

IP Case Law Developments

Dear Readers,

This is an experimental column on case law developments, which will examine a few interesting cases with emphasis on how principles of law are applied to each individual case. Give us your views regarding this feature as well as feedback on the other regular features in the journal. Please send your feedback to the following email id.

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Law acquires a relatable meaning when interpreted in the context of facts emerging out of real life situations. The concepts we read in intellectual property law acquire better clarity when analysed in the context of how a court has interpreted it in the given set of facts.

However, most of the readers of this magazine are not lawyers and do not get to read regularly reported cases. The attempt in this article is to summarize some of the recently reported cases to enable the readers to understand how the courts have applied the law. Obviously it is neither practical nor necessary to narrate all of the reported cases. The cases are chosen as they convey a certain principle. To ensure that readers do not get detracted by other details, the issues other than the main principle being explained in the judgment is left out.

This narration is intended only to kindle the interest of a knowledge seeking mind to go through the full text of the cases and is not intended to be a definitive statement of law or a complete summary of the judgments involved.

The cases are chosen from the cases reported in 'The Patents and Trademarks Cases', a leading case law reporter on intellectual property laws. In this article, the cases reported in the months of November, December 2006 and January 2007 are covered.

Trademark Law

Coined 'Intel'?

Intel Corporation v Anil Handa and Anr reported in 2006 PTC 553 (Del) makes an interesting reading from trademark law angle. It also throws light on IP management strategies adopted by major corporations. The plaintiff, Intel Corporation, famous chip makers sought an interim injunction against the defendants from using Intel word in their corporate name.

The defendants in this case were not using Intel as their trademark or tradename, but used Intel as a part of their corporate name. Intel Engineering Pvt Ltd, engaged in the business of reconditioning and marketing of office equipments such as photocopiers and Intel Travels Pvt Ltd, doing business in the service sector of tours and travels and hospitality were the defendants.

The plaintiff, Intel Corporation claimed that INTEL is a coined word not existing in any of the recognized dictionaries of the world, having high degree of inherent distinctiveness. They had registered their trademark Intel and obtained design registration on the style in which they write the word Intel in respect of goods in a variety of classes dealing with micro processes, parts, fittings, etc.

According to the plaintiff, they had first used the trademark in 1968 and had been selling their products in India since seventies. The plaintiff claimed that by virtue of prior use, prior adaptation and registration as well as extensive publicity, the trademark, Intel, had earned substantive goodwill and reputation among members of the trade and public, which associates the trademark with it and no one else.

The plaintiff pleaded that the trade channel of defendant no.1, who is in the business of servicing office equipment is the same as the plaintiff and so they should be enjoined from using the word Intel. In so far as defendant no.2, the plaintiff claimed that they have a broad future vision and are entering into new businesses at rapid speed. Though they are not currently in travel industry, they claimed that the defendants' use of the word Intel in its corporate name would lead to dilution of their mark.

Observing that trademark law has well defined counters, the Court detailed some of its basic concepts. The registration of a trademark gives exclusivity to the trader to deal in goods using such

registered symbol or mark. As law developed trans border reputation and right to protect the mark against dilution has been recognized. It is now a settled law that a person can protect his trademark even in relation to the activities currently not carried out by the registered proprietor of the trademark. It is also well settled that where there is dishonest adoption of a mark, delay in bringing out an action by the plaintiff is of no consequence for the reason that the principle of delay defeating a legitimate action is rooted in the principle of equity that a person must approach a court in the immediate first opportunity available. There can be no equity for a dishonest person. So what required to be examined is whether the adoption of the mark is with dishonest intent.

The defendant Intel Engineering Pvt Ltd, pleaded that the word Intel is not a coined word but an abbreviation of INternational and ELectionics. They stated that the word Intel is commonly used for various activities such as Intel Post (International Electronic Post) referring to international transmission of messages and graphics by post, telex, etc. Similarly the word Intel Sat is used as an abbreviation for International Telecommunication Satellite Organization. It was also stated that way back in 1965, an international telecommunication satellite named Intelsat 1 was placed into orbit. Thus, they argued that the plaintiff Intel Corporation cannot claim any monopoly over the word Intel.

The defendant no. 2, Intel Travels Pvt Ltd argued that their business is entirely different from the plaintiff's and there is no likelihood of confusion. They claimed that they had coined the word Intel appearing in their corporate name as an abbreviation for international and travel.

The Court held that the defendants have, *prima facie*, given good justification as to how the word Intel came to be used in their corporate name. It found that both the defendants are using the word Intel as a part of their corporate name and not as a trade name. They have been carrying out business activities using this name even from the time when the activities of the plaintiff in India were at an embryonic stage. The Court concluded that there was no *prima facie* evidence to show dishonest adoption of the word Intel by the defendants warranting an interim injunction. The Court also found that the telephone directory of the city of Delhi shows as many as 9 entities using Intel as a part of their corporate name. Hence Intel's plea for grant of interim injunction was rejected.

Students of trademark law may refer to an earlier decision of Delhi High Court in *Intel Corporation v Dinakaran Nair and Ors* (2006 (33) PTC 345 (Del)) where the Court had decreed permanent injunction against the defendant using the trademark ARTINTEL. It was alleged in that case that the defendant had prefixed art to take advantage of the popularity of the word Intel. However, the defendant had not appeared before the Court and decision was *ex-parte*. These decisions show how aggressively major brands protect their trademark.

Copyright Law

Software as Goods

The issue whether computer software was 'goods' susceptible to sales tax within the meaning of Andhra Pradesh General Sales Tax Act, 1957 was decided by the Supreme Court in *Tata Consultancy Services (TCS) v State of Andhra Pradesh* 2006 (33) PTC 652 SC. Since, the definition of goods in this statute closely parallels the definition of goods in The Sale of Goods Act, 1930, this decision may be of immense interest to software producers across the country.

The appellant M/sTCS provides computer consultancy services. As part of their business they prepare and load on customers computers custom made software (referred to as uncanned software) and also off the shelf software packages (referred to in the industry as canned software). The canned software is owned by the companies/persons who have developed them. In respect of the canned software sales tax authorities in Andhra Pradesh sought to levy sales tax. The question raised in appeal was whether canned software can be termed goods and as such assessable to sales tax.

It was argued on behalf of M/s TCS that the definition of goods covered only tangible movable property and since computer software is intangible, it does not fall under the definition of goods. The definition of computer and computer program in the Copyright Act, 1957 shows software is an intangible property. Based on these definitions it was argued that a computer program is a literary work within the meaning of Copyright Act and so the intellectual property of the programmer. It was argued that computer software is a mere set of instructions on the basis of which a computer may be directed to perform a desired function. A software is completely unlike a book or a painting. When a customer purchases a book or a painting what the customer gets is the final product itself. In the case of a computer program the

customer does not get any final product but a set of commands which enable a computer to function. In the sale of software the incorporeal right to software is not transferred, as the copyright remains with the right holder. It was thus argued that based on its nature and characteristic, software is an intangible property which cannot fall within the definition of goods.

The Court rejected this view and held that the transaction involving sale of software is sale of goods. The Court observed that the term 'goods' used in Article 366 (12) of the Constitution of India and as defined in the AP Sales Tax Act is very wide and includes all types of movable property whether tangible or intangible. Citing the judicial precedents, the Court held that the term goods for the purpose of sales tax cannot be given a narrow meaning. The Supreme Court has held that properties which are capable of being abstracted, consumed, used or transmitted, transferred, delivered, stored, are goods for the purpose of sales tax. One such example is the decision of the Supreme Court that electricity is 'goods' for the purpose of imposition of sales tax in Commissioner of Sales Tax, *Madhya Pradesh v Madhya Pradesh Electricity Board* (1969) 1 SCC 200. Based on the judicial precedents, the Court held that in India the test to determine whether a property is 'goods' for purposes of sales tax is not whether the property is tangible or intangible or incorporeal but whether it is capable of abstraction, consumption and use and whether it can be transmitted, transferred, delivered, stored, etc. The Court found that in the case of software, both canned and uncanned, all of these are possible.

The Court observed that a software program may be a mere set of commands, which let a computer to perform a designated task, and the copyright may vest with the rightholder. But the moment copies are made and marketed, it becomes goods which are susceptible to sales tax. There is no difference between the sale of music or movies in cassettes or CDs and software. In all such cases, intellectual property is incorporated in a media and copyright does not transfer. In all such cases, the buyer is not paying for the price of CD or the cassette but the intellectual property incorporated in it. Intellectual property, once put on to a media and marketed would become goods and therefore taxable.

The Court further held that there is no distinction between canned software and uncanned software in this regard. The High Court had in its judgment

expressed a doubt that uncanned software (unbranded custom made software) may fall outside the purview of goods. The Supreme Court held that in both cases, the software is capable of being abstracted, consumed and used and hence fall within the definition of goods. Thus even unbranded software, when marketed and sold may be susceptible to sales tax.

In his concurring opinion, S B Sinha agreeing with Vairava J (who wrote the main judgment) observed that Indian law does not make any distinction between tangible property and intangible property in the definition of goods. He also opined that Copyright Act and the Sales Tax Act are not statutes in *pari materia* and as such the definition contained in the former should not be applied in the latter. A property would become goods if it has the attributes regarding (i) utility, (ii) capable of being bought and sold, and (iii) capable of being transmitted, transferred, delivered and possessed. If a software whether customized (uncanned) or non customized (canned) satisfies these attributes, these would be goods.

Awarding of Damages

Section 55 of the Copyright Act provides for civil remedies for infringement of copyright. It confers on the owner of the copyright the remedy by way of damages for infringement of copyright. Two cases reported in the same month show the similarities as well as differences in approach in award of damages by different courts. Of particular interest is the difference in quantum of award.

In Palakurtu *Lakshmi Ganapathi Rao and Gundu Subhadramma v Manisha Video Vision* 2007 (34) PTC 33(AP), the subject matter of dispute was that without license the defendants produced the video cassettes of a cinematograph film over which plaintiff had copyright. The Trial Court had recorded positive findings on infringement but did not award damages stating that the plaintiffs had not adduced enough evidence to enable the Court to compute damages. Aggrieved the plaintiffs, moved to the High Court. It was contended on behalf of defendants that the award of damages was discretionary and when the Trial Court has exercised the discretion by not awarding the damage, the same could not be disturbed in appeal.

The main contention of the appellant plaintiff was that when infringement of copyright was established and findings recorded, damages shall be presumed to have been incurred and the relief cannot be denied on the ground that no acceptable evidence has been

placed on record for ascertainment of damages. The plaintiffs had claimed damages of Rs 1 lakh.

The High Court observed that when damages are claimed it would always be desirable that the party claiming damages should let in acceptable evidence so as to enable the Court to arrive at a proper conclusion while fixing the quantum of damages. However, the Court held that denying the claim of damages in toto on the ground that the same cannot be estimated would not be just and proper. In the light of clear finding of infringement recorded by the trial Court, the High Court awarded the plaintiff damages of Rs 25,000.

Castrol Ltd & Anr v Manoj Duggal & Anr 2007 (34) PTC 95 has some similarity to the case above as the judgment itself states that the plaintiffs have not led any evidence towards damages. In this case, the trademark and trade jacket of various products sold under the trademark, Castrol, was infringed. Police had seized offending goods in a search conducted under Section 63/68 of the Copyright Act. The Court arrived at a clear finding of infringement based on evidence adduced before it. The suit was proceeded *ex-parte* as the defendants were not present.

The Court noted that the plaintiffs had not led any evidence to show what the quantum of seizure was when the search took place. The plaintiffs also did not lead any evidence to assist the Court in assessing damages. However, noting that the defendants have blatantly infringed upon the rights of the plaintiff, the Court proceeded to award punitive damages amounting to Rs 10 lakhs.

Rani's Poncho and Copyright

The importance of costumes worn by the actors in a film, particularly by the heroes and heroines cannot be understated. Particularly these days much importance is given to the costumes worn by the lead actors. For this reason producers engage the services of professional costume designers to handle costume related matters in the film.

Fashion industry has also come of age in India. Designing apparels and garments is a highly skilled activity requiring an ingenious mind and creative spirit. A designer's dress is valued based on the creativity and originality exhibited by it. Such designs are protected by copyright law as an artistic work.

The dress worn by Rani Mukharjee, the heroin in the movie 'Bunti Aur Bubbli' was at the centre of dispute in *Suneet Varma Design Pvt Ltd & Anr v Jas Kirat Singh Narula & Anr* 2007 (34) PTC 81 (Del).

The plaintiff Suneet Varma is a renowned designer of international repute, engaged in creation or fabrication of wearing apparels which are exclusive in shape, configuration and pattern. His designs are acclaimed internationally. He is the managing director of M/s Suneet Varma Design Pvt Ltd. It was claimed that the garments designed by the plaintiffs are in great demand internationally and because of the reputation and goodwill they enjoyed, the moment they introduce a particular design in the market, it is taken off the shelf. The members of the trade and the purchasing community associate their designs with them alone. They filed a suit for permanent injunction and rendition of accounts for infringement of copyright in a dress designed by them used in Bunti Aur Bubbli as the costume of the heroin without their permission.

The dress in question consisted of a blue poncho and heavily embroidered trousers. The poncho and trousers consisted of specific fabric cuts and artistic embroidery. This was an original and distinctive creation of the plaintiff forming their fall/winter collection-2003 and featured in their advertisement campaigns and fashion shows. Plaintiffs came to know of the use of this dress in the film for the first time in an article in Times of India and issued legal notices to the dress designer of the movie as defendant no.1 and the producer as defendant no.2.

Yash Raj Films Pvt Ltd, the defendant producer, stated in their defence that they had engaged defendant no.1 to prepare clothes for the characters of the film 'Bunti Aur Bubbly'. They pleaded that the action is not maintainable against them and so that their name should be struck down from the array of parties. This plea was based on Section 52 (1)(u) (ii) of the Copyright Act 1957 which exempt from infringement of copyright the inclusion in a cinematographic film of any artistic work when such inclusion is by way of background or is incidental to principal matters presented in the film. It was submitted by them that clothes worn by actors and actresses in films are always by way of background and fell within this exemption. Moreover, clothes rapidly change from scene to scene and also several times in a long sequence and hence can only be incidental to the principal matters in the film. It was hardly reasonable for law to expect a film maker to take permission of the designers of every one of the hundreds of clothes used in the cinematographic film. It was pleaded that the dress in question

appeared only for few seconds in the film and does not amount to infringement of copyright of any artistic work. The inclusion of this dress does not detract from the market for the plaintiff's dress but enhances it.

On behalf of plaintiff it was pleaded that the words, 'incidental to principal matters' appearing in Section 52 (1) (u) (ii) could only be logically interpreted to mean incidental to the character if the artistic work is a dress. They pleaded that the dress in question used by the artist cannot be incidental to the film or subject matter thereof. The plaintiffs also pointed out that the infringing dress was not only used as a part of the cinematograph film but was also reproduced as an artistic work in the form of inlay cards used for audio, video cassettes, CDs, promotional materials, posters etc, which do not fall within the definition of cinematograph film and hence outside the purview of Section 52 (1) (u) (ii).

The Court observed that the plea of the defendant no.2 to remove it from the array of parties is essentially an application under Order 7 Rule 11 CPC for rejection of the plaint based on the averment that the suit is not maintainable by virtue of section 52 (1)(u)(ii) of Copyright Act. Hence the issue which was to be determined in this case is whether this provision can be applied straightaway without going into the factual matrix and before leading evidence.

The Court found that the styling of the movie is becoming as important as dialogue, screenplay or music. Many times, for a particular role to be played by an actor in a film, the dress is designed in such a

way to bring out the character the particular actor is to play. The audience looks at the actor in a film and then the dress. To promote a particular dress used in a film, actors have started walking down the ramp during fashion shows. Bollywood has become an integral part of Indian fashion and special awards are now given for best costume in a film.

The Court held that the importance that the defendant producer attached to the dress is reflected from the fact that they exhibited the photos of Rani Mukharjee wearing this dress in many promotional materials. *Prima facie*, the defendant producer thought that this eye catching dress would appeal to the public at large and would enhance the promotional prospects of not only the film but also audios, videos etc. Hence, the Court concluded that without evidence being recorded the plea of the defendant producer that the dress worn by Rani Mukharjee was by way of background or is incidental to the film cannot be accepted. Whether the attire in question played a prominent role in the film or was by way of background or merely incidental is a question of fact for which parties have to lead evidence. Hence the request of the defendant producer to remove him from the array of parties was not accepted.

Students of copyright law may well watch the outcome of this litigation. This case is also significant from an IP management point of view and perhaps reflective of the trend that Indian industry is aggressively protecting its intellectual property.

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