

INTRODUCTION

This newsletter brings to you the key intellectual property related updates in India from the first quarter of 2019.

In particular, we cover the copyright infringement dispute between the publishing arm of *Warner Music* and *Spotify*. The impending launch of *Spotify* in India had created quite a stir and became a part of the ongoing global fight between the two global giants.

Presently, while *Spotify* has been launched in India, a copyright infringement case is pending before the High Court of Bombay. The dispute is significant as it will provide judicial precedent on the issue of an internet broadcaster obtaining a statutory license under the Copyright Act, 1957.

Of particular significance, the Supreme Court of India struck down a decision by the Delhi High Court, which held that *Monsanto* could not patent genetically modified cotton seeds, though we emphasise that the decision is based on *procedural* rather than *substantive* matters.

Also of interest, the American shoe manufacturer, *Crocs* lost a case before the Delhi High Court against a number of Indian manufacturers in relation to the alleged passing off of its registered designs.

Continuing the trend in penalizing habitual trademark infringers, the Delhi High Court imposed punitive damages to the tune of INR 3.85 crores (approximately USD 550,000) on one such infringer.

Finally, in a notable case involving television personalities, the Delhi High Court had the opportunity of revisiting and re-affirming the principles associated with *personality rights* in India in the context of false advertising.

The above-mentioned notable cases are discussed below.

Warner/Chappel Music Ltd. vs Spotify AB¹

Warner/Chappel Music Limited (“**WCM**”) recently filed a suit for injunction against Spotify AB (“**Spotify**”) before the Bombay High Court (the “**HC**”) to prevent Spotify from exploiting its musical works in India.

Background

Spotify, the global digital music service app with more than 207 million monthly active users, while about to launch its service in India, had earlier approached WCM to obtain a license for some of WCM’s content and works, to which WCM had refused.

At the end of February 2019, Spotify announced that it was going to invoke the statutory licensing provision under Section 31D of the Copyright Act, 1957 (the “**CA**”), to broadcast WCM’s musical works including the underlying musical works as an internet or digital broadcaster.

WCM applied for an emergency injunction against Spotify before the HC and sought to block Spotify’s statutory license.

Findings of the HC

On February 26, 2019, the HC passed an interim order directing Spotify to deposit INR 6.5 crores (approximately USD 9,00,000) with the HC and also not to proceed with its statutory licensing application before the Intellectual Property Appellate Board (the “**IPAB**”) for a period of 4 weeks from the date of the interim order.

The HC also directed Spotify to maintain a full and complete record of its use of WCM’s works and all advertisement revenue including subscription revenue until disposal of the suit.

Points to consider

The present case as well as a few past judicial pronouncements have raised certain questions in relation to the statutory licensing regime in India. Some points for consideration have been provided below.

In light of the three provisions covering statutory licensing, namely, the CA, the Copyright Rules, 2013 (the “**Rules**”), and the Office Memorandum dated September 5, 2016 released by the Department of Industrial Policy and Promotion (which

¹ COMIP (L) NO. 256 OF 2019

mandated internet broadcasters also to obtain necessary statutory licenses under Section 31D of the Copyright Act, 1957 by paying license fee set by the Copyright Board), it remains to be seen whether the HC will determine Spotify as a *platform* for on-demand streaming and reproduction of musical works, falling under the ambit of an internet broadcaster and thus, covered under Section 31D of the CA.

Spotify launched its app in India on February 26, 2019, *prior* to obtaining the statutory license. As such, this is a deviation from the CA and the Rules which state that prior to obtaining a statutory license, the royalty rates have to be fixed by the IPAB. We question whether this variance from the prescribed procedure will tip the balance in favour of WCM?

Whatever the outcome, this matter will impact the copyright framework in India and the HC's decision could go a long way in changing the present copyright landscape.

NOTABLE CASE LAW

Monsanto Technology LLC & Ors. vs. Nuziveedu Seeds Ltd. & Ors²

Recently, the Supreme Court of India (the “**SC**”) overruled a decision of the division bench of the High Court of Delhi (the “**HC**”), which had held that Monsanto Technology LLC's patent over ‘Bt Cotton’ was not patentable. The SC reached its decision on the grounds that the HC had gone beyond its powers in revoking a patent while deciding an appeal against an injunction order in the patent suit matter.

Background

Monsanto Technology LLC (“**Monsanto**”) is the registered holder of a patent entitled *Methods for Transforming Plants to Express Bacillus Thuringiensis Deltaendotoxins* (the “**Patent**”, which is referred to as “**Bt**”).

By way of genetic modification, the Patent improves the resistance of cotton seeds from attacks by *bollworms*.

Under a Licensing Agreement (the “**Agreement**”), Monsanto shared its Patent with Nuziveedu Seeds and its sub-licensees (collectively, “**Nuziveedu**”) and allowed them initially for 10 years to develop genetically modified hybrid cotton seeds and to commercially exploit the same using Monsanto's registered trademark *Bolgard* (the “**TM**”) for which a fee of INR 50 lakhs (approximately USD 71,800) was charged along with a recurring ‘trait value’ as compensation.

² 2019 (2) SCJ 82

However, disagreements arose between the parties with respect to the payment of the license fee and the trait value, as following the Agreement, the trait value and seed retail prices were lowered by the central and state governments by new price control orders in relation to seed prices.

As a result of this, the Agreement was terminated by Monsanto after one extension in 2015. Thereafter, Nuziveedu continued using the Patent and the TM.

Monsanto alleged patent and trademark infringements owing to Nuziveedu's continued use of its patented technology as well its TM. In response to Monsanto's infringement allegations, Nuziveedu claimed rights under the Protection of Plant Varieties and Farmers' Rights Act, 2001 and made a counter-claim that the Patent was bad and violative of Section 3(j) of the Patents Act, 1970 (the "**PA**")³.

Findings of the HC

The matter first went before a single judge of the HC. While deciding the injunction application, the single judge held that the Agreement should be re-instated and Nuziveedu could continue to manufacture the hybrid cotton seeds until the suit was disposed, without determining the validity of the Patent. The single judge also directed that the trait fees must be paid by Nuziveedu as per the Agreement, till the disposal of the suit.

Subsequently, the decision was appealed by Monsanto before a division bench of the HC against re-instating the Agreement and by Nuziveedu for the requirement of being made to pay the trait fee as per the Agreement.

While deciding the appeal, the division bench held that Monsanto had consented to summary adjudication of Nuziveedu's counter-claim regarding revocation of the Patent and revoked the Patent, essentially holding it a *non-patentable subject* under Section 3(j) of the PA.

Findings of the SC

On appeal, the SC reversed the decision of the division bench and observed that Monsanto could not have consented to the summary adjudication of Nuziveedu's counter-claim without availing the opportunity to present its arguments and leading its evidence (including those by experts) against the counter-claim made by Nuziveedu, which should have actually happened before the single judge during the course of the suit and not while deciding the injunction application.

³ Section 3(j) of the **PA** provides that 'plants and animals in whole or any part thereof other than micro-organisms, but including seeds, varieties and species and essentially biological processes for production or propagation of plants and animals' are not a patentable subject matter in India.

It was held that “*the suit involved complicated mixed questions of law and facts with regard to patentability and exclusion of patent, which could be examined in the suit on basis of evidence.*” The SC also noted that the division bench should not have assumed the powers of the single judge and should have limited its analysis to whether the single judge’s grant of an injunction was correct or not.

Basis the reasoning provided above, the matter was then re-sent to the single judge for his consideration; and pending adjudication, Nuziveedu was allowed to continue to use and sell the cotton seeds, subject to payment of the contractual trait value fees to Monsanto, as previously held by the Single Judge.

Crocs Inc. USA vs Aqualite India Ltd. and Others⁴

The Delhi High Court (the “**Court**”), in its judgement relating to a batch of suits filed by Crocs. Inc. (“**Crocs**”), against various footwear manufacturers in India, including Aqualite India, Action Shoes, Bioworld Merchandising, Liberty Shoes, Bata India and Relaxo Footwear (together, the “**Defendants**”) held that a suit for action in *passing off*, that is *solely* based upon the shape of footwear registered as a design under the Designs Act, 2000 (the “**DA**”) by Crocs, was not maintainable.

Background

Crocs had initially filed commercial suits against several footwear manufacturers for allegedly adopting and copying the registered design of *clog-type slippers* sold by Crocs.

Subsequently, Crocs had also filed composite suits against several footwear manufacturers, who were sued earlier, for *design infringement* and *passing off*. However, due to the ruling in *Mohan Lal v. Sona Paint and Hardwares*⁵ (the “**Mohan Lal Case**”), which laid down that *composite suits* for design infringement and passing off are not maintainable, the earlier suits were taken up for *design infringement* only and the subsequent ones were taken up for *passing off* only.

The Court had in earlier suits, declined granting an interim injunction to Crocs on the ground of prior publication of Crocs’s design. In the subsequent suits, Crocs reiterated that it was entitled to an interim injunction in the *passing off* suits, notwithstanding the denial of the interim injunction in the *design infringement* suits.

⁴ MANU/DE/0828/2019

⁵ AIR 2013 Del 143: This case had held that different causes of action, i.e., for design infringement and passing off, cannot be combined in one suit at all. It was noted that while “*the fundamental edifice of a suit for infringement under the DA would be the claim of monopoly based on its registration, which is premised on uniqueness, newness and originality of the design, the action for passing off is founded on the use of the mark in the trade for sale of goods and/or for offering service; the generation of reputation and goodwill as a consequence of the same*”.

Crocs placed reliance on the recent judgement of *Carlsberg Breweries A/S vs. Som Distilleries and Breweries*⁶ (the “**Carlsberg Case**”) which Crocs claimed, overruled the principles established in Mohan Law Case.

Crocs contended that the distinct design of its footwear can be used as a *trademark* on the ground that, under the Trade Marks Act, 1999 (the “**TMA**”), *shape* can be a trademark and hence an action of *passing off* based on the design was maintainable.

The Defendants contended that a trademark cannot be a design under the provisions of the DA. It was further argued that if what is registered as a design is also given protection as a trademark, it would run counter to the rights for a limited period in a design.

With regard to the Carlsberg Case, the Defendants argued that it did not overrule the principles in the Mohan Lal Case, as it laid down that a suit for *passing off* based on design applied to a commercial article can be maintained *only* if the something extra than the registered design is claimed as trademark.

Findings of the Court

The Court thoroughly examined the statutory provisions of the DA, the TMA, the common law principles of *passing-off* and judicial precedents, including the Mohan Lal Case and the Carlsberg Case. It held that similar to how a trademark cannot be registered as a design under the TMA, a registered design cannot constitute a trademark. The Court observed that the Carlsberg Case overruled the Mohan Lal Case to a limited extent; but it did *not* overrule the established principle of maintainability of composite suits for *design infringement* and *passing off*.

The Court highlighted what was particularly observed in the Carlsberg Case:

"The larger legal formulation in Mohan Lal (supra), that a passing off action i.e. one which is not limited or restricted to trademark use alone, but the overall get up or "trade dress" however, is correct; as long as the elements of the design are not used as a trademark, but a larger trade dress get up, presentation of the product through its packaging and so on, given that a "passing off" claim can include, but is also broader than infringement of a trademark, the cause of action against such use lies".

The Court noted that Crocs’ plea of *passing off* against the Defendants was solely based on its registered design, and ‘nothing extra’.

⁶ C.S.(COMM) 690/2018 & I.A. No.11166/2018

Based on the above, the suits filed by Crocs were held to be not maintainable and were dismissed.

Whatman International Ltd. vs P. Mehta & Ors.

In the matter of Whatman International Ltd. (“**WIL**”) v. P. Mehta & Ors. (the “**Defendants**”), the High Court of Delhi (the “**Court**”) granted exemplary damages to the tune of INR 3.85 crores to WIL, in view of the violation of its various trademark and trade dress rights by the Defendants, under the Trade Marks Act, 1999 (the “**Act**”).

Background

WIL is the owner of the mark *WHATMAN*, since 1740, for filter papers. A distinctive colour combination, script, get up and layout has been used by WIL, consisting of a blue script on white background; which forms the trade dress of *WHATMAN* filter papers, and is an important brand identity.

WIL claimed that despite *Whatman* being a surname, it has acquired a secondary meaning in trade, owing to the use of WIL’s filter papers for more than 250 years.

WIL, in suits of *trademark infringement* and *passing off* alleged that the Defendants were selling counterfeit versions of *WHATMAN* filter papers, along with the look-alike versions of *WHATMAN* filter papers (comprising an identical colour combination and trade-dress for packaging), under different trade names, including *HIRAL*, *SUN*, *LABSMAN*, *U-CHEM* and *ACHME*.

WIL also alleged the Defendants to be habitual trademark offenders, continuously counterfeiting WIL’s products since 1992, with an instance in 2005, brought to record. Further, an interim injunction was granted in favour of WIL by the Court in 2014.

However, in spite of the interim injunction granted by the Court in 2014, the Defendants continued the sale of the infringing counterfeit goods, and seizures were levied upon the execution of an FIR. Counterfeit filter papers bearing the mark *WHATMAN* were recovered and seized during investigation from the Defendants.

Pressing on the repeated instances of counterfeiting and false statements presented by the Defendants before the Court, WIL pleaded for *punitive damages* in addition to a *permanent injunction*.

Findings of the Court

The Court, after considering several prior cases on the point, granted a permanent injunction restraining the Defendants from infringing and passing off WIL's mark *WHATMAN* as well as its unique colour combination in the packaging of filter papers.

The Court also held the Defendants liable for contempt of court while making false statements before the Court. The Court awarded punitive damages to the tune of INR 3.85 crores (approximately USD 550,000) against the Defendants along with costs on an actual basis.

Rajat Sharma and Another vs. Ashok Venkatramani and another⁷

The High Court of Delhi (the “**High Court**”) held that Zee’s advertising campaign was violative of the Chairman and Editor-in-Chief of IndiaTV, Mr. Rajat Sharma’s, personality rights (“**PR**”).

Background:

Zee had launched a new anchor-free news channel to disseminate news. To advertise this channel, Zee launched an advertisement which was published in the Hindustan Times and also across other media platforms (the “**Advertisement**”).

In the Advertisement, promoting its new anchor-less news channel, Zee *intentionally* and *condescendingly* identified certain news reporters, who were famous media personalities and made certain sardonic comments about them.

One such personality was Sharma. The Advertisement carried a line which stated “*India Mein Rajat Ki Adalat Ab Band*” (the “**Statement**”) which practically meant that due to the new anchor-less news channel being launched by Zee, high-profile news reporters like Sharma, were not required.

Sharma was affronted by the use of the said tagline in the Advertisement and challenged the same in the above suit on the basis of it being disparaging and misleading, and also claiming a violation of his PR.

Findings of the High Court

The Court observed that the use of the Statement in the Advertisement was actually disparaging and also in violation Sharma’s PR. In its judgement, the Court relied upon the landmark cases of *Titan Industries vs M/S Ramkumar Jewellers*⁸ and

⁷ CS(COMM) 15/2019

⁸ 2012 (50) PTC 486 (Del) – In this case, the defendant a UP based jeweller was copying the commercials of the plaintiff featuring Mr. Amitabh Bachchan and Mrs. Jaya Bachchan used in relation to their jewellery brand Tanishq. The Delhi High Court held the defendants liable for copyright infringement. Also, considering the defendants had also misappropriated the

*Shivaji Roa Gaekwad vs M/s Varsha Productions*⁹ and re-affirmed the principles associated with PR, particularly in relation to the *validity* and *identifiability* of PR as stated below.

| **Validity:** The plaintiff owns an enforceable right in the *identity* or *persona* of a human being.

| **Identifiability:** The Celebrity must be identifiable from the defendant's unauthorized use. The Infringement of the right of publicity requires no proof of falsity, confusion, or deception, especially when the celebrity is identifiable. The right of publicity extends beyond the traditional limits of false advertising laws.¹⁰

Thus, the Court held that Sharma had an unassailable right in his public persona and identity as a famous TV show host and also, that the use of the Statement in the Advertisement amounted to false advertising.

Based on the abovementioned reasoning, the Court held that Zee's advertisement campaign was *prima facie* unlawful and held that the balance of convenience lied in favour of Sharma.

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content featuring Mr. Amitabh Bachchan and Mrs. Jaya Bachchan, for which their consent was not obtained, the Delhi High Court also held them liable for infringement of their PR.

⁹ 2015 (62) PTC 351 – The famous actor Rajnikanth sought permanent injunction against the release of the film '*Main Hoon Rajnikanth*'. He claimed that the movie had used his likeness and also imitated mannerisms associated with him without obtaining his consent. Moreover, as per him the movie contained certain immoral content and he did not want to be associated with such movies. Owing to his submissions, the Madras High Court noted that the release of the film could tarnish his image and also took cognizance of the infringement of his PR and granted permanent injunction.

¹⁰ Supra note 2