



## Newsletter August 2016

### RKD NewsNet August 2016

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### **#Notatrademark?**

The launch of twitter in 2006 saw a surge in the use of hashtags in our routine lives. Hashtags were introduced as mediums of linking different users' posts under a particular category for e.g. #happinessis. With its growing popularity, the categorization of different topics via hashtags was introduced on Facebook and Instagram as well. Hashtags also became means of garnering attention and advertising one's goods and services for e.g. recently Coca-Cola used #openhappiness as its social media campaign.

This use of hashtags as a marketing tool has now become intricately linked to trademark laws; the reason being that trademarks serve as tools for indicating origin of the goods/services and in some cases hashtags serve as small phrases which people come to associate with a brand for eg. #WantanR8, by Audi or #justdoit by Nike. The USPTO has recognized a hashtag as a trademark only if term "it functions as an identifier of the source of the applicant's goods or services".

A major impediment to recognizing hashtags as trademarks lies in the fact that hashtags are usually descriptive in nature, have a functional purpose and therefore, it is difficult to establish its distinctiveness in social media for e.g. the mark 'SKATER' for skateboard might be registered but #Skater would imply a more general meaning to the use of the word and hence, will not be considered as registrable. Therefore, it is necessary that while applying for a trade mark registration for a hashtag a close association should be established between the hashtag and the brand.

If it is established that a hashtag is exclusively associated with a brand, the brand owners can file for registration and prevent other proprietors from using the hashtag for their commercial benefits however, they cannot prevent twitter users from using the hashtag otherwise. These are interesting times, and just when one believes that pertinent issues regarding trademarks have been sorted (trans-border reputation, personality rights and trademarks, smell marks etc.) new issues emerge; while the lawmakers rack their brains over this issue one can enjoy the positive outcome of the hashtags-connecting people's thoughts and experiences globally.



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### Taxability of transferred IP

If a property is sold in India then, the income arising from such property is taxable in India however; it is worth pondering over if the same rules of property law will be applicable to intangible property as well i.e. Intellectual Property. In the case of *CUB Pty Ltd. v Union of India* the Delhi High Court gave its decision on the issue.

The Petitioner (Cub Pty) filed a writ petition for deciding the *situs* of the intellectual property such as trademarks which fall in the category of capital assets but are intangible in nature. The Indian Income Tax Act, 1961 clearly states that if any income is earned through the transfer of an asset located in India, it will be taxable in India. The Petitioner was the owner of the trademark 'Foster' and the Indian trademark/brand 'Foster' was sold by the Petitioner to another entity. It was in this factual scenario that the issue of taxability arose; the Authority on Advanced Ruling (AAR) ruled that the income earned by the Petitioner from such transfer would be taxable in India since the capital asset (here, trademark) was located in India. The Petitioner submitted that in case of intangible assets the common law doctrine of '*mobilia sequuntur personam*' i.e. chattels follow the person will be applicable. The Petitioner's rationale for the argument was that since intellectual property is an intangible asset, its *situs* should be the place where the owner of such intellectual property resides.

The Court agreed with the Petitioner's contentions and ruled that the *situs* of Intellectual Property would be the place of residence of the owner of such property and since in the present case, the Petitioner was an Australian Company, the tax for the transfer of the intellectual property will not be payable in India. This decision is quite a relief for the international companies having IP rights in India, it grants an assurance that they shall not be subjected to double taxation upon transfer of their IP rights in India (once in the country where they are located and then in India).

### Nemesis

In the recent times it has been observed that the Indian Courts have been proactive in passing interim injunction orders if a *prima-facie* case of infringement or violation of IP rights is established. While this is a pleasant change for various corporate houses; the flip side of the same is equally disturbing. In an attempt to track down any act of infringement/violation of IP companies investigate the unauthorized use through private agencies or themselves and upon concluding that there has been an infringement/violation of IP rights the company/entity may proceed with filing a suit against the violating Party.

In the case of *Microsoft v Pawan Chawla & Ors.*, the Plaintiff (Microsoft) established a *prima-facie* case before the Bombay High Court and obtained an order of interim injunction as well as an Anton Piller order to check for infringing copies of the Plaintiff's software in the Defendant's premises. Pursuant to such order, a Court Receiver and representatives of the IT department of the Court visited the sites where the Defendant was carrying out its business. It was claimed by the Defendant's advocates that the Plaintiff did not have a valid claim of IP rights infringement; it was further argued that the Plaintiff had given ambiguous statements regarding the number of computers in which it



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apprehended that the Defendant was using infringing copies of the software. These arguments of the Defendant found support in the Court Receiver's inspection report whereby it was found that only 4 computers in the Gurgaon premises and 1 computer in Jaipur premises of the Defendant were found to be using non-compliant version of Microsoft's software. It was also submitted in the Receiver's report that almost 75% -80% of the Defendant's computers were running on Linux or Ubuntu platforms i.e. no use of Microsoft. Furthermore, the Plaintiff had stated in its plaint that the Defendant had shown resistance to the inspection of its premises whereas, the correspondences presented before the Court showed that the Defendant was willing to co-operate. On perusing the above stated facts the Court took note of the fact that there had been an attempt to misrepresent and conceal vital facts from the Court. Justice G.S. Patel, who was presiding over the matter reprimanded such misrepresentation and ruled that the Indian Courts should not be taken for granted. In fact it was observed that for companies resorting to such tactics, the Indian Courts will be the nemesis.

The Court vacated its previous order of interim injunction and advised that the Plaintiff should withdraw the suit lest it shall suffer from such order as the Court may pass on the next date. Pursuant to the same the Parties to the suit decide to draw up consent terms to settle the matters amicably. This case is a precedent for all the parties that an Anton Piller order should be sought only when there are reasonable grounds to suspect violation of its IP rights else it could have serious consequence in the court room.

### **Performers' Labor Lost**

The Indian Copyright Act, 1957 was amended in 2012 and with this amendment performer's rights were expressly included in the Act. In accordance with the newly introduced provisions royalties are payable to a performer and act of communicating such performance to the public without the authorization of the performer will be construed as an act of infringement.

Recently, in the case of *The Indian Singers' Rights Association v Chapter 25 Bar and Restaurant* the Plaintiff filed a copyright infringement suit against the Defendant, a restaurant and bar in Delhi, for playing music in its premises which included the songs of singers from the Plaintiff's repertoire. The Plaintiff is an association of Indian singers that manages and regulates the payment of royalties of the performers that have executed a Deed of Exclusive Authorization in its favor. The Plaintiff stated that prior to initiating the suit it had sent a Cease and Desist Notice to the Defendant, giving the Defendant an opportunity to obtain the necessary license from the Plaintiff. It was when the Defendant failed to respond that the Plaintiff filed the suit. The Plaintiff's counsel explained that a performance would include (according to Rule 68 explanation 3) a recording of the visual or acoustic presentation of a performer. The Court ruled that the unauthorized playing of music in its premises by the Defendant is an infringing activity and therefore, an order of permanent injunction was passed against the Defendant. Further, the Defendant was ordered to give an account of the monies earned due to such infringing communication to the public and the Defendant was also made liable to pay INR 20,000 to the Plaintiff.



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The practice of communicating music to the public at large without obtaining the necessary approval of the performer/producer/copyright owner is a common practice in India. This decision is a precedent in a positive direction, thereby encouraging owners of restaurants, pubs or any other place accessible to public at large to act in accordance with the copyright act and give the owners of such work due credit and money for their works. The practical implementation of this order in India is something that will be worth looking forward to.

### Middle Muddle

In the present times where social networking sites/portals are popping up like mushrooms it has become important to regulate these social networking portals to ensure that no infringing, unlawful or immoral activities are being carried out through them. The Indian Information Technology Act, 2000 under Section 79, grants immunity to the intermediaries from any liability that may arise on account of its users' infringing conduct. This however is subject to the intermediary establishing that it had acted diligently throughout for instance when it was informed of such unlawful activities; there were attempts to remove the unlawful contents within 48 hours. This leeway is given to the intermediaries keeping in mind the ginormous amount of information that gets uploaded every day and it is difficult to regulate all the contents.

In *Tata Sky Ltd. v YouTube LLC* the Plaintiff had filed a suit against the Defendant, praying for an injunction order against such sites from using its mark 'Tata Sky' and from showing video clips that showcased tricks /means to hack the Tata Sky set top box and thereby view the HD channels for free. This video was instigating people to circumvent the technological protection measures adopted by the Plaintiff and thereby making it a clear case encouraging copyright infringement under Section 65A. The Plaintiff succeeded in obtaining an interim injunction against the Defendant, pursuant to which the defendant removed all such URLs which contained any such hacks. It was argued by the Defendant's counsel that it could not be held liable for infringement of the plaintiff's trademarks since it was not the creator of the contents infringing the plaintiff's rights, it was only an intermediary. The Defendant invoked Section 11 and Section 79 of the Information Technology Act, 2000 stating that the content being uploaded belongs solely to the party uploading it and not the Defendant. It was further contended by the Defendant that the Plaintiff's initial complaint included claiming circumvention of technological measures which is covered under the Copyright Act, 1957 whereas the suit eventually filed by the Plaintiff was for trademark infringement. Along with the arguments put forth by the counsels for the parties, the Court perused the correspondences between the parties and concluded that while both the parties were unclear about the statute under which the complaint should be made; the important point was that the videos were revealing information which was affecting the IP rights of the Plaintiff and therefore, it was the duty of the Defendant to have acted on the substance rather than categorizing the area of IP involved.

Since the Defendant had submitted an assurance that it will not allow any further infringement of the Plaintiff's rights the Court vacated the injunction order against it. The key takeaway from this case was that intermediaries cannot shirk from their duty of immediately acting upon a claim of infringement/violation of IP rights. However, the decision involved minimal discussion on whether instigation to circumvent TPM will also amount to an offence under the



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Copyright Act, 1957 and whether the intermediary can be impleaded as a party that also instigated the viewers to infringe another entity's copyright. One can only hope that the future decisions will give an idea on this aspect of the Copyright Act.