

The Indian Journal of Intellectual Property Law

Samyukta Ramaswamy & Sanjana Banerjee For a Borderless Digital Market: Resolving the Conflict Between Geo-Blocking and Free Access to Services in the European Union

Tayebeh Saheb Swing Ownership of Academic Inventions (A Model Based on the Concept of Justice with reference to Iranian Legal System)

Kuruvila M Jacob & Nidhi Kulkarni Non-Conventional Trademarks: Has India Secured an Equal Footing?

Lovish Garg Trademarking Religion — Examining the Judicial Conundrum of Section 9(2)(b) of Indian Trademarks Act

Shamnad Basheer & Mrinalini Kochupillai TRIPS, Patents, and Parallel Imports in India: A Proposal for Amendment

Amir H. Khoury Brands as Food for Thought: The Case for Regulating Food Brands

Tarun Krishnakumar 'All your Intellectual Property are Belong to us': How Copyright and Patent 'Trolls' are Questioning the Jurisprudential Foundations of Treating Intellectual Property as 'Property'

Srividhya Ragavan, Sean Flynn, & Brook Baker Justifying India's Patent Position to the United States International Trade Commission and Office of the United States Trade Representative



EDITOR-IN-CHIEF

PROF. FAIZAN MUSTAFA
VICE- CHANCELLOR
NALSAR UNIVERSITY OF LAW, HYDERABAD
HEAD - NC BANERJEE CENTRE FOR IPR STUDIES

EDITORIAL BOARD

ARPAN BANERJEE
MAYANK LABH
NILAV BANERJEE
PAVANI KENNEDY



PUBLISHED BY

THE REGISTRAR

NALSAR UNIVERSITY OF LAW
POST BOX. NO. 1, JUSTICE CITY, SHAMEERPET
Medchal District, Telangana - 500 101, INDIA

COPYRIGHT POLICY

The contributions accepted for publication and the copyright therein shall remain jointly with the contributor and the IJIPL. Any person desiring to use the IJIPL's material for education purposes, research or private study can do so with prior written permission of the Publisher - registrar@nalsar.ac.in

INDEMNIFICATION POLICY

All contributors by submitting any contribution towards the IJIPL hereby consent to indemnify NALSAR University of Law, Hyderabad and IJIPL from the against all claims, suits and consequences based on any claim of copyright infringement / unauthorized use / violation of any right which may arise as a result of their contribution being published in the IJIPL.

CITATION FORMAT
[VOLUME]IJIPL[PAGE]([YEAR])

ISSN 0975-492X

EDITORIAL NOTE

Intellectual property law in 2018 continues to be push its normative roots beyond the traditional hardlines as it intersects with several legal fields extending from technology to privacy, media, antitrust, health, trade, consumer and of course property laws. The consequential dynamism and constant evolution of the area of law to keep up with its intersectional consorts has generated niche jurisprudence across the world. Comparative jurisprudence has enabled jurisdictions to shape a common discourse especially in times of peaking globalisation which calls for harmony in intellectual property laws worldwide. The resultant certainty in rights enforcement naturally has not only exacerbated innovation but also served the ultimate goal of intellectual property rights-satisfying human needs.

Building on this narrative of increased access to advanced technology through common standards in intellectual property, Samyukta Ramaswamy and Sanjana Banerjee have made an attempt to put in perspective the barriers in cross-border access to online copyrighted content and the portability of online services. It is particularly relevant in light of the unavailability of iTunes to its legal customers or the availability of localized versions of iTunes across Europe due to the practise of geo-blocking. With most right holders claiming that geo-blocking is essential as it protects their interests, customers claim that they are barred from accessing audio-visual content which they have legally paid for. An attempt in resolving this tug of war has been

made by the European Union in its attempt to create a Digital Single Market.

Several lessons for the Indian practitioners have been brought into focus by Tayebah Saheb from Iran, as the author considers the problems hindering the possibility of commercialisation of inventions from research work performed specifically in the university and associated research lab contexts, with reference to the Iranian legal system. The author argues in favour of developing a policy which provides intellectual property protections to such inventions, by engaging in a comparative analysis of four different ownership structures and the experiences of their use across a several jurisdictions. Upon exploring a range of philosophical positions on justice in the context of ownership rights and intellectual property, the author proposes 'swing ownership' as university ownership with an ownership option for the investor, as the appropriate model for maximising commercial benefits of academic inventions.

The third piece showcased in this edition of the Indian Journal of Intellectual Property Law has been written by Nidhi Kulkarni and Kuruvila M. Jacob, who have focused on the non-conventional form of trademarks and how the registration of marks is on the rise under this category. It analyses the ambiguity in the relevant laws in the Indian jurisdiction and how it is being exploited by vested entities to promote anti-competitive interests.

Lastly, Lovish Garg contextualizes intersectional questions on commercialization of religion and proprietary rights over religious

figures in Indian trademark law through a string of judicial decisions. In what clearly pans out as a thoroughly researched paper, the author demonstrates the conflicts and conundrums marring the jurisprudence on the subject-matter, extremely relevant in present times of ever-increasing religiosity. Thus, the palpable religious tensions in India extend beyond the question of temple-mosque construction and foray into seemingly neutral trademark law, as once again courts are called upon to decide who gets to keep their gods and goddesses.

Volume IX of the Indian Journal of Intellectual Property Law marks two decades of pioneering legal education, research, training and knowledge dissemination at the NALSAR University of Law, and in celebration of the occasion, this special edition of the journal brings back certain special pieces from previous volumes. Beginning with Prof. Shamnad Basheer and Mrinalini Kochupillai's article on "*TRIPS, Patents and Parallel Imports in India: A Proposal for Amendment*" from Volume II, the authors argue the exhaustion of patents and parallel imports in India, successfully sketch out the prevailing legal scenario in India and also provide a critical analysis of the lacunae in the same. While distinguishing between national, regional and international patent exhaustion, the authors closely examine sections 48 and 107A(b) of the Patents Act, 1970 – the former grants exclusive importing rights to the patentee while the latter allows for the import of patented products by persons other than the patentee, though conditions are attached. While concluding that these sections are conflicting with one another as per certain

interpretations, the authors suggest that Indian law recognizes the distinction between repair and reconstruction (based on the doctrine of single use) and permit only repairs. In conclusion the authors propose an amendment in the form of section 107B, which will allow for repair only and hence avoid the inherent conflict in patent import rights of patentees.

This is followed by Amir H Khoury's article on "*Brands as Foods for Thought: The Case for Regulating Food Brands*" from Volume IV, where the author 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, 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. He has concluded his piece by discussing the consequences of application of the proposed model to the Indian scenario are discussed.

Further, Tarun Krishnakumar's article from Volume V titled "*All Your Intellectual Property Belong to Us: How Copyright and Patent Trolls are Questioning the Jurisprudential Foundations of Treating Intellectual Property as Property*" stands relevant half-a-decade later. Marrying current concerns with jurisprudential analysis, the article attempts to offer a solution to the increasingly subversive use of patent rights, by examining the philosophical

underpinnings of Intellectual Property itself. Tarun Krishnakumar's appeal to Locke, Bentham and Kant, among others, raises key questions about when intellectual property just isn't intellectual property.

Lastly, Srividhya Ragavan, Sean Flynn and Brook Baker in *“Justifying India’s Patent Position to the United States International Trade Commission and Office of the United States Trade Representative”* from Volume VII provide a comprehensive defence of India’s IP policy, and demonstrate how the same goes a long way in busting the long-standing myth that the country’s patent law (be it Section 3(d), or the compulsory license provisions) falls short of international standards.

As exciting as the journey has been for the editors of Volume IX, from shortlisting select original pieces for the current edition to poring through the previous volumes to unearth the highlights of the past ones, the Editorial Board sincerely hopes that the readers find tantamount joy in exploring the pages of this edition. We also take this moment to express our sincere gratitude to the entire peer review board comprising of Mr. Dwij Joshi, Mr. Kartik Chawla, Assistant Professor Prashant Reddy, and Mr. Sourav Dan; without their timely contributions the conceptualization of Volume IX would have been impossible. Lastly, we would also like to thank the Hon'ble Vice-Chancellor, Prof. (Dr.) Faizan Mustafa for his guidance. Any errors and omissions are of course, ours and ours alone.

**FOR A BORDERLESS DIGITAL MARKET: RESOLVING THE
CONFLICT BETWEEN GEO-BLOCKING AND FREE ACCESS TO
SERVICES IN THE EUROPEAN UNION**

*Samyukta Ramaswamy & Sanjana Banerjee**

Abstract

The recent hue and cry over the unavailability of iTunes to its legal customers or the availability of localized versions of iTunes across Europe has once again raised a debate on the practise of geo-blocking. With most right holders claiming that geo-blocking is essential as it protects their interests, customers claim that they are barred from accessing audio-visual content which they have legally paid for. An attempt in resolving this tug of war has been made by the European Union in its attempt to create a Digital Single Market. This Market seeks to establish a common platform where creative work is made accessible to all and further to end unjustified geo-blocking and discrimination based on the geographical location of an individual. The European Union's ambitious and noble aim however, has not gone without resistance with copyright holders claiming that cross-border availability of audio-visual works will have a negative impact as there is not much of a consumer demand due to differences in language and culture. As the E.U. prepares to revamp national copyright laws in their Member States and remove the aspect of 'territoriality', this paper looks into the aspect of accessibility to online copyrighted content and in that respect analyses

* Ms. Samyukta Ramaswamy and Ms. Sanjana Banerjee are IV year students at the National University of Advanced Legal Studies, Kochi.

the current regime rampant with issues of piracy and consumer discrimination. The paper makes a further attempt in analysing how effective the 2017 Regulation on cross-border portability of online content and the 2014 Directive on multi-territorial licensing of online musical works has been in tackling the issue of geo-blocking and resolving this conflict between geo-blocking and consumers' free access to services.

I. INTRODUCTION

Globalisation has had a tremendous impact on the global economy in terms of a rapid shift towards the emergence of a digital market. This has contributed enormously to the growth of online commerce.¹Nearly eighty one percent of E.U. Households presently have access to the internet, making them primary consumers of online digital content including music, videos, live streams, online shopping etc.² Consumer' spending on digital music downloads and streaming increased by eighty-six percent and 413 percent respectively between 2009 and 2013;³ the years between 2010 and 2013 saw an increase of 400 percent in consumer' spending on digital videos.⁴

¹ See Commission Staff Working Document: Impact Assessment Accompanying the Document "Proposal for a Regulation of the European Parliament and of the Council to Ensure the Cross-Border Portability of Online Content Services in the Internal Market," COM (2015) 627 final [hereinafter Cross-Border Portability: Impact Assessment].

² See Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: A Digital Single Market Strategy for Europe, § 1, COM (2015) 192 final [hereinafter Digital Single Market Strategy].

³ Cross-border Portability: Impact Assessment, *supra* note 1 at 4.

⁴ *Id.*

The internet has been heralded as a “new frontier, offering the vision of a borderless space on which no nation’s Neil Armstrong would plant its flag.”⁵ It provides a forum where there are no restrictions placed whilst accessing content; where there is a free exchange of ideas and information transcending national borders.⁶ However, the current framework of the E.U. copyright laws is not in consistence with the promise of a borderless access to content, due to its territorial nature.⁷

Barriers in cross-border access to online copyrighted content and the portability of online services are still common especially for audio-visual programmes. These problems derive to a large extent due to the restrictions placed on the procurement of licenses by rights holders to protect their interests, or the commercial practises of the service providers.⁸ With regard to portability of online services, when a consumer having lawfully purchased online services in his home country crosses an internal EU border, they are often prevented from accessing the digital content so acquired from their country of origin due to these copyright restrictions.⁹ Therefore, companies like Apple Inc., Napster, Netflix, Pandora etc. face a big struggle in providing

⁵ Beverley Earle & Gerald A. Madek, *International Cyberspace: From Borderless to Balkanized?* 31 GA. Journal of Int’l & Comp. L. 225 (2003).

⁶ Jack L. Goldsmith & Tim Wu, *Who Controls The Internet?: Illusions Of A Borderless World* 23 (Oxford University Press 2006).

⁷ See Marketa Trimble, *The Future of Cybertravel: Legal Implications of the Evasion of Geolocation* 22 Fordham Intell. Prop. Media & Ent. LJ 567, 575-76 (2012).

⁸ 45% of companies selling online digital services to individuals stated that copyright restrictions preventing them from selling abroad are a problem. Furthermore, only less than 4% of all video on demand content has been made available cross-border in the EU. *Digital Single Market Strategy*, *supra* note 2, § 2.4.

⁹ Cross-border Portability: Impact Assessment, *supra* note 1, §1.

their users with access to online content without discriminating on the basis of nationality and place of residence.

The Digital Single Market Strategy adopted on 6th May, 2015 is an endeavour by the European Commission in an attempt to achieve this objective of removing the barriers on cross-border access to online copyrighted content by providing easier and better access to digital content whilst simultaneously providing an environment for fair competition.¹⁰ Although this proposal ambiguously set out the idea of a Digital Single Market, and amounted to a work programme on the basis of which further legislative initiatives were adopted, it is still of relevance in that it was the first step in tackling ‘unjustified’ geo-blocking practises.¹¹

The scope of this article is to analyse the legislative initiatives taken by the EU in addressing this issue of geo-blocking especially with regards to the portability of online content cross-borders and the creation of a multi-territorial licensing regime for copyrights. As a foundation to this proposal, this article in Part II would provide a conceptual understanding of geo-blocking and territorial copyrights as it exists in the E.U. Part III would address the conflict between geo-blocking and free access; and Part IV and Part V would address the effectiveness of the Portability Regulation and the Directive on multi-territorial licensing of online musical works in resolving this conflict between copyright territoriality and free access to online content services. Part VI of the article contains conclusory remarks.

¹⁰ Digital Single Market Strategy, *supra* note 2, §1.

¹¹ Digital Single Market Strategy, *supra* note 2, §2.3.

II. COPYRIGHT TERRITORIALITY AND GEO-BLOCKING IN THE EUROPEAN UNION

It is truism that the principle of territoriality forms the basis of modern intellectual property law.¹² This essentially means that copyright holders would have territorially limited licenses wherein they would have to obtain a copyright on a per-country basis due to varying laws in each of the EU Member States. Therefore, for an entity to distribute copyrighted digital content, it would have to individually purchase licensing rights from each Member State, thereby making the process prohibitively expensive.¹³ This was the case with Apple's iTunes. Each country within the EU had their own localised version of iTunes which could not be accessed beyond its own geographical boundaries.¹⁴ Moreover, an iTunes account created in one country cannot be accessed in another country nor can its contents be transferred upon entry to another EU country.¹⁵ Due to these limitations, the only option available to the corporate giant was to obtain twenty-eight licenses from each of the twenty-eight Member States¹⁶ to legally operate in the EU. This proves to be

¹² ANNETTE KUR & THOMAS DREIER, *EUROPEAN INTELLECTUAL PROPERTY LAW: TEXTS, CASES & MATERIALS* 243 (Edward Elgar Publishing, 2013).

¹³ Jaklyn Hoffman, *Crossing Borders in the Digital Market: A Proposal to end Copyright Territoriality and Geo-blocking in the European Union* 49 *GWILR* 143, 149 (2016).

¹⁴ See Kirk McElhearn, 'Crossing Borders with the iTunes Store', (Macworld 13 March 2013, 6:25 AM) available at <<http://www.macworld.com/article/2029991/crossing-borders-with-theitunes-store.html>> accessed 3 April 2017.

¹⁵ *Id.*

¹⁶ MIREILLE VAN EECHOUDE ET AL., *HARMONIZING EUROPEAN COPYRIGHT LAW: THE CHALLENGES OF BETTER LAWMAKING* 307-308 (P. Bernt Hugenholtz ed., 2009).

extremely problematic as it leads to extensive market fragmentation¹⁷; the prohibitively expensive and complex process not only disincentivizes large corporations in distributing online copyrighted works but also acts as a major obstacle to small local businesses who find these challenges insurmountable.¹⁸

Copyright territoriality poses an additional problem in that it tries to create borders in a borderless space such as the internet.¹⁹ Despite the internet portraying the vision of a borderless medium where there is a free exchange of ideas and information transcending national borders,²⁰ companies and online service providers impose barriers and restrictions in the distribution of online copyrighted content to consumers on the basis of their nationality or place of residence, thereby trying to create borders, where none exist.²¹ These borders are typically created through geo-blocking, which is a discriminatory practise of placing restrictions on consumers' cross-border access to websites and other online content based on their geographical location including on the basis of their country of residence, nationality or even IP address.²² The impact that it creates is thus two-fold: first, it limits cross-border trade, and second, limits cross-

¹⁷ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: A Single Market for Intellectual Property Rights, COM (2011) 287 final [hereinafter Single Market for Intellectual Property Rights].

¹⁸ Ibid.

¹⁹ Marketa Trimble, *supra* note 7 at 575.

²⁰ Jack L. Goldsmith & Tim Wu, *supra* note 6 at 23.

²¹ Commission, 'Digital Single Market: Geo-blocking', available at <<https://ec.europa.eu/digital-single-market/en/geo-blocking-digital-single-market>> accessed on 6 April 2017.

²² European Parliament Research Service, 'Geo-blocking and Discrimination among Customers in the EU', available at <[http://www.europarl.europa.eu/RegData/etudes/BRIE/2016/586620/EPRS_BRI\(2016\)586620_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2016/586620/EPRS_BRI(2016)586620_EN.pdf)> accessed on 6 April 2016. See also Digital Single Market Strategy, *supra* note 2, §2.3.

border portability.²³ For instance, an album record made available for purchase in Spain may not be accessible in Italy (thereby limiting cross-border trade), nor would a Spanish consumer moving to Italy be able to access any online content he had legally purchased in Spain (limiting cross-border portability). This is done by gaining access to the consumer's Internet Protocol (IP) Address, which traces his geographical location,²⁴ subsequently blocking his access to websites across borders, downloading cross-border digital content, denying him the ability to purchase goods, or even re-routing him to another local website with different products and prices depending on his nationality, place of residence or current location.²⁵ By placing territorial restrictions along national borders, geo-blocking results in an increased market fragmentation which, in turn increases consumer dissatisfaction as it limits their choice.²⁶

Therefore, while geo-blocking as a practice arises as a result of a unilateral decision taken by key market players, copyright holders and licensees, it seemingly conflicts with the right to a borderless access to digital content. It propagates digital piracy by consumers who download digital content illegally when unable to purchase them via legal means²⁷; loss in profits to copyright holders and licensees, and

²³ CEPS Digital Forum Seminar on Geo-blocking, 'Geo-blocking: Unjustified barrier to the digital single market or legitimate commercial practice?' available at <https://www.ceps.eu/sites/default/files/CEPS%20Digital%20Forum%20seminar%20on%20geo-blocking_2.pdf> accessed on 15 April 2017.

²⁴ Marketa Trimble, *supra* note 7 at 594.

²⁵ European Commission, *supra* note 21.

²⁶ Almost 74% of the complaints received by the European Consumers Centre Network are with regard to geographical discrimination faced by consumers during cross-border online purchases. *Digital Single Market Strategy*, *supra* note 2, §2.3.

²⁷ 22% of E.U. citizens found it acceptable to download or otherwise access online copyrighted content illegally when no legal alternative was available to them. Off. For

proves to be disadvantageous to small entities trying to make a business in the distribution of online copyrighted works due to inaccessibility of content across borders.²⁸

III. THE CONFLICT BETWEEN 'FREE ACCESS' AND 'RIGHTS OF AUTHORS'

Despite over a century of international harmonisation, copyright law still remains within the national domain based on the principle of territoriality.²⁹ The rationale behind copyright law remains that creativity when economically exploited should be rewarded to incentivise creativity.³⁰ Furthermore, proponents for this also argue that creativity utilitarianism is obviously different for different countries and should always be considered from the perspective of the 'region and its people'.³¹ On the other side, advocates against nationalised copyright laws state that although everyone has a natural right over the fruits of their labour, and it is only natural to want to exploit it for economic gains, it should never encroach upon the

harmonization in the Internal Market, European Citizens and Intellectual Property: Perception, Awareness and Behaviour (March 2017), available at <https://euiipo.europa.eu/tunnelweb/secure/webdav/guest/document_library/observatory/documents/IPContributionStudy/2017/european_public_opinion_study_web.pdf> last seen on 08/09/2017. Also See Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Towards a Modern, More European Copyright Framework, COM (2015) 626 final [hereinafter Copyright Framework].

²⁸ European Commission Press Release, 'Copyright: Commission Proposes Easier Music Licensing in the Single Market' (Brussels, 11 July 2012) available at <http://europa.eu/rapid/press-release_IP-12-772_en.htm> accessed on 15 April 2017.

²⁹ Ivana Katsarova, 'The challenges of copyright in EU law : Briefing', European Parliamentary Research Service (EPRS), (2014) available at <[http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/564380/EPRS_BRI\(2015\)564380_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/564380/EPRS_BRI(2015)564380_EN.pdf)> last accessed on 1st March 2017

³⁰ *Id.*

³¹ *Id.*

rights of a person's free access³² especially if the person has legally paid for the content within the borders of one country but is prohibited from accessing it as he moves to another country. Herein lies the conflict between 'free access' and the 'rights of authors'.

The distribution of online copyrighted content cross-border via the internet proves to be an extremely onerous task for online distributors due to the territorial nature of the copyrighted content. For instance, in today's digital age, readers frequently indulge in the purchase of e-books. The problem arises when online distributors of content are restrained by territorially-limited licenses within which they are permitted to provide their services, resulting in readers being denied access to books they have lawfully purchased online when they cross borders. To avoid copyright infringement, these distributors are often required to obtain authorization in the form of a licensing agreement from the right-holder and simultaneously geo-block the online content in order to prevent access from non-licensed member states. This kind of geo-blocking resulting in absolute territorial restriction, seemingly conflicts with Article 101(1) of the TFEU providing for the free movement of services- a fundamental freedom, by restricting or sometimes even eliminating cross-border competition between distributors in different member states.³³ Moreover, there is a considerable lack of transparency in the

³² *Id.*

³³ Commission Decision of 26.7.2016 Relating to a Proceeding Under Article 101 of the Treaty on the Functioning of the European Union and Article 53 of the EEA Agreement (Case AT.40023 Cross-border access to Pay-TV), (C 2016) 1, 5-6, ¶ 20-24 (EC); Eur. Comm'n, Final Report on the E-Commerce Sector Inquiry, at 16, SWD (2017) 154 final (May 10, 2017).

sense that consumers do not have any information on such restrictive practices.³⁴

One cannot also undermine the exploitation of customers by traders who price discriminate while providing services, block content to foreigners, and refuse to accept foreign currency and deliver products.³⁵ Corporations and MNCs benefit from such practices more than that of the copyright holders as they are able to carry out market segmentation along national borders thereby, amounting to a direct violation of EU Competition Law.³⁶ It is still vague as to how much authors and copyright holders gain from this practice, however, the market where their creations could have been sold is narrowed down extensively, which when coupled with the added fear of illegal downloads of audio-visual content results in a consequent rise in piracy, thereby proving to be detrimental.³⁷

It is without doubt that e-commerce has taken a major hit due to such unjustified geo-blocking and discrimination due to no (or negligible) competition, inability to access legally downloaded content, and copyright holders not being able to maximize their creations economically to its full potential. It also cannot be denied that as technology becomes more sophisticated, geo-blocking might

³⁴ European Commission, Commission Staff Working Document Impact Assessment, 'Proposal for a Regulation of the European Parliament and of the Council on addressing geo-blocking and other forms of discrimination based on place of residence or establishment or nationality within the Single Market', SWD/2016/0173 final – 2016/0152 (COD).

³⁵ *Id.*

³⁶ European Commission, Commission Staff Working Document Impact Assessment, *supra* note 34.

³⁷ *Id.*

just become easier in the future with newer technologies being used for tracking and detection.

In order to address this conflict, the European Commission proposed to formulate a single digital market and uniform copyright laws on 25th May 2016. In furtherance of this, the Commission issued a series of Directives³⁸, however despite its measures to implement the non-discrimination principle effectively as laid out in Article 20(2) of the Services Directive³⁹, customers continued to face issues of geo-blocking.

IV. STRIKING A BALANCE: THE CROSS-BORDER PORTABILITY OF ONLINE CONTENT

This section attempts to analyze the viability of the Regulation on cross-border portability of online content enacted by the European Parliament in 2017⁴⁰ in striking a balance between copyright territoriality (and consequently the interests of right-holders) and cross-border access to online content.

A major drawback of the EU's Digital Single Market (DSM) proposal 2016 was that it excluded services the main feature of which is the provision of access to and use of copyright protected content, or the selling of copyright protected works in an intangible form, such as

³⁸ Regulation 2014/26/EU on collective management of copyright and multi-territorial licensing of rights in musical works for online use in the internal market (Pb. L 84/72, 20.3.2014) and Regulation (EU) 2017/1128 on Portability of Online content services in the internal market of 14 June 2017 (Pb L 168/1 of 30.6.2017) are particularly relevant in this regard.

³⁹ Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market [hereinafter Services Directive].

⁴⁰ Regulation (EU) 2017/1128 on Portability of Online content services in the internal market of 14 June 2017 (Pb L 168/1 of 30.6.2017) [hereinafter Portability Regulation].

music streaming, e-books, online games and software.⁴¹ The Proposal which is currently not in force was set for review after a study was conducted by the Internal Market and Consumer Protection (IMCO) regarding the economic viability of such a restriction.⁴² For instance, in the music streaming sector, the annual growth is 45% and continues to expand. If restrictions such as geo-blocking are done away with, there will be a gain of 19 million Euros for consumers and 10 million Euros for producers including in EU countries of Norway and Switzerland.⁴³ An impact assessment of the e-book market has produced similar figures, though not as striking as the former.⁴⁴

That being said, in our view, the enactment of the Cross-border portability of online content Regulation does amount to a step in the right direction taken by the European Parliament in tackling geo-blocking. The Regulation introduces a common approach in the Union with regard to cross-border portability of online content (paid and free services) by enabling subscribers to portable online content which are lawfully made available in their Member State of residence to access and use the same when temporarily present in a Member State other than their Member State of residence based on a

⁴¹ European Commission, “Proposal for a Regulation of the European Parliament and of the Council on Addressing Geoblocking and Other Forms of Discrimination based on Consumer’s Nationality, Place of Residence or Place of Establishment within the Internal Market”, May 25th 2016 (Out of force as of 28.02.2018), Article 4(1)(b), available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52016PC0289>.

⁴² *Id.*

⁴³ Chloe Grondin, 2017, “Completing the Digital Single Market for European consumers and Citizens: Tackling Geo-blocking in the EU” *10th Meeting of the IMCO Working Group*, edited by Laurent Hammers available at [http://www.europarl.europa.eu/RegData/etudes/STUD/2017/607329/IPOL_STU\(2017\)607329_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2017/607329/IPOL_STU(2017)607329_EN.pdf)

⁴⁴ *Id.*

verification system put in place as enumerated in Article 1(1) of the Regulation.⁴⁵ Therefore, where the Portability Regulation creates an obligation on service providers to guarantee access to online content services beyond the licensed territory of the Member State of residence, the service providers on the other hand, are also obliged to the licensor via the licensing agreement to not exceed the licensing agreement in cases other than the portability obligation prescribed by the Regulation. It does so by establishing a legal fiction wherein the service and its access and use by the subscriber in a member state other than the member state of residence is deemed to occur in the subscriber's member state of residence.⁴⁶

In this manner, the service provider is able to deliver the service without being required to clear the rights in the second country without affecting the high level of protection offered by copyright and related rights in the Union as well as the existing licensing models including territorial licenses and the principle of territoriality by way of a legal fiction.⁴⁷ By imposing a portability obligation, the Regulation manages to eliminate the practise of geo-blocking to a considerable extent.⁴⁸

Now, although the Regulation may appear to restrict right holders' freedom to contract, in my opinion this restriction while it may hamper right holders' ability to configure licensing agreements as per

⁴⁵ *Id.*

⁴⁶ Portability Regulation, art. 4, *supra* note 40.

⁴⁷ Recital 12, Portability Regulation, *supra* note 40.

⁴⁸ Andrea Pohl, *Cross-border portability of online content services in the internal market: Does the regulation of the European Parliament and of the Council on ensuring the cross-border portability of online content services in the internal market terminate the exclusivity of national copyright royalties?* EULISP 1, 28 (2017).

their own will, also proves to be towards their benefit considering that the restriction only applies in relation to the temporary presence of a subscriber in Member States other than his Member State of residence.⁴⁹ In fact, it strengthens the position of the right holder by reaffirming the application of exclusive territorial licenses.

While the Regulation may be a mere incremental proposal towards addressing the much larger issue of unjustified geo-blocking, we believe that the Regulation when read in consonance with the Rome I statute based on a conflict of laws approach would help strengthen its effect in terms of dealing with geo-blocking issues.

Reconciling the Conflict of Laws with the help of Rome I

Prof. (Dr.) Stuyck's proposal during the discussion⁵⁰ emphasized on the importance of the role played by Rome I in harmonizing the conflict of laws between the trader's and the consumer's jurisdiction. The proposal emphasizes that mere accessibility to a trader's website does not make a consumer 'passive'.⁵¹ Therefore, a situation where the trader has allowed access to his website to cross-border consumers however prevents a substantial portion of active consumers from either availing the services offered by them, buying the goods by re-routing them to a different website or by imposing

⁴⁹ Portability Regulation, art. 4, *supra* note 40.

⁵⁰ Chloe Grondin, *supra* note 43.

⁵¹ Passive consumers are consumers who have not searched for any information and have fewer conscious reasons for making a decision whereas an active consumer is a consumer who seeks information in order to make a deliberate and conscious decision. See Roos, Inger and Gustafsson, Andres, *The Influence Of Active And Passive Customer Behaviour On Switching In Customer Relationships*, 21 (5) JOURNAL OF SERVICE THEORY AND PRACTICE, 451 (2011), available at https://www.researchgate.net/publication/242348427_The_influence_of_active_and_passive_customer_behavior_on_switching_in_customer_relationships. See also Chloe Grondin, *supra* note 42.

differential conditions for sale will amount to a grave violation of the TFEU as well as the Services Directive⁵² both of which prohibit discrimination on the basis of nationality. The Services Directive goes a step further and even prohibits discrimination on the basis of place of residence. To tackle such kind of geo-blocking, there is a need for harmonisation between the law of the trader and the law of the consumer in cross-border transactions.

The Rome I in its Article 3 provides freedom of choice to both the parties in deciding the applicable law that will govern a particular contract. However, it is quite understandable that traders and cross-border sellers will be unable to cope with different legal systems which would not only lead to higher logistical costs but may also result in a substantial degree of legal uncertainty.⁵³ Therefore, to further the interests of the consumer, the law where the consumer is a 'habitual resident' in is applied and it has been codified in Article 6 of Rome I. This concept has now become an integral part of all consumer contracts. The provisos to the Section make it mandatory that the trader either pursue his business or commercial activities in the consumer's country of habitual residence or by any means, directs his activities to that country.⁵⁴

⁵² Services Directive, art. 20(2), *supra* note 39; THE TREATY OF THE FUNCTIONING OF THE EUROPEAN UNION art. 18, adopted on Dec. 12, 2006 available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:12012E/TXT>.

⁵³ Chloe Grondin, *supra* note 43.

⁵⁴ Regulation (EC) No. 593/2008 of the European Parliament and of the Council on the law applicable to contractual obligations (Rome I), OFFICIAL JOURNAL OF THE EUROPEAN UNION sec. 6(1)(a) and (b), adopted on June 17, 2008 available at <https://w3.abdn.ac.uk/clsm/eupillar/content/pil/rome%20I.pdf>.

A combination of Article 20(2) of the Services Directive⁵⁵ prohibiting any form of discrimination and Article 6 of Rome I would be effective in tackling geo-blocking by ensuring that *firstly*, there is no discrimination between consumers based upon their place of residence especially when it comes to provision of goods and services in a cross-border situation. *Secondly*, Article 6 of the Rome I furthers the intention of the Services Directive by ensuring that consumer contracts entered into with consumers in other Member States where the trader directs his activities or pursues his business should not solely be on a non-discrimination basis but should also abide by the ‘rule of habitual residence’. In order to ensure strict compliance, national courts in the consumer’s ‘habitual residence’ should penalize traders for discriminating amongst consumers across the Union by geo-blocking thereby aiding Europe in achieving a true Digital Single Market.

It is interesting however, to note that neither the Rome I nor Stuyck’s proposal contains a definition for ‘habitual residence’. Coincidentally, the Portability Regulation also lacks clarity on what the limited period of time is to constitute ‘temporary presence in another member state’. Ambiguities such as these call for an amendment in the definition clauses of the Rome I and the Portability Regulation or alternatively, leave it to the National courts to ascertain the exact parameters of these critical definitions on a case to case basis.⁵⁶

⁵⁵ Services Directive, *supra* note 39.

⁵⁶ Chloe Grondin, *supra* note 43.

V. MULTI-TERRITORIAL LICENSING OF COPYRIGHTS: A SOLUTION OR A SACRIFICE?

To begin with, a Collective Management Organisation (CMO) provides licenses to its end users at lower transactional costs, collects royalties payable by them and distributes them equally to the copyright owners. Traditionally, CMOs worked largely on a territorial basis for the management of copyright licenses on a national basis and granting single repertoires. With digitalization however, barriers in accessing music were removed, which inherently proved counter-productive to the rights managed by these CMOs which were becoming monopolies within their own territories. This monopoly created by a handful of CMOs increasingly made it difficult for those attempting to license their works for multi-territorial use.

The result of this was the 2014 Directive which provided a regulatory framework for these CMOs and multi-territorial licensing for musical works which accorded the rights holders with the freedom to choose and greater transparency. It further prohibits discrimination in four separate cases including for copyrighted works.

However, the Directive in my opinion has not been entirely successful in meeting its objective due to many reasons. For instance, a musical track includes a multiplicity of right holders that include authors, performers and producers, the right to acquire and make available reproduction rights and the right to communicate to the public.⁵⁷ These rights are generally assigned or transferred to third

⁵⁷ Ann Harrison, *Music: The Business: The Essential Guide to The Law And The Deals* 112-117 (5th Ed., 2011).

party CMOs for exploitation so as to get maximum returns. This creates two problems. One, it creates a monopoly status amongst the leading CMOs who can administer these rights efficiently, thereby proving to be anti-competitive in nature. Two, the management of less popular works becomes more expensive.⁵⁸ As a result, it proves more difficult for less commercially successful artists who cannot afford the services of these organisations due to their individual weaknesses.

By focussing more on licensing and collecting royalty payments, the Directive emphasises more on a competitive-based approach which is problematic as it undermines the commitment of the CMOs to promote the cultural diversity in music which helps to expand the repertoire and contribute to the cultural and social policy of the member states.⁵⁹ In addition, a competition-based approach shifts the interests of the competing parties with the large corporate publishers approaching CMOs who can offer them an individually negotiated administrative cost in lucrative areas. When this happens, the publishers began withdrawing some of their individual rights (usually those that can be administered at a lower cost, leaving the more expensive ones with the CMO),⁶⁰ and have the option of choosing a CMO that would charge them low administrative costs for licensing these rights thereby increasing the costs for the less popular artists.

⁵⁸ Mazzioti, G., *New licensing models for online music services in the European Union: From collective to customized management* 34 COLUMBIA JOURNAL OF LAW AND ARTS, 757–808 (2011).

⁵⁹ Simone Shroff & John Street, *The Politics of the Digital Single Market: Culture vs. Competition vs. Copyright* (2017) available at <http://www.tandfonline.com/doi/full/10.1080/1369118X.2017.1309445> last seen on 11/10/2017.

⁶⁰ *Id* at 793.

The Directive further proves to be particularly detrimental to those trying to obtain licenses for online streaming their musical works. Firstly, because the descriptions provided by CMOs in respect of online services are very vague; it is not clear which works are covered by them and no way to check the same. They are unlike the blanket licenses available to broadcasters. Secondly, although the Directive endeavours to create a pan-European license, in practise, this hardly seems to hold true considering that a majority of the CMOs do not provide EU-wide coverage, but rather limit the coverage to a few countries, without providing any information about the same.⁶¹ As a result, the burden falls on the artists to obtain rights clearance for these bundles of rights on a per-country basis, which is a herculean task in itself.

Therefore, in order to ensure that the global repertoire is available to all, it is important to prohibit any form of an exclusive mandate between the major right holders and the CMOs for the direct collection of royalties cross-border.⁶² An extended collective licensing system as practised in the UK can be adopted to complement the existing regime under the Directive. This mechanism would reduce the burden on users to identify and obtain licenses from the multitude of right owners apart from providing certainty that they can offer content services without the risk of copyright

⁶¹ Morten Hviid , Simone Schroff and John Street, *Regulating CMOs by competition: an incomplete answer to the licensing problem?*1, 11 (2015).

⁶² Estelle Derclaye, *Research Handbook On The Future Of Eu Copyright* 399(Edward Elgar Publishing, 2009).

infringement.⁶³ This scheme works on the principle that CMOs provide blanket licenses (similar to those provided in the audio-visual and broadcasting sector) covering the entire repertoire provided that the collecting society is ‘representative’.⁶⁴ It mandates that non-member right holders of copyright works be provided with the option of ‘opting out’ of the scheme and treats them on an equal footing with member right holders of CMOs in terms of distribution of royalties.⁶⁵

The 2016 Copyrights Directive⁶⁶ although hinting on this particular scheme for the licensing of out-of-commerce works (like cultural heritage institutions) did not address it in a comprehensive manner. Complementing this scheme with the ‘country of origin’ principle as prevalent in the Audio-visual Media Services Directive⁶⁷ would result in an online content service provider originating in a Member State to clear the rights only within its territory and not in all the other

⁶³ BEAUC, *Collective Management of Copyright and Related Rights and Multi-territorial Licensing of Rights in Musical Works for Online: Proposal for A Directive* 1, 11 (2013) available at https://ameliaandersdotter.eu/sites/default/files/beuc_-_crm.pdf last seen on 14/10/2017.

⁶⁴ Copyright and Rights in Performances (Extended Collective Licensing) Regulations, S.I. 2588 (2014) available at: <http://www.legislation.gov.uk/ukxi/2014/2588/regulation/4/made> last seen on 14/10/2017.

⁶⁵ Dr. Dinusha Mendes & Ms. Victoria Stobo, “UK: Extended Collective Licensing” (2014) available at <http://copyrightblog.kluweriplaw.com/2014/12/03/uk-extended-collective-licensing/?print=pdf> last seen on 14/10/2017.

⁶⁶ Directive of the European Parliament and of the Council on copyright in the Digital Single Market, COM (2016) 593 final 14.09.2016, 2016/0280 (COD).

⁶⁷ Directive of the European Parliament and of the Council amending Directive 2010/13/EU on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the provision of audiovisual media services in view of changing market realities, COM (2016) 287 final 25.5.2016, 2016/0151(COD).

Member States, thereby effectively providing a one-stop shop for all commercial users.⁶⁸

VI. CONCLUSION

The practise of geo-blocking creates an inherent conflict between the need to protect the rights of authors and the need for free access to information and services. The increasing frustration among consumers due to geo-blocking has only paved way for widespread digital piracy, discrimination and unfair competition. The primary motive behind such unjustified blocking as researchers in Melbourne Law School have pointed out is price discrimination. Companies maximize upon the difference in culture and language and follow market segmentation. Lesser competition enables them to charge higher prices to consumers of a certain region. The benefit accrued to copyright holders remains an unknown factor. While innovation of digital media platforms has been swift; the industry has found it difficult to keep up with the fast pace of technology resulting in this practise. Although, it is understandable why some producers and broadcasters of audio-visual works might be unwilling to sell their creations cross-border, it still does not justify the restrictions on the autonomy of consumers. In this context, the measures adopted by EU clearly takes a step in the right direction by harmonising prices across borders for more fair competition accompanied by sufficient information and disclaimers to the users.

⁶⁸ Commission Staff Working document, Impact Assessment accompanying the document Proposal for a Directive on collective management of copyright and related rights and multi-territory licensing of rights in musical works for online uses in the internal market available at <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52012SC0205> last seen on 14/10/2017.

Moreover, in assessing the Portability Regulation put forward by the European Parliament, the authors find that the approach adopted by the Regulation makes a positive attempt in addressing geo-blocking especially if understood in light of the Rome I statute and Article 20 (2) of the Services Directive. However, in the grand scheme of things, the Regulation is still only an incremental proposal and would not be sufficient in eliminating unjustified geo-blocking completely. Lastly, in analysing the measures taken by the EU in this regard, especially with respect to the introduction of a multi-territorial licensing regime for online copyrighted works, the authors are of the opinion that while the creation of CMOs takes a positive step forward in resolving this conflict between geo-blocking and free access, the Directive is not free from fault, and carries with it a risk of anti-competitiveness through the suppression of small societies and less popular works, and further posing a risk to the unique cultural values of each Member State in the process. To overcome these hurdles, the authors suggest the adoption of an extended collective society to be operated in all circumstances (as opposed to limiting its application only in cases of out-of-commerce works as done by the 2016 Directive).

**SWING OWNERSHIP OF ACADEMIC INVENTIONS
(A MODEL BASED ON THE CONCEPT OF JUSTICE WITH
REFERENCE TO IRANIAN LEGAL SYSTEM)**

*Tayebeh Saheb**

Abstract

Determination of ownership of the inventions derived from research works performed at universities and research institutions not only motivates the inventors, but also has been the subject of policy setting in the scope of intellectual property rights, because of various reasons including the necessity of commercializing these inventions to the maximum extent possible. In this respect, four different ownership structures have been proposed: 1) university ownership, 2) inventor ownership, 3) recognition as public property, and 4) inventor-university joint ownership.

In the present research, we begin with defining each of the proposed models and experiences of other countries regarding the models. Then, in order to present an ownership structure in accordance with justice, a brief introduction is given on the three main criteria of justice by Aristotle, Jeremy Bentham and John Rawls before examining the conformity of each of the ownership models to the three criteria of justice. Finally, considering the necessity of determining the party with larger potentials for commercializing the invention in a case by case approach, a combined model called

* Ms. Tayabeh Saheb is an Assistant Professor of Law at the Department of Intellectual Property Law, Tarbiat Modares University, Tehran, Iran.

“university ownership with ownership option for inventor” or “Swing Ownership” is proposed.

I. INTRODUCTION

According to the existing researches, various factors tend to hinder the process of commercializing the inventions derived from the research works performed at universities and research institutes. Among others, in the context of Iranian universities, these factors include environmental, managerial, human resources, financial, industrial, structural, cultural, cognitive, and legal barriers.¹

Referred to as the most important legal barriers are 1) poor intellectual property laws at university and national levels, 2) poor policies and regulations for commercialization of inventions, and 3) failure to correctly enforce the law.²

In the present research, we aim to present a discussion on the first legal barrier: unclear and poor laws governing the right of ownership of the inventions developed in universities and research institutes. For this purpose, we begin with investigating 1) the general rule for the ownership of inventions and the exception for the employment-derived inventions, and 2) different models of ownership of academic inventions, and finally proceed 3) to propose the fairest model of ownership of academic inventions considering different definitions for justice.

¹ J.Y. Farsi et al, *Obstacles and solutions of commercialization of university research: case study of small businesses development center of University of Tebran*, 1(7) Journal Of Knowledge Management, Economics And Information Technology, 1 (2011).

² *Id.*

II. GENERAL RULE AND EXCEPTION FOR THE EMPLOYMENT- DERIVED INVENTIONS

According to the general rule set in Paragraph A of Article 5 of 2007 Act of Patents, Industrial designs and Trademarks of Iran, the intellectual property rights of an invention belong to its inventor.

One of the exceptions to this general rule is represented by employment- or contract-derived inventions. According to Paragraph H of Article 5 of 2007 Act of Patents, Industrial designs and Trademarks, *“In case an invention is derived from an employment or contract, its exclusive rights belong to the employer unless otherwise is provisioned in the contract”*.

This general rule is almost identically accepted in other countries such as USA, England, Germany, Italy, Australia, France, China, Brazil, and Egypt. Meanwhile, in contrary to the Iranian legal system where employer is recognized as the owner of employment-/contract-derived inventions subject to no condition and with no further explanation, many other legal systems have subjected the belonging of the ownership of the invention to the satisfaction of specific conditions such as effective use of the employer facilities by the employee or contract party for developing the invention.³

In the scope of the inventions derived from research projects performed at universities and research institutes, according to the exception for the employment-derived inventions, in case the

³ S. Linde, *Inventor Remuneration-Issues for a multinational company* (2010) (unpublished thesis, Stockholm University), available at <https://patentingenior.no/wp-content/uploads/2015/02/Inventor-Remuneration-Issues-for-a-multinational-company.pdf>.

student/professor/researcher at the university or research institute succeeds to develop an invention, its exclusive rights will belong to the employer (university or research institute here).

The question we are after addressing in the present research is that, considering the general policy of commercializing academic inventions, which ends up practically using and promoting the inventions throughout the society and thereby increasing the deal of wealth across the society, which ownership system represents the optimal one for academic inventions? Should academic inventions be recognized as employment-/contract-derived inventions, so that their ownership goes to the university as the employer and contract party, according to the exception for the employment-derived inventions? Or one should consider that this exception does not apply to academic inventions, so that the general rule of inventor's ownership should be applied to them?

In order to address this question, following with the research, we begin with investigating the models proposed for the ownership of academic inventions and take a look at records of implementing either of these models across various countries. Afterwards, considering the conflicting interests involved and the specific considerations which should be observed when setting policies in this scope, we propose the fairest model based on distributive justice considerations.

III. OWNERSHIP MODELS

Most literature has proposed three main models for the ownership of academic inventions: 1) university ownership, 2) inventor ownership, and 3) no private ownership and recognition of the invention as public property.⁴ In addition to these three models, there is another model which although has gained smaller deals of attention, yet is the most common model in Iran: 4) inventor-university joint ownership. Each of the models are investigated in more details in the following.

3.1. University Ownership

In this section, we consider (1) main characteristics of this model and (2) its practical effects when implemented.

3.1.1. Characteristics

In 1980, an act was adopted in USA which in consideration of its proposers is commonly known as Bayh-Dole Act.

This act governed ownership of the inventions developed using federal budget at universities. Since these research works were performed upon orders placed and then financed by the federal government, according to the exception for employment inventions, their ownership went to the federal government at that time. Bayh and Dole, the two American senators, reasoned that the governmental ownership tends to hinder commercialization of the inventions and proposed that, the nonprofit institutions (e.g. universities and small business) who use federal budgets to undertake

⁴ M. Kenney & D. Patton, *Reconsidering the Bayh-Dole Act and the current university invention ownership model*, 38(9) RESEARCH POLICY, 1407 (2009).

research plans and end up deriving some invention out of the research should have the right to preserve ownership of the invention for themselves. In return of such a privilege, the university was required to fulfill a series of obligations. First, the university should register the invention. Second, the university should share the benefits gained by commercializing the invention with the inventor. Third, the university is required to transfer the license for exploiting the invention to preferably small businesses. Meanwhile, the government secures an international non-exclusive license for exploiting the invention.⁵

In this way, all of the three key factors contributing to the process of invention creation share the resultant invention in some way. The university attains the ownership, the inventor collects a share of commercialization-derived benefits, and the government attains an international non-exclusive license for exploiting the invention. Further, in order to guarantee the commercialization of the invention, the university is obliged to license at least one preferably small firm to exploit the invention.

This act serves as an exception to the exception for employment-/contract-derived inventions, upon which ownership of such an invention does not belong to neither the inventor nor the employer, but it rather belongs to the person who among those involved in the creation of the invention had the largest power for commercializing the invention.

⁵ E. Paraskevopoulou, *The adoption of Bayh-Dole type policies in developing countries. The Innovation Policy Platform*, POLICY BRIEF WORLD BANK: WASHINGTON, DC (2013).

Accordingly, in this legal model, commercialization and maximum exploitation of the invention have given higher priority than the generation of required incentive for inventors to create the invention. According to economic foundation of intellectual property legal system, in order to create incentive to prospective inventors, the right of ownership of invention was used to be belonged to the inventors. However, in order to secure the interests of customers, some exceptions in terms of subject and scope of protection were introduced to provide maximum access to and exploitation of inventions.

This is while, regarding the academic inventions which are financed by governmental budgets, the government has neglected its right of ownership in favor of maximum commercialization and exploitation of inventions, transferring the ownership to the university which is the most powerful stakeholder when it comes to commercialization.

2.1.2. Practical effects

Following the adoption of Bayh-Dole Act in USA, registration of academic inventions was promoted across the country and more inventions actually reached the commercialization stage. The successful experience in USA motivated other developed and developing countries to adopt similar national acts, among which one may refer to England, Belgium, Germany, Denmark, Norway, Japan, Brazil, China, Chile, Argentina, Russia, Mexico, India, Philippine, Malaysia, and South Africa.⁶

⁶ H.K. Hvide & B.F. Jones, *University Innovation and the Professor's Privilege*, NATIONAL BUREAU OF ECONOMIC RESEARCH, 1 (2016).

In this respect, setting forth an act similar to Bayh-Dole Act, Note 2 of Article 17 of the Law of the Fifth Economic, Social and Cultural Development Plan of Iran requires that:

“In order to develop and propagate the technology, executive agencies are herein permitted to transfer the ownership of intellectual rights, technical knowledge, and equipment developed within framework of contracts with public universities and research institutions to the mentioned universities and institutions”.⁷

Considering the definition of *executive agencies* in National Services Management Act,⁸ the term not only covers the government, but also further extends to non-government public agents. Nevertheless, the important point to note in this article is that the possibility for transferring the ownership of the obtained intellectual properties is only permitted to governmental universities and research and technology institutions and it does not include private universities and institutes. In this way, in contrary to the main reasoning upon which the Bayh-Dole Act was adopted (inefficiency of governmental ownership and the necessity of getting the government’s hands out of ownership of intellectual properties), this note keeps the ownership in hands of the government while making a minor change in the agency, i.e. just an apparent change of owner.

⁷ This act has been repeated in Paragraph I of Article 80 of the bill on Sixth Economic, Social and Cultural Development Plan of Iran.

⁸ According to Article 5 of National Services Management Act, executive agencies are defined as follows: “all of ministries, governmental institutions, non-governmental public institutions or agencies, governmental companies, or all of the agencies for whom the application of law is subjected to explicitly naming them, such as National Iranian Oil Company, Organization for the Development and Renovation of Iranian Industries, Central Bank, and governmental banks and insurance companies are referred to as executive agents”.

At the time of writing this paper, no research was published on the practical effects of the adoption of Note 2 of Article 17 of the Fifth Development Plan. However, results of empirical studies in other countries show that, in most of the countries, following the enforcement of such act, number of patent applications, number of university-owned patents, and the number of licensing transactions by the universities increased. This was while, in contrary, the rate of university-led entrepreneurship activities, and the number and quality of university-derived start-up companies and spin-off companies decreased. For example, one may refer to a study performed in Norway indicating 50% decrease in the rate of university-led entrepreneurship activities and the number of university patents following the adoption of a national act similar to Bayh-Dole Act. Furthermore, the start-up and spin-off companies exhibited lower qualities in terms of quality criteria.⁹

Also in Germany, since 2002 when a national act similar to Bayh-Dole Act became effective, the number of university inventions have either remained unchanged or even decreased.

Accordingly, even though the university ownership model has contributed to the development of commercialization activities in American universities, but no such successful experience has been observed in other countries. According to experts, this has things to do with other factors improving the state of commercialization of American university inventions. According to research performed in this respect, in addition to reformed structure of ownership of

⁹ *Supra* note 9.

academic inventions, such other factors as strengthened intellectual property legal system, scientific advances in the field of biomedical research, and increased amount of governmental budgets allocated to research works at universities have played important roles in achieving such success.¹⁰

3.2. Inventor Ownership

In this section, we consider (1) main characteristics of this model and (2) its practical effects when implemented.

2.2.1. Characteristics

In some of legal systems, according to the general rule governing ownership of intellectual properties, this is the inventor or creator who attains the right of ownership of the invention. In such legal systems, relying on the fundamental philosophy of intellectual property rights system which is to promote the motivation toward invention, the inventers are recognized as being eligible to enjoy ownership of the invention.

In the legal system which applies inventor's ownership model, this is the inventor who decides to either undertake commercializing the invention by himself/herself, transfer the invention to others for commercialization purposes, use the services provided by the technology transfer office at the university, or enter the invention to the public domain. Failure to own an invention and recognition of that as a public domain are common in computer software products,

¹⁰ N. Ramli, & Z.A. Zainol, *Intellectual Property Ownership Model in Academia: An Analysis*, 19(3) J. INTELLECTUAL PROPERTY RIGHTS, 117 (2014).

where university professors and researchers tend to publish the software products developed by themselves publicly for free.¹¹

2.2.2. Practical Effects

In practice, one of the successful examples of inventor ownership legal system is the Waterloo University in Canada. According to Policy 73 of this university, “*Everything you discover at Waterloo belongs to you*”.

In return, the university will attain a non-exclusive, free, and irrevocable license for exploiting these inventions in other training and research activities.¹²

Empirical studies indicate that, compared to other universities all around the world, Waterloo University has spin-off companies of highest quality, indicating successful implementation of inventor ownership model in this university.¹³

Compared to the present, in the past, the inventor ownership model was further admitted and many countries such as Austria, Finland, Germany, and Denmark used to implement this model as “*professor’s privilege*” custom. Today, however, these countries have changed their policies and turned into the university ownership model. Sweden is one of the European countries which have remained loyal to this custom.

¹¹ *Supra* note 4.

¹² University of Waterloo, *Policy 73 Intellectual Property Rights*, Secretariat (Jun. 29, 2000), <https://uwaterloo.ca/secretariat/policies-procedures-guidelines/policy-73-intellectual-property-rights>.

¹³ M. Kenney & D. Patton, *Does inventor ownership encourage university research-derived entrepreneurship? A six university comparison*, 40(8) RESEARCH POLICY, 1100 (2011).

Italy is among the countries which have recently joined to the systems implementing inventor ownership model, where the professor's privilege custom has been implemented since 2001.¹⁴

Even though the university ownership system practically increased the number of patents and license contracts, but the inventor ownership model has ended up increasing the quantity and quality of university-led spin-off companies.

3.3. Entrance to the Public Domain

A third model for the ownership of academic inventions is a system where academic inventions are recognized as public domain immediately following their creation. According to this view, the possibility for free exploitation the inventions increases their commercialization.¹⁵

Although this model can result in maximum exploitation of inventions, but it tends to attenuate the motivations toward stepping in the path toward creating an invention as it provisions no right for neither the inventors nor the university. On this basis, a system wherein neither the inventor nor the university has no right over the invention is likely to fail to develop the required motivation toward inventing both for the inventor and the university.

¹⁴ D.B. Audretsch, & D. Göktepe-Hultén, *University Patenting in Europe*, in The Chicago Handbook Of University Technology Transfer And Academic Entrepreneurship, (A.N. Link et al eds., 2015).

¹⁵ *Supra* note 4.

3.4. Inventor-University Joint Ownership

In most of the research works within the field of academic inventions, no attention has been paid to the structure of inventor-university joint ownership. The reason for that has been the inefficiency and high costs associated with the implementation of such a joint ownership model. High cost of joint administration of inventions increases transaction costs, finally ending up with inefficiency of this model. As such, this ownership structure is not recommended, at least in research and theoretical works emphasizing on practical and economic considerations.

Nevertheless, in Iran, the inventor-university joint ownership structure is commonly being practiced in most of universities and research institutions, so that the inventor and university attain ownership of the invention in joint scheme¹⁶.

Regarding practical effects of implementing this ownership model in Iran, as of current, no empirical survey is reported, upon which one could comment on its efficiency in practice.

IV. PROPOSING A FAIR MODEL

In order to propose a fair ownership model for academic inventions, one should consider contradicting interests involved in the process of creating and commercializing the invention. Often times, the following parties contribute to the cycle of creating and commercializing academic inventions: 1) inventor as the creator of

¹⁶ For example refer to Part 2 of Executive Code of Registration of Innovation at Pasteur Institute of Iran and Article 2 of Executive Code on Intellectual Ownership of Kermanshah University of Medical Sciences.

the invention, 2) university as a research center providing the required facilities and infrastructures for creating the invention, 3) financing agency which be either a governmental or non-governmental agency, 4) technology transfer office at the university which contribute to the commercialization of the invention, and 5) consumer population who comprise the target group for commercialization activities.

Each of the parties have some interests in stepping in and contributing into this cycle which is partly in conflict with those of the other parties: 1) inventors' and researchers' benefits in developing the required motivation for creating the invention and innovation, 2) benefit of the university or research institutes in investing and providing appropriate infrastructures and facilities for research and innovation, and 3) public benefit in commercialization of the resultant inventions and maximum exploitation of the inventions.

Meanwhile, the law is after establishing a compromise between these conflicting interests, as it does in other arenas. For this purpose, the law requires criteria for setting policies and making decisions. One of the most important yet the oldest criteria used for setting legal policies is the justice^{17,18}. Following with the paper, we present (1) the

¹⁷ In Nicomachean ethics, Aristotle divides justice into two categories: distributive justice and corrective justice. Cooler has made this division even more detailed. In his view, justice is categorized into four categories: distributive justice, political justice, commutative justice, and corrective justice. Distributive justice deals with social relations and the distribution of wealth and income across the society, serving as the core of the idea of social justice. Commutative justice deals with transaction relationships; political justice governs political relationships, and corrective justice addresses unfair relationships. In the realm of law, commutative justice have applications in contract law, while corrective justice comes into play in the scope of civil responsibilities and criminal law. Here, by justice we mean distributive justice.

most important definitions for justice, (2) conformity of each of the existing ownership models with the concept of justice, and finally (3) a fair model for the ownership of academic inventions.

4.1. Concept of Justice¹⁹

As of now, various definitions have been proposed for justice²⁰. Following with this section, we investigate the concept of justice as (1) merit, (2) equality, and (3) utility maximization.

4.1.1. Justice as Merit

One of the most important yet the oldest definitions for justice has been attributed to Aristotle. In Aristotle's idea, justice means to divide and distribute available properties and facilities according to deserts and merits.²¹ The one who is of higher merits than others deserves receiving the property and facility, and this is closer to the concept of justice. Trying to determine the one of higher merits, one should look at ultimate goal of objects. This is known as teleological approach.²²

¹⁸ According to legal positivists, the law should not necessarily be in line with morality or justice.

¹⁹ Richard Posner believes that, the criteria of justice in the realm of public law should be used as a base when setting rules and policies, while the efficiency criteria should serve the same role in the realm of private rules when adjusting private relations between individuals. This distinction has been criticized. According to one of the critics, at the time of setting rules and policies, not only justice, but also efficiency, and more importantly, legal transparency and respect for human dignity shall be taken into account.

²⁰ Klaus Mathis has introduced six criteria for fair distribution of wealth and hence realization of distributive justice: 1) to everyone equally, 2) to everyone according to their beliefs, 3) to everyone according to their class, 4) to everyone considering their legal right, 5) to everyone according to their needs, and 6) to everyone according to their merits.

²¹ S. Fleischacker, *A SHORT HISTORY OF DISTRIBUTIVE JUSTICE* (2009)

²² M.J. Sandel, *Justice: What's The Right Thing To Do*, 91 B.U. L. REV., 1303 (2011).

Similarly, trying to determine the one who deserves ownership of inventions, one should take a look at ultimate goal of patent right. According to classic utilitarian justification for intellectual property rights, the main goal of patent system is to incentivize the invention.²³ But recently, attention has been turned to the commercialization of inventions. According to Edmund Kitch “*the primary point of the patent system is to encourage further commercialization and efficient use of as yet unrealized ideas by patenting them*”.²⁴

Although the primary beneficiary of patent law system is the inventor who enjoys an exclusive right over his/ her invention but the ultimate beneficiary of the invention is society - whether end consumers or other inventors who will develop complementary inventions based on the current invention. To make society benefit, the invention should be commercialized. Commercialization means “reaching the market”.

Therefore besides providing motivation for inventing, commercialization of inventions and making society benefit from new invention is another main goal of patent system. As a result, according to this definition for justice, ownership of inventions should be granted to whom with more extensive facilities and capabilities for inventing and more importantly for commercializing the invention and making it reach to the market efficiently.

²³ M.A. Lemley, *Ex ante versus ex post justifications for intellectual property*, 71 UNIVERSITY OF CHICAGO L. R., 129 (2004).

²⁴ D.L. Burk & M.A. Lemley, *Policy Levers In Patent Law*, 89 VIRGINIA LAW REVIEW, 1575 (2003).

4.1.2. Justice as Equality

Another important philosophical definitions for justice was proposed by John Rawls. He places an emphasis on two significant principles when it comes to justice. First, liberty principle, and second, difference principle. These are principles for which individuals will vote at their original position of equality and without awareness about their future positions within the society ,as John Rawls describes as behind a “*veil of ignorance*”.²⁵

In a hypothetical position where no one has a knowledge about his/her destiny in society and no one knows whether he/she belongs to a sect minority or religious majority, he/she will definitely vote for equality of both the minority and majority groups (liberty principle). On the other hand, since people are not aware of their financial positions in society at their original position where they do not know whether they are to become rich or poor, they will vote for equally distributing available incomes, unless those who enjoy larger shares of wealth can improve the situation of less enjoyed ones (difference principle). In this way, even though equality in distributing the incomes and facilities is preferred, but based upon the difference principle, those social and economic inequalities which make some benefit for the most deprived members of society are recognized as permissible and hence fair.²⁶

²⁵ J. Rawls, A THEORY OF JUSTICE, 2009.

²⁶ J. Wolff, *Social justice and public policy, A view from political philosophy*, in SOCIAL JUSTICE AND PUBLIC POLICY: SEEKING FAIRNESS IN DIVERSE SOCIETIES, 17 (G. Craig et al eds, 2008).

When it comes to determining ownership of academic inventions considering John Rawls' idea, equality of parties in the ownership right represents the first priority, unless an unequal distribution improves the position of weaker parties.

4.1.3. Justice as Maximum Utility

Jeremy Bentham, the British moralist philosopher, is the designer of the theory of utilitarianism. According to him, the most excellent moral principle is the maximization of utility and felicity, i.e. to generally enhance happiness against pain. He believes that, the right thing to do is what enhances the utility. By utility, he means anything which ends up creating happiness and felicity and prevents pain.²⁷

Accordingly, in Bentham's idea, any sort of distribution which maximizes the utility, i.e. felicity and happiness across the society, is recognized as fair and correct.²⁸

In continue, conformity of the ownership models will be analyzed in accordance with each of justice criterion.

4.2 Conformity of University Ownership with the Justice Criteria

Assuming that the commercialization of invention is one of the main goal of patent system, the university seems to the one of larger facilities and capitals for commercializing the invention. So that the university is, at first glance, of larger potentials for realizing one of

²⁷ J. Bentham & L. J. Lafleur, AN INTRODUCTION TO THE PRINCIPLES OF MORALS AND LEGISLATION (1948).

²⁸ Inspired by Bentham's theory of utilitarianism, Richard Posner, a practitioner of economic analysis of law, presented the "*wealth maximization*" as a measure of efficiency. He has recently adjusted his opinion.

final goals of invention, i.e. commercialization, making it more deserved the ownership of the inventions, as compared to the inventor. But this structure fails to provide motivation for inventors who are the true and genuine creators of the inventions. This failure would be remedied by adjusting the model, for example requiring the universities to share the benefit of the commercialization with the inventor and others who contribute in inventing and commercializing the inventions. As such, granting the university the ownership right and making it obliged to share the benefits of commercialization with the inventors and other contributors like TTO conforms more to the Aristotle's justice as merit.

In addition, given that the assumption of university ownership boosts the probability of commercialization of the invention and thereby extends the scope of distribution and exploitation of the invention across the society, this model tend to maximize utility across the society; hence, university ownership also exhibits more conformity to the Jeremy Bentham's utilitarianism criterion.

Moreover, according to John Rawls' difference principle, if ownership of an invention is granted to the university, given that the university has larger facilities and capitals for commercializing the invention, it can share the benefits gained from commercializing the invention with the inventor to compensate for the inequality in distribution of facilities and thereby it provides incentive for inventors to create more inventions. As such, university ownership does also conform to the John Rawls' theory of justice.

Based on these considerations, nowadays, in most of countries around the world, ownership of academic inventions is originally given to the universities which are of larger potentials and facilities for commercializing the inventions, and in return, the universities are required to share the resultant benefits from the commercialization of the invention with the inventor/researcher to provide him/her with required motivations to actually create inventions.

Nevertheless, all of these inferences are subjected to the presumption that the university is actually of larger potentials and facilities for commercializing the invention. Although this presumption has been proved to hold for most cases, but there are cases where it is violated. Given the inventor's further dominance over the product which is a result of his/her own ideas and thoughts, one may consider a case where the inventor may have larger potentials for commercializing the invention. Therefore, this ownership model cannot be seen as being absolutely in accordance with justice.

4.3. Conformity of Inventor Ownership with the Justice Criteria

Because this is the inventor who creates the invention, granting the ownership of invention to the inventor will provide more incentive for him/her and other potential inventors to develop new ideas and present more inventions. But regarding another goal of patent system, i.e. commercialization of inventions, similar to the discussion presented lately about the university ownership, the inventor ownership model can conform to justice criteria only if the presumption of inventor's larger potentials and facilities for commercializing the invention holds. If this is true by case, the

inventor more deserves ownership of the invention, and according to Aristotle, *this is closer to justice*. Furthermore, assuming that the inventor is of larger potentials for commercializing the invention, his/her ownership is likely to end up creating more inventions, thereby maximizing utility across the society, indicating a closer-to-justice approach to ownership distribution as per Jeremy Bentham's theory. On the other hand, should the inventor be obliged to share the benefits gained from commercializing with the university, granting the inventor the ownership right can be justified by the John Rawls' difference principle.

However, as was mentioned before, this ownership model is also subjected to the satisfaction of the presumption indicating inventor's larger potentials for commercializing the invention.

4.4. Conformity of Inventor-University Joint Ownership Model with the Justice Criteria

From John Rawls' point of view, when it comes to the ownership of academic inventions, equality in distributing the incomes and facilities is preferred. In this way, it is preferred to have either parties, namely the university and the inventor, equally attain ownership of the invention.

Nevertheless, as was mentioned before, referring to the difference principle, John Rawls recognizes inequality in distributing the incomes as in accordance with justice under special conditions, that is when the party enjoying further facilities can compensate for the loss incurred by the deprived or less-enjoyed party. In this way, also from

John Rawls' point of view, justice implies that ownership of the invention is transferred to either of the parties with larger potentials and facilities for commercializing the invention. In return, this party should compensate for the loss incurred by the weaker party.

4.5. Swing Ownership: University Ownership with Ownership Option for Inventor

As observed, the main issue in determining an ownership structure for academic inventions was how to determine the party with larger capabilities for commercializing the invention. Given that a general procedure for determining such a party is impossible to formulate and it rather should be considered case by case, we herein propose a swing ownership structure designated as "*university ownership with ownership option for inventor*".

In this model, which represents an intermediate among other models, the ownership is generally granted to the university (whether governmental or non-governmental); meanwhile, the inventors who would demonstrate they have enough capabilities to commercialize the invention would apply for ownership of the invention within a predefined period of time.

In case the inventor fails to submit such an application, the university is obliged to provide the inventor with a share of the benefits gained by commercializing the invention.

But in case the inventor succeeds to obtain the right of ownership, he/she is obliged to provide the university with a share of the benefits gained by commercializing the invention (for example, 5% of

the shares of the resultant company or commercialization-resulted benefit).

In addition, under either assumption, namely survival of university ownership or transferring the ownership to the inventor, aiming at ensuring the commercialization of the invention and avoid exclusiveness of the right of ownership for the owner, the owner is obliged to provide a minimum of two independent companies with non-exclusive licenses for exploiting the invention.

V. CONCLUSION

Implementation of an identical model across all countries will not necessarily end up with identical results. As such, it is not recommended to accept any model absolutely with no modification or adjustment within the scope of policy setting.

The reality is that, in addition to the problem of ownership right of academic inventions which required further clarification and codification of special laws, other infrastructures required for commercializing academic inventions should also been provided at the same time to contribute to effectiveness of this policy.

In addition to legislative modification of ownership structure, there are other factors which can increase commercialization of academic inventions, including (1) enhancing independency of universities and research institutions, (2) decentralization of employment and allowing universities and research institutes to employ researchers following decentralized procedures, (3) granting researchers performance-based incentives, (4) considering technological activities in promoting the

positions of faculty members of universities and research institutions, (5) establishing active technology transfer offices, and (6) providing required financial resources, personnel, and infrastructure.²⁹

²⁹ E. Paraskevopoulou, *The adoption of Bayh-Dole type policies in developing countries. The Innovation Policy Platform*, POLICY BRIEF WORLD BANK: WASHINGTON, DC (2013).

NON-CONVENTIONAL TRADEMARKS: HAS INDIA SECURED AN EQUAL FOOTING?

*Kuruvila M Jacob & Nidhi Kulkarni**

Abstract

It is well known that firms spend a considerable amount of time and energy in building brand awareness and association among consumers. As Jeff Bezos very rightly said, “A brand for a company is like a reputation for a person.” Consequently, they expect a good return on their investment in terms of consumer satisfaction and higher sales.

Given the breakneck pace at which technology was advancing in the twentieth century, industries were mainly evolving in the design and innovation processes. This resulted in increase in threats of piracy, plagiarism and intellectual theft. Intellectual Property was thus, formulated with an aim of protecting the innovation capabilities of firms and stifling anti-competitive tendencies.¹ Since 1995, the World Trade Organisation has taken over the regulation of Intellectual Property rights on a global scale.²

Trademarks form an integral part of this aim and a lot of literature in the past has focussed on their registration and application. The authors will however be focussing on a niche area of trademark law - non-conventional trademarks, with particular reference to the recent

* Mr. Kuruvila M Jacob & Ms. Nidhi Kulkarni are III year students at the National Law Institute University, Bhopal.

¹ DAVID BANBRIDGE, *INTELLECTUAL PROPERTY* (6th Ed. Longman, UK 2006).

² DUNCAN MATTHEWS, *GLOBALISING INTELLECTUAL PROPERTY RIGHTS: THE TRIPS AGREEMENT* (Routledge London, 2002).

Indian Trademark Rules of 2017. The number of applications for the registration of this category of marks has been on the rise primarily due to the vague definition of trademarks incorporated within various domestic legislations. In light of this, Part I of this paper will focus on the evolution and categories of non-conventional trademarks, Part II will deal with the contentious element of 'graphical representation' and its presence in the EU and US jurisdictions. Finally, Part III will cover their position in the Indian jurisdiction in light of the 2017 Rules.

THE EVOLUTION OF NON-CONVENTIONAL TRADEMARKS

In recent years, trade mark registries and courts have been tackling unprecedented trade mark claims right from applications for scents, textures and single colours to Tarzan's yell. This stems from the possibly vague and open-ended definition of the term, itself.

Article 15(1) of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)³ acknowledges, "*any sign, or any combination of signs capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trade mark*". The objective of this agreement under the World Trade Organisation was the protection and enforcement of intellectual property rights accompanied by the transfer and dissemination of technology, to the mutual advantage of its producers in a manner conducive to social and economic welfare.⁴ United States statutory

³ Agreement on Trade-Related Aspects of Intellectual Property Rights (1994) [*hereinafter* 'TRIPS'].

⁴ Article 7, Objectives, TRIPS.

law designates a trademark to include “*any name, word, symbol or device, or any combination thereof which serves to identify and distinguish the mark owner’s goods from those manufactured or sold by others.*”⁵ According to Section 2 (1) (zb) of the Indian Trade Marks Act, 1999 trademark means “a mark capable of being represented graphically and capable of distinguishing the goods or services of one person from those of others and may include shape of goods, their packaging and combination of colours.” Thus, any sign, which carries out the communicative work of a trademark, can be registered as one. This open-ended definition of trademarks across jurisdictions has led to opening a Pandora’s box in terms of applications for registrations of these marks and has even extended to certain categories of non-conventional marks.

There are three essentials, which a mark must satisfy to be classified as a non-conventional trademark-⁶

- It should be inherently distinctive;
- It should be capable of being graphically represented;
- It should be capable of distinguishing one good from another.

Marketing specialists strongly believe that unconventional marks like sound, smell, colour and movement act as Unique Selling Points (USP’s) of particular products and help in setting them apart from

⁵ The Lanham (Trademark) Act, 45 U.S.C §1127, §§ 1051-1141n (1946) [*hereinafter* Lanham Act].

⁶ Controller General of Patents, Designs & Trade Marks, *What is a trade mark?, Frequently Asked Questions (FAQs)*, OFFICE OF THE REGISTRAR OF TRADE MARKS (Oct. 8, 2017, 10:00AM), <http://www.ipindia.nic.in/faq-tm.htm>.

competition.⁷ The question however remains as to how far can trademark registration be stretched to protect these ideas.

Sound Marks

Sound plays a vital role in identifying a particular good or service and thus, serves the very purpose of a trademark. Internationally, the first sound to be registered as a trademark was the iconic “Lion Roar” of the Metro Goldwyn Mayer Corporation (MGM).⁸ MGM had submitted a sonogram for the “Lion’s roar” in pursuance of its application for registration. Interestingly, this was rejected in the European Union but accepted in the United States. This was mainly due to the differences in requirements under the two jurisdictions.

Internationally, two approaches have evolved pertaining to registration of sound marks. In the United Kingdom emphasis has been placed on submission of musical notations along with a description of the mark.⁹ US law however, requires audio or video reproduction of the sound since it can be intelligible to laymen, as well. In the Shield Mark¹⁰ case, the European Court of Justice had to determine the degree of graphical representation required for musical and non-musical sound marks. According to the court, for musical sounds, a detailed notation would suffice. The sound would have to have the effect of creating an impression on the listener, which aids

⁷ R. BIRD, SUBHASH C. JAIN, *THE GLOBAL CHALLENGE OF INTELLECTUAL PROPERTY RIGHTS* (2008).

⁸ *Metro-Goldwyn Mayer Lion Corporation’s Appeal relating to Community Trade Mark Application No. 143891*, Case R 781 / 1999-4, Decision of OHIM Fourth Board of Appeal of 25 August 2003.

⁹ *Shield Mark BV v. Joost Kist*, (2004) R.P.C. 315 (ECJ).

¹⁰ *Id.*

him/her in distinguishing it from other sounds. The complication however, arose in the case of non-musical sounds since description in words would often be imprecise.¹¹ Given the prerequisite of graphical representation, the EU's Office of Harmonisation for the Internal Market felt the need to depict sounds through complex sonograms, which were neither easily intelligible nor a complete substitute for the original sound. The final decision involved adoption of a digital sound recording along with a graphical representation of some sort.¹²

Colour Marks

Quite often, we associate brands with particular colours. For example, the iconic red Christian Louboutin heels, the lilac tinge that is used on Milka chocolate wrappers and even the bright shade of pink attached to Mattel's Barbie dolls.

The first issue to be addressed under this category was whether a colour is too abstract to be considered as a mark. The ECJ in the *Libertel*¹³ case stated that- “[An abstract] colour per se cannot be presumed to constitute a sign. Normally a colour is a simple property of things. Yet it may constitute a sign. That depends on the context in which the colour is used”

A particular colour must be associated with a brand for a sufficiently long time to be registered as a trademark. If a colour is held functional for any product, then it cannot be registered.¹⁴ In the *Saint-Gobain case*¹⁵, it was held that the colour purple does not just help in

¹¹ BIRDS, *supra* note 8.

¹² Decision No Ex-05-3 of the President of OHIM of 10 October 2005.

¹³ *Libertel Groep BV v. Benelux-Merkenbureau*, (2003) E.T.M.R.63 (ECJ).

¹⁴ The Lanham Act, 15 U.S.C. § 1052(e) (5).

¹⁵ *Saint-Gobain Corp. v. 3M Co.*, 90 U.S.P.Q.2d 1425 (2007).

distinguishing the glass from other products. Its primary function was in the field of coated abrasives and hence, it served a functional purpose. Similarly, the colour pink used for wound dressings was not found to be registrable given the fact that pink resembled the colour of human skin and it was used for that exact purpose.¹⁶

A landmark case in this regard is Cadbury's application for registration of the colour purple, which it has been using on chocolate wrappers for over 150 years.¹⁷ The UK Court of Appeal rejected the application stating that the description given by Cadbury was not precise enough for members of the community to gauge the degree of protection it was seeking. In the application, the company showed its purple coloured trademark as a rectangular slab and described it as -

“The colour purple (Pantone 2685C), as shown on the form of application, applied to the whole visible surface, or being the predominant colour applied to the whole visible surface, of the packaging of the goods.”

The Court in its decision stated that the representation of the mark would result in Cadbury acquiring a monopoly over various forms of packaging involving the colour purple as opposed to a specific manner of depiction.

Thus, although theoretically possible, registration of colours as trademarks is extremely difficult due to the current interpretation of the law by Courts. Brand owners are less likely to get protection for

¹⁶ In re Ferris Corp., 59 U.S.P.Q.2d 1587 (2000).

¹⁷ Société des Produits Nestlé S.A. v. Cadbury, (2012) EWHC 2637 (Ch).

colour trademarks for their product per se instead of the specific “get-up” of the product.¹⁸

Scent Marks

A category, which has generated greater discussion and debate amongst trademark specialists, is that of scent marks. Smell is one of the most potent human senses and companies are placing great import on linking their products to certain scents.¹⁹

Registrations of these marks are less due to the obvious difficulty of graphical representation. Though scent marks can be registered in theory, a practical registration is highly unlikely. In a particular case,²⁰ Ralf Seikmann applied to the German Registry to register a scent mark. He indicated the chemical structure of the substance and gave its formula along with describing its scent in words as “*balsamically fruity with a slight hint of cinnamon*”. The Court held that though the formula was easily accessible it would not be discernible to laypersons and more importantly, lacked objectivity with regard to the description.

A further impediment to their registration is that the smell must not originate from the essence of the product, itself. For example, Chanel’s application to register its No. 5 perfume as a scent mark

¹⁸ Gaelyn Scott, *Another Colour Fail*, MONDAQ, (Oct. 11, 2016, 11:00 AM), <http://www.mondaq.com/southafrica/x/534260/Trademark/Another+Colour+Fail>.

¹⁹ WIPO, *Smell, Sound and Taste – Getting a Sense of Non-Traditional Marks*, WIPO MAGAZINE, (Oct. 11, 2016, 4:00PM), http://www.wipo.int/wipo_magazine/en/2009/01/article_0003.html.

²⁰ *Sieckmann v Deutsches Patent- und Markenamt*, (2003) E.T.M.R 37.

failed on account of the fact that the peculiar scent was the very essence of the product.²¹

Movement Marks

Movement marks generally take the form of an animation created on the computer and have been known to include human gestures and moving objects.²² The most well known of these marks is undoubtedly Microsoft's animated sequence of coloured dots swirling to form its logo. As is the rule for other non-conventional trademarks, the mark in question has to be distinctive and capable of graphical representation. While this is comparatively easier for movement marks, the right sequencing of images while depicting the series of movements is critical.²³ The party seeking registration must ideally describe the motion mark along with the correct order and form of movement taking place.²⁴ This is especially important since this category of marks is never in the "pure form" and is almost always a combination of marks.²⁵ Toyota Motor Corporation's advertisement included a freeze frame, which saw actors jumping into the air at the end of an advertisement accompanied by the catchphrase "*Oh, What a Feeling*". An application for the registration

²¹ Institut pour la Protection des Fragrances (IPF)'s Community Trade Mark Application, (2005) E.T.M.R. 42.

²² M.M.S. Karki, *Nontraditional Areas of Intellectual Property Protection; Colour, Sound, Taste, Smell, Shape, Slogan and Trade Dress*, 10(6) JOURNAL OF INTELLECTUAL PROPERTY RIGHTS 499-506, 502 (2005).

²³ Michal Ziolkowski, *Motion Trademarks as an element of Brand Promotion*, IP LAW WATCH, (Oct. 12, 2017), www.iplawwatch.com/2016/10/motion-trademarks-as-an-element-of-brand-promotion/.

²⁴ *Ibid.*

²⁵ Nokia Corporation, Application No. 003429909 (Jan. 13, 2006), TRADEMARKIA, (Oct 8, 2017, 9:00PM), <https://www.trademarkia.com/ctm/logo-003429909.html>.

of this motion mark was accepted by the Australian Trademark's Office in 2012.²⁶

An application for registration may be rejected if the motion depicted is 'functional' to the good in question. Functionality is understood as a quality of a product, which is vital to its technical use or construction.²⁷ For example, Lamborghini's attempt to register its characteristic door motion "Lambo doors" was rejected by the EU's OHIM since the mark lacked distinctiveness and was functional in nature.²⁸ The application was subsequently accepted in the United States.²⁹

The US Patent and Trademark Office's Trademark Manual of Examining Procedure (TMEP) on the other hand, provides that "an acceptable specimen should show the *entire repetitive motion* in order to depict the commercial impression conveyed by the mark (e.g., a video clip, a series of still photos, or a series of screen shots)."³⁰

In relation to services, the provision requires use of the mark which would aid potential customers in identifying the service and

²⁶ Toyota Motor Corporation Australia Limited, Application Number 1472463, (July 29, 2015, 9:10PM), IP AUSTRALIA (Oct. 8, 2017), available here: https://pericles.ipaustralia.gov.au/atmoss/Falcon_Details.Print_TM_Details?p_tm_number=1472463&p_ExtDisp=D&p_Detail=DETAILED&p_Search_No=1&p_Lastrecord=FALSE&p_Is_Internal=F

²⁷ TrafFix Devices, Inc. v. Mktg. Displays, Inc., 58 USPQ2d 1001, 1006 (2001); Qualitex Co. v. Jacobson Prods. Co., 34 USPQ2d 1161, 1163-64 (1995); Inwood Labs., Inc. v. Ives Labs., Inc., 214 USPQ 1, 4, n.10 (1982).

²⁸ Automobili Lamborghini S.P.A, Application No. 001400092 (Nov. 26, 1999), TMDB, (Oct. 9, 2017), <https://tmdb.eu/trademark/EU001400092>.

²⁹ Automobili Lamborghini S.P.A., Registration No. 2793439 (Dec 16, 2013), TRADEMARK JUSTIA (Oct. 15, 2017, 11:00PM), <https://trademarks.justia.com/758/83/n-75883661.html>.

³⁰ Trademark Manual of Examining Procedure, Section 904.03(l) (2017) [hereinafter 'TMEP'].

indicating the source of the same.³¹ Mere representation of the mark without reference to the related service will not be entertained.³² In the case of Peabody Management Inc.,³³ the company wished to register its famous “Duck March” which was performed at its hotels and banquets. It however attached only still images of segments of the Duck March, which were rejected by the examining attorney since it did not represent the commercial use of the mark. The applicant subsequently submitted the same in the form of a videotape which was accepted and finally registered.

ANALYSING THE GRAPHICAL REPRESENTATION REQUIREMENT UNDER EU AND US LAW

European Union

The European Court of Justice has ensured that the EU regime with time evolves and adapts to the growing era of technology. Registration of a non-conventional trademark in the EU, until 2017, required the mark being capable of “graphical representation”.³⁴ Time and again courts have denied the registration of scent³⁵ and colour marks³⁶ based on the absence of this very requirement.

The ECJ in the Seickmann case stipulated that the graphical representation should be *“clear, precise, self-contained, easily accessible,*

³¹ TMEP, Section 1301.04(a).

³² TMEP, Section 1301.4(b).

³³ In re Peabody Management, Inc., (2005) Serial No. 76068295.

³⁴ *Deletion of the “graphic representation” requirement for trademarks: opening pandora’s box?*, LEXOLOGY (Oct. 10, 2017, 10:01 PM), <https://www.lexology.com/library/detail.aspx?g=787aec02-c127-4b7d-846a-8233627a5ef9>.

³⁵ *Supra* note 20.

³⁶ Christian Louboutin S.A. v. Yves Saint Laurent Am. Holding, Inc. 696 F.3d 206 (2012).

intelligible, durable and objective.”³⁷ These seven “Sieckmann criteria” have become a standard to determine whether graphical representation of a trademark is adequate or not.³⁸

The judgment of the European Court of Justice (CJEU) in *Apple Inc v Deutsches Patent und Markenamt (DPMA)*³⁹ applied these very criteria. In the given case, Apple sought to register a trademark consisting of a 3D representation of its flagship stores. The European Court held that the graphical representation of a layout of a store could be registered as a trademark. It held it to be essential however, that the mark represented be distinctive and not be excluded from registration by any other provision (either domestic or international).

With respect to sound marks, the ECJ opined in the *Shield Mark case*⁴⁰ that the requirement of graphical representation is not satisfied when the sound is described using simple musical notes or a digital recording. This judgment has been severely criticized on the grounds that the non-allowance of a digital recording hinders rather than accelerates the pace and efficiency of the registration process and places unnecessary burden on the parties.

Similarly, in the case of colour marks, the ECJ has stated that a sample of colour alone cannot pass the Sieckmann test.⁴¹ The sample would not be resistant and would lose its original colour over a

³⁷ *Supra* note 20.

³⁸ KC KAILASAM & RAMU VEDARAMAN, LAW OF TRADE MARKS & GEOGRAPHICAL INDICATIONS, (2ND ED. 2005).

³⁹ *Apple Inc V. Deutsches Patent und Markenamt*, (2014) C-421/13 (CJEU).

⁴⁰ *Supra* note 9.

⁴¹ *Libertel Groep BV v Benelux Trade Mark Office*, (2003) Case No C-104/01 (ECJ), available at <http://curia.europa.eu/juris/liste.jsf?num=C-104/01>.

period of time. Thus, colour marks invariably use an internationally recognized code such as the Pantone colour system since it is stable and precise and lends an element of uniformity in terms of recognition.

However, the recent changes to the EU Trade Mark Regulation (EUTMR) and the Trade Marks Directive (TMD) have made the above discussion quite redundant. The thirteenth recital of the Trade Marks Directive very lucidly puts forth that:

“In order to fulfil the objectives of the registration system for trade marks, namely to ensure legal certainty and sound administration, it is also essential to require that the sign is capable of being represented in a manner which is clear, precise, self-contained, easily accessible, intelligible, durable and objective. A sign should therefore be permitted to be represented in any appropriate form using generally available technology, and thus not necessarily by graphic means, as long as the representation offers satisfactory guarantees to that effect.”⁴²

Thus, in order to modernize EU trademark law, the EU trademark directive 2015/2436⁴³ and EU Trademark Regulation 2015/2424 provide for a more flexible approach abolishing the requirement of graphical representation.

The deletion of the ‘graphical representation’ criterion has huge implications on the registrability of non-conventional marks in the European Union. With effect from October 2017, the registration of sound, holograms, and movement marks in the EU would be easier

⁴² Trade Marks Directive (TMD), Recital 13; EU Trade Mark Regulation (EUTMR), Recital 9.

⁴³ EU Trademark Directive 2015/2436, (2015) available at <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32015L2436>.

for brand owners under the new regime as compared to the erstwhile requirement of graphical representation since representation through technology, music files, 3D video of movement and other plausible digital representation will be permitted.⁴⁴ The EU is thus, moving towards a more flexible approach (as seen in the UK and US) in terms of recognition of non-conventional trademarks for the purposes of registration.

United States

The Lanham Act of 1946 protects and provides for the registration of trademarks in the United States. The Act does not expressly exclude non-conventional trademarks, and therefore they are included within the ambit of the Act. Section 15⁴⁵ defines trademark to include “any word, name, symbol, or device, or any combination thereof— (1) used by a person, or (2) which a person has a bona fide intention to use in commerce and applies to register, identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.” The express inclusion of the terms ‘symbol’ and ‘device’ seems to have been made to avoid the plausibility of precluding the registration of scent, shape and sound as trademarks.⁴⁶

⁴⁴ Dr. Ulrike Grübler, *A new chapter in EU trademark reform: Changes from October 1, 2017*, BUSINESS LAW MAGAZINE, (Oct. 15, 2017, 5:00 PM), <http://www.businesslaw-magazine.com/2017/09/07/a-new-chapter-in-eu-trademark-reform-changes-from-october-1-2017/>; FAQs 2017, EUROPA EU, (Oct. 15, 2017, 5:30 PM), <https://euipo.europa.eu/ohimportal/eu-trade-mark-regulation-faqs-2017>.

⁴⁵ Lanham Act.

⁴⁶ S Rep 515, 100th Cong 2nd Session 44 (1988).

The Lanham Act further does not mandate ‘graphical representation’ to be a pre-requisite for registration. Section 1052 of the Act, a negatively worded provision, provides for what “can” be trademarked in the United States. The Act provides for certain positive requirements such as non-functionality, distinctiveness, or acquired distinctiveness, which would enable consumers to distinguish the goods of the holder from that of others.⁴⁷

The flexibility and ease of registration of non-conventional trademarks is evidenced by the decision of the U.S. Supreme Court in *Qualitex Co v. Jacobson Products Co.*⁴⁸ wherein it held that a trademark can be “almost anything at all that is capable of carrying meaning.”⁴⁹

US trademark law focuses on the functionality doctrine of protection. This doctrine requires that the mark should not have a direct nexus to the good or should not include a feature which is essential to the genre of goods. In the case of *In Re Celia, d/b/a/ Clarke’s Osewez*⁵⁰, it was held that there should be no nexus between the smell and function of the good it is applied to.

The functionality doctrine in relation to non-conventional trademarks was dealt by the Second Circuit in *In Louboutin v Yves Saint Laurent America Holding, Inc.*⁵¹ This court further strengthened the pragmatic approach of precluding the functional feature of a product under trademarks and opined that they be protected under patent systems.

⁴⁷ Lanham Act, 15 U.S.C. § 1052.

⁴⁸ *Qualitex Co v. Jacobson Products Co.*, 514 US 159 (1995).

⁴⁹ Brinks Hofer Gilson & Lion, *The Sound of Non-conventional Marks in the United States*, WORLD TRADEMARK REV. 94 (2007).

⁵⁰ 217 U.S.P.Q.2d 1238 (1990).

⁵¹ *Supra* note 36.

Generally, two forms of functionality serve as an affirmative defence to a trademark infringement claim:⁵²

- traditional or utilitarian functionality; and
- aesthetic functionality.

A product feature is traditional or functional in a utilitarian manner if it is “essential to the use or purpose of the article” or if it “affects the cost or quality of the article”.⁵³ In this case, trademark protection is not offered under US law to prevent illegitimate competition and to maintain a balance between patent and trademark registrations. Moreover, it is more pragmatic to offer a limited duration patent for the product in question rather than a trademark registration, which can be renewed in perpetuity.⁵⁴

If a product feature is not traditionally functional, it must still pass the aesthetic functionality test where it provides other competitive advantages.⁵⁵ It is important to note that this covers aspects of a product, which while not contributing to its utility add to its competitiveness, and does not in any way include ornamentation on a product.⁵⁶ The Second Circuit court further noted that “the functionality defense does not guarantee a competitor ‘the greatest range for [his] creative outlet,’ but only the ability to fairly compete”. As such, the aesthetic functionality test “can accommodate

⁵² CRAIG ALLEN NARD, MICHAEL J. MADISON, MARK P. MCKENNA, *THE LAW OF INTELLECTUAL PROPERTY* (Wolters Kluwer Law & Business, 2017).

⁵³ *Inwood Laboratories Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844 (1982).

⁵⁴ *Raffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001).

⁵⁵ *Brunswick Corp. v. British Seagull Ltd.*, 514 U.S. 1050 (1995).

⁵⁶ *Forschner Grp, Inc v. Arrow Trading Co*, 124 F 3d 402,409-410 (2d Cir 1997)); *Fabrication Enters, Inc v. Hygenic Corp* 64 F 3d 53, 57 (2d Cir 1995); *Supra* note 36.

consumers' somewhat conflicting interests in being assured enough product differentiation to avoid confusion as to source and in being afforded the benefits of competition among producers".⁵⁷

In other words, the registration of non-conventional trademarks such as smell, sound, or other non-visual matter, capable of being verbally described is protected under the US laws.⁵⁸ The NBC jingle is considered as one of the oldest non-conventional trademarks to be registered in 1970 under the category of sensory marks.⁵⁹ This clearly shows how the approach of the United States towards their registration is highly flexible and versatile and is open to accommodating latest technological developments.

THE POSITION OF NON-CONVENTIONAL TRADEMARKS WITHIN THE INDIAN JURISDICTION

The Trademarks Act, 1999 defines a trademark as "*a mark capable of being represented graphically and which is capable of distinguishing the goods or services of one person from those of others and may include shape of goods, their packaging and combination of colours.*"⁶⁰ The 1999 Act replaced the Trade and Merchandise Act 1958 and amended and consolidated the various provisions relating to trademarks. This was done to comply with the TRIPS Agreement and to meet India's obligations as a member of the World Trade Organisation. The old Act did not grant recognition to non-conventional trademarks such as colours, sounds

⁵⁷ Stormy Clime Ltd v. ProGroup, Inc, 809 F 2d 971, 974 (2d Cir 1987).

⁵⁸ LyndraZadra-Symes, *Sounds, Smells, Shapes and Colours: Protection of Nontraditional Trademarks in the U.S.*, KMOB (Oct. 9, 2017, 6:00PM), available at: http://www.kmob.com/pdf/Sounds_Smells_Shapes_and_Colours.pdf.

⁵⁹ Brink, *supra* note 51.

⁶⁰ *Supra* note 5.

and smells. However, the revised definition of trademarks under the new act has been interpreted to be wide enough to include smells, sound, taste and holograms. Further, the Draft Trademark Manual for Practice and Procedure, specially defines ‘Mark’ as intended to have a broad interpretation as opposed to exclude the same from its ambit.⁶¹ The Trade Mark Manual specifies that the definition of trade mark is an all-inclusive definition where the mark is only required to distinguish the goods and services of one person from another.⁶²

Graphical representation happens to be the sine qua non of trademark registration in India. A trademark registration requires the mark to be represented graphically that is it should be capable of being printed in a journal or more simply, be in ‘paper form’.⁶³ It is this requirement that has acted as a major hindrance to the registration of non-conventional trademarks in India. Several categories like sound, smell and 3-D structures are difficult to represent on paper and hence, end up getting rejected. However, the most recent Trademark Rules of 2017 have extended the definition of graphical representation to include representation via a digitized form, as well.⁶⁴

Sound Trademark

India, with its growing demands, has finally acknowledged sound branding as a moot point. The Trade Mark Rules of 2017, which

⁶¹ The draft Manual of Trade Marks Practice and Procedure, Section 3 [hereinafter ‘*TMPP*’].

⁶² *Id.*

⁶³ Trademark Rules, 2002, Rule 2(k).

⁶⁴ Trademark Rules, 2017, Rule 2(k).

replaced the earlier rules of 2002, have revised the procedures, crystalized the registration of sound marks and have also made provisions for filing for registration online. The 2017 Rules have adopted the draft rules of 2015 relating to the registration of sound marks in light of digitization. Section 26(5) of the 2017 Rules provides⁶⁵:

“Where an application for the registration of a trademark consists of a sound as a trademark, the reproduction of the same shall be submitted in the MP3 format not exceeding thirty seconds’ length recorded on a medium which allows for easy and clearly audible replaying accompanied with a graphical representation of its notations.”

In addition to the above requirement of appending an MP3 file along with graphical representation by a series of musical notes,⁶⁶ the procedural requirements for the registration of a sound mark require the party intending to register the sound mark to flag “non-conventional mark” on the application form, in light of the applicability of special rules.⁶⁷

India granted registration of its first sound mark to Yahoo Inc.’s three-note yodel in 2008 and thus, laid the foundation for the recognition of non-conventional trademarks in sound. Sound marks held by Allianz Aktiengesellschaft⁶⁸ and Intel have also been accepted

⁶⁵ Trade Mark Rules, 2017.

⁶⁶ TMPP, Serial no. 12.2.5.

⁶⁷ *Id.*

⁶⁸ Santosh Singh, *Yet Another Sound Mark Granted*, SPICYIP (Oct. 13, 2017), <http://spicyipindia.blogspot.com/2009/07/yet-another-sound-mark-granted.html>

by the Registry. ICICI Bank was the first Indian entity to obtain a registration for its jingle in 2011. The National Stock Exchange (theme song), ICICI Bank (jingle), Britannia Industries (four note bell sound), Cisco, Edgar Rice Burroughs and Nokia have also registered their sound marks in India.

An important test for identifying a sound mark fit for registration is to understand whether it is distinctive in nature or can distinguish the goods or services of the owner from those of others. Generally speaking, a successful registration of a non-traditional mark must be supported by robust evidence of factual distinctiveness.⁶⁹ It is relevant to note that there have been no Indian cases with respect to enforcement of a sound mark as of this date. The stance taken by the judiciary in the case of similar or identical musical notes in the above scenario will be worth watching.

Colour Trademark

The colour trademark is a non-conventional trademark which is still in its nascent stage in India. At the very outset, it is pertinent to provide an insight into the registration of a single colour trademark which will be followed by the Indian jurisprudence on a “combination of colours”.

A single colour trademark, theoretically, may be registered provided that it is unusual and peculiar in the trade and further, is recognized by consumers and traders as a badge of origin for that class of

⁶⁹ TMPP, Serial no. 12.2.5.

goods.⁷⁰ The rationale behind registering a single colour combination as acknowledged by the Draft Manual follows the guidelines laid down in the *Libertel case* where a colour is accompanied by an internationally recognized colour identification system such as the Pantone code. On the other hand, the Draft Manual also places considerable emphasis on the “Colour Depletion Theory”, a US doctrine advanced in the *Louboutin v. Yves Saint Laurent case*.⁷¹ The doctrine aims to protect registration of a single colour due to the limited availability of colours, and therefore protecting anti-competitive moves.⁷² A crucial obstacle facing registration of a single colour mark is the objection under Section 9(1)(a) of the Trade Marks Act 1999. Section 9(1)(a) requires the trade mark to be of a distinctive nature and single colour marks are per se held to be devoid of any distinctive character,⁷³ the reason being that single colours are easily available in the public domain and are part of numerous trade signs.⁷⁴ Thus, Indian law requires careful analysis along with concrete evidence exhibiting a factual distinctiveness, for the registration of a single colour.

In reality the law on this point is unclear. In the *Coalgate Palmolive case*,⁷⁵ the court held that a single colour is entitled to protection under the law of passing off but in *Cipla v MK Pharma*,⁷⁶ it was held

⁷⁰ TMPP, Serial no. 3.2.4.

⁷¹ *Supra* note 36.

⁷² *Id.*

⁷³ *KWS Saat v. OHIM*, (2004) C-447/02 (ECJ) available at <http://curia.europa.eu/juris/liste.jsf?language=en&num=C-447/02>.

⁷⁴ 10 TY NANT SPRING WATER LTD'S TRADE MARK APPLICATION, REPORTS OF PATENT, DESIGN AND TRADE MARK CASES 395 (1999).

⁷⁵ *Colgate Palmolive Company v. Anchor Health & Beauty Care Pvt. Ltd.*, (2003) DLT 51.

⁷⁶ *Cipla Limited v M.K. Pharmaceuticals*, (2007) (36) PTC 166 Del.

that the a single colour is not a trademark and is incapable of protection under the law of passing off. Further, in *Dabur India Limited vs. Shree Baidyanath Ayurved Bhawan Pvt. Ltd*⁷⁷ and *Seven Towns Ltd. and Ors. vs. Kiddiland and Ors*,⁷⁸ the Delhi High Court recognized the principle laid down in *Coalgate*. This clearly indicates the ambiguity and inconsistency surrounding single colour trademarks in India. With the recent ruling in the Cadbury case in UK pertaining to the colour Purple, it is hoped that this might have some influence over other common law countries such as India.⁷⁹

The registration of a combination of colours on the other hand is allowed under the Trade Marks Act. Section 10(1) of the Act limits applications for registration under this category to a combination of colours:

“A trade mark may be limited wholly or in part to any combination of colours and any such limitation shall be taken into consideration by the tribunal having to decide on the distinctive character of the trade mark.”

The courts have repeatedly recognized the registration of a combination of colours. In *Colgate Palmolive Company v Anchor Health*, the court held that a combination of colours was a trademark under the Act.⁸⁰ Further, in the case of *Deere and Co*,⁸¹ the petitioner filed for the registration of its yellow and green colours, along with the word

⁷⁷ *Dabur India Limited v Shree Baidyanath Ayurved Bhawan Pvt. Ltd.*, (2012) (51) PTC441 (Del).

⁷⁸ *Seven Towns Ltd. and Ors. v Kiddiland and Ors.*, (2016) (68) PTC308 (Del).

⁷⁹ *Société des Produits Nestlé SA v Cadbury UK Limited* (2012) EWCH 2637 (Ch).

⁸⁰ *Supra* note 75.

⁸¹ *Deere and Co. and Ors. vs S. Harcharan Singh and Ors.* (2015) (63) PTC433 (Del).

mark JOHN DEERE and the leaping deer logo, all of which were held to be well known marks capable of being registered as long as they were a distinct mark of the trade concerned.

Thus, the most important criterion for a combination of colours, as it is for other non-conventional trademarks, is distinctiveness. Thus, so long as a colour combination is distinctive to the trade, registration will be permitted. Moreover, according to the Draft Manual, the role the proprietor of the mark will play is an important factor. He needs to be able to prove to the Registry that he has used the mark distinctively to educate the public that it is a trade mark.

But, generally, it has been seen that a colour combination is more unique and distinct as opposed to a single colour.⁸²

Further, the application procedure for the registration is the same as other special trademarks. The applicant claiming a particular combination of colours must clearly specify so on the application form along with the exact description of the colour combination as per the International Classification System of colours.⁸³ The 2017 Rules of Trademark, under Section 26(2), also require the reproduction of the trademark in a combination of colours.

Smell Trademark

Section 2(1)(zb) of the Trademark Act, does not eliminate the possibility of a smell trademark and in theory, a smell trademark

⁸² *BCS SpA v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM)*, [2009] ECR II-04047; *CNH Global NV v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM)*, (2010) ECR II-05153.

⁸³ TMPP, Serial no. 4.8.1, Rule 29.

could be well within the definition of a “mark”.⁸⁴ The requirements of the Indian Trademark Act however, pose a serious obstacle to olfactory trademarks. First, the smell in question should be distinctive of the product itself or alternatively, the smell should not be a result of the product or service. More importantly, the graphical representation of the mark is an impediment that the olfactory trademark has not been able to successfully surpass.⁸⁵ The 1999 Act requires representation of the mark in writing i.e. representation visually or graphically. One obvious solution is the representation by way of chemical formula but a chemical formula represents the substance and not the actual smell.⁸⁶ Smells which can be defined in terms of chemical components by chromatographical analysis or even by reference to elements in the product which cause them may be registrable⁸⁷ but ultimately the test fails on account of the mandatory requirement of graphical depiction on paper.⁸⁸

While the Indian law on sound trademark follows the same stance as European and US law and has incorporated principles from landmark cases in these jurisdictions, the smell mark as a non-conventional mark has been ignored. This lacuna has not even been explored in the 2017 Trademark Rules. Such ignorance may very well be due to the absence of any claims for the registration of a smell trademark

⁸⁴ Kiran Mary George, *The Smell Mark Conundrum*, SPICYIP (Oct. 12, 2017, 6:00PM), available at: <https://spicyip.com/2015/01/guest-post-the-smell-mark-conundrum.html>.

⁸⁵ Trade Mark Rules, 2017, Rule 26(1).

⁸⁶ *Supra* note 20.

⁸⁷ W.R. CORNISH, *INTELLECTUAL PROPERTY: PATENTS, COPYRIGHTS, TRADEMARKS & ALLIED RIGHTS* 583-84 (5th ed., Cornish & Llewelyn 2003).

⁸⁸ *Supra* note 85.

before the trademark registry and additionally, due to an absence of claims of those affected by such a lacuna in the law.

Movement Marks

The Rules do extend to the inclusion of movement or motion marks although they have not been expressly stated. Movement marks of various goods or services can be recorded in the form of a video and submitted to the Registry since they would satisfy representation in “digitized form” as required by Section 2(k) of the Rules.

Though there have not been any instances of applications for registration of such marks in India, future opportunities in this area are immense due to the absence of an active impediment on part of the law.

CONCLUSION

Summing up, the 2017 Rules have certainly eased the process of registration and provided express recognition to sound, colour and shape marks. There has been a lot of criticism with respect to the inclusion of a “combination of colours” under section 26(2) to the exclusion of a single colour. However, allowing the registration of a single colour as a trademark is highly impractical and will have an adverse effect on competition. Restricting the use of a single colour to one trader would go against public interest.⁸⁹ Since Intellectual Property rights have often been used to promote anti-competitive

⁸⁹ Nawaz AHMD, *Smells, Sounds and Colours: Is there scope for their registration in Sri Lanka?*, SRI LANKA LCLR, 99 (2006).

interests,⁹⁰ provisions in the law which aid these very interests should be actively avoided.

In the authors' opinion, while the 2017 Rules do make progress in the arena of sound mark registration, by ignoring scent marks, they promote the stagnancy that is known to be prevalent in the Indian Intellectual Property sphere. While concerns regarding representation of such marks are legitimate, various modern mechanisms of smell recording can be used. For instance, gas chromatography is a technique which helps identify a compound having a certain smell. The much talked about Madeliene camera,⁹¹ which is the first such one to capture scents of objects could also be used. While this might entail considerable investment on part of the Registry, fewer number of scent mark registrations as compared to other trademarks (as past registration practice has shown) would ensure that the requirement of such devices is kept to a minimum.

In India, the registration of non-conventional trademarks is fewer than other jurisdictions. The primary reason for this is that the Indian trademark laws, unlike the EU and US laws, are rigid and devoid of flexibility. The 2017 Rules which replaced rules dating 2002⁹² have still failed to adapt and recognize latest technological changes and ensure the promotion of protection to traders in the twenty first century. The new Rules have failed to completely do away with

⁹⁰ CORNISH, *supra* note 87.

⁹¹ *Scenography: the camera that records your favourite smells*, THE GUARDIAN, June 28, 2013, available at <https://www.theguardian.com/artanddesign/architecture-design-blog/2013/jun/28/scenography-camera-records-smells-memory>.

⁹² Trademark Rules 2002, available at http://www.ipindia.nic.in/writereaddata/Portal/News/312_1_TRADE_MARKS_RULES_2017__English.pdf.

criteria such as graphical representation and require both graphical representation as well as functionality for registration.

Future legislations and rules should take into consideration technological and global developments in this arena to ensure a robust and effective protection of intellectual rights. Indian lawmakers need to realize the critical role such liberalization plays in foreign direct investments and the general level of Ease of doing business in India. Since these are the areas in which India has shown sluggish progress, the need to liberalise this framework to accommodate new and innovative trademarks is more acute now than it has ever been.

TRADEMARKING RELIGION- EXAMINING THE JUDICIAL CONUNDRUM OF SECTION 9(2)(b) OF INDIAN TRADEMARKS ACT

Lovish Garg*

Abstract

A religious person's trademark is their faith in God, but what if this devotion is sought to be trademarked for commercial purposes. Religion is deeply intrinsic to the Indian common man- the manifestation of which is visible in multifarious forms. Inevitably, the area of trade and commerce has also not been left untouched. It is a regular sight in Indian bazaars to find label names of goods and services and that of the traders named after Gods and Goddesses. In fact, a bare perusal of the Trademarks Journal would reveal that trademarks with religious connotations have been regularly registered under various classes.

However, a Supreme Court ruling in 2015 categorically prohibited the registration of name of religious books, and by extension, name of Gods and Goddesses as trademark for goods and service. Section 9(2) which lays down the absolute grounds for refusal of a trademark registration prohibits, inter alia, registration of any mark which has the potential of hurting religious susceptibilities of any class or section of the citizens of India. However, it was only the first time that the ambit of this section was expanded to impose such a blanket ban. Corollary, there have also been attempts by temple trusts to secure sole proprietorship over the activities and services of the temple for commercial benefits. In one such instance last year, the

* Mr. Lovish Garg is a V year student at the NALSAR University of Law, Hyderabad.

Kerala High Court actually went ahead to provide a trademark registration to the Attukul Temple Trust for use of the image of the temple deity. Therefore, while the court refused to trademark the name of God in one instance, it ended up trademarking the God itself in the second.

This paper seeks to analyze this conundrum of intersection of religion and trademark law through an analysis of these two cases. The first part of the paper lays down the historical and legal antecedents of Section 9(2)(b) of the Trade Marks Act, 1999. The second part scrutinizes the judgment of the apex court which imposed a blanket prohibition on the use of religious text for trademark registration. The third part shifts the debate to the registration of temple services, products and deities by temple trust in the specific context of the Attukul Temple case. The author shall also intertwine this analysis with questions of Constitutional law and legal philosophy.

HISTORICAL AND LEGAL ANTECEDENTS

Section 9 of the Indian Trade Marks Act, 1999 lays down the absolute grounds for the refusal of registration of a trademark. While clause 9(a) of the section essentially reiterates the doctrinal aspect of trademark to serve the twin purposes of source identification and protection against consumer confusion; clause 9(b) prohibits registration for matters of public policy.¹ It would be pertinent to provide the text of this clause before delving into further discussion-

¹ VENKATESWARAN ON TRADE MARKS AND PASSING OFF 155(revised by K C Kailasam, Lexis Nexis 2015).

9. *Absolute grounds for refusal of registration.*

(1).....

(2) *A mark shall not be registered as a trade mark if— (a) it is of such nature as to deceive the public or cause confusion; (b) it contains or comprises of any matter likely to hurt the religious susceptibilities of any class or section of the citizens of India; (c) it comprises or contains scandalous or obscene matter; (d) its use is prohibited under the Emblems and Names (Prevention of Improper Use) Act, 1950*

(3)....

(Emphasis added)

Section 9(2)(b) categorically prohibits registration of any mark capable of hurting religious susceptibilities of any class or class of citizens. It is a common trade practice in India to use the name of Gods or Goddesses or religious heads as trademarks for goods and services. Though such use *per se* is not considered offensive, however there is a possibility that their usage in relation to certain goods and services may offend the sentiments of a certain section of the public.² For instance, the use of name or picture of a Hindu deity in respect of beef products or, corollary Muslim prophets on pork could potentially spark religious tension amongst sections of public and hence would be generally prohibited under this section.

For instance, a trademark consisting of a picture of Goddess 'Meenakshi' registered for fertilizers and manure mixture was expunged on the ground, *inter alia*, that it offended religious

² ASHWANI BANSAL, COMMERCIAL'S LAW OF TRADE MARKS IN INDIA 196 (Commercial Law Publishers 2001).

susceptibilities.³ Similarly, the word ‘*Hallelujah*’ was refused registration in respect of clothing for woman for being contrary to the generally accepted norms of morality.⁴ The name of Lord Venkateshwara was also prohibited from registration as trademark under the erstwhile Trade and Merchandise Act, 1958 on a representation of the *Tirupati Devasthanam* Board.- the temple trust of the Tirupati temple.⁵ The Trademarks Act also prohibits the registration of personal names like that of Lord Buddha, Sri Ramakrishna, Sikh gurus etc. on the ground that objectifying religious symbols and titles would hurt the religious susceptibilities of the public.

Prior to the enactment of the trademark legislation in India, mill owner such as the Bombay Mill Owners Association who maintained proprietor registers for trademark also did not permit the registration in religious names.⁶ This practice however discontinued after 1940 with the introduction of the first codified trademark law in the country. Although the 1940 Act was a complete reproduction of the UK Trade Marks Act, 1938; the ground for refusal of trademark ‘*likely to hurt religious sentiment*’ which was absent in the English counterpart was introduced to suit local conditions. Specifically, the 1940 law refused trademark in case(s) where such registration was ‘*likely to hurt the religious susceptibilities of any class of His Majesty's subjects*.’⁷ Although the act did not define the contours of such susceptibilities,

³ Sri Meenakshi Tamil Nadu’s *application*, 89 IPLR 144 (1976).

⁴ *Hallelujah Trade Mark*, 93 IPLR 22 (1976).

⁵ *supra* 2, at 196.

⁶ *supra* 1, at 156.

⁷ The Trade Marks Act, 1940, § 8, cl. b.

it was a general understanding that a blanket prohibition was not envisaged by this law. The provision has continued to find a place in the successive trade mark laws in the country without introducing an element of absolute ban under it.⁸

It is also natural that the impossibility of defining strictly measurable thresholds of hurting religious susceptibilities left a great deal of discretion to the courts to adjudicate claims on case-to-case basis. The decision of the Allahabad High Court in *Mangalore Ganesh Beedi* case is relevant in this regard.⁹ The respondent in this instance sought a prohibition on the use of trademark ‘Ganesh’ on *beedi* packets for twin reasons—one, he argued that smoking was considered a vice in Hinduism and two, packet of the *beedi* containing the image of the God was thrown in dustbins thereby, hurting religious sentiments. Providing a liberal interpretation to Section 9(2)(b), the court categorically refuted both the arguments and declined to impose a bar on the registration.¹⁰

While it is generally acknowledged that the courts have failed to maintain a uniform stand while determining the threshold of infringement of religious susceptibilities under this clause, however, it was only for the first time in 2015 that the apex court held that the mere use of religious name for trademark registration would itself be violative of Section 9(2)(b) of the Trademarks Act. The next part scrutinizes this judgment in detail.

⁸ The Trade and Merchandise Marks Act, 1958, § 11, cl. d.; The Trade Marks Act, 1999, § 9, cl. 2.

⁹ *Mangalore Ganesh Beedi Works v. Union Of India*, 1974 AIR 1832.

¹⁰ *id.*

BLANKET PROHIBITION ON USE OF RELIGIOUS NAMES

The Supreme Court in the case of *Amritpal Singh v. Lal Babu Priyadarshi*¹¹ for the first time imposed a blanket prohibition on the registration of name of religious book, and by extension, all names with religious connotation unworthy of trademark registration. The appellant in this case had filed for registration of the mark 'Ramayana' with the device of a crown for incense sticks and perfumes manufactured by them under Class 3 of the Trademarks Act. The application was challenged by the respondent whose primary argument was that such registration would grant exclusivity over the name of a religious book to the trademark owner. Such exclusivity, the respondent claimed, would violate the spirit of Section 9(2)(b) of the Trademarks Act by effectively drawing out other traders to use the same religious name for their goods and services.

Therefore, the main contention before the court was whether the registration of the word Ramayana as a trademark is prohibited under the trademark law. While ruling in favor of the respondent, the court observed that no single person should be allowed to gain exclusive use over the name of holy or religious books.¹² Surprisingly, the court failed to scrutinize whether the sentiments of any section of the population were hurt or could be hurt by the use of the word Ramayana in relation to incense sticks. Instead it merely held that such usage was contrary to Section 9(2)(b) on the grounds of the

¹¹ (2015) 16 SCC 795.

¹² *supra*, ¶ 18.

exclusivity gained by the respondent. The court also invoked Clause 13.3 of the Eighth Report on the Trade Marks Bill, 1993 submitted by the Parliamentary Standing Committee which expressed that any symbol relating to gods, goddesses, places of worship should not ordinarily be registered as a trade mark.¹³ However, three major discontents can be derived from this blanket rule.

First, if the names of religious books should be prohibited, then by logical extension, names of all Gods and Goddess should also be prohibited for registration. The Hindu religion itself claims to have over 330 million different Gods and Goddesses.¹⁴ The same assumption would also extend to other demi-gods, saints, prophets of all the religions taking the total ban-tally to an astronomical figure. The use of such names in fact is a common practice in trade in the country and a bare perusal of the Indian Trademark Journal would reveal goods and services under various classes trademarked by religious names. This also goes against the jurisprudential constant of the courts which have previously granted trademark registration for name associated with religion.¹⁵

Second, it has been argued that the court merely espoused the settled principles of trademark law that 'common' names and phrases cannot be monopolized. The principle applies to religious names since they lack distinctiveness as per the threshold laid down under Section

¹³ *Lok Sabha's Eighth Report on the Trade Marks Bill, 1993*, cl. 13.3 (Government of India, 1995).

¹⁴ W J WILKINS, *HINDU MYTHOLOGY, VEDIC AND PURANIC* 52 (Thacker, Spink & Co. London, 1900).

¹⁵ *S.P. Chengalvaraya Naidu v. Jagannath*, JT 1993 (6) SC 331; *Registrar of Trade Marks v. Ashok Chandra Rakhit Ltd*, AIR 1955 SC 555.

9(1)(a). In fact, the courts in numerous instances have also mentioned that the name of Gods merely qualify as common words which should not be monopolized.¹⁶ Most recently, the Bombay High Court held that the word ‘*Laxmi*’ being a common name cannot be granted protection under the trademark law.¹⁷

This invariably begs the question if names of all Gods and Goddesses should be considered as ‘common’ incapable of gaining exclusivity. Further, name of Gods are often personal names of individuals. Should the court in that case be looking at the name of Gods separately from the common name under Trademark law, i.e., should the name of God be looked more uncommon from a personal name. This conundrum is apparent from a recent judgment of the Madras High Court where it was held that the word ‘Vishnu’ was merely a personal name not belonging to any religion.¹⁸ Similarly in the case of *Kewal Krishan Kumar* the court read the word ‘Shakti’ in the phrase ‘Shiv-Shakti’ only as a descriptive word, wherein the depiction of *Trishul* and *Damroo* along with the word-mark made the connection to Lord Shiv’s consort quite apparent.¹⁹

Third, it is a settled principle of law that common words can be registered only once they acquire secondary distinctiveness. The problem gets accentuated in the case of name of Gods and Goddesses because it is inherently difficult for such names to gain a secondary distinctiveness separate from the original common word.

¹⁶ SK Sachdeva v. Shri Educare Limited, CS (OS) 1151/2014; Bhole Baba Milk Food Industries v. Parul Food Specialities, 2011 (48) PTC 235 (Del).

¹⁷ Freudenberg Gala Household Product Pvt. Ltd. v. GEBI Products, CA 72/ 201 (Bom).

¹⁸ Ananthaya v. Vishnu, CA 421/2016 (Mad).

¹⁹ Kewal Krishan Kumar v. Rudi Roller Flour Mills, MIPR 2007 (3) 374.

For instance, in the case of *Bhole Baba*, the appellants were manufacturers of milk and milk products and sold their products under the registered label mark of 'Krishna' under class 29 of the Trademarks Act.²⁰ They filed a suit for infringement of trademark and passing off against the respondent who were also selling similar product under the brand name of 'Parul Lord Krishna' by claiming a secondary distinctiveness for the word in relation to their products. The single judge of the Delhi High Court held that in order for a product to acquire distinctiveness, the consumer should immediately be reminded of the product of the owner which was not the matter in this situation.²¹ Justice Shakti Singh went on to say that "*KRISHNA is associated in Hindu Mythology with Lord Krishna and is a household name and it cannot achieve secondary distinctiveness.*"²² Agreeing with the observation of the Single Bench, the Division Bench of the court reiterated that the name of a deity lay in public domain and if monopolized would "*certainly dilute a proprietary claim projected by any person in relation to Krishna with dairy products.*"²³ In another case, where the appellants were engaged in business of brooms and other cleaning products under the brand name of 'Laxmi,' the court held that the common word Laxmi has not acquired any secondary distinctiveness and further observed that "*nobody calls for a broom by referencing a lady's name or that of a deity.*"²⁴

²⁰ *supra* 16.

²¹ *Bhole Baba Milk Food Industries v. Parul Food Specialities*, CS(OS) No. 107/2010

²² *id.*

²³ *Bhole Baba Milk Food Industries v. Parul Food Specialities*, 2011 (48) PTC 235 (Del).

²⁴ *supra* 17.

CAN TEMPLE TRUST TRADEMARK THEIR GOD?

The *Attukal Bhagawathy* Temple Trust in Kerala recently secured a trademark protection over the picture of its deity and the title ‘Sabarimala of Women’ under the residuary clause 42 for temple services, social services, welfare services and cultural activities.²⁵ Popularly described as the ‘Sabarimala of Women’, the temple located in Trivandrum city is one of the most ancient temples of SouthIndia.’ The website of the temple trust describes the Goddess of the temple as the ‘*supreme mother, creator of all loving beings, the mighty preserver and the destroyer.*’²⁶

The grant of trademark was questioned in the Kerala High Court on the grounds that monopoly over the deity was violated section 9(2)(b) and Article 25 of the Indian Constitution. The court dismissed the petition and affirmed the grant of trademark to the temple trust.²⁷ The ruling of the court has disturbed the hornet’s nest by raising pertinent questions with regards to ownership of such monopoly, hurting religious susceptibilities and infringement of constitutional right of religion and its practice.

It is a cardinal principle of trademark law that there should be a connection between the trade of goods and services and the person claiming right as proprietor over such trade. Section 2 (zb) of the Act mandates that ‘*a mark used or proposed to be used in relation to goods or*

²⁵ Jithin Saji Isaac, *A Nod to Appropriating Deity*, 10 J INTELLECTUAL PROPERTY LAW AND Practice 1, 3 (2015).

²⁶ The Unique abode of the Divine Mother, ATTUKAL BHAGAWATHY TEMPLE, (April 12, 2017, 12:04 AM), at http://attukal.org/pongala_live.aspx.

²⁷ Suo motto proceedings, W.P. (C) No. 4153 of 2009 (Ker).

*services for the purpose of indicating or so as to indicate a connection in the course of trade between the goods or services, as the case may be, and some person having the right, either as proprietor or by way of permitted user, to use the mark whether with or without any indication of the identity of that person.*²⁸ A service further means service of any description made available against the potential user of the same. Trademark hence gives the registered owner of the trade the right of exclusive use of the trademark in relation to the goods and services in respect of which the trademark is registered.²⁹

In the instant case, the trademark has been granted to a religious trust for services carried out in pursuance of religious beliefs and faith in the temple deity. The Kerala High Court held that, “*what assumes significance is the status of the deity as also that of the Trust in relation to the deity.*”³⁰ The court then first elevated the temple trust to the status of the manager of the estate of the idol and then affirmed secondary distinctiveness holding “*that the picture and the appellation have acquired a distinctive character in relation to the activities and services above specified and related to the temple, as a result of a long and uninterrupted user as is provided under Section 9 of the Act. We also do not see any prohibition from granting registration of the picture and appellation to the Temple Trust under the provisions of the Act or the Rules.*”

By holding the trust to be the manager of the estate of the idol, the court seems to have overlooked the larger point of whether the trust could monopolize the services offered under the name of the idol.

²⁸ *supra* 8, § 2, cl. zb.

²⁹ *supra* 8, § 28, cl. 1.

³⁰ *supra* 27.

The apex court in the case of *Ratilal Panachand Gandbi* has held that the religious practices or performances carried in pursuance of the religion as equally a part of the religion or the faith under which they are carried.³¹ Hence, an activity carried by a devotee under the name of the deity, say, running a school or offering food to the poor, would as much form part of the faith. In such a scenario, logically the trust cannot claim exclusive right over the temple services and other activities carried out in pursuance of the faith.

Furthermore, it can be argued that the grant of such trademark by objectifying religious symbol and title would hurt the 'religious sentiments and religious susceptibilities of a class or section of the citizens of India' and hence be foul of Section 9(2)(b) of the Trademarks Act. The registration of the deity and the title would grant exclusive right to the temple trust with regards to the activities of the temple there by making any usage by the devotees violative of the Trademarks Act.³²

It is argued that the picture of deity and title of temple lies in the common domain and hence if registered would be foul of the Trademark law.³³ This is similar to the argument that within the religion of Islam- one sect, Shia or Sunni is given the right over the picture of Prophet Mohammed for social services, cultural activities and welfare services. The other sect has as much stake and right over the picture of the Prophet and such a trademark would hurt the religious susceptibilities of the sect which is left out.

³¹ *Ratilal Panachand Gandbi v. The State of Bombay*, 1954 AIR 388.

³² *supra* 8, § 17, cl. 1.

³³ *supra* 17.

The grant of such registration is also violative of Article 25 of the Indian Constitution which confers the freedom of conscience and free practice of religion. The sole right to use the trademark of an idol which lies in the public domain at the exclusion of others would infringe on the right to freedom of practice of religion by excluding the devotees from performing any welfare service in the name of deity. Hence for instance, a devotee cannot open a charitable school under the name of the deity. This would be violative of his Article 25 which protects allied activities in furtherance of an individual's faith. The court while discussing the commercialization highlighted the fact that only services protected under Clause 42 could be monopolized by the Trust but then performs a sleight-of-hand to refer that '*What is prohibited by the registration is not making an offer... but receiving money from others projecting and promoting oneself to be the agent or the Manager of the temple or the deity. To conduct an Anathema for which money is received from the public or from any individual in the name of the deity or the appellation for the Temple, is what is prohibited by the registration.*'³⁴

If we reverse the logic as argued by some scholars, the court by giving an indication that only commercial activity can be monopolized by the trust also goes against the basic tenets of trademark law by taking away exclusivity from the trust in matters of charitable works. In the past, the National Arbitration Forum of the United States in the case of *Osbo International* has also refused to grant individual monopoly over the name of spiritual leader on the ground that commercial exclusivity should not be conferred over a religious

³⁴ *supra* 27.

figure. The forum held that “*one cannot possess trademark rights in a name/mark of such universal significance which cannot and clearly does not serve as a source indicator or distinguishing moniker.*”³⁵

CONCLUSION

India is known for its plethora of religions, faiths and communities which worship a variety of Gods and Goddesses. The Hindu religion itself has countless religious deities and it is common practice to use religious names as marks for goods and services. However, keeping in mind the diversity and importance of communal peace, the Trade Marks Act prohibits the registration of religious marks which might hurt the religious susceptibilities of a certain section of the society.

It was only in 2015 that the apex court for the first time held that names of religious books and by extension that of Gods and Goddesses should not be registered as Trademarks since they grant exclusivity to the proprietor of trademark. This according to the court stood foul of Section 9(2)(b) of the Act. It has been argued that such a blanket ban should be revisited on account of the multitude number of deities present in India. Further, there have been unanswered questions about religious names being ‘common’ names and the problem in acquiring secondary distinctness for such names.

Further, while the court in this case refused registration of a religious name for to prevent exclusivity, it does the complete opposite in the second case by registering the picture of deity for sole use by the temple trust. Such exclusionary use would not only disturb religious

³⁵ Osho International Foundation v. Osho Dhyan Mandir and Atul Anand, Claim Number: FA0006000094990 (National Arbitration Forum, 2010).

sentiments but also stand foul of the Constitutional protection of freedom of religion and practice. While protection of commercial interest envisaged by the trademark law is the cornerstone of business in today's world, however it is important that the same does not come at the cost of hurting religious sentiments of the common public.

**TRIPS, PATENTS AND PARALLEL IMPORTS IN INDIA:
A PROPOSAL FOR AMENDMENT**

*Shamnad Basheer & Mrinalini Kochupillai**

I. INTRODUCTION

India's amendment to her patent regime in 2005¹ to introduce pharmaceutical product patents attracted unprecedented attention, both domestically and globally. While multinational pharmaceutical companies were concerned that the Act withered away their exclusive rights, civil society activists decried the new product patent regime, fearing that it would cause steep hikes in the price of life saving drugs. This politicization of patent law produced some interesting results; most recently, a Delhi High Court decision that denied an

* Shamnad Basheer is the Ministry of HRD Professor in IP Law at the National University of Juridical Sciences (NUJS), Kolkata. Mrinalini Kochupillai is an intellectual property law consultant and is currently working as a research scholar at the Max Planck Institute, Munich. The authors would like to thank the numerous readers of the Spicy IP Blog for providing their comments to our posts dealing with parallel imports. These comments greatly enriched our understanding and appreciation for the various interpretative nuances relating to section 107A(b). See <http://spicyipindia.blogspot.com/2008/05/parallel-import-debate-in-india-some.html>. The authors would also like to thank Chris Ohly (Schiff Hardin), Chris Stothers (Milbank, Tweed), Sai Krishna (Sai Krishna Associates), Karan Bharihoke (AZB & Partners), Swathi Sukumar (Anand and Anand), Sneha Jain (ILS Pune), Shouvik Kumar Guha (National University of Juridical Sciences), Abhai (Lex Orbis), Dr. Kalyan Kankanala C (Brain League), Feroz Ali Khader (Chennai High Court), Manoj Pillai (Lex Orbis), Shashwat Purohit (Franklin Pierce Law Center) and J Sai Deepak (Rajiv Gandhi School of Intellectual Property Law) for their inputs and comments. This paper is a newer and revised version of a paper titled 'Exhausting' *Patent Rights in India: Parallel Imports and TRIPS Compliance*, 13 JOURNAL OF INTELLECTUAL PROPERTY RIGHTS, 486-497 (2008).

¹ The Patents (Amendment) Act, 2005, published as law in the Gazette of India on April 5, 2005. Prior to these amendments, the Patents Act, 1970 (Act No. 39 of 1970) was also amended by the Patents (Amendment) Act, 1999 and the Patents (Amendment) Act, 2002 in order to comply with TRIPS mandates.

injunction to a multinational patentee on the ground that it sold a more “expensive” drug than the infringing generic manufacturer.²

While some provisions in the new patent regime, such as section 3(d) continue to attract significant attention,³ others have been lost in the legalese. One such provision is section 107A (b) dealing with parallel imports,⁴ which, if read in a literal manner could have far reaching implications for the rights of a patentee. Illustratively, it could permit a generic manufacturer such as Cipla to produce generic versions of a patented drug in Bangladesh, where there may be no patent covering the drug in question, and import such generic versions into India.

This paper aims to highlight this particular provision, which has thus far not attracted the attention it deserves. It explores the perceived ambiguities in this section and discusses the gaps in the Indian law pertaining to exhaustion and parallel imports. Lastly, it goes on to suggest statutory amendments in order to fill these gaps and expand the scope of exhaustion envisaged therein, whilst at the same time remaining TRIPS compliant.

² F. Hoffmann-La Roche Ltd. and Anr. v. Cipla Limited, 48 (2008) DLT 598, MIPR 2008 (2) 35 (Hereinafter, Roche v. Cipla). For an extensive analysis of this decision, see Shamnad Basheer and Prashant Reddy, *Roche vs Cipla: The “Price” of a Patent Injunction in India* (unpublished comment, on file with the authors).

³ This section prohibits the patenting of any pharmaceutical/chemical derivative that exhibits no significantly enhanced efficacy over and above its closest prior art equivalent substance. For a detailed analysis of this provision and the Novartis case where it featured prominently, See Shamnad Basheer and Prashant Reddy *The “Efficacy” of Indian Patent Law: Ironing out the Creases in Section 3(d)* 5 SCRIPTED 232 (2008) <http://www.law.ed.ac.uk/ahrc/script-ed/vol5-2/basheer.asp>.

⁴ This section titled “defences to patent infringement” provides that any import of a patented product into India from a person who is duly authorized under the law to produce and sell or distribute the product will not amount to an infringement.

The paper is divided into 4 parts: The first part explains the concept of exhaustion/parallel importation in relation to patents. Part two examines the ambiguities inherent in section 107A (b). It also explores the gaps in the law relating to exhaustion in India and assesses the TRIPS compatibility of the current provision. The third part recommends a harmonious way of interpreting the current statutory provision so as to remove the ambiguities and balance out the rights of patentees and parallel importers in an optimal manner without violating the TRIPS agreement. The final part recommends statutory amendments to section 107A(b).

II. PATENTS, PARALLEL IMPORTS AND EXHAUSTION: A PRIMER

A patent is a bundle of exclusive rights granted to an inventor whose invention satisfies certain pre-requisites such as novelty, non-obviousness and utility.⁵ Such exclusive rights include the right to make, use, sell and import the patented goods into such country.⁶

The doctrine of exhaustion imposes certain limits on the patentees' exclusive rights. According to this doctrine, "*a patented item's initial authorized sale terminates all patent rights to that item.*"⁷ In other words, the patentee cannot control the resale or re-distribution of the

⁵ Agreement on the Trade – Related Aspects of Intellectual Property Rights arts. 27.1, 65, 70.9, Apr.14, 1994, 33 I.L.M 1125 (Hereinafter, TRIPS), which represents the common minimal standard that WTO members are mandated to implement in their domestic patent regimes, provides that "*patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application.*"

⁶ See for example, Article 28(1) of the TRIPS Agreement which states in pertinent part that "*a patent owner shall have the exclusive right to prevent third parties not having the owner's consent from the acts of: making, using, offering for sale, selling, or importing for these purposes that product.*"

⁷ *Quanta Computer, Inc. v. LG Electronics Inc.*, (No. 06-937) 453 F. 3d 1364, reversed (Supreme Court June 9, 2008).

particular item that has already been sold once.⁸ Were it not for such “exhaustion” of rights, a purchaser of a patented article might be prevented from selling the said item or even “using” it, since such “sale” or “use” implicates the exclusive rights of the patentee.⁹

Illustratively, a buyer of a patented washing machine is free to do what she wishes with the machine: this includes the freedom to use the said machine, re-sell it, etc., without fear of being sued for patent infringement. The rationale underlying the theory of “exhaustion” and the doctrine of first sale is that a patentee has already been rewarded through the first sale and should not be allowed to profit repeatedly on the same good by controlling its use, resale or distribution.¹⁰ However, the doctrine of exhaustion is circumscribed by the following factors:

- i) “Exhaustion” kicks in only if the “first sale” is made by or with the authorisation of the patentee.
- ii) “Exhaustion” in relation to a particular patented article does not impact the patentee’s other exclusive rights. Nor does it affect the patentee’s rights with respect to “other” patented articles. In

⁸ This principle is also commonly referred as the “first sale doctrine”, a doctrine which “...stands for the proposition that, absent unusual circumstances, courts infer that a patent owner has given up the right to exclude concerning a patented article that the owner sells.” See *Glass Equipment Development Inc. v. Besten Inc.*, 174 F.3d 1337 as quoted in *Words and Phrases* (Permanent Edition Vol. 17), “First Sale”.

⁹ The “use” of a patented product that had been legitimately purchased from a patentee or her authorized representative may be exempt from patent infringement under an “implied licence” theory. See *Anton/Bauer, Inc. v. PAG Ltd.*, No. 3:01 CV 577 (CFD), 2002 U.S. Dist. LEXIS 11583, (D. Conn. June 12, 2002).

¹⁰ The exhaustion doctrine, thus, serves to allow the patentee to extract full consideration for a patented article, but no more. See J.C. Paul et al, *US Patent Exhaustion: Yesterday, Today, and Maybe Tomorrow*, 3 JOURNAL OF INTELLECTUAL PROPERTY LAW & PRACTICE 461-469(2008).

other words, the buyer of a patented article, in respect of which the patent right has been exhausted does not get the right to “sell” or “distribute” “other” patented articles that she has not purchased.¹¹

Depending on the territory in question, exhaustion can be either “national” (confined to a single state) or “international” (across the globe). Legitimate “parallel imports” are but a natural corollary of the doctrine of international exhaustion and envisage the following:

- i) An export of a patented good from country X (such as Bangladesh)
- ii) Import of such patented good into country Y (such as India).

A parallel importer essentially engages in price arbitrage and exploits the price difference between the exporting country (Bangladesh) and the importing country (India). Several countries therefore encourage such imports to ensure lower priced patented goods for their consumers.

It bears noting that the key players who effectuate “parallel imports” are third parties, normally unrelated to the patentee. As to whether or not the import of such goods into India (importing country) can be stopped by the patentee by recourse to an Indian court will depend on the laws of India. Illustratively, since the laws of India provide for “international exhaustion”, such imports into India are legal.¹² Contrast this with the US, which does not provide for international

¹¹ *Illustratively, see* US v. Moore 604 F. 2d 1228 as quoted in Words and Phrases “First Sale” see *supra* note 8.

¹² We discuss the Indian position in great detail in the ensuing sections of this paper.

exhaustion: any import of patented goods from Bangladesh to the US can therefore be prevented by the patentee, even if the patentee herself had placed the goods in the Bangladeshi market. We discuss the various kinds of “exhaustion” below. It is important to bear in mind that the scope of “exhaustion” depends upon the kind of intellectual property right in question i.e. the rules relating to “exhaustion” in relation to patents are quite distinct from those in relation to copyrights and trademarks.¹³ Although our paper is restricted to the norms of exhaustion that apply in the context of patents, we also refer to exhaustion in the context of other intellectual property rights, where necessary.

NATIONAL, REGIONAL AND INTERNATIONAL EXHAUSTION

Consider the following hypothetical built around a recent case in India,¹⁴ albeit with appropriate modifications to illustrate our point better. Roche, a Swiss multinational corporation owns a patent over an anticancer drug, Tarceva in India. It sues Cipla for introducing a generic version of this drug and requests the Delhi High court for an interim injunction against Cipla. The court decides in favour of Cipla on grounds of “public interest” i.e. Cipla was selling a cheaper and more affordable version of Tarceva. Upto this point, our hypothetical

¹³ In fact, the rules in relation to copyrighted works are likely to differ, depending upon the kind of work in question. Thus, under the Indian copyright regime, although a buyer of a literary work (such a book) is free to sell or distribute her copy, a buyer of a computer program cannot sell or distribute the copy. See Copyright Act, (Act No. 14 of 1957), sections 14 (a) and (b) of the. Similarly, in relation to sound recordings, the author/owner has the exclusive right to “sell or give on hire, or offer for sale or hire, any copy of the sound recording regardless of whether such copy has been sold or given on hire on earlier occasions” (Section 2(e)(ii)).

¹⁴ See *supra* note 2.

mirrors the actual case itself that is currently pending before the Delhi High Court.

Let us now assume that CIPLA is enjoined (at the final stage) by the Delhi High court and cannot sell generic versions of Tarceva in India. Let us also assume that Roche has patents covering this drug in Bangladesh and Pakistan. However, there is a price differential, with the highest price being charged in India and the lowest in Bangladesh. The following questions arise:

- i) Can Cipla import the drugs from Bangladesh to India and avail of the price differential?
- ii) Can Cipla buy the drug from Roche in Bangladesh and resell within Bangladesh (particularly to areas that are not serviced by Roche or its distributors)?
- iii) Can Cipla import the drugs from Bangladesh to Pakistan and avail of the price differential?

The answers to the above questions depend upon the kinds of “exhaustion” and “parallel import” regimes prevailing in India, Bangladesh and Pakistan. Let us assume for the purpose of our hypothetical that Bangladesh and Pakistan follow the doctrine of national exhaustion, while India follows international exhaustion. Let us also assume that Pakistan and Bangladesh are part of a regional bloc and they follow “regional exhaustion” principles as well.

INTERNATIONAL EXHAUSTION

In our hypothetical, Indian patent law follows international exhaustion i.e. once Roche sells Tarceva capsules in Bangladesh, either through itself or an authorised representative (“first sale”), its rights stand “exhausted” vis- à-vis that product. Cipla is free to bring these very same capsules into India and sell at a higher price.

While countries such as India and Japan recognize the principle of international exhaustion,¹⁵ countries such as the US, EU and Brazil do not.¹⁶

NATIONAL EXHAUSTION: BANGLADESH

In our hypothetical, Cipla can buy Tarceva capsules from Roche in Bangladesh and then resell them or re-distribute them anywhere in Bangladesh. Naturally, it will do so only if it can engage in price

¹⁵ The Indian position will be discussed at great length later in this paper. The Japanese Supreme Court endorsed international exhaustion in *BBS Kraftfahrzeugtechnik AG v. Rashimekkusu Japan Co. Ltd. and JAP Auto Prods Co. Ltd.*, Case No. H-6-(Ne)-3272 (Supreme Court of Japan 1997), translated in 29 *INTERNATIONAL REVIEW OF INDUSTRIAL PROPERTY & COPYRIGHT* 331 (1998). See also, *International Patent Exhaustion and the Global Semiconductor Industry*, <http://semiconductorlawblog.com/blog/?p=18>.

¹⁶ See *Jazz Photo Corp. v. International Trade Commission*, 264 F 3d 1094 (Fed Cir 2001). In this case, the plaintiffs held patents in relation to a disposable camera which was not designed for reuse after its film was exposed. However, the shells of the camera were reused by certain Chinese refurbishers and the defendants purchased the same, supplied the films and imported these cameras into the US market. Rejecting the doctrine of international exhaustion, the court enjoined the defendants from importing. Some countries in Europe follow a similar rule as the US; *see generally* CHRISTOPHER STOTHERS, *PARALLEL TRADE IN EUROPE: INTELLECTUAL PROPERTY, COMPETITION AND REGULATORY LAW* (Hart Publishing 2007). Others such as the UK appear to follow a rule of limited international exhaustion. See *Betts v. Willmott*, (1871) 6 Ch.App. 239, where it was held that any unconditional first sale in a foreign market amounts to an implied license to import the product to the UK. Subject to certain exceptions involving the non-working of a patent in Brazil or a compulsory license, Brazilian law prohibits all imports of patented products. *See International Exhaustion of Industrial Property Rights: Brazil* (AIPPI Congress in Melbourne 2001), <http://www.aippi.org/reports/q156/gr-q156-Brazil-e.htm>.

arbitrage i.e. sell at higher prices in remote areas not serviced by Roche. Here again, since Roche has already sold the drug once (first sale), it cannot control the further sale or distribution within Bangladesh. The key limitation of the doctrine of national exhaustion is that the purchase of the patented article and its subsequent resale or its re-distribution ought to be confined within the territorial limits of Bangladesh.

REGIONAL EXHAUSTION: PAKISTAN AND BANGLADESH

Some countries permit parallel import of goods within a specific regional bloc, so long as the first sale is legitimately made by the patentee or her authorized representative within one of the countries that are part of the bloc. Illustratively, the laws of the European Community (EC) provide that patented goods that have been subjected to a first sale anywhere in the community (e.g. France) can be imported and sold in any other EU country (e.g. UK) without the permission of the patentee;¹⁷ provided of course that the first sale is made by or with the authorization of the patentee. Similarly, since Bangladesh and Pakistan are members of a regional bloc in our hypothetical, a sale in Bangladesh would exhaust the patentee's rights

¹⁷ Illustratively, see *Centrafarm BV v. Sterling Drug Inc.*, [1974] 2 CMLR 480 where the European Court of Justice (ECJ) held that once the patentee had consented to the marketing of patented goods anywhere in the common market, then irrespective of national patent rights which may exist, the goods could be sold and marketed anywhere in the community. Allowing the patentee to prevent such sales would be akin to partitioning national markets which is anathema to the principle of free movement underlying the entire existence of the EU. For a good summary of European case law in this regard, see Arghya Sengupta, *Parallel Imports in the Pharmaceutical Sector: Must India be More Liberal?* 12 JOURNAL OF INTELLECTUAL PROPERTY RIGHTS 400-409 (2007).

across the entire bloc. And the goods can cross over to Pakistan without the express permission of the patentee.

Now that the concepts have been fleshed out, let us examine the regime pertaining to “exhaustion” of patent rights in India.

NATIONAL EXHAUSTION: THE INDIAN LEGAL REGIME

Curiously, although the Indian patent regime recognizes international exhaustion, a literal reading of the section suggests that it does not provide for “national” exhaustion. Contrast this with other IP legislations such as the Trademarks Act, 1999,¹⁸ whose wording is broad enough to subsume both national and international exhaustion principles. Section 30(3) of the Trademarks Act provides in pertinent part that:

[w]here 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- (a) ... or (b) the goods having been put on the market under the registered trade mark by the proprietor or with his consent.

Although the section does not use the term “exhaustion”, the use of terms such as “sale of goods in the market” or “otherwise dealing in those goods” clearly indicates that what is envisaged is “exhaustion”. Unlike section 107A(b), section 30(3) is not limited to “imports” and can therefore be read to allow both domestic and international

¹⁸ Act No. 47 of 1999 dated 30th Dec., 1999. The Trademarks Act, 1999 came into force in September 2003.

exhaustion. A recent decision of the Delhi High Court makes this clear:

In *Xerox Corporation v. Puneet Suri*,¹⁹ the plaintiff owned the trademark “Xerox” and claimed that the defendant’s act of importing and selling second hand Xerox machines constituted trademark infringement.

The defendants argued that their acts were covered under Section 30(3), which recognized the principle of international exhaustion.²⁰ Justice Sanjay Kishen Kaul of the Delhi High Court agreed with the defendants, holding that the “*import of [second hand] Xerox machines that have proper documentation*” is permissible under the Trademarks Act, provided that “*there is no change or impairment in the machine.*”²¹

Given this statutory endorsement of exhaustion, both national and international, in the Trademarks Act, might one argue that the absence of a similar clause envisaging “national exhaustion” in the Patents Act meant that Parliament did not intend to provide for such a doctrine?

Since the Patents Act expressly provides for “international exhaustion” in section 107A(b), (a point we will elaborate in detail in

¹⁹ C.S. (OS) No. 2285/2006; (Feb 20, 2007).

²⁰ To this extent, the defendants relied on the *Notes on Clauses* under the Trademarks Bill, 1999 (Bill No. XXXIII of 1999) which, in relation to sections 30(3) and 30(4), states: “*Sub-clauses (3) and (4) recognize the principle of ‘exhaustion of rights’ by preventing the trade mark owner from prohibiting on ground of trade mark rights, the marketing of goods in any geographical area, once the goods under the registered trade mark are lawfully acquired by a person. However, when the conditions of goods are changed or impaired after they have been put on the market, the provision will not apply.*” Interview with counsel for defendant, Sai Krishna of Saikrishna Associates, New Delhi (Jul. 3, 2008).

²¹ The latter part of the order appears to be have been based on a straightforward application of Section 30(4) of the Trademarks Act, 1999, which provides that “*...sub-section (3) shall not apply where there exists legitimate reasons for the proprietor to oppose further dealings in the goods in particular, where the condition of the goods, has been changed or impaired after they have been put on the market.*”

the ensuing paragraphs) which is a relatively more liberal defence to infringement, it is unlikely that an Indian court will refuse to endorse a narrower “national exhaustion” exemption in India. Particularly since the lack of a specific national exhaustion principle appears to be an oversight rather than a deliberate attempt by Parliament to restrict the scope of Section 107(A)(b). Even if a court does insist on a strictly technical reading of the Patents Act to deny scope for national exhaustion, a purchaser would nevertheless have an implied right to use and re-sell a patented good purchased in the market under the Sale of Goods Act, 1930 (section 14²² and section 19²³ of the said Act). Absent this implied right, a patentee could sue the buyer of a patented product for violating the exclusive right to “use” the patented good or to resell it.²⁴ Surely, such an absurd result was not intended by Parliament.

²² Section 14 of the Sale of Goods Act, 1930 states that “*In a contract of sale, unless the circumstances of the contract are such as to show a different intention, there is- (a) an implied condition on the part of the seller that, in the case of a sale, he has a right to sell the goods and that, in the case of an agreement to sell, he will have a right to sell the goods at the time when the property is to pass; (b) an implied warranty that the buyer shall have and enjoy quiet possession of the goods.*” In *Microbeads AC and Another v. Vinhurst Road Markings Ltd.*, 1 All ER 529 (1975), it was held that breach of the warranty of quiet possession would not be confined to physical interference with the buyer’s possession of the goods; in case of a claim made by the patentee of a patent affecting the goods, courts in UK have held that a breach has occurred.

²³ Section 19(1) of the said Act provides that “*where there is a contract for the sale of specific or ascertained goods the property in them is transferred to the buyer at such time as the parties to the contract intend it to be transferred.*” Furthermore, as per Section 19(2), “*for the purpose of ascertaining the intention of the parties regard shall be had to the terms of the contract, the conduct of the parties and the circumstances of the case.*” Therefore, when a patent-holder is selling a patented product, in the absence of any indication to the contrary in course of the sale, the property and hence the associated rights with respect to that specific product is transferred to the buyer, who then has the right to resell that product if she so desires.

²⁴ Section 48 of the Indian Patents Act grants exclusive rights to a patentee, including the right to “use” the patented product. One might argue that such a buyer could “use” the patented product under an implied license theory. In a recent House of Lords decision in *United Wire Ltd. v. Screen Repair Services (Scotland) Ltd.*, 4 All ER 353 (H.L.)(2000), Lord Hoffman distinguished the doctrine of exhaustion with the theory of implied license and stated that “*The difference in the two theories is that an implied*

Therefore, a court is likely to eschew a strict literal reading in favour of a more purpose driven interpretation to enable subsequent sales or distribution of patented products within India.

REGIONAL EXHAUSTION: THE INDIAN LEGAL REGIME

Although India is a member of a number of associations and trading blocs (such as SAARC and Commonwealth),²⁵ none of these blocs require “regional exhaustion” to be built into the respective domestic patent regimes. Consequently, India does not have any such provision in its statute.

INTERNATIONAL EXHAUSTION: THE INDIAN LEGAL REGIME

Although the terms “parallel imports” and “exhaustion” have not been expressly used in the Patents Act, these terms find mention in the Statement of Objects and Reasons appended to the Patents (Second Amendment) Bill, 1999, which became the Patents (Amendment) Act, 2002.²⁶ Further, from the various Parliamentary debates²⁷ preceding the passage of the Patents (Amendment) Act,

licence may be excluded by express contrary agreement or made subject to conditions while the exhaustion doctrine leaves no patent rights to be enforced.” In the light of section 68 of the Indian Patents Act, which requires every license be in writing and registered, it is unclear if courts would endorse an “implied” license theory in such a context. It is more likely that Indian courts will rely on the Sale of Goods Act to permit “use” and “resale” of patented goods by a consumer, provided there is no agreement to the contrary.

²⁵ The South Asian Association for Regional Cooperation (SAARC) is an association of countries seven countries (Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka) and aims to accelerate the process of economic and social development in Member States, <http://www.saarc-sec.org/main.php>. The Commonwealth is an association of 53 sovereign nations, most of whom were former British colonies that support each other and work together towards international goals. Countries such as India, Sri Lanka, Australia and New Zealand are members of the commonwealth, <http://www.thecommonwealth.org>.

²⁶ See *infra* note 29.

²⁷ See debates in the Rajya Sabha (upper house of Indian Parliament), http://rajyasabha.nic.in/rsdebate/deb_ndx/204/23032005/3to4.htm where Shri

2005 as well as from official press releases in relation thereto²⁸, it is clear that section 107A(b) was aimed at permitting parallel imports and endorsing the principle of international exhaustion. We take a closer look at the history of the provision hereunder.

The first statutory provision on parallel imports was introduced by the Patents (Amendment) Act, 2002.²⁹ This section provided that the *“...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 an infringement of patent rights.”*

However, the above provision was considered restrictive in scope, as evident from the following hypothetical:

Jairam Ramesh, the Minister of State for Commerce and Industry, states that *“... the relevant sections are Section 47, Sections 82-84 and Section 107 (a) and (b) which deals with parallel imports. The short point that I want to make is that, on the issue of prices, on the issue of availability of patented medicine, on the issue of the ability of the Government to retain the right of ensuring that the patent is translated into a product, there are enough safeguards in the existing legislation both in the 1970 legislation, but more importantly in the revised Patents Act of 1970 reflecting the new provisions for compulsory licensing, reflecting the new provisions for parallel import particularly; and also reflecting the new provisions for enabling the Government to import; and use and distribute for its own use either through itself or through the third party.”*

²⁸ See for example, a press release from the Press Information Bureau (the nodal agency of the Government of India tasked with disseminating information on government policies, programme initiatives and achievements.), <http://pib.nic.in/release/release.asp?relid=8096>, which notes in connection with the amendment to section 107A (b) that *“...this has been amended to say that the foreign exporter need only be ‘duly authorised under the law’, thus making parallel imports easier. A parallel import is a mechanism that helps in price control.”* See also the official website of the Ministry for Commerce and Industry, which carries a short note on this aspect, http://commerce.nic.in/pressrelease/pressrelease_detail.asp?id=1633

²⁹ The Patents (Second Amendment) Bill, 1999 (which eventually became the Patents (Amendment) Act, 2002) was introduced in the Parliament on 20th December, 1999. See <http://rajyasabha.nic.in/journals/188/20121999.htm>. Thereafter, a motion was passed and adopted by the Rajya Sabha on 21 December 1999 and by the Lok Sabha on 22 December, 1999 to refer the Bill to a Joint Committee of both Houses of Parliament. See <http://www.parliamentofindia.nic.in/ls/bulletin2/01/D151101.htm>. The Bill was placed before the Rajya Sabha for consideration on 9 May, 2002. See http://commerce.nic.in/pressrelease/pressrelease_detail.asp?id=880.

Assume that Roche has a patent over Tarceva in both Bangladesh and India. However, Roche sells the drug (through its licensee, X) at Rs 100 in Bangladesh and Rs 300 in India. Cipla buys the drug from X at Rs 100, imports it to India and thereafter re-sells at Rs 200 per capsule. Since X qualifies as “*a person duly authorized by the patentee*”, Cipla’s import is legal and falls within section 107A(b). Now let us assume that X discovers that Cipla is engaging in parallel trade and undercutting her market in Bangladesh and therefore stops selling to Cipla. Cipla then approaches a drug store (Y) in Bangladesh that has brought supplies from X. Although Y is not a licensee of Roche, under Bangladeshi law (which, for the purposes of our hypothetical, recognizes national exhaustion), it is free to resell or redistribute goods bought from Roche/X.

However, under Indian law, Y may not qualify as “*a person who is duly authorized by the patentee to sell or distribute the product*”. In other words, although Y may be authorized under the “law” of Bangladesh to sell and distribute the drug, one may argue that she is not specifically “authorized” by the patentee in this regard.

This interpretation gains credence in the light of section 68 of the Indian Patents Act, which categorically states that every license (“due authorization”) has to be in writing and duly executed.³⁰ Therefore, if Cipla buys from Y, it may not be protected under section 107A(b)

³⁰ Given that the term “duly authorized” has not been defined in the Indian Patents Act, one commentator opines that it is likely to be construed in accordance with “implied license” theories and English precedent in this regard. See Sonia Baldia, *Exhaustion and Parallel Imports in India* in PARALLEL IMPORTS IN ASIA 164-165 (Christopher Heath ed., Kluwer Law International 2004). However, in the light of section 68 which requires every license to be in writing and registered, it is not clear if Indian courts would endorse an implied licence doctrine in India.

and could be sued for patent infringement by Roche in India. Needless to state, if such a construction were to be adopted by Indian courts, it would thwart the very idea of international exhaustion and the laudable intent of helping Indian consumers avail of lower prices, when the patentee has already placed a product in the global market and made profits on the first sale thereon. It is pertinent to note in this connection that according to the “Notes on Clauses” appended to the Patents (Second Amendment) Bill, 1999, section 107A(b) was introduced to “*ensure availability of the ‘patented product’ in the Indian market at minimum international market price.*”³¹ ”

The potential for a restrictive interpretation of section 107A and the consequent thwarting of the principle of international exhaustion as articulated above may have prompted the Indian Parliament to effectuate an amendment via the Patents (Amendment) Act, 2005³² and provide that there would be no infringement if there has been an “*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*”.

³¹ According to the “Statement of Objects and Reasons” appended to the Patents (Second Amendment) Bill, one of the salient features of the Bill was “to provide provisions relating to parallel import of patented products;” Clause 51 of the Bill recommended the inclusion of Section 107A. The Notes on Clauses appended to the Bill provides in relevant part, “*Clause 51.- This clause seeks to insert a new section 107A in the Act, relating to certain acts which are not to be considered infringements.... It is also proposed that the importation of patented products from the person who is duly authorized by the patent holder shall not constitute an infringement. This provision is proposed to ensure availability of the patented product in the Indian market at minimum international market price.*”

³² This amendment was first introduced under the Patents (Amendment) Ordinance, 2004 promulgated by the President in order to meet the deadline of January 1, 2005 required by the TRIPS Agreement to introduce product patents. Section 107A(b) of the Ordinance provided that there would be no infringement if there has been an “*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*”. This language was retained in the Patents (Amendment) Bill, 2005, which eventually became the Patents (Amendment) Act, 2005.

Therefore, in contrast with the earlier position under the 2002 Act, once the “first sale” of any product had been authorized by the patentee, a parallel importer could buy that product from any reseller and not necessarily from the one that had the express permission of the patentee to resell or distribute. In other words, such importer does not need to ensure that any of the sellers from whom she buys the goods (whether second, third or fourth) were expressly or impliedly authorized by the patentee. Of course, this assumes that Bangladeshi patent law recognized “national exhaustion” and therefore the second or the third seller was “duly authorized under Bangladeshi law to produce and sell the product”. To this extent, the 2005 amendments implement the principles of international exhaustion and parallel imports in their true spirit.

Another amendment in section 107A(b), which bears noting is the addition of the word “produce”. The earlier clause which exempted from infringement the “...*importation of patented products by any person from a person who is duly authorized by the patentee to sell or distribute the product...*” was amended in 2005 to “*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*”. (emphasis by authors). Firstly, the phrase ought to read as “produce and sell OR distribute” and not as “produce and sell OR produce and distribute”. The latter reading would unduly restrict the provision and thwart international exhaustion principles, as not many entities would have been actually licensed to “produce” the patented good. Indeed, in some cases, the patentee may be the sole producer of the patented goods. Given that the former

interpretation is likely to hold sway, it would appear that the phrase “produce and sell” is superfluous,³³ since a parallel importer, in the normal course of events, is likely to purchase goods from a person who is authorized to “distribute” the patentee’s goods. It ought not to make a difference to such importer whether this person additionally had the right to produce those goods as well.

III. SECTION 107A(B): ERODING THE EXCLUSIVE RIGHT TO IMPORT?

Section 107A(b), in its current form, exempts from infringement an *“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”*.

A literal reading of section 107A(b) suggests that even the “first sale” need not be authorized by the patentee.

Consider our earlier hypothetical involving Tarceva, an anticancer drug, which is under litigation before the Delhi High Court.³⁴ Here again, for the purposes of this paper, let us amend the fact situation slightly to assume that that Cipla is restrained (at the final stage) by the Delhi High court and cannot sell in India. Cipla now asks its Bangladeshi partner, Beximco Pharmaceuticals Ltd., to manufacture

³³ According to a noted jurist, Justice GP Singh, *“The Legislature sometimes uses superfluous words or provisions or even tautologic expressions because of ignorance of law or as a matter of abundant caution.”* See G. P. SINGH, PRINCIPLES OF STATUTORY INTERPRETATION 76 (Wadhwa & Co 2004), (hereinafter, “GP Singh”). It has been held that *“only when other provisions of an Act give out that a provision in the Act owes its origin to a confusion of ideas or to a misunderstanding of the law or to abundant caution, the court reaches the conclusion that that provision is superfluous.”* See also Shri Gopal Jalan & Co. v. Calcutta Stock Exchange Association, AIR 1964 SC 250 at 253-254, as quoted in GP Singh at 77.

³⁴ See *supra* note 2.

the drug in Bangladesh. It then imports the drug into India.³⁵ It bears noting that Bangladesh is a least developed country (LDC)³⁶ and therefore has time till 2016 to implement product patents in pharmaceuticals. Consequently, any manufacture, use, distribution and sale of the drug within Bangladesh does not amount to a patent infringement in Bangladesh.³⁷

Under the old regime (prior to 2005), which required any import to be “*duly authorized by the patentee*”, Cipla could not legally import Tarceva into India if the seller (in Bangladesh) was not authorized by Roche to sell or distribute Tarceva in Bangladesh. Under the new provision however, one could argue that Cipla can import Tarceva even without the permission of Roche. It has to only comply with the condition that the exporter of such patented product (eg. Beximco) be “*duly authorised under the law to produce and sell or distribute the product*”.

³⁵ Bangladeshi patent law excludes pharmaceutical inventions (products) from patentability. See Patents and Designs Act, 1911, http://bdlaws.gov.bd/pdf_part.php?act_name=&vol=&id=94. However, Bangladesh is considering putting in place a “mailbox” facility so that pharmaceutical patent applications may be accepted and their “novelty” preserved. A news report in the Daily Star, <http://www.thedailystar.net/story.php?nid=27621> states that “*A circular issued by the Department of Patent, Design and Trademarks in January said as per the TRIPS agreement all applications for patents of medicines and agricultural chemicals will be kept suspended until January 01, 2016. It said the previous applications as well as fresh applications relating to patents for medicines and agricultural chemicals will be preserved in a ‘mail box’ and will be considered after the expiry of the deadline.*” See also, <http://www.bangladeshinfo.com/news/special16.php>.

³⁶ See the UN list of Least Developed Countries here: <http://www.un.org/special-rep/ohrrls/ldc/list.htm>.

³⁷ It must be noted that Bangladesh has yet to reach a similar technological capability as India, in so far as the manufacture of drugs is concerned. Although their current strength is limited to the manufacture of formulations, it is only a matter of time before they gain proficiency in Active Pharmaceutical Ingredients (APIs) as well. By setting up base in Bangladesh, Indian companies could help Bangladeshi industry acquire the skills necessary for making APIs. See SAMPATH P. GEHL, INTELLECTUAL PROPERTY RIGHTS AND INNOVATION IN A LEAST DEVELOPED COUNTRY CONTEXT: THE CASE OF BANGLADESH (UNCTAD 2007), for the Least Developed Country Report.

The key question we are faced with in the light of the fact that the goods are produced by Beximco and not Roche and there has been no “exhaustion” of Roche’s patent right, is: would not such imports hit out at the very essence of the exclusive right to import under section 48 of the Patents Act and Article 28³⁸ of the TRIPS Agreement? We examine this issue below.

EXCLUSIVE RIGHT TO IMPORT UNDER SECTION 48

By permitting the import of goods manufactured in Bangladesh and other countries (where there are no patents and where the goods are not placed in the market by the patentee), the very essence of the exclusive right to import is eviscerated. In fact, some might even argue that this comes very close to rendering the very patent grant itself a nullity: a third party who cannot manufacture or sell a patented good in India has only to relocate to Bangladesh, manufacture the said good, and import it to India.

One may argue that the above consequence is not as severe as it seems. For one, a literal reading of section 107A would suggest that it is a defence only in so far as the exclusive right to “import” is concerned. In other words, the other exclusive rights guaranteed under section 48, such as the right to sell and distribute are not covered by the section 107A(b) exemption. If therefore, after importing, the good is distributed or sold in India, this could be prevented by the patentee. Such interpretation gains credence when one compares the Patents Act with the Trademarks Act, which

³⁸ See *supra* note 6.

endorses the right to “sell” by the parallel importer, once the rights have been exhausted internationally.³⁹

However, given the legislative history of section 107A(b)⁴⁰ (that makes it clear that the section was introduced with a view to introduce parallel imports of patented products and to ensure availability of the patented product in the Indian market at minimum international market price), it is likely that a judge will likely construe the term “import” in this section to include subsequent sales as well. Particularly when the absence of the word “sale” appears more as an oversight than a deliberate attempt to curtail the scope of the international exhaustion principle envisaged under section 107A(b).⁴¹ If so interpreted, section 107A would result in a drastic impairment of the exclusive rights guaranteed to a patentee under section 48.

³⁹ See *supra* note 18 and accompanying text for a discussion on this. Further, see also *Gramophone Co. v. Birendra Pandey*, AIR 1984 SC 667, where pirated cassettes that were “in transit” to Nepal were seized by Indian customs officials on grounds of copyright infringement. The key issue was whether or not such “in transit” goods amounted to “imports” and therefore fell within the ambit of Section 51 (b) (iv) which prohibited the “import” into India of infringing works. The Indian Supreme Court held in the affirmative, noting that: “It was submitted by the learned Counsel for the respondents that where goods are brought into the country not for commerce, but for onward transmission to another country, there can, in law, be no importation...It is difficult to agree with this submission... In the first place, the language of Section 53 does not justify reading the words ‘imported for commerce’ for the words ‘imported’. Nor is there any reason to assume that such was the object of the legislature.”. The Supreme Court reasoning could be transposed to our context as well, and one might argue that an “import” of a patented good into India need not necessarily entail the subsequent “sale” of that good within India.

⁴⁰ See *supra* notes 31, 32.

⁴¹ In *State Bank of Travancore v. Mohammad*, AIR 1981 SC 1744, the words “any debt due before the commencement of this Act to any banking company”, was interpreted to mean “any debt due at and before the commencement of this Act”. Chandrachud J., delivering the judgment of the court opined that: “The plain language of the clause, if interpreted so plainly, will frustrate rather than further the object of the Act. Relief to agricultural debtors, who have suffered the oppression of private moneylenders, has to be the guiding star which must illumine and inform the interpretation of the beneficent provisions of the Act.... We would have normally hesitated to fashion the clause by so restructuring it but we see no escape from that course, since that is the only rational manner by which we can give meaning and content to it, so as to further the object of the Act. (para. 19)”.

Even assuming that a judge construes the section narrowly to deny any scope for subsequent sale by the importer, the patentee's exclusive right to import under section 48 is likely to be impacted. Consider our hypothetical concerning Tarceva; under a strict construction of section 107A(b), Cipla can only import the drug into India, but cannot sell it to the patients or to medical stores thereafter. Cipla could circumvent this prohibition on sales and distribution by asking patients or stores to order directly from its Bangladeshi suppliers, in which case, the "import" from Bangladesh would be directly by the patient or the store.

In short, any interpretation of section 107A(b) that legalises generic supplies from Bangladesh in our hypothetical is likely to hit at the very essence of the right to import under section 48. Further, such a construction also has serious TRIPS implications, as discussed below.

TRIPS COMPATIBILITY?

Article 28 of TRIPS mandates that every patentee shall have the exclusive right to make, use, offer for sale, sell, or import the patented product or process in question.

However, footnote (6) to Article 28 adds a small caveat to the exclusive right to import, by clarifying that "*This right [i.e. the right of importation], like all other rights conferred under this Agreement in respect of the use, sale, importation or other distribution of goods, is subject to the provisions of Article 6.*"

Article 6 in turn states that "*nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights.*"

The meaning of Article 6 is made clear by Article 5(d) of the Doha Declaration which states that *“the effect of the provisions in the TRIPS Agreement that are relevant to the exhaustion of intellectual property rights is to leave each member free to establish its own regime for such exhaustion without challenge ...”*

It is therefore clear that TRIPS permits Member States to limit the exclusive right to import guaranteed by Article 28 to the extent that such limitation relates in some way to the concept of “exhaustion”.⁴²

It is important to note that in our hypothetical example of Cipla producing generic versions of Tarceva in Bangladesh and exporting to India, there is no first sale by the patentee (Roche) and consequently, no “exhaustion” of Roche’s rights. This lack of “exhaustion” means that Article 6 (which only confers flexibilities around determining the scope and extent of “exhaustion”) cannot apply in the case of the Indian provision.

And since Article 6 does not apply, it is likely that section 107A(b) will be held to violate the exclusive right to import under Article 28. Further, such a provision virtually eviscerates the patentee’s exclusive right to import. Therefore it might be very difficult to argue that it is a “limited exception” to a patent right falling within the scope of Article 30 of the TRIPS Agreement, which provides that *“Members may provide limited exceptions to the exclusive rights conferred by a patent,*

⁴² According to one author, “exhaustion was one of the difficult issues during the TRIPS negotiations” and the compromise reached was to exclude the matter from dispute settlement. This does not mean that it was excluded from the Agreement altogether, but only means that “international exhaustion cannot be invoked before a panel as a direct violation of TRIPS...” See DANIEL GERVAIS, *THE TRIPS AGREEMENT: DRAFTING HISTORY AND ANALYSIS* 112-113 (Sweet & Maxwell 2003).

provided that such exceptions do not unreasonably conflict with a normal exploitation of the patent and do not unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties.”

In *Canada — Patent Protection of Pharmaceutical Products*,⁴³ the only panel decision to have interpreted Article 30 so far, the panel, while construing the term ‘limited’ used in Article 30, relied on its close proximity with the word ‘exception’ and noted that: “*When a treaty uses the term ‘limited exception’, the word ‘limited’ must be given a meaning separate from the limitation implicit in the word ‘exception’ itself. The term ‘limited exception’ must therefore be read to connote a narrow exception - one which makes only a small diminution of the rights in question.*”⁴⁴

In this way, although the amended provision plugs a loophole in the earlier provision and implements the principle of international exhaustion in its true spirit, it also results in another consequence vis-à-vis the patentee’s exclusive right to import under section 48 of the Patents Act and under Article 28 of the TRIPs Agreement. In other words, section 107A(b) as it stands today, is arguably in breach of India’s obligations under the TRIPs Agreement.

III. CREATIVELY INTERPRETING SECTION 107A(B)

From the discussions above, it is clear that a plain literal reading of section 107A(b) detrimentally impacts a patentee’s exclusive rights under section 48 and also runs the risk of violating TRIPS.

⁴³ *Report of the Panel*, WT/DS114/R (Mar. 17, 2000).

⁴⁴ *Id.* at para 7.29.

How then ought a judge to interpret section 107A(b), so as to balance out competing interests of the patentee on the one hand, and the desire to make cheaper goods available to the consumer on the other? We discuss here two possible ways in which the section could be interpreted to avoid violating the TRIPs agreement and better achieving this balance.

“INDIANISING” THE LAW

One suggestion could be to interpret the term “law” in the section, to mean Indian law. To recapitulate, section 107(A)(b) states that any importation of a patented product *“from a person who is duly authorized under the law to produce and sell or distribute the product”* is legal (emphasis by authors).

The key problem is that with such an interpretation is that one is faced with a logical inconsistency. A parallel import involves an “exporting” country (e.g. Bangladesh) and an “importing” country (e.g. India). The “producer” of the good or the seller/distributor as referenced in section

107A(b) (e.g. Beximco) is more likely to be based in Bangladesh and the importer (e.g. Cipla) is more likely to be based in India. Subjecting the legality of “production”, “sale” or “distribution” in Bangladesh to “Indian” law appears incongruous. In other words, was one to interpret “law” as Indian law, one is faced with an absurd question: Under Indian law, can Beximco produce and distribute the drug in Bangladesh? Therefore, any reasonable construction of

section 107A(b) would suggest that “law” as used in the section has to mean Bangladeshi law.

EXPANDING THE LOCUS OF THE “PATENT”

A better alternative would be to argue that in order to harmoniously construe section 107A(b) with section 48, the term “patented product” could be interpreted to mean a product patented in both the exporting country (Bangladesh in our hypothetical) and the importing country (India).

To recapitulate section 107A(b), it exempts from infringement an *“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.”*

Naturally, the term “patented product” envisages a “patent” in India that covers such product—if this were not the case, then an importer does not need to seek refuge under section 107A(b) at all. Rather, since there is no patent in India, she is free to import into India or even manufacture and sell in India.

Apart from the above ordinary meaning, the term “patented product” could also be interpreted to envisage a patent over the imported product in Bangladesh. Since a “parallel import” envisages an exporting country and an importing country, it would be logical to assume that the “patent” status of a product that is subjected to such parallel import has to be measured with reference to both the place of export and the place of import.⁴⁵

⁴⁵ One may argue that the term “patented product” in section 107A(b) is interchangeable as the term “patented article” in section 2(o) and has to therefore only mean an article patented in India. However, in the light of section 2, a definitional section which

Consequently, in the context of our hypothetical involving Roche and Cipla, the section would exclude any “generic” versions of Tarceva manufactured in Bangladesh, where there is no patent. In other words, Cipla cannot avail of section 107A(b) to import generic versions of Tarceva manufactured by Beximco.

This interpretation does not detract unduly from the patentee’s exclusive rights under section 48, complies with TRIPS and fits well within the overall framework of the section. Also, this interpretation furthers Parliamentary intent i.e. to permits international exhaustion and the buying of low priced patented goods, once the patentee has already sold them anywhere else in the world.⁴⁶

In the light of the above, we argue that a judge is likely to interpret the term “patented products” in section 107A(b) to mean products patented in the “exporting country”.

As to whether an Indian judge is likely to review and interpret section 107A (b) in accordance with TRIPS is a moot issue. In the Novartis case,⁴⁷ the judge refused to entertain a TRIPS challenge to section 3(d) of the Patents Act on the ground that it had no jurisdiction. It held that the Swiss government (home government of Novartis)

begins with the qualification “[i]n this Act, unless the **context** otherwise requires.....” (emphasis by authors), a judge is likely to find that the specific context of section 107A(b) and the principle of exhaustion and parallel imports envisaged therein warrant a different interpretation of the term “patented product”. See GP Singh supra note 33 at 174: “Where the context makes the definition given in the interpretation clause inapplicable, a defined word when used in the body of the statute may have to be given a meaning different from that contained in the interpretation clause; all definitions given in the interpretation clause are therefore enacted subject to the qualification - ‘unless the context otherwise requires’. See also State of Maharashtra v. Indian Medical Association AIR 2002 SC 302, 307.

⁴⁶ See supra note 31.

⁴⁷ Novartis AG v. Union of India, (2007) 4 MLJ 1153.

ought to agitate this before the Dispute Settlement Body of the WTO.

In coming to this conclusion, it referred to a British case, *Salomon v. Commissioner of Customs*,⁴⁸ where Lord Diplock had held that: “*if the terms of a legislation are not clear, and are reasonably capable of more than one meaning, the terms of international treaties to which the government is signatory, become relevant.... There is a prima facie presumption that Parliament does not intend to act in breach of International Law, including therein specific treaty obligations; and if one of the meanings which can reasonably be ascribed to the legislation is consonant with the treaty obligation and another or others are not, the meaning which is consonant is to be preferred.*”

In the context of section 107A(b) therefore, if the terms of the statute are found to be unclear, it is likely that the courts will interpret the section in a manner consistent with TRIPS.

However, despite the interpretation proffered above, there would continue to be gaps in the law relating to parallel imports and exhaustion. For one, imports from foreign jurisdictions where the (Indian) patentee voluntarily places goods in the market, despite there being no available patent protection (in the said foreign jurisdiction) would be illegal.⁴⁹

⁴⁸ 1966-3-All E. R. 871.

⁴⁹ It is pertinent to note that under UK law, such a first sale by the patentee would be construed as triggering off “exhaustion” and therefore any such imports would be perfectly legal. *Merck & Co. Inc. v. Stephar BV* (C187/80) [1981] 3 CMLR 463, where the European Court of Justice (ECJ) held that “...a patentee could not rely upon his patent to prevent imports of products placed on the market in another member state by him or with his consent, even if the product was not patentable in Member State of first marketing.” This case was re-considered and upheld in *Merck & Co. v. Primecrown Ltd.* (C267/95) 1996 WL 1091573 (ECJ) where the court held that the patentee had exhausted his rights by voluntarily marketing his patented pharmaceutical

Secondly, it is unclear as to whether or not a buyer of a patented good has the right to repair or reconstruct such goods.

Owing to the above gaps in the law, and in order to vest section 107A with more clarity, we recommend amendments to section 107A(b) as below.

IV. AMENDING SECTION 107A(B)

Given the strained interpretation needed to make section 107A(b) TRIPs compliant, we suggest amending the section to make it broader and clearer in its scope. Before suggesting an amendment, we also look at court decisions in other countries to determine how the Indian parallel imports provision can be made even more forward looking and comprehensive.

EXPANDING THE SCOPE OF EXHAUSTION: METHOD/PROCESS PATENTS

The United States Supreme Court recently dealt with principles of national exhaustion in *Quanta v. LGE*.⁵⁰ This case involved a licensing arrangement between LGE, the patentee, and Intel in relation to chipsets. The key issue was whether or not LGE's patent rights had

products in Spain and Portugal, even though at that time, no patent protection for pharmaceuticals for available in Spain and Portugal. Also see note 16. See also, AIPPI report which states: "...patent rights are exhausted if a patented product is put on the market by or with the consent of the patentee anywhere within the EEA. This applies even when the patentee does not have an equivalent patent in the country of first marketing, when there is no patent protection available there or where the local legislation fixes an artificially low sales price for the products there." *International Exhaustion of Industrial Property Rights: United Kingdom* (AIPPI Congress in Melbourne 2001), <http://www.aippi.org/reports/q156/gr-q156-United%20Kingdom-e.htm>.

⁵⁰ See *Quanta v. LGE*, *supra* note 7. It is pertinent to note that unlike the Indian Patents Act which specifically provides for international exhaustion in section 107A(b), there is no similar statutory provision in the US. Rather most "exhaustion" related principles in the US draw from case law.

been “exhausted” after the sale by Intel (the licensee) to Quanta (one of Intel’s customers), leaving Quanta free to do what it wished with the chipsets. Intel was required under one of the contracts with LGE to give notice to customers that they could not combine the chipsets with devices by other manufacturers. For the purpose of this paper, we limit our discussion to the “patent” issue (as to whether or not there was an exhaustion) and exclude the contractual issue (as to whether or not there had been a breach of contract).

The Supreme Court held in favour of Quanta’s right to deal with the product as it wished i.e. Quanta could combine the Intel chipset with other products. Specifically, it disagreed with LGE that “exhaustion” applied only to product patents. It categorically held that it applied to process patents or method patents as well.

It is interesting to note here that section 107A(b) is limited to “patented products”. The narrow definition of “patented article”,⁵¹ a term used interchangeably with “patented products”, may mean that one cannot widely construe such terms to include patented processes as well.⁵² One might argue that a judge could, in the light of the section 2 phraseology “unless the context otherwise requires” also interpret “patented article” to mean a patented process in the context of section 107A(b).⁵³ However, in order to minimize the scope for uncertainty in this regard, we recommend an express amendment to

⁵¹ Striking a distinction between patented article and patented process, section 2(o) states that: ““patented article” and “patented process” means respectively an article or process in respect of which a patent is in force.”

⁵² It is interesting to note that the term “patented invention” as used in some of the provisions of the Patents Act (such as section 84 dealing with compulsory licences) clearly envisages both products and processes.

⁵³ See *supra* note 45.

include patented processes within the scope of exhaustion, as discussed in the last section of this chapter.

CONDITIONAL SALES

The *Quanta* decision is notable for another reason: it leaves open the question of whether or not a “conditional sale” precludes exhaustion. In other words, if the patentee or her licensee imposes a condition on the sale, such as the fact that the product can be used only once,⁵⁴ can it be said that the rights in the patented good are still “exhausted” and a buyer is free to ignore the condition? There is a distinction between a suit for patent infringement and a suit for breach of contract.⁵⁵ US case law is almost unanimous in accepting that there could be a breach of contract claim in such cases. However, the court in *Quanta* did not explicitly decide as to whether the breach of such a condition would constitute a patent infringement as well.

The court simply stated that in this particular case, the sale was an “unconditional” one. Therefore under US law, it may well be possible to introduce “conditions” to accompany sales and thereby erode the principle of “exhaustion”.⁵⁶ Indian law ought to prevent against such

⁵⁴ See *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700 (Fed. Cir. 1992). It appears that under older decisions of the courts in UK, the rule of international exhaustion applied only if there was no express condition to the contrary. See generally, 35 HALSBURY'S LAWS OF ENGLAND 250, 412 (LexisNexis Butterworths 1994).

⁵⁵ This distinction is an important one as has been observed by a scholar. See Mark R Patterson, *Reestablishing the Doctrine of Patent Exhaustion*, Patently-O, Nov. 19, 2007 <http://www.patentlyo.com/patent/2007/11/reestablishing.html>, who suggests that while the “patentee could still impose limitations on buyers' uses of the products, ... those limitations would be solely matters of contract. They could not be enforced through patent infringement actions, and they would be subject to antitrust law limitations.”

⁵⁶ See Halsbury's laws of England, *supra* note 54 where it is stated that: “...if at the time of sale, the purchaser has notice of some restriction, imposed by the proprietor or those representing him, that restriction will bind the purchaser, although the court will not presume that the purchaser knew of the restriction

a possibility by expressly indicating that exhaustion will prevail, notwithstanding any condition attached to the sale.

REPAIR V. RECONSTRUCTION

The courts of many countries draw a distinction between “repair” and “reconstitution/reconstruction” when determining the applicability of the doctrine of exhaustion. Specifically, most countries’ laws provide that the doctrine of exhaustion permits the buyer of patented goods to repair them, but not to reconstitute/reconstruct them.⁵⁷ The rationale for this distinction seems to be that while a repair may be necessary even for a single “use” of the article in the manner intended by the patentee, a

merely because notice of it was marked on the article, if the marking was not such as to be apparent under ordinary conditions to a customer at the time of the sale.”

⁵⁷ See for example, *Dunlop Pneumatic Tyre Co. Ltd. v. Neal*, 1899(1) Ch. D. 807 where it was held that “*the purchaser of a patented article can carry out repairs to it; however, he cannot manufacture a new article and claim that he had not infringed the patent because in the manufacture he had used an article derived from a patented article sold by its patentee*”. The principles in *Dunlop* were endorsed by the House of Lords in *British Leyland Motor Corporation and Others v. Armstrong Patents* [1986] UKHL 7 (27 February 1986). The most recent case in this regard in the UK appears to be *United Wire Ltd. v. Screen Repair Services (Scotland) Ltd* [2000] 4 All ER 353 (H.L.) where Lord Bingham of Cornhill held “*... repair may involve no more than remedial action to make good the effects of wear and tear, involving perhaps no replacement of parts; or it may involve substantial reconstruction of the patented product, with extensive replacement of parts. Both activities might, without abuse of language, be described as repair, but the latter might infringe the patentee’s rights when the former did not.*” Further, Lord Hoffman (reaching the same conclusion) held: “*Where however it is alleged that the defendant has infringed by making the patented product, the concepts of an implied licence or exhaustion of rights can have no part to play. The sale of a patented article cannot confer an implied licence to make another or exhaust the right of the patentee to prevent others from being made. A repair of the patented product is by definition an act which does not amount to making it: as Lord Halsbury L.C. said of the old law in Sirdar Rubber Co. Ltd. v. Wallington, Weston & Co. (1907) 24 R.P.C. 539, 543: ‘you may prolong the life of a licensed article but you must not make a new one under the cover of repair.’ Repair is one of the concepts (like modifying or adapting) which shares a boundary with ‘making’ but does not trespass upon its territory. I therefore agree with the Court of Appeal that in an action for infringement by making, the notion of an implied licence to repair is superfluous and possibly even confusing. It distracts attention from the question raised by section 60(1)(a), which is whether the defendant has made the patented product. As a matter of ordinary language, the notions of making and repair may well overlap. But for the purposes of the statute, they are mutually exclusive. The owner’s right to repair is not an independent right conferred upon him by licence, express or implied. It is a residual right, forming part of the right to do whatever does not amount to making the product.*”

reconstitution would potentially permit more than a single use even though the patentee would have obtained remuneration only for a single item and not for use of this single item multiple times.⁵⁸ We recommend that Indian law also strike this distinction between reconstitution and repair, and permit repairs.

PROPOSED AMENDMENT TO SECTION 107A(B)

We propose amending section 107A(b) to remove the ambiguities discussed above. Our amendments seek to fill the following gaps:

1. A literal interpretation of section 107A(b) appears to preclude “national exhaustion”;
2. Section 107A(b) does not appear to envisage “process” patents or “method” patents;
3. Section 107A(b) does not preclude the possibility of introducing “conditional sales” to thwart the scope of “exhaustion” and consequent resale/redistribution.

We therefore propose the following amendment:

“107B. EXHAUSTION OF RIGHTS

- (1) For the purposes of this Act, the rights of a patentee or anyone claiming through such patentee shall be exhausted after a patented article has*

⁵⁸ See *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 346 (1961) where the US Supreme Court held that “although there is no right to ‘rebuild’ a patented combination, the entity ‘exists’ notwithstanding the fact that destruction or impairment of one of its elements renders it inoperable; and that, accordingly, replacement of that worn-out essential part is permissible restoration of the machine to the original use for which it was bought.”

been sold once anywhere in the world (including within India), by or with the authorization of such patentee.

(2) *The provisions of section 107B(1) shall apply in case of sale of any patented article, notwithstanding:*

i) any contractual stipulation to the contrary by the patentee or her authorized representatives.

ii) The specific form of transaction between the patentee or her authorized representative and the buyer.⁵⁹ In particular, any attempt to classify what is in essence a “sale” of an article as a licence shall be ignored for the purposes of this section.

iii) any notice in relation to the article placed by the patentee or her authorised representatives or any other party selling the patented article; unless such notice is essential to ensure public health or safety.⁶⁰

EXPLANATION 1

The term “exhaustion” (and all its cognates), in relation to a “patented article” shall encompass all situations where the exclusive rights of the patentee and any/all her authorized representatives (under section 48) vis-à-vis such article stand terminated after the first sale of such article any where in the world, provided that such first sale is made by or with the authorization of the patentee.

Any first sale of a patented article shall also exhaust rights associated with any other patent(s) owned by the patentee, provided that the predominant “use” of the

⁵⁹ The form of a transaction does not determine whether exhaustion applies. Therefore the doctrine may apply even though a transaction is not characterized as a conventional sale. *See* United States v Masonite Corporation, 316 US 265, 278 (1942). *See also* JC Paul et al, *supra* note 10.

⁶⁰ This is to cater to concerns that arise out of a *Mallinckrodt, Inc. v. Medipart*, *supra* note 54 kind of situation.

article in question is likely to implicate any of the rights associated with such other patents.

Provided that the “exhausted” rights envisaged under this section include the right to repair a patented article but not the right to reconstitute such article.

EXPLANATION 2

The term “patented article” as used in this section, includes, without limitation, any article that implicates one or more patents granted in India, including product, process or method patents.

EXPLANATION 3

The term “authorized representatives”, as used in this section, shall include any person selling the patented article with the consent of the patentee, whether express or implied.

EXPLANATION 4

This section and the various terms used therein shall be construed solely in accordance with Indian law. In particular, Indian law shall exclusively govern any choice of law issues that arise in relation to this section.”

**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 offset 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

* 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.

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 offset 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 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.

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 are an infinite number of possible distinctive

trademarks to create and to use.¹ As 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

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).

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...".

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 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

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 possess 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”.

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 by 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

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.

1.2 The Consumption Impact

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 Notably, this effect

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

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

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.

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 has 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.

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 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

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>.

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

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 choices it also has the potential of sugarcoating harmful foods.¹⁴ But be things as they may,

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 detailed survey 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>.

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*

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.

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

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.

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 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 does 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

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>.

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 the notion as to

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 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.

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 et al* also questions 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

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.

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 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

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

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

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.

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 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.

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

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

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).

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 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

²⁹ NAOMI KLEIN, *NO LOGO* (2000).

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”.

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.

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 than 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.

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 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

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.

“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 Intuitively, such protectionist measures might seem to possess 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

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 rationale 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 within 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, and 12 ARIZ. J. INT'L & COMP. L 107 (1995), referring to 19 U.S.C. art. 337; In view of this harsh remedy, it 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).

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

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>.

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 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.

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

⁴⁰ Kenneth L. Port, Trademark Monopolies in the Blue Nowhere 28 WM MITCHELL L. REV. 1091 (2002).

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 tapping into the personal and intimate connection between a person

⁴¹ Amir H. Khoury, A Neo Conventional 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.Bu.s.L.351\(2010\).pdf](http://www.law.upenn.edu/journals/jbl/articles/volume12/issue2/Khoury12U.Pa.J.Bu.s.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 dominant player in the food-branding domain. These 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.

and the food that he consumes. Consider the idea behind 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

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.

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.

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

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 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.

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 bargaining 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 lawsuits 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

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.

result of consuming the branded product. 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 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

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 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 spectrum of consumers.

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,

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

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 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

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 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 Trademark 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 Advertising 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 Advertising*, HG.Org, http://www.hg.org/articles/article_396.html (last accessed November 15, 2008).

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 advertising. The national laws of European countries are now bound by these norms and provide conditional recognition of comparative advertising. 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 advertising mechanism is abused, then the brand owner can invoke legal recourse in the form of both monetary damages and "corrective advertising" 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

⁵⁷ Andrea Lensing-Kramer & Peter Ruess, Recent Developments in Comparative Advertising 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 Advertising, March 3, 1998.

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

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

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

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. It is merely an attempt to reinvigorate competition within the bounds of open and accessible information. Therefore, in order for the comparative advertising 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

⁶¹ ROGER A. SHINER, FREEDOM OF COMMERCIAL EXPRESSION (2003), Oxford University Press, 2003., xxiv, Available at SSRN: <http://ssrn.com/abstract=545142>.

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

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 at SSRN: <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).

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 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 advertizing, 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'

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

attention, and in that way provide the consumers with more information before they make their purchasing choice.

3.2.4 “Association” Advertising

In addition to the (classic) comparative advertising tool that I have discussed above, I propose taking comparative advertising to a new level. I propose a new tool, which I have referred to as *Association Advertising*. 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 advertising.⁶⁷ This form of *Association Advertising* would allow for actual informative use of another's brand on one's own product in order to highlight its substitutive value.

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).

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

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).

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.

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

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

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>

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

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 reforming 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 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

step may create some setback for 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.

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>

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 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

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

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

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 Agreement shall 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.

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 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 advertising) 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

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>

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>

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

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

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 Kiadó, 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).

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

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").

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 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

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.

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-trust legislation that would authorize

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).

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

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).

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 rationale 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. 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 in 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

⁹⁹ Id., at 11.

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>

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 transcend the brand 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, which leads to

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,

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

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>

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>

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 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

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>

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.

**‘ALL YOUR INTELLECTUAL PROPERTY ARE BELONG TO US’¹:
HOW COPYRIGHT AND PATENT ‘TROLLS’ ARE QUESTIONING
THE JURISPRUDENTIAL FOUNDATIONS OF TREATING
INTELLECTUAL PROPERTY AS ‘PROPERTY’**

Tarun Krishnakumar^{*}

I. INTRODUCTION

The assumption that intellectual property *is* property is not one that can be made easily and without generating a substantial amount of controversy.² However, it is not disputed that there exist certain irreconcilable differences between products of the intellect and their physical counterparts. *Non-rivalry* – the characteristic of intellectual property or knowledge that the consumption of it by one consumer does not impact the simultaneous use or consumption by another³ - and *non-excludability* – the characteristic that once intellectual property is created it is extremely costly to exclude others’ access to it⁴ - being

^{*} Fourth Year Student of B.A. LL.B. (Hons.) (Five Years Integrated Course) at National Law School of India University, Bangalore. The author can be contacted at tarunkrishnakumar1@gmail.com.

¹ A variant of the ‘*All your base are belong to us*’ internet meme. Used here to showcase the ‘domination’, excessive control over intellectual property exerted by intellectual property trolls. See Chris Taylor, All Your Base Are Belong To Us, *Time Magazine*, September 25, 2001; Jeffrey Benner, When Gamer Humor Attacks, *Wired Magazine*, February 23, 2001 (available at <http://www.wired.com/culture/lifestyle/news/2001/02/42009>).

^{*} Fourth Year Student of B.A. LL.B. (Hons.) (Five Years Integrated Course) at National Law School of India University, Bangalore. The author can be contacted at tarunkrishnakumar1@gmail.com.

² Stephen L. Carter, Does it Matter Whether Intellectual Property is Property?, *Chicago-Kent Law Review*, 68 (1992-3) 715 citing Frank H. Easterbrook, Intellectual Property is Still Property, 13 *Harvard Journal of Law and Public Policy* (1990).

³ For example the playing of a copyrighted song in no way affects the ability of another person to play the same song.

⁴ Knowledge or product of the intellect is of such a nature that once created, it is impossible to control its proliferation and dissemination.

the two most obvious points of such divergence.⁵ Despite this, theories that were formulated to deal with traditional tangible forms of property are commonly extended in an attempt to explain and on a broader level justify intellectual property.

This brief note, *first*, examines the various justificatory frameworks that are relied upon in order to support the treatment of intellectual property as traditional tangible ‘property’ (II.) before analysing the manner in which patent and copyright ‘trolls’ call these very frameworks into question (III.). It is, however, not the objective of this note to challenge the various justifications or their applicability to the intellectual property field. It assumes *arguendo* that these theories when construed in their broadest and most liberal sense are in fact *as applicable* to justify intellectual property as they are to traditional tangible property.

In other words I will not be challenging whether the Labour, Utilitarian and Personality theories are right to be extended to the realm of intellectual property. Notwithstanding the criticisms that subsist against such extension, it is merely the objective of this note to take these theoretical frameworks and to apply them to a recent phenomenon – that of intellectual property trolls.

This note while broadly applicable to the principles of intellectual property in general, largely pertains to copyrights and patents. Although recent times have seen the emergence of troll-like

⁵ Henry E Smith, Intellectual Property as Property: Delineating Entitlements in Information. *The Yale Law Journal*, 116(8) (2007) 1742.

behaviour in the realm of trademarks⁶, the links between creative input and the *protection* of that input manifest more clearly in copyrights and patents. Protection of trademarks, on the other hand, is oriented *more* towards the protection of a brand identity as opposed to the input and effort that went into designing the particular mark.⁷ Therefore, I shall be focussing on the forms of intellectual property where the role of *creativity* is far more accentuated.

II. COMMON JUSTIFICATIONS TO THE TREATMENT OF INTELLECTUAL PROPERTY AS ‘PROPERTY’

The perspectives that explain the existing systems of intellectual property are in fact extensions of the various moral justificatory theories that were initially formulated with respect to, and concerning, more traditional notions of private property in its physical and tangible sense.⁸ Therefore, in an attempt to justify itself, intellectual property has come to be treated as an outgrowth, and consequently as a subset, of ‘property’.⁹ It is however not to be assumed at any stage that any of these theories can serve to fully explain and encompass the entire genus of intellectual property rights. At best, some of these theoretical frameworks support ‘*to varying degrees*’ the validity of the existing intellectual property system.¹⁰ After all, in applying them to relatively intangible phenomena like

⁶ Roger Cheng, China to curtail trademark trolls, *CNET news*, December 24, 2012 (available at http://news.cnet.com/8301-13579_3-57560710-37/china-to-curtail-trademark-trolls/).

⁷ Peter S. Menell, *Intellectual Property: General Theories*, 149 (1999).

⁸ Justin Hughes, *The Philosophy of Intellectual Property*, *Georgetown Law Journal* 77 (1988) 290.

⁹ Justin Hughes, *The Philosophy of Intellectual Property*, *Georgetown Law Journal* 77 (1988) 297-99.

¹⁰ Justin Hughes, *The Philosophy of Intellectual Property*, *Georgetown Law Journal* 77 (1988) 290-92.

Intellectual Property, it is taken for granted they are being stretched to lengths never contemplated by those who propounded them.¹¹

The justifications dealt with herein are those that embody the Labour, Utilitarian-Economic, and Personality Theories of property.¹² The following sections aim to briefly introduce each of these theories and analyse how they may (and have been) extended in their application to cover decidedly intangible intellectual property rights.

A. THE LABOUR THEORY OF PROPERTY

Locke's labour theory of property hinges on the notion that the labour of a man 'increased the value of a thing' and that for any man "...*the Labour of his Body, and the Work of his Hands, we may say, are properly his*".¹³ Thus, Locke advocates ownership of property *as a natural right* based on an individual's labour upon materials and resources that are held in common.¹⁴ It is this very construction that is extended when one contends that it is mental labour that leads to the formation of intellectual property. Thus, an individual who labours on knowledge or information held in common to produce an intellectual product should similarly be entitled to seek its protection.¹⁵

¹¹ As stated earlier, I will not be broaching the issue of whether such extensions may be made. (See footnote 6).

¹² William Fisher, "Theories of Intellectual Property," in Stephen Munzer, ed., *New Essays in the Legal and Political Theory of Property*, (2001) 5.

¹³ John Locke, *Two Treatises of Government*, 1690, Section 27.

¹⁴ John Locke, *Two Treatises of Government*, 1690, Section 27.

¹⁵ This is, however, not to say that the theory is applicable in its entirety. I feel one obvious inconsistency lies with the problem of 'derivative works' which are based not on resources held in common but on other instances of protected, *private* (as opposed to 'common') products of the intellect.

Due to its broad wording, Lockean theory has come to manifest as one of the most ‘easily’ relied upon justifications to intellectual property. Even his only qualification – the famous ‘proviso’¹⁶ that a person may acquire a right to property only when “*there is enough, and as good left in common for others*”¹⁷ – has been interpreted to support the extension of the theory to intellectual property.¹⁸ For instance, Nozick *partially*¹⁹ argues that the proviso would not be violated by the protection of intellectual property as consumers would ultimately benefit from protected inventions. This would result in his sole criterion of there being no “net harm” being satisfied. For instance, a patented life-saving drug would *benefit* society more than if the drug had not been invented – for lack of economic incentive – in the first place. This line of reasoning is further pursued to argue that in the absence of intellectual property protection, the potential inventor might have been dis-incentivised by the lack of potential returns to the extent that he may have chosen to pursue an alternate livelihood (i.e. to not invent in the first place). The possibility is left open for one to go as far as to argue that the absence of such protection would

¹⁶ “...It being by him removed from the common state Nature placed it in, it hath by this labour something annexed to it, that excludes the common right of other Men. For this Labour being the unquestionable Property of the Labourer, no Man but he can have a right to what that is once joyned to, at least where there is enough, and as good left in common for others.” (Emphasis supplied) John Locke, *Two Treatises of Government*, 1690, Section 27.

¹⁷ John Locke, *Two Treatises of Government*, 1690, Section 27.

¹⁸ Nozick argues (in an attempt to interpret Locke’s proviso) that the acquisition of property is valid and legitimate so long as such acquisition does not lead to “net harm” being caused to society. See Robert Nozick, *Anarchy, State and Utopia*, 1974, p. 179-81

¹⁹ Nozick however acknowledges that his interpretation of Locke’s proviso is subject to two limitations on the inventor’s entitlements. *First*, that an individual who invented a patented device *independently* must be permitted to manufacture and sell it in his own name. *Second*, that patents should not last longer than the length of time it would take for another inventor to invent the same device. See Robert Nozick, *Anarchy, State and Utopia*, 1974, p. 179-185.

lead to maintenance of status quo – leading to an opportunity of a “net benefit” being forgone.

B. THE UTILITARIAN-ECONOMIC JUSTIFICATION

The general argument from utilitarianism advocates the adoption of the most economically efficient and socially beneficial outcome – which, in effect, bears a mere semantic difference from Bentham’s classic “*greatest good for the greatest number*” formulation.²⁰ In determining its applicability to intellectual property, the crucial question lies in determining the more efficient solution between granting an inventor a monopoly over the utilization of the work and excluding others from it, thereby causing social “harm”, and the alternative of not recognizing intellectual property rights at the risk of dis-incentivising innovation.

The argument from utilitarianism in support of intellectual property protection reasons that by allowing a creator to profit from his work, monetary incentives are afforded for technological invention and artistic creation – activities which typically benefit society and humankind at large.²¹ In what has been termed an *ex ante* justification by Lemley²², theorists of this school advocate the proliferation of intellectual property rights as a means to foster investment of temporal and financial resources in innovation²³ in the hope that the

²⁰ The simple pleasures human kind is susceptible to i.e. Section II of Chapter V of Jeremy Bentham, *An Introduction to the Principles of Morals and Legislation*, 1781, Chapter V.

²¹ William Fisher, “Theories of Intellectual Property”, in Stephen Munzer, ed., *New Essays in the Legal and Political Theory of Property*, (2001) 9.

²² Mark Lemley, *Ex ante versus Ex post Justifications for Intellectual Property*, *University Chicago Law Review*, 71 (2004) 129.

²³ Peter S. Menell, Intellectual Property: General Theories, *Encyclopedia of Law & Economics: Volume II* (Boudewijn Bouckaert and Gerrit de Geest (eds.)) (2000) 130-131.

inventions and works that result there from act to promote Millian “*general happiness*”²⁴ and increase the standard, quality of living and thereby the net welfare benefit amongst the general populace.

Despite its wide applicability, utilitarian theories have attracted criticism – mainly on the issue of whether intellectual property protection in its current state supported form is the most socially beneficial system possible. While critics point to alternative “*reward-based*” models²⁵, the combined effect of the difficulty in decisively computing welfare and the high costs in reforming existing intellectual property protection systems render utilitarian justifications difficult to dislodge from their current positions—justified or not – of strength.

It is of note that economic efficiency and social welfare measures take into their fold other measures like social and consumer benefit in computation of the net welfare effect.²⁶ The significance of this is that the various ancillary and seemingly trivial benefits are assigned increased weightage – in an interesting instance, Landes and Posner argue that trademarks have the added social benefit of improving the quality of a consumer’s vocabulary and language²⁷ - in the

²⁴ John Stuart Mill, *Utilitarianism*, 1863, Chapters 3-4.

²⁵ Under such systems, the government would pay rewards to innovators whose inventions would thereupon pass into the public domain and become freely available. See Steven Shavell and Tanguy Van Ypersele, Rewards versus Intellectual Property Rights, *Journal of Law and Economics*, vol. XLIV (October 2001) 525.

²⁶ William Fisher, “Theories of Intellectual Property,” in Stephen Munzer, ed., *New Essays in the Legal and Political Theory of Property*, (2001) pp.8-10.

²⁷ Landes and Posner argue that by “*creating words or phrases that people value for their intrinsic pleasingness as well as their information value,*” an added measure of economy is inducted into day to day communications. An added effect is that of conversation becoming more ‘pleasurable’. Refer William Landes and Richard Posner, “Trademark Law: An Economic Perspective,” *Journal of Law and Economics*, 30 (1987) 265

computation of net welfare. It is such an approach that legislatures and judicial systems the world over have come to recognize and, to a certain extent, affirm.²⁸

C. THE 'PERSONALITY' THEORY

In what has been classed as a variant of the natural rights genre of justifications²⁹, the approaches of Kant and Hegel to property rights centre on an individual's personality and the external extensions thereof. According to Hegel, man acquires an "*absolute right of appropriation*" by "*putting his will into any and every thing...thereby making it his*". The fundamental premise of the personality/personhood theory is that for a person to be able to develop fully, and strive towards 'self-actualisation'³⁰, it is required that he have control over some elements of the external world.³¹ Property rights, in this light, are a form of the "*necessary assurances of control*."³² In what seems to be an argument better oriented towards justifying the protection of *creative* works rather than technical inventions³³, this justification provides for the protection of those works which are seen as intimate projections

²⁸ *M/s Bishwanath Prasad RadheyShyam v M/s Hindustan Metal Industries* AIR 1962 SC 1444. Also see, *Fox Film Corp. v Doyal* 286 U.S. 123, 127-28 (1932); *Kendall v Winsor*, 62 U.S. (21 How.) 322, 327-28 (1858).

²⁹ William Fisher, "Theories of Intellectual Property," in Stephen Munzer, ed., *New Essays in the Legal and Political Theory of Property*, (2001) 20.

³⁰ Hegel writes that "*a person must translate his freedom into an external sphere in order to exist as an Idea*" and that "*personality is the first, still wholly abstract, determination of the absolute and infinite will*." This is the basis of self-actualisation. See Justin Hughes, *The Philosophy of Intellectual Property*, *Georgetown Law Journal* 77 (1988) 331-339.

³¹ Margaret Radin, *Reinterpreting Property*, 1982, p. 142.

³² Justin Hughes, *The Philosophy of Intellectual Property*, *Georgetown Law Journal* 77 (1988) 331-339.

³³ I say this on account of the fact that inventions are generally perceived to be more impersonal than creative works. Where an emotional connection always plays a part in a creative work, the same cannot always apply to a technical invention which may also come about due to 'professional' commitments.

of one's personality into the external world – be it in the form of literary or artistic in nature. In other words, for the personality theory to apply there must be an intimate and/or emotional connection between the author-creator and his works or inventions.

Another school of thought promotes the establishment of protections for intellectual property due to their satisfaction of, according to Waldron, specific needs and interests that one wishes to promote.³⁴

European nations like France and Germany have been noted to be more favourable towards relying on this justification to intellectual property.³⁵ However, this theory like its counterparts is not immune from criticism of which I feel the underlying thread is the lack of a definite scope. This stems from the fact that most manifestations of this theory, due to its emphasis on moral rights, provide only against the '*appropriation or modification*' of objects through which a creator's will has been expressed. This leaves open the question as to whether the theory was intended to be applicable to purely technical works and inventions given that these are less 'expressive' than the former.³⁶ While the personhood theory should in fact apply to inventions due to the fact that expressions may be extended in many directions and not just as works creative or artistic in nature; whether the likes of

³⁴ Fisher argues that Waldron's arguments of *Peace of Mind, Self-Reliance, Self-realisation of being a social being, Responsibility and Citizenship* (six out of ten arguments) justify the protection of intellectual property. William Fisher, "Theories of Intellectual Property," in Stephen Munzer, ed., *New Essays in the Legal and Political Theory of Property*, (2001) 20.

³⁵ William Fisher, "Theories of Intellectual Property," in Stephen Munzer, ed., *New Essays in the Legal and Political Theory of Property*, (2001) 6.

³⁶ Justin Hughes, The Philosophy of Intellectual Property, *Georgetown Law Journal* 77 (1988) 290.

Kant and Hegel contemplated such an extension of the theory is, at best, ambiguous.

III. THEORY IN PRACTICE? THE ATTACK OF THE TROLLS

A. INTRODUCTION

This section aims to apply these theories to the recent emergence of copyright and patent ‘trolls’. As with innumerable others, the word ‘troll’ has come to acquire a secondary meaning come the technology era. In today’s intellectual property parlance, a copyright or patent ‘troll’ (hereinafter “troll”) is a non-innovating, non-manufacturing entity whose sole function is the ‘acquisition’ and enforcement of the intellectual property (here copyrights and patents) of other innovating entities against third parties most typically through litigation – or in practice as it is observed, the *threat* thereof. Such a company’s business model would most typically consist of filing suit against bloggers, artists, freelance journalists and other ‘small-fry’ individual users for *alleged* unauthorised reproduction of works it had acquired the rights to enforce.

Most typically, the result that would follow is that defendants in such suits would be forced enter into pre-trial out-of-court settlements in the face of prohibitively high and debilitating litigation-defence costs prevalent in many modern Western economies. Such business models, I argue, are not only inherently exploitative and abusive of the legal process (as courts of late have come to recognise)³⁷ but that

³⁷ In *Righthaven Democratic Underground* Case No.:2:10-cv-01356-RLH-GWF (US District of Nevada Court), it was found that Righthaven has no standing to sue for copyright

they also question the very theoretical justifications that are commonly put forth to support the treatment of intellectual property as ‘traditional’ tangible property as discussed above. I also argue that if the frameworks presented in the previous section are assumed to be the pillars of the modern intellectual property, they do not support the continued existence much less functioning of such entities.

B. THE CAST: RIGHTHAVEN AND INTELLECTUAL VENTURES

Righthaven LLC³⁸ in the copyright field and Intellectual Ventures in patents are two companies that are often accused of conforming to the above described business model.³⁹ This section aims to analyse their functioning in the context of the theoretical justifications discussed earlier.

But first, who are they? Righthaven LLC is a copyright holding company founded in 2010. Its business model consists of entering into agreements with various publishers (often localised periodicals) and subsequently filing suits for copyright infringement against bloggers and website owners for unauthorised reproduction of the periodicals’

infringement. A similar ruling of a federal judge in Colorado has put an end to all 57 proceedings that Righthaven had initiated in that state.

³⁸ The Company is now insolvent having failed to pay legal costs owed to the defendants in *Righthaven v. Thomas DiBiase* and *Righthaven v. Wayne Hoehn*. Its domain name (righthaven.com) was recently auctioned by the receiver to satisfy the company’s debtors. See Steve Green, Righthaven ordered to pay nearly \$120,000 in attorney fees, court costs, *Las Vegas Sun*, October 26, 2011 (available at <http://www.lasvegassun.com/news/2011/oct/26/righthaven-ordered-pay-nearly-120000/>); Mike Masnick, Righthaven loses again; Told to pay \$34,045.50 In Legal Fees, *TechDirt*, August 16, 2011 (available at <http://www.techdirt.com/articles/20110815/17441215537/righthaven-loses-again-told-to-pay-3404550-legal-fees.shtml>).

³⁹ As stated above, Righthaven is now (January 2013) virtually defunct. Many new companies have today stepped forward to fill its shoes. It has been chosen as a case purely because it will always remain one of the first and therefore ‘quintessential’ copyright holding NPEs .

photographs and other content.⁴⁰ Righthaven then proceeds to demand \$75,000 from each alleged infringer in lieu of court action (but is known to agree to settle claims for a few thousand dollars per defendant). This coupled with Righthaven's propensity to swiftly settle cases and high expenses in defending such actions leads to a highly profitable business model – with Righthaven footing no more than the cost of the paper on which the initial demand was made. In recent times, the company has been criticised for bullying internet users into *unnecessary* settlements and has been fined for making material misrepresentations to federal courts.⁴¹

Intellectual Ventures, on the other hand is a similarly structured enterprise in the patent 'industry' - founded in 2000, it has grown to become one of the five largest patent holders in the United States. Its business model consists of purchasing a large number of patents, licensing them and, where circumstances permit, suing third parties for patent infringement. Such behaviour has resulted in the company facing accusations of being a *patent troll*.⁴²

The following portion of this note attempts to frame these facts in the context of the above-described justifications of intellectual property rights. In other words, I will attempt to establish whether the theories in their original forms could support such business models.

⁴⁰ As of July, 2011 it had filed around 274 such lawsuits. Steve Green, *Third judge rejects R-J copyright suit arrangement* (July 2011).

⁴¹ *Righthaven v Democratic Underground* Case No.:2:10-cv-01356-RLH-GWF (US District of Nevada Court).

⁴² Nicholas Varchaver, "Who's afraid of Nathan Myhrvold?", *Fortune Magazine* (July 10, 2006).

C. PERSPECTIVES FROM LABOUR THEORY

A basic tenet of Locke's labour analysis is that one should be rewarded for the labour of his body and the work of his hands on materials held in the common. However, Locke's analysis only provides scope for the original creator of the work i.e. the individual who labours to benefit from its protection and passing into the domain of private ownership and control. The Labour theory does not, in any manner, recognise a third party's right to benefit from the labour of another. Righthaven and Intellectual Ventures, both being Non-Innovating entities do *not* labour to create the good that is sought to be protected – here the creative work or the invention.

Moreover, the trolls' conduct violates Locke's proviso in that there is 'net harm' being caused to innovation in general. In the copyright realm, innovation in the form of creative expression which cites or comments upon copyrighted work is 'chilled' or curtailed for fear of over-zealous enforcement by trolls. A similar 'chilling effect' on innovation is observed in the domain of patents where the "net harm" is in the form of small innovators limiting themselves for fear of infringing on existing patents. Thus neither case leaves '*as good left in common*' for others. To take Nozick's approach to the proviso would mean the reading in of a "net harm" prohibition. Net harm to society is caused by the curtailments to free speech and expression caused by the threat of litigation. This angle is explained – drawing from the work of AmartyaSen – in the following portions of the note.

D. PERSPECTIVES FROM UTILITARIANISM

The utilitarian outlook advocates an approach that manifests the largest gain to social welfare. For the purposes of this note, social welfare is a function of economic development or growth – the former being, at least, proportional to the latter.⁴³ As discussed earlier, intellectual property protection is mandated to incentivise innovation by allowing a creator/inventor to profit from his work. However, in the context of the trolls, such an argument cannot hold. A recent study⁴⁴ shows how “Non Practicing Entities (NPEs)” in the patent industry like Intellectual Ventures and Lodsys have cost the industry half a trillion dollars in litigation costs and lost wealth⁴⁵ since 1990 – this is no less than fifty billion dollars a year.

This is on account of the hundreds of patent infringement suits filed against small innovators every year. The same study also reveals that there has been a five-time increase in the number of patent suits litigated by NPEs in 2011 to 2600. Not only does such a business model dissuade individuals from entering the innovation field but also forces existing innovators to adopt more conservative scientific and innovating approaches to minimise legal exposure. The net result hence is unquestionably not in favour of the end-consumer and in no way increases welfare - either economic or social.

⁴³ Sardar M. N. Islam and Matthew Clarke, The Relationship between Economic Development and Social Welfare: A New Adjusted GDP Measure of Welfare, *Social Indicators Research*, 57(2) (2002) 203.

⁴⁴ James Besson, Jennifer Ford, Michael Meuer, The Private and Social Costs of Patent Trolls, *Boston University School of Law Working Paper No. 11-45* (September 2011) 24.

⁴⁵ James Besson, Jennifer Ford, Michael Meuer, The Private and Social Costs of Patent Trolls, *Boston University School of Law Working Paper No. 11-45* (September 2011) 18.

The same line of reasoning may be extended to a copyright aggregator like Right haven whose approach not only stifles free speech by infringing on the fair use doctrine but may also lead to a chilling effect which adversely affects an individual's right to expression. When such natural and fundamental rights are abridged, there can be nothing but an adverse impact on the quality and enjoyment of an individual's life⁴⁶ – as his freedom to perform certain legitimate activities is curtailed – in turn resulting in a negative impact on social welfare and completing the circle.⁴⁷

E. PERSPECTIVES FROM PERSONALITY THEORY

The reasons that exclude the application of the labour theory by patent and copyright aggregators by and large may be extended to the personality theory. *In addendum*, this theory is not applicable, *first*, on account of the lack of any form of intimate or personal connection - one of the principle tenets of the Theory - to the intellectual property being enforced by the aggregators⁴⁸ – motives are purely profit-driven and suffer from no bonds of attachment to the subject matter of the intellectual property. This stems from the fact that they play no role whatsoever in their development or initial 'creation'.

Second, if there is anything that is clear about the abstract – and often murky – concept of personality, it is that it is an extension of a person's soul into the external domain. The theory seeks to protect

⁴⁶ See Amartya Sen, Human Rights and Capabilities, *Journal of Human Development*, 6(2) (2005) 151.

⁴⁷ John Stuart Mill, *On Liberty* (1859) Chapter II.

⁴⁸ See Justin Hughes, The Philosophy of Intellectual Property, *Georgetown Law Journal* 77 (1988) 331-339.

such rights of individuals – whether these protections would extend to the alienated/sold rights of an individual is doubtful and at best, unclear on account of the emphasis laid on moral rights of authors by the framework.

IV. CONCLUSION

Thus, on account of the above application and discussion, it is submitted that not only do intellectual property aggregators like Righthaven and Intellectual Ventures act in a manner prejudicial to the interests of intellectual property owners, inventors and consumer at large but that their functioning finds no justification in traditional theories that sought to justify the creation of rights in intellectual property. It has been illustrated here how these entities function in a manner seemingly independent of the three dominant strains of property theory – the Labour, Utilitarian and Personality justifications.

While I do not wish to broach the subject of what the consequences of such “violations” should be – these observations alone, I believe are sufficient, at very least, to warrant the raising of more substantial and searching questions about these entities and their respective business models. As the US courts have recently started to recognise, they have no legal basis for continued functioning, I have attempted to show that this lack of basis extends to the jurisprudential and historical realms as well. At best, they can be characterised as capitalism-induced manifestations of corporate greed.

**JUSTIFYING INDIA'S PATENT POSITION TO THE UNITED STATES
INTERNATIONAL TRADE COMMISSION AND OFFICE OF THE
UNITED STATES TRADE REPRESENTATIVE**

*Srividhya Ragavan, Sean Flynn & Brook Baker**

INTRODUCTION

On August 2, 2013, the Chairman of the Senate Committee on Finance and the House Committee on Ways and Means Committees using the powers under section 332(g) of the Tariff Act of 1930¹, requested the U.S. International Trade Commission (ITC) to institute an investigation² on issues relating to Trade, Investment, and Industrial Policies in India, with particular reference to its effects on the United States. In their request, the Committee requested the ITC to conduct an investigation regarding Indian industrial policies that discriminate against U.S. imports and investment for the sake of supporting Indian domestic industries, and the effect that those barriers have on the U.S. economy and U.S. jobs.³ Following this, the Secretary of the US ITC instituted the investigation formally requesting reports at a public hearing to particularly determine the competitiveness of India's economy by examining whether India had any significant restrictive trade and FDI policies currently maintained

* **Srividhya Ragavan**, Professor of Law, University of Oklahoma College of Law, Norman, OK – 73034;

Sean Flynn, Associate Director and Lecturer in Law, American University Washington College of Law, Program on Information Justice and Intellectual Property, Washington D.C. 20016;

Brook Baker, Professor of Law, Northeastern University School of Law, Boston, MA 02115.

¹ 19 U.S.C. §1332(g)

² ITC Investigation No. 332-543

³ International Trade Commission, Notice for Investigation No. 332-543, Aug. 29, 2013. *See also* Federal Register, Vol. 79, No. 2, FR Doc. 2013-31487, Jan. 3, 2014 (notice of the USTR)

or recently adopted and whether exports of US firms are affected and the measure of such effect. The investigation focused on agriculture, manufacturing and service sectors, as well as the overall business environment.⁴ The ITC's overview particularly considered changes in tariff and nontariff measures, including measures relating to the protection of intellectual property rights, and other actions taken by India's government to facilitate or restrict the inflow of trade and FDI.

The paper below largely is an extract of the testimonial filed by the authors to the Secretary of the ITC in response to the Notice on the Federal Register dated August 29, 2013 titled *Trade, Investment, and Industrial Policies in India: Effects on the U.S. Economy*. Where required, the paper also draws from the written submissions that the authors made to the United States Trade Representative's (hereinafter, USTR) office on the related question of whether India deny adequate and effective protection of intellectual property rights or deny fair and equitable market access to U.S. persons who rely on intellectual property protection.⁵ The authors submitted the testimonials to the ITC as well as the USTR and as legal academics with expertise in patent law, trade law, the TRIPS agreement and the law of India. Each of the authors had engaged in this field for more than 10 years and has closely followed the developments within India in relation to the prescriptions of the TRIPS agreement.

⁴ See International Trade Commission, Notice for Investigation No. 332-543, Aug. 29, 2013

⁵ See Post-hearing submissions of Ragavan, Flynn and Baker, Notice of the USTR, Federal Register, Vol. 79, No. 2, FR Doc. 2013-31487, Jan. 3, 2014

The authors, as legal academics asserted the core point that, whatever effect India's policies may have on the profits on multinational companies, including those headquartered in the U.S., India's recent enactment and implementation of its patent law is fully in accord with the World Trade Organization's Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS).⁶ Further, the authors asserted that India has demonstrated its adherence to TRIPS and to non-protectionism and a national treatment regime by revamping its systems, instituting massive changes to further intellectual property rights and by establishing prudent IP standards that apply equally to both domestic and foreign companies. Each of these standards remains in conformity with the TRIPS agreement and carefully calibrated to accommodate its national objectives within the scope of the flexibilities accorded under the TRIPS agreement.

The authors further reiterated that countries remain free after TRIPS to tailor their intellectual property laws to their domestic social, economic and cultural needs as they define them, within the bounds of the treaty. Accordingly, as recognized within the World Trade Organization and the TRIPS Agreement, there is a great deal of lawful pluralism among WTO Members about standards of patentability and about key flexibilities, including both patentable subject matter and grounds for compulsory licenses. India's laws and

⁶ Annex IC to the General Agreement on Tariffs and Trade, Uruguay Round, World Trade Organization, done at Marrakesh, Apr. 15, 1994, 33 I.L.M 1981 (1994), reprinted in WORLD TRADE ORGANIZATION, THE RESULTS OF THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS 365 (1995). See also Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, 21 U.S.T. 1583, 1630, 828 U.N.T.S. 305, 307 (last revised July 14, 1967) (hereinafter Paris Convention).

implementation thus far remain well within the lawful pluralism allowed by TRIPS.

Specifically, the authors added that TRIPS Article 31 permits compulsory licenses for ANY reason, including the historically sanctioned grounds of insufficient working of an invention in the country. This flexibility was explicitly clarified in the 2001 Doha Declaration on the TRIPS Agreement and Public Health. Similarly, TRIPS leaves countries free to define patentability criteria, including to define what is not an invention. Along the same lines, each member of the WTO has the sovereign right to determine and establish the threshold for the nonobviousness/inventive-step requirement. Thus, the authors asserted that India is within its rights to establish that the new forms or uses of existing and known molecules that do not significantly increase the therapeutic effectiveness of such substances are not entitled to patent protection. Finally, the authors pointed out that most of the questions on the survey used by ITC remained irrelevant to the task of ascertaining whether India's policies violate TRIPS.

With that as the background, the following paper highlights the submissions and testimonials of the authors at the ITC. The paper can be divided into two main parts. Part I responds to the issues that the ITC considered with reference to India's patent legislation. In this, the testimony traces the history of India's patents, outlines the recent changes that were implemented under the 2005 amendment to the legislation particularly highlighting how these changes remained

fully TRIPS compliant. The second section⁷ addresses India's policies on agriculture and highlights how these policies are compliant with the TRIPS Agreement. The conclusion highlights that

PART I: PATENTS

1. India Patent History:

India, like many developing countries around the world, reformed its patent laws during its period of most rapid industrialization to tailor them to its domestic social and economic needs. What is important about this history is that the WTO TRIPS agreement restricted the range of options available to India and other countries in effecting such tailoring, but did not alter the goal itself. Indeed, the Preamble and Articles 7 and 8 of TRIPS clearly and forcefully posit that countries retain the sovereign ability to adjust their intellectual property laws and their implementation to serve local needs. The Preamble of TRIPS recognizes an “underlying public policy objective of national systems for the protection of intellectual property, including developmental and technological objectives.”⁸ Article 7 reiterates this position that the TRIPS’ objective to protect and enforce IP rights “should contribute . . . to a balance of rights and obligations” of members in a manner conducive to social and economic welfare.⁹ Article 8 recognizes members’ rights to adopt

⁷ Professor Brook Baker did not sign on to the section on Agriculture submitted to the International Trade Commission.

⁸ Annex IC to the General Agreement on Tariffs and Trade, Uruguay Round, World Trade Organization, done at Marrakesh, Apr. 15, 1994, 33 I.L.M 1981 (1994), reprinted in WORLD TRADE ORGANIZATION, THE RESULTS OF THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS 365 (1995) [hereinafter TRIPS] at art. 27(1).

⁹ *Id.* art. 7.

public interest or public health measures consistent with the TRIPS provisions.¹⁰ The right of WTO Members to take local realities into account and to adapt TRIPS's minimum standards pluralistically is further clarified in TRIPS Article 1.1.¹¹

Historically, India embraced process-patent-only protection in specified fields rather than product patent protection, particularly for food and pharmaceuticals, in order to prioritize domestic issues like access to medication and food security. India was not alone. In the period before TRIPS, nearly 50 countries exempted pharmaceuticals from product patent protection and an additional 10 exempted pharmaceuticals from process patents as well.¹²

The Indian Patent Act of 1970,¹³ (IP70) along with other mechanisms such as drug and industrial policies were all part of the repertoire of tools used by India to achieve its national priorities. In gist, the process patent regime of IP70 excluded protection of the end-product, but protected the method or the process of making the product. The process patent regime encouraged competitive innovation in the methods of making known products, thus, it enabled production of products patented elsewhere using different processes, incentivizing the development of more efficient production processes. The system's encouragement for process innovation was the first step to establishing India's generic drug industry, much like how Germany established its chemical process

¹⁰ *Id.* art. 8.

¹¹ *Id.* art. 1.1

¹² PAUL GOLDSTEIN, INTERNATIONAL INTELLECTUAL PROPERTY LAW at 302 (2001).

¹³ *See* Patents Act of 1970, 27 INDIA A.I.R. MANUAL 450 (1979) (hereinafter IP70).

industries in the 1800s. Under IP70, the term of process protection over food, drug, and medical inventions was limited to five years.¹⁴ A license of right authorized any person to manufacture a patented product, without having to seek the patentee's approval.¹⁵ Inventions relating to food, chemicals, and pharmaceuticals, were automatically deemed to be endorsed with a license of right three years after the patent issues. Further, the government could, in the public interest, compulsorily license the patent if the invention was either not reasonably priced or not worked to satisfy the reasonable requirements of the public.

2. Changes Under the 2005 Amendment:

Many of these policies – although not their ultimate aims, were required to be changed by TRIPS. India has been faithful to its obligations under TRIPS, amending its Patent Act and taking many other measures at considerable expense to comply with its obligations while maintaining what flexibility it has under TRIPS to continue to further legitimate domestic policies. Indeed, in many respects India has been more forthcoming in amending its laws and policies to comply with TRIPS than has the United States.

i. Pharmaceutical Product Patent Regime:

India's most important TRIPS-fulfilling amendment—the institution of a pharmaceutical product patent regime—was instituted in 2005. India had previously adopted the TRIPS compliant international standard of patentability based on the requirements of novelty,

14 *Id.* § 53(1)(a) (1979).

15 *Id.* § 88.

inventive step, and industrial applicability (utility) with respect to other fields of technology. India was required to grant patents on pharmaceutical product inventions as well as process inventions because the TRIPS Agreement prevents discrimination against particular fields of technology.

India's definition of *novelty* or "new invention" includes world-wide prior art which was much broader than the requirement that prevailed in the United States under 35 U.S.C. § 102, under which any use of the application material within the United States (only) defeated novelty. Only in 2011 would the America Invents Act introduce the concept of worldwide novelty,¹⁶ even though this provision was heavily criticized as obstructing small-scale industries.

India's *inventive step* requirement requires that the "feature of an invention that involves technical advance as compared to the existing knowledge or having economic significance or both and that makes the invention not obvious to a person skilled in the art."¹⁷ This requirement for inventive step has been widely noted as being much more stringent than the nonobvious requirement in the United States, but many countries have different, indeed stricter standards for inventive step than does the United States.¹⁸ In fact, the U.S.'s

¹⁶ Leahy Smith America Invents Act, Pub. L. 112-29, (H.R. 1249) at § 102.

¹⁷ Patents (Amendment) Act, 2005, No. 15, Acts of Parliament, 2005, at § 2(ja) (hereinafter PTA, 2005); *See also* Srividhya Ragavan and Feroz Ali Khader, *Proof of Progress: The Role of Obviousness Standard in the Indian Patent Office*, *GLOBAL PERSPECTIVES ON PATENT LAW (FORTHCOMING)*. Ed. Ruth Okediji, Margo Bagley, Jay Erstling. Oxford University Press, 2014 (discussing how the standards of obviousness in India sets a higher bar when compared to the United States).

¹⁸ *See, e.g.,* Amy Nelson, *Obviousness or Inventive Step as Applied to Nucleic Acid Molecules: A Global Perspective*, 6 N.C. J. L. & Tech. 1 (2004); Request for Comments on the International Effort to Harmonize the Substantive Requirements of Patent Law, 66 Fed.

weak standard has been a significant causative factor for the degenerating quality of the patents in the U.S.

India has also adopted, within the framework of allowable pluralism under TRIPS, a stronger definition of industrial applicability than the United States. The United States' weaker standard of utility has historically allowed the patenting of business methods and other more abstract innovations, unlike India and many other countries that either exclude such matters as unpatentable or consider them not to have industrial applicability. This is one of many permissible policy differences allowed under TRIPS. In this regard, it is also important to note that India has codified a number of exclusions to patentability that are similarly excluded by many other countries – abstract ideas, theories of science, plants and animals, etc., even where the same creations could subject to patent in the U.S. Perhaps the most important exclusion from patentability, discussed further below, is India's Section 3(d).

ii. Section 3(d):¹⁹

Section 3(d) does the important function of segregating patents that result in evergreening from those that represent a true innovation. Basically, new forms of known compounds that exhibit enhanced efficacy will cross the threshold and be considered innovative. Other forms that merely represent a new form of a known substance without making any therapeutic contribution to the disease in

Reg. 15,409, 15,409–11 (Mar. 19, 2001) (listing seventeen differences between U.S. patent law and the law of other developed countries).

¹⁹ Id. at § 3(d)

question will fail the bar. Unlike the suspicions expressed under the USTR's Special 301 report of 2013, section 3(d) does not represent an unauthorized fourth requirement because the applicability of this section is limited to one small question in one subject matter.²⁰ Section 3(d) has no universal application, which would be essential had it been conceived as a fourth requirement. Similarly, the requirement in section 3(d), as mentioned earlier, is no different from the requirement imposed for similar compositions in the United States. That is, in the United States, the Manual for Patent Examination Procedure in sections 716.02 and 2144.09 at paragraph VII discuss the use of "unexpected advantages" or "superior properties" to determine obviousness of such structurally similar compounds.²¹ Further, the Court of Appeals for the Federal Circuit in several decisions has reiterated the requirement of "unexpected results" or "surprising effect" as tests to determine patentability of the new forms of known substances.²² These kinds of criteria are not measurably different from the efficacy requirement that India uses to assess patentability.

Granting secondary patents, which promotes evergreening, is a controversial issue not just in India but also in the United States.²³ The term *evergreening* refers to strategically patenting different forms of a medicine's active ingredients, new uses, and/or new

²⁰ See 2013 Special 301 Report, Office of the United States Trade Representative, *available at* www.ustr.gov

²¹ Manual of Patent Examination Procedure, at sections 716 , 2144 *available at* www.uspto.gov.

²² *Id.*

²³ See GENERIC DRUG ENTRY PRIOR TO PATENT EXPIRATION: AN FTC STUDY. FEDERAL TRADE COMMISSION 2002

formulations and staggering such protection to extend monopoly control over various forms/uses of the medicine beyond the 20-year term of protection. The steady lowering of standards, especially for determining non obviousness, has in turn contributed to such strategic patenting, which is now subject of much scrutiny in the United States.

The struggles of the United States with a barrage of secondary patents on medicines have served as a lesson to other countries, including India.²⁴ In essence, India is trying hard to prevent issues that the United States is currently facing on account of unduly lowering the bar to facilitate more patents. In gist, low patent standards can dangerously interfere with follow-on innovations and unjustly reward very low levels of innovation. For countries like India, the effect of such lowering on innovation is quite onerous in terms of pharmaceutical costs and untreated patients. Thus, it is important to appreciate that invalidating patents of multinational companies is not a sign of TRIPS noncompliance as long as such invalidation is done using lawful patentability standards and non-discriminatory processes as required by the TRIPS agreement. In the United States such patents are easily issued although they can be invalidated by litigation. But, rather than accepting the resource investment, cost, judicial time and the loss of access to the public inherent in the U.S. model for combating evergreening, India's

²⁴ See Thomas Faunce and Joel Lexchin, *Linkage' Pharmaceutical Evergreening in Canada and Australia*, Aust -New Zealand Health Policy (Biomed Central) (2007); EVERGREENING OF PHARMACEUTICAL MARKET PROTECTION, EUROPEAN GENERIC MEDICINES ASSOCIATION.

Section 3(d), enacted in the 2005 amendment,²⁵ prohibits patenting of new uses of known substances, including medicines. Similarly, patenting new forms of known substances is not allowed unless there is evidence of significantly enhanced efficacy. The logic of this interesting provision is along the exact lines of the opinion of the Court of Appeals for the Federal Circuit (CAFC) in the case of *Pfizer v. Apotex* involving the Pfizer's patenting of the besylate form of amlodipine (salt form) which Apotex claimed was obvious in the light of Pfizer's own patent on the base compound amlodipine.²⁶ The CAFC, in agreeing with Apotex that the patent on the besylate form was invalid, highlighted the besylate form lacked the *unexpected superior results* from the base compound in order for the salt form to be patented.²⁷ Indeed, the Manual for Patent Examination Procedure in section 716.02 and in 2144.09 specifically memorializes *unexpected results* as a test to demonstrate nonobviousness of structurally similar compounds like isomers and homologues.²⁸ Thus, India's standard is well within the lines of what has been allowed in the United States.

The Novartis judgment, which has become central to Congressional criticism of India's IP regime, was decided significantly on the basis of the absence of any evidence of enhanced efficiency, a valid criteria for assessing patentability as described above.²⁹ In essence, the Supreme Court of India, in a well-reasoned decision, found that beta-crystalline form of imatinib mesylate, was revealed and claimed in a

²⁵ PTA, *supra* note 9, § 3(d).

²⁶ *Pfizer v. Apotex*, 488 F. 3d 1377 (Fed. Cir. 2007); *see also* *Pfizer v. Apotex*, 480 F.3d 1348 (Fed. Cir. 2007).

²⁷ 480 F.3d at 1368; *see also In re Swain*, 33 C.C.P.A. 1266, 156 F.2d 246, 247–48 (1946).

²⁸ Manual for Patent Examination Procedure § 2144, § 716 (8th ed., rev. 2012).

²⁹ *Novartis AG v. Union Of India & Ors*, Civil Appeal No. 2706-2716 of 2013.

pre-TRIPS patent and thus was time barred from patentability in India unless it showed significantly enhanced efficacy.³⁰ Unfortunately for Novartis, the Supreme Court of India found that Novartis offered no evidence of increased efficacy of the relevant compound whatsoever, and thus that the patent was unmeritorious under section 3(d).³¹ Whatever the effect on Novartis's bottom line or on balance of payments with the U.S., this was an eminently reasonable, and TRIPS-permissible, decision.

TRIPS does not require its member countries to be persuaded by the issue patents of other countries. The argument that several other countries agreed that Gleevec was patentable despite being a mere variation of an existing, previously patented chemical entity is inconsequential to India's own patent determination. If a country chooses to adopt a higher bar for determining patentable subject matter and/or inventive step under TRIPS, it is well within the member's rights to do so. Indeed, Japan has a record of allowing approximately 14% of patents that are granted in the United States. Having a higher bar with standards is well within the rights of a sovereign nation and well-established under the principles of the World Trade Organization. India's Section 3(d) and the Novartis judgment fall well within the ambit of the TRIPS agreement.

Indeed, as India transitions into a full-fledged patent regime, it is well-worth remembering Justice Breyer's cautionary note in *Laboratory*

³⁰ *Id*

³¹ *Id*.

Corporation v. Metabolite.³² “sometimes [patents] presence can discourage research ..., by requiring complex licensing arrangements, and by raising the costs of using the patented information, sometimes prohibitively so.”³³ He advocates that patent law should carefully seek to avoid the dangers of overprotection just as surely as it should avoid diminished incentives resulting from under protection.³⁴ Section 3(d) is an important tool to serve the end of rewarding true innovation while refusing to grant exclusive rights for trivial, incremental changes. Further, in instituting section 3(d) and in setting a higher patentability bar, a developing country like India would rightly avoid the some of the excessive patenting problems that seem to plague the United States.

iii. Opposition Procedure:

Another important feature, the opposition mechanism, embodies a pre- as well as a post-grant opposition procedure.³⁵ Pre-grants opinions conserve administrative time otherwise spent on examining a patent application that could later be invalidated, in addition to preserving judicial time. As for the procedure, under § 25, any third party can oppose a patent after publication of the application and before the grant for reasons of patentability, wrongful acquisition, inadequate disclosures, etc.³⁶ On similar grounds, any interested person may oppose the patent within one year of the grant of

³² *Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc.*, 548 U.S. 124, 127, 126 S. Ct. 2921 (2006) (Breyer, J with whom Stevens J., and Souter J., join, dissenting).

³³ *Id.*

³⁴ *Id.*

³⁵ PTA, *supra* note 9, at, §§ 18, 35.

³⁶ *Id.*, § 25 (c), (e), (h).

patent.³⁷ The grant structure circumvents one of the India's debilitating constraints, being the backlog in the judicial system. Hence, the grant opinions seemingly have more economic value when compared to the USPTO's administrative opinions, for instance, not least because there are few judicial opinions on the question of inventiveness, but perhaps also because of the influence of a combination of other factors such as the time taken to resolve disputes in India.

WIPO has researched opposition procedures in depth and found substantial variation in countries approaches to both pre- and post-grant procedures, but clearly does not consider them unauthorized by TRIPS. Indeed, TRIPS Article 62.4 explicitly references and thus indirectly condones the use of opposition procedures.

iv. Intellectual Property Office Modernization:

When India amended its patent legislation, the government of India through the Department of Commerce modernized the different intellectual property offices at great expense.³⁸ Additionally, India has worked to relieve patent disputes from the most debilitating constraint of all: the Indian Court system. India has established the Intellectual Property Appellate Board (IPAB), as the special appellate administrative tribunal from 2007 to hear patent appeals from the decisions of the Controller (provided it includes a technical

³⁷ *Id.*, 89, § 25(k);

³⁸ Press Release, Department of Commerce (India), Government's Initiatives in Revamping Intellectual Property Show Results (Feb. 7, 2002).

member).³⁹ Akin perhaps, to the Court of Appeals for the Federal Circuit in the United States, the review of the decision of the IPAB can be sought by the losing party by filing a writ petition on the grounds that there is a question of law requiring the attention of the High Court or that there is illegality or miscarriage of justice. The Supreme Court of India has established that all decisions of tribunals including the IPAB are subject to review before the Division Benches of the High Court (two-judge benches) within whose jurisdiction the concerned tribunal falls.⁴⁰ The establishment of the IPAB signifies India's commitment to implementing the patent statute.

v. Compulsory Licensing:

India has one of the most sophisticated compulsory licensing provisions of any country -- one that fully conforms to the TRIPS agreement as clarified by the Doha Declaration.

Section 84 of the Indian patent statute allows the government to compulsorily license a patent three years after grant.⁴¹ Applicants seeking compulsory licenses should provide proof that the applicant attempted to negotiate a license with the patent owner as required under the TRIPS agreement, and must do so for a minimum period of six months.⁴² As for the grounds, third parties can seek a license on the grounds that the (a) reasonable requirements of the public

39 Notifications No.12/15/2006-IPR-III (2/4/2007), Ministry of Commerce & Industry, (India).

40 L. Chandra Kumar v. Union of India & Others, AIR 1997 SC 1125 (1997) (India); *See also* Union of India v. R. Gandhi, President of Madras Bar Association, (2010) 5 SCALE 514.

41 *See* PTA, *supra* note 9, at § 84.

42 *Id.*, § 84(5)(4).

with respect to the patented invention have not been satisfied, (b) that the patented invention is not available to the public at a reasonably affordable price, or (c) that the patented invention is not worked in the territory of India.⁴³ The term *reasonable requirements of the public* is broad and can be deemed to be not satisfied if an existing industry or trade in India is affected; the demand for a patented article is not met by the patent holder, or the market is affected directly or because of the patent holder's activities. These grounds are fully in accord with traditional grounds for compulsory licenses dating back to the earliest patent laws, and explicitly sanctioned in Paris Convention Article 5(A).

Under Section 92, a compulsory license can be granted where the government provides notice of the existence of a national emergency such as a public health crisis or where it intends to use the patented subject matter for non-commercial public use.⁴⁴

Section 90(1)(vii) allows for export of non-predominate quantities compulsorily licensed products and Section 92A requires export of patented pharmaceuticals to “any country having insufficient or no manufacturing capacity in the pharmaceutical sector for the concerned product to address public health problems, provided compulsory licence has been granted by such country or such country has, by notification or otherwise, allowed importation of the patented pharmaceutical products from India.”.

43 *Id.*, § 84.

44 *Id.* § 92.

India's provisions with reference to compulsory licensing are fully compliant under Article 31 of the TRIPS agreement. Generally, TRIPS allows countries to determine the grounds for issuing compulsory licensing. In any event, India has issued only one compulsory license so far and did so in a case where there was egregious pricing and lack of supply to the market. Although U.S. critics have focused on the local-working rationale of the Patents Office decision granting a compulsory license, there were in fact three independent grounds for the license: insufficient supply, excessive pricing, and lack of an adequately explained total failure to work locally. Each or any of these grounds, including local working, is legally sufficient and justified under international and national law.⁴⁵ India was well-within its rights to issue the license on Bayer.⁴⁶

In any event, the facts of the Bayer situation demonstrates that for the United States to expect India to not take steps because Bayer or other companies feel that is unfair would be at the cost of its political leadership position. In gist, at a time when India housed approximately 20,000 patients with liver cancer and about 9,000 patients with kidney cancer between the years 2008 to 2010, a negligible amount of Bayer's Sorafenib was imported into the country. In fact, no importation ensued in 2008, a year when Bayer recorded a worldwide profit of over \$678 million in the rest of the world. The patent holder's inability to fulfill its duty of catering to the demands of the market notwithstanding, Bayer's pricing of the drug

⁴⁵ Michael Halewood, *Regulating Patent Holders: Local Working and Compulsory Licenses Under International Law*, 35 Osgoode Hall L.J. 243 (1997).

⁴⁶ See generally, Srividhya Ragavan, *Patients Win Over Patents*, THE HINDU, (March 7, 2013).

bordered on the ridiculous. The selling price which Bayer charged at an egregious price of Rs.2,80,428 per month (about \$5,000) was nearly five times higher than the median *annual* income in India. Indeed, as a mark of its careful scrutiny, the Indian patent office rejected an application to compulsorily license Dasatinib.

It is most important to consider the actual context of income inequality and excessive pricing in India, which minimizes U.S. sales and profits in India, as well as against the general trend of trade with India, which is quite profitable for the U.S. Overall, U.S. pharmaceutical exports have been steadily rising, as shown in the figure below:⁴⁷



Source: World Trade Organization

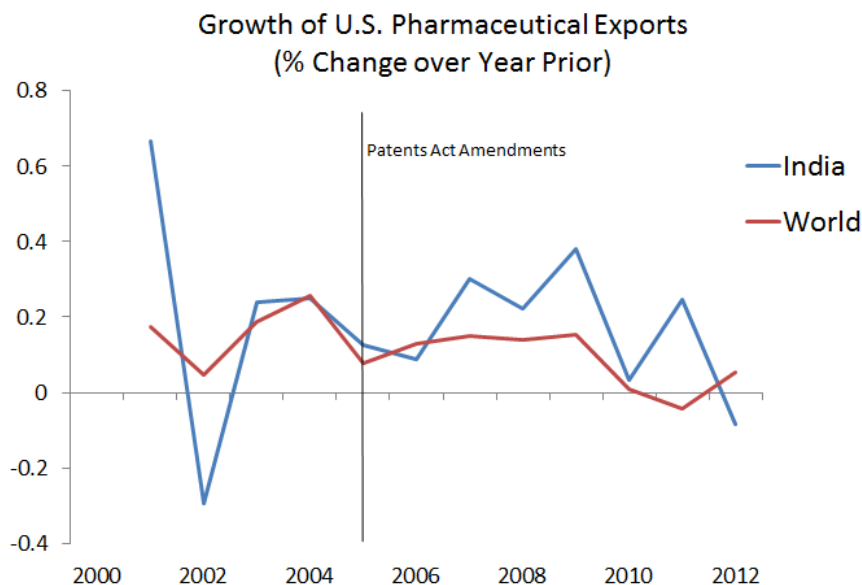
⁴⁷ From the post-hearing submissions of the authors to the USTR

According to trade data from the World Trade Organization, U.S. pharmaceutical exports rose from \$39 million to \$225 million during the period 2000-2012. This is an increase of 470%.

Furthermore, U.S. pharmaceutical exports to India are growing at a faster rate than U.S. pharmaceutical exports to the world as a whole. Since the Patents Act was amended in 2005, export growth in India has outpaced overall world growth in six out of eight years.

| | Total growth, 2000-2012 | Average growth over prior year |
|-----------------------|-------------------------|--------------------------------|
| U.S. Exports to India | 470% | 18% |
| U.S. Exports to World | 242% | 11% |

Source: World Trade Organization

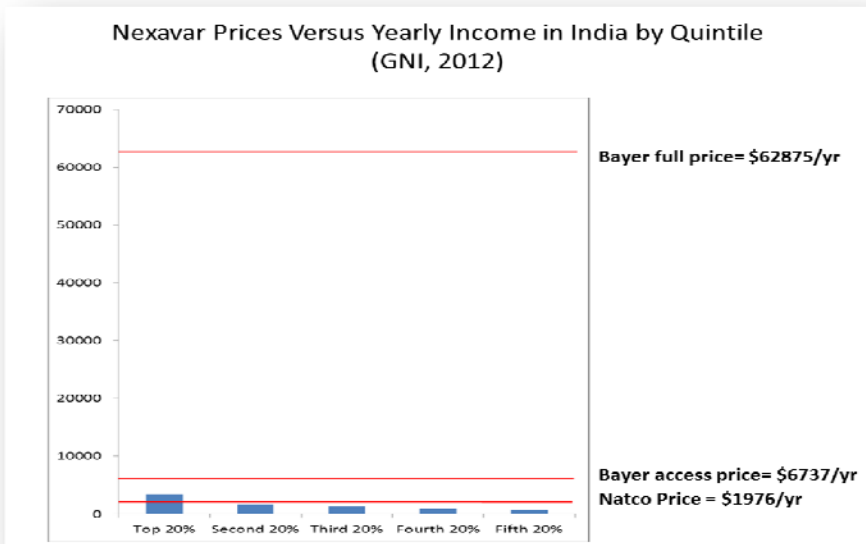


Source: World Trade Organization

It is notable that there has not been a single compulsory license granted on an American product. The one compulsory license issued has been on a patent held by Bayer, a German firm.

| | | |
|---|--|--|
| 3520 | 1 | 0 |
| Pharmaceutical patents granted in India, 2007-2012 <small>(Source: Indian Patent Office)</small> | Compulsory license for a German pharmaceutical product | Compulsory licenses for U.S. pharmaceutical Products |

Bayer's market price and "access price" for Nexavar were both unaffordable to most of the Indian population.



At the ITC hearings, representatives from Bayer, the National Association of Manufacturers, and others, noted that Bayer was making the drug available at a lower "access price" in India.

However, if one converts the full price and access price to U.S. dollars (based on a January 2013 exchange rate) and compares them to the average annual income-by-quintile, the data shows that both prices exceed annual income of even the top 20%.

Sources: Income and income distribution data from World Bank; Prices from the Nexaver compulsory license

This reality has to be weighed against the fact that in India, insurance coverage exists broadly for not more than about 5 to 20% of the population.⁴⁸ Most Government sponsored schemes have a cap of Rs. 30,000 (approx.. \$ 500) and is limited to hospitalization. Further, domiciliary treatment (medication) is not covered as part of most insurance in India.⁴⁹ Within this, the market shows enormous variations. Much of the insurance is privately acquired as opposed to Government sponsored or as part of employee benefits. It is estimated that the annual pay-out for those who have insurance is in the range of \$1500-2000.⁵⁰

vi. Bolar Provision:

Sections 107A, a bolar-type or “early working” provision, introduced via the 2005 amendment, allows for storage of patented material during the patent term to facilitate marketing immediately after the expiration of the patent term.⁵¹ Use of the patent for research, data

⁴⁸ E-mail from Professor Surupa Gupta, University of Mary Washington, (Feb 12, 2014) (on file with the author, Ragavan).

⁴⁹ E-mail from Mr. D. G. Shah, Vision-India Limited, (Feb 23, 2014) (on file with the author, Ragavan).

⁵⁰ E-mail from Professor Surupa Gupta, University of Mary Washington, (Feb 12, 2014) (on file with the author, Ragavan).

⁵¹ Patents Act, *supra* note 9, at § 107(A)

gathering, and seeking regulatory-approval, both domestically and abroad, are exempted from being construed as infringement. The New Delhi High Court approved the operation and the constitutionality of the provision in *Bayer v. Cipla*.⁵² Such regulatory exceptions fall within the ambit of Article 30 which allows every country to consider the legitimate interests of third parties in structuring such exceptions. Indeed, bolar exceptions have been considered in a WTO dispute opinion of a panel “Canada — Patent Protection for Pharmaceutical Products” - (adopted on 7 April 2000) upholding Canada’s bolar and regulatory exceptions, similar to that of India’s. Even though the U.S. has attempted to block the use of Bolar type provisions to allow a patent exception for purposes of exporting patent protected subject matter for purposes of obtaining regulatory approval in some of its bilateral and regional trade agreements, it is completely lawful for countries like India to allow such foreign registration as a limited exception under Article 30.

vii. Exhaustion of Patent Rights:

Section 107A(b) embraces an international exhaustion of the rights of a patent owner.⁵³ Thus, the sale or importation into India of a legally procured patented item from anywhere in the world will not amount to infringement.⁵⁴ That is, there is no need for authorization by the patentee or his assignee as long as the product was sold with due permission of the patent owner (or assignee). In fact, even importation of a product acquired from sources other than the patent

52 *Bayer Corp. v. Union of India*, (2009)41 PTC 634(Del).

53 PTA, *supra* note 9, § 107A(b)

54 *Id.* § 107A(b).

owner (or assignee), for instance, from countries not yet recognizing product patent protection, would be covered by the section. Article 6 of the TRIPS Agreement explicitly allows members to choose a regime of exhaustion and ensures that they be challenged under the WTO dispute settlement system. The Doha Declaration, under paragraph 5, has reaffirmed that Members do have this right, stating that each Member is free to establish its own regime for such exhaustion without challenge.⁵⁵

viii: Criticisms about revocation of patents in India

Several statements and submissions to the ITC and the USTR, including that of BIO, criticized India for patent revocations through post-grant reviews by courts or the Patent Office.⁵⁶

First, establishing judicial standards (or statutory interpretation) goes to the core of an independent judiciary. The General Obligations outlined from Article(s) 41 to 61 of the TRIPS agreement supposes the establishment of an independent judiciary with rights and authorities that are consistent with that sovereign government. Under traditional principles of international law, no country, much less industrial groups, can dictate the constituents of “judicial standards” of another country. The United States has not and will not tolerate

⁵⁵ Annex IC to the General Agreement on Tariffs and Trade, Uruguay Round, World Trade Organization, done at Marrakesh, Apr. 15, 1994, 33 I.L.M. 1981 (1994).

⁵⁶ See Bio’s submission to the ITC, page 4 (complaining of “counterfeiting, large backlogs and patent office inefficiency, differing administrative, legal, and judicial standards for patentability, compulsory licensing, inadequate data protection, and a need for harmonization of substantive standards and processes across patent offices around the world. Issues unique to biotechnology include patentability of biotechnology inventions, double patent review systems, genetic resource access and benefit regimes, and technology transfer issues that involve intellectual property.”)

foreign interference into the functioning of its judiciary, and no other country should likewise accept such criticism.

Page 8 of the BIO submission complains specifically about several patent revocations:

The Indian Intellectual Property Appellate Board (IPAB) revoked several pharmaceutical patents in post-grant opposition proceedings in the last two years including patents protecting Sutent, Pegasys, Ganfort, Combigan, and Renadyl.

Notably, a close comparison of the reasoning used by the Indian patents office shows remarkable parallels to the reasoning used by U.S. courts to invalidate patents here in the United States. As an example, in the following paragraphs, I examine Ganfort & Combigan's (which was one application for a combination drug) treatment in the United States.

In India, Ganfort and Combigan were covered by Patent No.212695 titled "Hypotensive Lipid (prostaglandin derivatives) and Timolol composition and methods of using same" The patent related to a fixed combination of Bimatoprost and Timolol.⁵⁷ The patent was challenged as being obvious on the grounds that the only big difference between the invention and the prior art was that the invention was a single dose composition as opposed to separate administration of the combination.⁵⁸ The patent was invalidated in India for not traversing the nonobviousness requirement.

⁵⁷ Application for Patent bearing No. 219504

⁵⁸ Anubha Sinha, IPAB revokes Allergan's patent on eye drugs Ganfort and Combigan, SpicyIP, (2013)

The interesting aspect which BIO does not highlight is that fact that in *Allergan Inc vs. Sandoz*,⁵⁹ a full panel Court of Appeals for the Court of Appeals for Federal Circuit in dealing with Combigen's claim one INVALIDATED the claim on the grounds that "unexpected results and prior art teaching away were NOT sufficient to outweigh the other evidence of obviousness."⁶⁰

Both timolol (a beta blocker) and brimodine (an alpha2-agonist) were commercially available in their claimed concentrations at the time of the invention and were used to treat ophthalmic conditions. The primary prior art reference, DeSantis, expressly taught serially administering both a beta blocker, such as timolol, with a brimodine in a fixed combination. It also provided "an express motivation to combine alpha2-agonists and beta blockers in order to increase patient compliance." Slip Op. at 8.

The equivalent in India of the unexpected results test used in the United States is the *enhanced efficacy*. A Federal Circuit panel validated the method claim – with Judge Dyk filing a dissent asserting the invalidity of the claim.

Indeed, the IPAB opinion states that:

“We too are of the opinion like the Federal Court that there was a reasonable expectation of success in view

⁵⁹ *Allergan v. Sandoz*, Fed. Cir, 2013 available at <http://www.cafc.uscourts.gov/images/stories/opinions-orders/11-1619.Opinion.4-25-2013.1.PDF>

⁶⁰ *Id.*

of the DeSantis. Therefore for the above reason, we find that the invention is obvious."⁶¹

In India, a limited number of claims were filed and hence, only these were contested. In the U.S., even though Sandoz succeeded in establishing that claims of '463 patent were invalid as obvious, the number of filed claims were more and the Federal circuit ruled that some of those claims (4 of 149) were not obvious, and that delayed the entry of the generic.

Similarly, with respect to the drug Pegasys, the application to patent was filed by Roche in 1997 for "pegylated interferon alfa2a." The application matured into a patent in 2006 bearing no. 198952. A post-grant opposition was filed by a local companies on the grounds that interferon is a known protein, which when conjugated with the polymer PEG through the process of PEGylation (a process of covalent attachment of polyethylene glycol polymer chains to another molecule or therapeutic protein) achieves improved stability, solubility, and reduced immunogenicity. Interestingly, Roche was able to traverse this opposition at the patent office level. On appeal, the IPAB's explained its reasoning for invalidating the patent as obvious as follows:

"Interferon had already been used to treat hepatitis C. There were problems in the use of this protein as such. PEGylation was known from 1970s. Pegylation of proteins was known to improve the activity of the

⁶¹ Ajanta Pharma v. Allergan USA, *available at* <http://www.ipab.tn.nic.in/173-2013.htm>

proteins. There was intense activity in the field of PEG chemistry and the person skilled in the art will be acquainted with it, if not directly involved in it. Linear conjugates of protein showed improvement over unconjugated protein. ...the person of skill In the art takes a look at Monfardini and also at the other exhibits. He knows that the activity of interferon has to be improved for Hepatitis C cases. He knows that linear pegylation will improve it a bit. He knows that branched pegylation has shown marked improvement over linear conjugates in the case of superoxide dismutase and three enzymes. He is confident that branched PEGylation of Interferon will work; it has worked in Monfardini with enzymes. Monfardini gives him the structure on a platter. He also knows that he can work with molecular weight range of 5000-40,000 daltons to strike oil. He has reason to believe that higher may be better.”

It is understandable that Roche does not like the judgment – but the above paragraph(s) show case due process and a reasoned judgment in action.

Notwithstanding the above, India recorded at that time a total of 10 to 12 million patients suffering from Hepatitis C – for which Pegasys offered a treatment. A six-month treatment of pegasys cost approximately Rs. 4,36,000 lakhs (approx. \$ 8400!) and was discounted at a price of approximately Rs. 3,14,000 lakhs (\$ 6000).

The drug is taken in combination with Ribavarin, which cost approximately another Rs. 47,000 thousand (\$1000). Given the cost, roughly, a total of 1400 patients were treated.⁶² Yet, it was patented in India until it was invalidated and was NOT ever subject to compulsory licensing.

Similarly, another drug cited by BIO - Sunitinib, (Sutent) - whose 50 mg tablets were marketed by Pfizer for an exorbitant price of Rs. 61,000 for a strip of seven tablets (\$ 1200 approximately) was also not subject to compulsory licenses. What BIO does not add here is the fact that its members cannot sell these drugs even to its American patients at this price, save for “the 1%” in this country.⁶³

Similarly, many of the other issues that BIO as well as other industry groups like PhRMA decry equally lack adequate basis. For instance, in *Mayo v. Prometheus*⁶⁴ a unanimous Supreme Court struck down a method of medical treatment claim as being directed to a law of nature and thus patent ineligible! Thus, exclusions from patentability are not alien to the U.S. legal system. Other countries exclude such claims from protection. For example, in Canada methods of medical treatment are not patentable under section section 12.04.02 of its Manual of Patent Office Procedure. Further, TRIPS Article 27.3 further allows for such exclusions.

As for revocation of patents, BIO's and this industry group's statement leaves the impression that revocation of patents is a rare

⁶² Id.

⁶³ Prashanth Reddy, Estimating the number of Hepatitis patients treated by Roche's Pegasus (2012)

⁶⁴ 132 S.Ct. 1289 (2012)

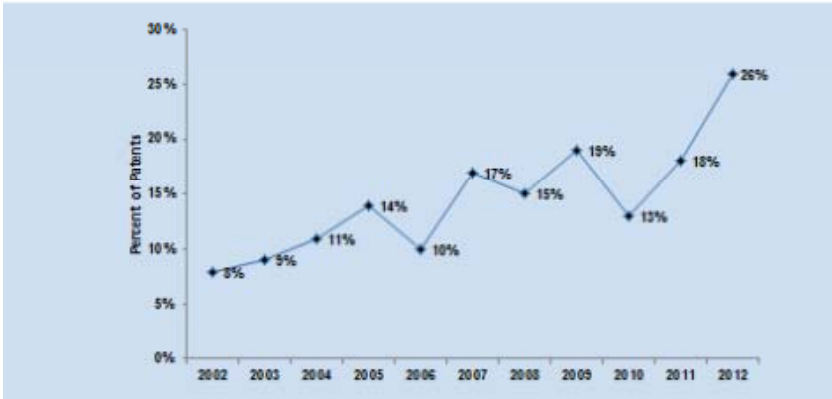
and unusual phenomenon! The following data examines two hundred and eighty (283) cases where Federal District Courts have examined the patent validity between 2007 and 2011. Of the 283 cases identified, only in 39 cases were the claims determined to be valid. The following table provides a detailed summary:

| Patent Cases in District Courts involving validity by Year | | | | | | |
|--|------|------|------|------|------|-------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | Total |
| Cases where claims in patent held invalid | 46 | 49 | 54 | 49 | 45 | 243 |
| Cases where claims in patent held valid | 12 | 8 | 11 | 5 | 3 | 39 |
| Percent where claims in patent held valid | 20% | 14% | 17% | 9% | 6% | 14% |
| Total | 58 | 57 | 65 | 54 | 48 | 283 |

About 243 of the 283 cases had claims that were invalidated by the District Court. That is, in a whopping 86% of the total cases examined, claims were invalidated.

The Court of Appeals for the Federal Circuit is also not shy of invalidation of claims where the court believes is warranted. The following graph provides the number of patents invalidated by the Court of Appeals for the Federal Circuit from 2002 to 2012.

Chart 2: Percent of Patents Invalidated Per Year by the Federal Circuit



Source: White Paper Report; United States Patent Invalidity Study, 2012.

Revoking patents merely point to a robust judiciary reviewing imperfect decisions by hurried patent examiners. Several of the submission decries patent revocations in India as if denials/revocations/invalidations never occur anywhere else. The sophistication of a patent system is not in the numbers of patents issued. It is in the quality of patents. Decreasing the bar for patenting in the United States is cited as a reason for the Supreme Court's unprecedented activity in this area of law. Academics have decried the pathetic quality of patents in this country. Forums like the International Trade Commission has a burden to ensure that it does not set the United States on a course to punish others countries for instituting quality based standards.

PART II: AGRICULTURE

India, like other developing nation counterparts, took advantage of the flexibilities in Article 27(3) of the TRIPS agreement which mandates establishing a protection regime “either by patents or by enacting an *effective sui generis* system.” In light of Articles 7 and 8 of TRIPS, the *effectiveness* of a plant protection regime established under Article 27 must be judged by its ability to accommodate local/national welfare and economic goals. Such a reading of the *effectiveness* requirement fits more comfortably with the other sub-sections of Article 27 which provides that members *may* choose to protect biological or microbiological materials. Member’s flexibility to establish an *effective* system increases when using a national yardstick. Considering this, India enacted the Protection of Plant Varieties and Farmers Rights Act of 2004 (PPVFA)⁶⁵ under which three separate varieties can be registered, being: (1) New Variety; (2) Extant Variety, which refers to an existing variety discovered for the first time; and (c) Farmer’s Variety, based on community property concepts.⁶⁶

i. New variety: A variety would be eligible for protection as *new* provided it is novel, distinct, uniform, and stable—a threshold similar to the UPOV requirements.⁶⁷ Examination guidelines set out the principles used for testing the distinctiveness, uniformity, and stability (DUS Guidelines) of a variety to determine its registration status.⁶⁸

65 The Protection of Plant Varieties and Farmers’ Rights Act, No. 53 of 2001; INDIA CODE (2001), [hereinafter “PPVFA”]

66 *Id.*, § 15(2).

67 *Id.*, § 15.

68 *See* General Guidelines for the Examination of Distinctness, Uniformity and Stability and the Development of Harmonized Descriptions, Protection of Plants Varieties &

Information such as (1) the geographical origin of the material; and (2) any contribution by farmer, community, or organization to the development of the variety, (3) information about the use of genetic material conserved by any tribal or rural families in the breeding are required to be given in the application.⁶⁹

ii. Extant Variety: In order to ensure that an appropriate bar is instituted in a country that is rich in biodiversity and traditional farming practices, the extant variety register was created to as a compilation of matters known and existing in the public domain. This classification indirectly creates a higher bar to determine distinctiveness of a new variety. Indeed, the extant variety classification takes care of India's obligation under the Convention on Biological Diversity (CBD) to which it is a signatory.⁷⁰ The Convention requires member states to take adequate steps to preserve biological and genetic materials. Section 28 of the PPVFA provides that the government, as the owner of the extant varieties, enjoys the right to determine their production, sale, marketability, distribution, importation, or exportation. Government ownership over the materials ties in with the objective of protecting biodiversity and allowing the government to negotiate with bioprospectors. An Extant Variety Recommendation Committee (EVRC) develops appropriate procedures for examining applications to register an

Farmers' Rights Authority, Department of Agriculture and Cooperation, Government of India, NASC Complex, IARI, New Delhi-110012 [hereinafter "DUS Guidelines"]

⁶⁹ *Id.* § 18(1)(c), 40.

⁷⁰ Convention on Biological Diversity, June 5, 1992, 1760 U.N.T.S. 79 [hereinafter "CBD"].

extant variety.⁷¹ By the end of 2010, from a pool of 297 applications, 123 extant varieties were registered.

iii. Farmer's Variety: Within this *variety* typology fall plants which are traditionally cultivated and evolved by the farmers in their fields, or is a wild relative or land race of a variety about which the farmers possess the common knowledge.⁷² The reason for protecting farmers' rights is the underlying assumption that genetic diversity is enhanced when varieties are adapted using traditional farming techniques.⁷³ By 2010, after considering 44 applications three varieties of rice—Indrasan, Hansraj, and Tilak Chandan—became the first of the farmer's varieties registered in India, and perhaps, also in the world.

Other features of the PPVFA are all part of the *sui generis* system that allows a country to tailor a regime that protects plant varieties while making adequate allowances for local issues. The creation of the Gene Fund, for instance, is another feature created by the central government for the benefit of the farmers.⁷⁴ The fund helps reward farmers whose existing variety/material is used as a source to create a new variety.⁷⁵ Similarly, the PPVFA allows farmers to retain their traditional right to save and reuse seeds from their harvests with some restrictions and conditions. The PPVFA has also introduced a right to community compensation in recognition of traditional knowledge contributions. Section 43 reflects a community property

71 See Protection of Plant Varieties and Farmers' Rights Regulations, 2006, Gazette of India, Notification (Dec. 7, 2006).

72 PPVFA, *supra* note 38, § 2(j).

73 *Id.*

74 See PPVFA, *supra* note 38, §§ 39, 45.

75 *Id.* § 39.

philosophy by providing that “[b]reeders wanting to use farmers’ varieties for creating essentially derived varieties (EDVs) cannot do so without the express permission of the farmers.”⁷⁶ Thus, communities can stake a claim of contribution from breeders if a new variety is derived from information or a contribution is made by the local community.⁷⁷ If the community’s claim for compensation is established, the breeder must deposit the compensation in the Gene Fund.⁷⁸ Lastly, the PPVFA provides for “benefit sharing” – which refers to sharing a proportion of the benefits accruing to a breeder of a new variety with qualifying claimants, if any, who could be indigenous groups, individuals, or communities.⁷⁹ That concept, first envisaged in the CBD, has been more clearly expounded on the PPVFA and structured to work closely with the community rights principle detailed earlier. Thus, the statute mandates that before registering any new variety, the statutory authority should invite claims for benefit sharing.⁸⁰

CONCLUSION⁸¹

Along with the above testimonial, the authors also filed detailed post-hearing reports both to the ITC and the USTR addressing questions and concerns that were raised by the Commissioners during the

⁷⁶ See PPVFA, *supra* note 38, § 48.

⁷⁷ *Id.*

⁷⁸ *Id.*

⁷⁹ *Id.* §§ 2(b), 26.

⁸⁰ *Id.* § 26.

⁸¹ See International Trade Commission, Report on Investigation No. 332-543, available at http://www.usitc.gov/press_room/news_release/2014/er1222ll254.htm (for details of the ITC’s Report on the Investigation); See also USTR Special 301 Report, available at www.ustr.gov (for details of the USTR’s Report on its Investigation of India’s trade practices).

hearing. The authors highlighted that taking any step that affects India detrimentally will be a strategic mistake for all of the following reasons:

1. India has not done anything during the examination period of this report to warrant changes;
2. Much of industry's requests are unsupported by specific facts and figures;
3. All of India's actions are well-with its negotiated rights under the TRIPS agreement; within established due-processes and procedures;
4. India is one of the few countries in that region where the United States enjoys good public opinion;
5. Other industries, Boeing, being a great example, has no grouse with India and its intellectual property laws.

The authors cautioned both forums forum from setting a course that could result in labelling other countries for exercising their sovereign powers.



ISSN 0975-492X