only be of two varieties- a likelihood of dilution, or higher, more stringent standard, actual dilution. The actual dilution test requires the owner to show that dilution has already occurred, in contrast to the likelihood of dilution in the future.[80] For reasons that will follow, the authors are of the opinion that the more stringent standard, i.e. actual dilution is appropriate in the Indian scenario.

In the first place, the legislature, in enacting Section 29(4), was clearly conservative in its approach, and intended the remedy to be available in a narrow, restricted class of cases. This is evident upon a reading of Section 29- whereas sub-clauses (1) and (2) clearly have a presumption in favour of infringement, no such presumption exists under sub-clause (4)[81]. This assumes great significance when we consider that such a deliberate omission by the legislature points a path toward understanding its intent when enacting the Act.[82] While interpreting the provisions of a statute, courts are called upon to divine the legislative intent[83], and to ascribe such a construction which best furthers such intent[84]. Consequently, to give effect to the proper legislative intent, a more stringent standard needs to be adopted to determine the appropriate threshold of harm caused to the trader and his mark in such cases[85].

Secondly, the large corpus of trademark law has remained consumer oriented, whereas dilution is a largely a producer oriented remedy, which seeks to protect the proprietary interest in the trademark.[86] In light of this, it seems unnecessary that the thresholds for dilution should be lowered, especially since they don't subserve the larger goal of consumer protection and reduced information costs for consumers. This is particularly so since the Act of 1999 already provides owners of extremely distinctive trademarks (well-known

80 Ilanah Simon, *The Actual Dilution Requirement in the United States, United Kingdom and European Union: A Comparative Analysis* 12(2) B.U. J. Sci. & Tech. L. 271 (2006).

81 Trademarks Act, 1999, § 29(3), reads as follows:"
(3) In any case falling under clause (c) of sub-section (2), the court shall presume that it is likely to cause confusion on the part of the public".

82 State of Gujarat. v. Dilipbhai Nathjibhai Patel, (1998) 2 SC 253, Stock v. Frank Jones (Tipton) Ltd., [1978] 1 WLR 231, Crawford v. Spooner, (1846) 6 Moore PC 1.

83 Institute of Chartered Accountants of India v. M/s Price Waterhouse , AIR 1998 SC 74.

84 Craies on Legislation 588 (Daniel Greenberg ed., 2004), Nokes v. Doncaster Amalgamated Collieries Ltd. (1940) AC 1014.

85 ITC v. Philip Morris, ¶ 34, Shell Brands International Ag v. Gagan Chanana, MANU/DE/1846/ 2010, at ¶12.

86 It is well established trademarks represent the proprietary interest of the owner in the mark. This property in essence, consists of the right of the owner to use the mark in relation to specific goods, and extends, in certain circumstances, to preventing others from using the same or similar mark (P. Narayanan, Law of Trademarks and Passing off, (2010), 33), *See also supra* note 6.

trademarks) an anticipatory remedy by allowing them to oppose a registration of their trademark even in respect of dissimilar goods.[87]

Further, as identified by the Court in the *ITC v. Philip Morris* case, the impairment of free and fair competition is a possible undesirable consequence that could follow overzealous protection of trademarks[88].

Finally, the positive wording of Section 29(4) makes it impossible to adopt a likelihood of dilution standard without an amendment to the statute. The Section clearly requires that the infringing trademark *takes* unfair advantage or *is* detrimental to the superior mark. This wording is a replication of the English legislation, and even in that jurisdiction, the positive wording of the statute has led to courts requiring dilution to actually be established.[89] Even in the United States, until legislative intervention altered the wording of the statute, the provision required that the infringing mark actually *causes* dilution, and this positive wording led the Supreme Court to require proof of actual dilution in the *Victoria's Secret case*.[90]

In conclusion, the authors are of the firm opinion that policy considerations and adherence to legal principles mandate the adoption of the actual dilution standard in India. In the next segment, the authors will examine the tests for proving actual dilution and the remedies available as a consequence.

ii. Standard for Reputation

While the Trademark Rules, 2002 have accorded no distinction between well known marks and marks with reputation, there exist coherent guidelines in the Act which can aid courts in coming to a conclusion about whether a trademark is a well known mark or not.[91]

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87 Trademarks Act, 1999, § 11(2) reads as follows:
"(2) A trade mark which –(a) is identical with or similar to an earlier trade mark, and (b) is to be registered for goods or services which are not similar to those for which the earlier trade mark is registered in the name of a different proprietor.Shall not be registered ifor to the extent the earlier trade mark is a well-known trade mark in India and use of the later mark without due cause would take unfair advantage of or be detrimental to the distinctive character or repute of the earlier trade mark."

88 ITC v. Philip Morris, *supra* note 23, at ¶37 (relying on Adidas Salomon AG, *supra* note 59).

89 *See supr*a note 60.

90 *See supra* note 50.

91 Section 11 of the Trademark Act, 1999, dealing with relative grounds for refusal of registration, provide the following:
(6) The Registrar shall, while determining whether a trade mark is a well-known trademark, take into account any fact which he considers relevant for determining a trademark as a well-known trade mark including -
(i) the knowledge or recognition of that trade mark in the relevant section of the public including knowledge in India obtained as a result of promotion of the trade mark;
(ii) the duration, extent and geographical area of any use of that trade mark;

Further, courts have opined that a condition precedent for a trademark dilution claim to proceed is the establishment of a reputation in India. [92] However, the threshold for determining what constitutes a reputation in respect of a trademark shall govern what percentage of marks shall be granted protection against dilution in India. It is the opinion of the authors that well known marks within the ambit of Section 11(6) of the Act constitutes a sub-category within the broad set of marks with reputation in a particular country. The interpretation of Section 10(3) of the UK Trademark Act, 1994[93] in General Motors Corp v. Yplon SA[94] is useful in operationalizing the preceding proposition. In this case, the Court stated that registered trade mark, in order to be reputed, must be known by a significant part of the public concerned by the products or services which it covers, and this must be decided taking to account factors such as market share, intensity, geographical extent and duration of use, and the size of the investment in promoting the mark[95]. While the preceding estimation presents a workable model for Courts to employ when adjudicating on matters relating to dilution, such an analysis becomes problematic when considering international brands that possess a reputation in the international market, but do not possess a comparable reputation in the domestic context. Unlike the position in the United Kingdom, where business presence and goodwill of the mark is a necessary prerequisite for the existence of a mark's reputation,[96] Indian jurisprudence[97] has affirmed that trans-border reputation of a brand will allow it to pursue an action for dilution in the event that there has been

(iii) the duration, extent and geographical area of any promotion of the trade mark, including advertising or publicity and presentation, at fairs or exhibition of the goods or services to which the trade mark applies;

(iv) the duration and geographical area of any registration of or any publication for registration of that trade mark under this Act to the extent they reflect the use or recognition of the trade mark;

(v) the record of successful enforcement of the rights in that trade mark, in particular, the extent to which the trade mark has been recognised as a well-known trademark by any court or Registrar under that record.

92 Skol Breweries v. Unisafe Technologies, CS (OS) 472/2006, decided on 25 August, 2010, at ¶ 10, Champagne Moet & Chandon v. Union of India, 2011 (46) PTC 484, at ¶ 14 (" The clients of the appellant are elitists, educated and well read. The products that are manufactured by the appellant (champagne) are not such products which are meant for mass consumption. It was even not recognized in the Indian market in the early 1950s and 1960s. Needless to emphasise, trans-border reputation has been recognized but the conception of reputation in this regard is dependent upon nature of the products associated with the reputation, popularity and goodwill associated with the market in India.").

93 This provision is analogous to the Indian dilution provision in Section 29(4), Trademark Act, 1999.

94 General Motors Corp v. Yplon SA C-375/97; See Ilanah Simon Fhima, *The Fame Standard for Trademark Dilution in the United States and European Union Compared*, 17 TRANSNAT'L L. & CONTEMP. PROBS. 631 (2008).

95 *Id.* at ¶27.

96 Anheuser Busch v. Budejovicky Budvar, (1984) F.S.R. 413.[Hereinafter the Budweiser case]

97 See, Tube Investments Of India Ltd vs In O.S.A.Nos.233 And 234/09, O.S.A.Nos.233, 234 and 292 of 2009, decided on 23 December, 2009, at ¶ 13 ; Roca Sanitario S.A vs Naresh

a well documented, unbroken usage of the mark in question. The case for stating that trans-border reputation is now an established part of the trademark law in India is further bolstered by examining the factors that are statutorily excluded from being relevant in the Act when ruling on whether a mark is well known or not.[98] It is important to note that it is the reputation of the mark, and not of its owner that is the relevant consideration in the present case.[99] Additionally, it is submitted that the criteria for being considered a well-known mark[100] within the ambit of Indian law imposes a higher standard than that for being a 'mark with repute', a position that has been confirmed by the Delhi High Court in Ashok Leyland Limited v. Blue Hill Logistics Pvt. Ltd.[101] This could potentially have emerged as a stumbling block for proprietors whose marks had not acquired the status of a well-known mark. However, the statutory protection against dilution covers a wider ambit, and the position that emerges from the judgment of the Court is that the statutory protection against dilution is available to marks that are both 'well known' within the ambit of Section 2(zg) of the Trademark Act, 1999, as well as 'marks with repute'.

VII. Proving Dilution and Remedying it

Having unravelled the mystery that surrounds dilution, the authors will consider the next question: How will all this work in practice? When will it be established that the use of a mark is 'detrimental to the distinctive character' or amounts to taking 'unfair advantage' of another trademark? Even if all of the above is established, what remedy will the owner of the trademark have?

i. How can actual dilution be established?

The test for establishing actual dilution has a vague and troubled one, with limited, if any, judicial consistency. In fact, some scholars have argued

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Kumar Gupta, CS (OS) 626/2006 and CS (OS) 2223/2006, decided on 15 March, 2010 at ¶ 24, distinguishing the *Budweiser* case from the present one, and citing the inapplicability of its *ratio decidendi* in the Indian context.

98 Section 11 (9) of the Trademark Act, 1999 provides that the Registrar shall not require as a condition, for determining whether a trademark is a well-known trade mark, any of the following, namely
- (i) that the trade mark has been used in India;
- (ii) that the trade mark has been registered;
- (iii) that the application for registration of the trade mark has been file
- (iv) that the trade mark -
  - (a) is well known in; or
  - (b) has been registered in; or
  - (c) in respect of which an application for registration has been filed jurisdiction other than India; or
- (v) that the trade mark is well-known to the public at large in India.

99 Ashok Leyland Limited v. Blue Hill Logistics Pvt. Ltd, MIPR 2011 (1) 249, at ¶ 43.

100 This is in terms of Section 11(6) of the Trademark Act, 1999.

101 Ashok Leyland Limited v. Blue Hill Logistics Pvt. Ltd, MIPR 2011 (1) 249, at ¶43.

that this standard ought to be altered to a more workable likelihood of dilution standard, which can easily be established by a range of circumstantial evidence.[102] However, the authors believe, for reasons already stipulated above, that the actual dilution standard is both, required and appropriate, in the Indian context.

Prior to the amendment to the Federal Trademark Dilution Act in the United States, the Supreme Court in the *Victoria's Secret Catalogue case* held that direct evidence may not be necessary if actual dilution can be reliably proved through circumstantial evidence. The court held that consumer surveys may be useful, but not necessary to establish actual dilution.[103]

In the United Kingdom, Courts have been firm in their intention to use the actual dilution rather than the likelihood of dilution standard. In one case, it was held that the use of a mark by the defendant would be detrimental to the distinctive character of the plaintiff's mark, where such use had the effect of eroding the position of exclusivity acquired by the plaintiff through large expenditure of time and money. Further, it was laid down that everything which impairs the originality and distinctive character of the trademark and its uniqueness was to be regarded as being detrimental to the distinctive character of the trademark, and should be prohibited.[104] Importantly, it was also held that the stronger the reputation of the trademark, the easier it would be to establish dilution. [105] In another case, it was held that if the defendant's use of the trademark makes the plaintiff's trademark less attractive or less distinctive, detriment is said to have been caused.[106]

In the opinion of the authors, actual dilution can be established by a combination of evidence of economic harm and circumstantial evidence. Since the dilution remedy, is in effect, a means of protecting the proprietary interest of producers, economic harm is an important and indispensable means of establishing dilution. Therefore, one possible way to implement the actual dilution standard would be to use circumstantial evidence in conjunction with proof of economic loss to show that such loss was suffered as a result of dilution and not any other business problems.[107] Thus actual dilution would be established if:

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102 Elson Kaseke, *Trademark Dilution: A Comparative Analysis,* (2006), available at http://uir.unisa.ac.za/bitstream/handle/10500/2377/thesis.pdf?sequence=1.

103 Moseley v. Victoria's Secret Catalogue, Inc., 537 U.S. 418,434 (2003).

104 Premier Brands UK Limited v. Typhoon Europe Limited and Peter Granville Norfolk Battersby [2000] ALL ER (D) 52, at ¶ 14[Hereinafter Premier Brands], quoting with approval a decision of the German Federal Supreme Court in QUICK [1959] GRUR 182.

105 Premier Brands, *supra n. 103,* at 66, Intel Corp Inc v. CPM United Kingdom Ltd ,2009 ETMR 13, at ¶ 54.

106 Daimler Chrysler AG v. Alavi (t/a Merc) [2001] ALL ER (D) 189, ¶ 88.

107 Ilanah Simon, *The Actual Dilution Requirement in the United States, United Kingdom and European Union: A Comparative Analysis* 12(2) B.U. J. Sci. & Tech. L. 271 (2006).

a. There was use of an identical or similar mark; and

b. Such mark is used by the defendant in relation to dissimilar goods; and

c. The plaintiff's mark satisfies the fame standard discussed above; and

d. Actual economic loss (through revenue analysis, consumer surveys etc.) was shown, and such loss was *not* a result of other business problems.

In cases where all the four ingredients mentioned above are satisfied, a rebuttable presumption of detriment or unfair advantage can be established through the judiciary thereby proving actual dilution.

ii. What is the relief available?

In the Indian experience, it largely remains that intellectual property suits are disposed off at the stage of application for interlocutory relief.[108] If this trend is anything to go by, most plaintiffs would be satisfied with the remedy of permanent injunction to restrain infringing defendants from using the infringing trademark. However, in certain cases, the authors believe that if economic loss has been established, and is substantial, and can be attributed to dilution, courts should, in their discretion award damages to the extent of the loss suffered by the plaintiff. In essence, the high threshold for dilution would be complemented by a correspondingly significant and onerous remedy in the form of damages.

VIII. Conclusion

The authors are firm in their belief that a more lenient standard would be far too overzealous an approach, and would have the effect of impairing free and fair competition in the market. In light of this, the standard of proof that requires to be discharged by a plaintiff alleging dilution would necessarily be the production of evidence to show actual harm to the senior mark and its owner.

Finally, mention must be made of Section 159(5) of the Trademarks Act[109] which has raised some concerns about the scope of the remedy of dilution being whittled down. The primary concern is that the period prior to the enactment of the Act of 1999 and the twilight period between the enactment and the commencement of operation of the Act may have been a safe haven

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108 Dev Gangjee, *The Polymorphism of Trademark Dilution in India,* 17 transnat'l l. &. Contemp. Probs. 101.

109 § 159 (5) of the Trademarks Act, No. 47 of 1999, reads as follows:
"Notwithstanding anything contained in this Act, where a particular use of registered trade mark is not an infringement of a trademark registered before the commencement of this Act, then, the continued use of that mark shall not be an infringement under this Act."

period where infringement of the species of Section 29(4) may be outside the ambit of protection of the Act due to the non-obstante clause in Section 159(5). In *Radico Khaitan Limited v. Carlsberg India Private Limited*[110], the Delhi High Court has addressed this issue indicating that if a particular user is not an infringer under the old Act of 1958, then similar usage of the mark would not constitute infringement under the new Act either. However, this seems to throw up more questions, since this case did not involve any adjudication of non-infringement under the old Act, and this was an assessment made by the Court in the first instance in 2011, and therefore it would seem that every use of a trademark prior to 2003, and continuing today would be judged by the standards of the Act of 1958. As infringement of the kind of Section 29(4) was not infringement under the Act of 1958, this position, if not clarified, could limit the scope of the remedy available very drastically.

110 I.A. No. 8122/2011 in CS(OS) 1216/2011, decided on 16 September, 2011, at ¶ 50,51.

4 IJIPL 159-160 (2011)

Book Review

Nanotechnology Intellectual Property Right- Research, Design and Commercialization

Prabuddha Ganguli and Siddharth Jabade
CRC Press (Taylor and Francis Group)
ISBN: 978-1-4398-5528-7

Prof.V.C.Vivekanandan

This book provides a detailed overview of the dynamics of development and commercialization in a science and technology led field such as nanotechnology. It highlights how the management of Intellectual Property Rights (IPR) has now become an integral part of the innovation and commercialization process. Written in a very appealing style, the authors present the complex subject matter very lucidly which makes the book for an easy and comprehendible reading. Dr. Prabuddha Ganguli a well known International IP consultant and currently MHRD IP Chair Professor at the Tezpur University with Mr. Siddharth Jabade has painstakingly worked to bring this one-of-its-kind book to Indian and International audience.

The six chapters titled as "How Big Is Small?"; "Patents: A Background"; "Looking for Nanotechnology Prior Art"; "Patent-Led Nanotechnology Business: Perspectives"; "Patent Litigations in Nanotechnologies" and "Interfacing with the Nanofuture" have been crafted to functionally serve as "read alone" sections and yet string together into a comprehensive thematic articulation of techno-legal aspects of nano-related innovations to aid their effective integration into business.

Through numerous case studies and pictorial illustrations, this book illustrates the nuances in IPR especially in patents addressing aspects ranging from ideation to commercialization of IP enabled nanotechnology to enable effective technology development and its commercialization. It effectively highlights the pitfalls in such effort touching upon issues of Jurisdiction, challenging/defending the validity of patents and negotiating settlements and strategic negotiations. The case studies in the book lucidly demonstrate the nucleation and growth of start-ups from within academic institutions through consolidation of the science and technology in nanotechnology. It also touches upon the construction of valuable patent portfolios, linkages of institutions and startups, and the dimensions of selective mergers, acquisitions, joint ventures and strategic investments.

The authors suggest a policy based institutional approach using IPRinternalise® as a model for capacity building of human and infrastructural

resources to seamlessly integrate IP with the process of education and innovation which will equip them with the required due diligence to avoid duplication and to work on non-infringing innovations for FTO in a market place.

The highlights of the six chapters explores the inclusive nature of Nanotechnology and its complex knowledge matrix that creates an ecosystem involving "nanovations", benchmarking of patentability in multiple jurisdictions,prior art issues, the University-Industry interface in the emerging field of nano technology, patent litigation landscape and the emerging interface with the "Nanofuture".

The case studies analyzed in the book clearly demonstrate the need for an integrated approach of IP in the complex emerging technologies where the new rules of the market ecosystem will demand creative and cooperative competition that will see higher level of precompetitive collaboration operating with higher levels of cautious openness so as to collectively maximize delivery from the minimal resources.

The book is very well presented. However the section on the challenges ahead in terms of the evolving laws related to nanotechnology patenting could have been elaborated.

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