

## IP Case Law Developments

Dear Readers,

This is an experimental column on case law analysis 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 meaning relatable to real life only when interpreted in the context of facts emerging out of real life situations. The concepts we read in intellectual property law become clear only when analysed in the context of how a court has interpreted it in the given set of facts. 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 summarize all of the reported cases. The cases summarized here 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 judgement have been left out.

This summary 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 judgement being discussed.

The cases are chosen from those reported in March and April 2006 issues of the 'The Patents and Trade Marks Cases', a leading monthly law journal of intellectual property rights.

### **Trademark Law**

The development of law on comparative advertising is a relatively recent phenomenon in India. In *Godrej Sara Lee Ltd v Reckitt Benckiser (I) Ltd*, 2006 (32) PTC 307 (Del), the plaintiff, owner of the trademark 'Hit', sued the defendant selling the product under the trademark 'Mortein' alleging disparaging advertisement in a TV commercial. The judgement in this case contained detailed discussion on the principles enunciated in judgments dealing with comparative advertisements in India on the extent of permissibility of such comparative advertising.

Comparative advertising is where a party advertises his goods or services by comparing it with goods and services of another party. This is generally done by either projecting the advertiser's product as of superior quality to that of the compared product or by denigrating the quality of the compared product. There is an underlying assumption that comparative advertising benefits the consumer as the consumer comes to recognize both products and their comparative features and merits. New or unknown brands benefit most from comparative advertising because of the potential for transfer of intangible values associated with the compared brand or to the new brand.

The plaintiff, Godrej Sara Lee sold its product 'Hit' in two versions- one for killing cockroaches, which is packed in a red coloured can and other for killing mosquitoes which comes in a predominantly black coloured can. The defendant's product, Mortein, on the other hand was meant for destroying both cockroaches and mosquitoes. In the impugned advertisement, the defendant highlighted this feature as added advantage of the product. The grievance of the plaintiff was that while boasting about this advantage, the defendant attempted to denigrate the product of the plaintiff, which was impermissible.

After analysing precedent case laws on the subject, the court arrived at certain legal propositions. The cardinal principle here is that though, the advertiser has the right to boast superiority of his product in comparison to that of a competitor, i.e., declare his own goods to be better than that of a competitor; he cannot disparage the goods of a competitor. Negative campaigning is therefore, not permissible. The advertiser may highlight the positive features of the product and can even claim that his

product is better than that of competitor's but not that the products of the competitor are bad. The following are the broad propositions of law in this regard:

- (1) A manufacturer is entitled to declare his goods to be the best in the world, even though this declaration is untrue.
- (2) The manufacturer can also say that his goods are better than that of the competitor's, even though such statement is untrue.
- (3) For the purpose of saying that its goods are best in the world or are better than that of the competitor's, the manufacturer can compare the advantages of its goods over that of the competitors.
- (4) However, while saying that his goods are better than that of its competitor, a manufacturer cannot say that the competitor's goods are bad. This slanders the goods of the competitor, which is not permissible.
- (5) If there is no defamation to the goods or to the manufacturer of such goods, no action lies, but if there is such defamation, an action lies, and the court is competent to grant an order of injunction restraining repetition of such defamation.

This defamation of a product is referred to as disparagement. As per the Blacks Law Dictionary, 'disparagement of goods' is defined as, 'a statement about a competitor's goods which is untrue or misleading and is made to influence or tends to influence the public not to buy'. To succeed in an action for disparagement, the advertisement should be untrue or misleading. Also, there should be an attempt to show that the plaintiff's product is of inferior quality, thereby influencing public not to buy the same.

The following factors may be considered to decide the question of disparagement: (i) intent of the commercial, (ii) manner of the commercial, (iii) storyline and the message sought to be conveyed. If the manner of the commercial is ridiculing or condemning the product of the competitor, then it amounts to disparagement. The court, while deciding such a dispute would take into account the perception of average individual who is reasonably well informed and observant. So long as the product of the competitor is not denigrated, it is left for the customer to choose.

The defendant's advertisement in the instant dispute showed the presence of both mosquitoes and cockroaches in the house by depicting an attack from both the sides. It then went on to emphasize that the use of two different products at the same time to kill two different insects may be inconvenient. The commercial then came up with the answer by introducing the product of the defendant whereby both cans morphed into Mortein can, conveying the message that one single product can be conveniently used for both types of insects.

The court held that the advertisement only compares the two products and does not amount to disparagement. The court observed that if the defendant highlighted a better feature while comparing the product to that of the plaintiff in an advertisement, no possible objection could be raised. This is what was sought to be done in this case in visual form, without dubbing the product of the plaintiff as poor in quality. Since the advertisement only highlighted the product of the advertiser as better than that of the competitor, there was no disparagement in this case.

However, the court also found that though the advertisements started in February 2005, the plaintiff initiated action only in January 2006, asserting that it came to know of the advertisement only in September 2005. This, the court held as a statement of convenience and the request for injunction of defendant's advertisement was rejected.

In another case reported in the same issue of PTC, namely, *GM Pens International Pvt Ltd v Cello Plastic Products & Ors*, the same issue, i.e., comparative advertising, was decided by the Monopolies and Restrictive Trade Practices Commission (2006 (32) PTC 332 (MRTPC, Del). In this case, the advertisement involved was a television commercial which showed two pens, Cello Maxriter and a pen deceptively similar to Reynolds Fine Carbure, racing against each other. Whereas, Cello Maxriter runs for 4000 metres and thereby wins the race, the other pen breaks down at about 2000 metres. It was held in this case that the impugned advertisement gave the impression that Cello pen was superior and gave smooth and uninterrupted writing, which prejudicially affected public interest and hence traders in the market. Further, the order also questioned the showing of other pen in the advertisement when the intention of the respondent was only to highlight the merits of its own pen.

### Copyright Law

Often, disputes arise between authors and publishers due to ambiguity in the agreement authorizing the publisher to publish a work. At times, it is difficult to distinguish whether the transfer of copyright as per the agreement is a license or an assignment of copyright; both are modes of transfer with entirely different legal obligations. This ambiguity leads to litigations and has resulted in a number of reported cases in India and abroad. This was the issue in *Desmukh & Co (Publs) Pvt Ltd v Avinash Vishnu Khandekar & Ors* reported in 2006 (32) PTC 358 (Bom), yet another reminder to authors and publishers, to carefully draft the agreements while transferring copyright.

The dispute in this case was between legal heirs of well known Marathi literary figure, late V S Khandekar, and M/s Desmukh and Company, a leading publisher of books based at Pune. Sri Khandekar had entered into an agreement with Sri R J Desmukh, publisher of books under which it was claimed that exclusive publishing rights of his books were given to Sri Desmukh who passed away leaving a will. As per his will, Sri Desmukh had bequeathed all his property to his wife who later formed the plaintiff company and transferred all her publishing rights in the books of late V S Khandekar in favour of the company. Based on this document, the plaintiff (appellant in this case) claimed exclusive publishing rights and to assert these rights they filed a civil suit seeking, *inter alia*, a declaration that they have subsisting copyrights in the publication of the books and a negative declaration that none of the defendants have any rights thereon.

To understand these issues clearly the court discussed the basic concept of assignment of copyright and grant of licenses. It is seldom that the author of a work himself exploits the work for monetary benefit. Copyright is a kind of personal movable property which can be transferred by assignment, transferred *inter vivos*, or by will or due process of law i.e. in the event of the death of the owner. Sections 18, 19 and 19-A of the Copyright Act deal with assignment of copyright. Section 19 provides for mode of assignment. There is no prescribed form of assignment, it is however valid only if it is in writing and signed by the assignor or his duly authorized agent.

The author can either assign the whole or part of his rights to others to exploit the work for a lump sum

consideration or license some or all of his rights on the basis of a royalty payment. An assignment transfers the whole interest in the copyright itself, while a license merely grants the license to do something and not the copyright. An assignment is transferable whereas a license is not.

The court observed it has been unequivocally expressed that it is difficult to extract from precedent cases as to whether any given transaction is an assignment or license. The question usually arises in the context of whether there has been partial assignment or an exclusive license of the right in question. To determine whether a document is an assignment or merely confers a license, regard must be had to the express terms or words in the agreement as to the copyright to draw an inference. The document as whole should be read to spell out the correct nature of the transaction between the parties.

The court applied the general principle laid out in the case of *Mishra Bandhu Karyalaya v Shivratana Lal Koshal*, AIR 1970 MP 261, wherein it was held that if there is a continuous obligation on the part of the publisher like payment of royalties or share of profits instead of downright payment, then the tendency of courts is to construe the agreement as conferring a conditional right to publish rather than as equitable title to the copyright.

The court observed that two propositions in respect of commercial contracts are well recognized. Firstly, there is no presumption in favour of permanence of an agreement. Secondly, if a contract involved mutual trust and confidence in its fulfillment, normally, courts would not interpret its term to employ permanence. The agreement in this case did not provide an exclusive right in favour of Sri Desmukh to print and publish, which was inferred from the absence of grant of 'sole and exclusive license' in the agreement. The payment of royalty instead of a sum of money paid as down payment, also weighed heavily against partial assignment. Mutual reciprocal obligations flowing from the terms of agreement such as payment of royalty, giving of accounts, and supply of copies to the author with restriction on the right of the publisher to distribute complimentary copies indicated license, rather than assignment.

Another case of significance for the academic community is that of *Syndicate Press, University of Cambridge & Anr v Kasturi Lal & Sons*, 2006 (32) PTC 487 (Del). The book involved in the instant case was 'Advanced Grammar in Use by Martin Hewings'

for which the plaintiff, Syndicate Press (trading in the name of Cambridge University Press) held all rights. This book was a prescribed text book for Guru Nanak Dev University, Amritsar (GNDU). The defendant was a publisher of approved books by various universities, including GNDU, as well as guidebooks for students. The dispute involved three books published by the defendant as guidebook of the plaintiff's book. The defendant claimed that the guide elucidated and clarified the subject in a lucid manner for students from rural areas.

The seminal case on guide books so far has been *E M Forster v A N Parasuram*, AIR 1964 (Mad) 331, which held that a guide book is a distinctive creation of its author, 'even if it be regarded as partly an abridgement of the novel and partly a running commentary upon it'. But in the *Syndicate Press* case, the court found that the defendant's work was not a commentary on the original but merely reproduced material from the original in a mechanical manner. The court also held that 'even if it is assumed that the defendant's work could have enabled students to give effective answers in examinations, such a situation cannot permit purloining verbatim texts of original work'. The defendant's claim of 'fair use' under Section 52 was also rejected by the court. The following observation of the court may also be noted:

'While universal nature of knowledge and its dissemination freely is a laudatory concept but it must not transgress rights of an author guaranteed by the Copyright Act. Those who possess the ability to create also possess the right to reassert that their creation be recognized and identified with them. They have the right to proclaim that no other person infringes upon their claim of originality and the right to limit the use and prevent the abuse of their creation.'

#### **Trade Secrets/Confidential Information**

A dispute which substantially relied on protection of confidential information was decided in *Tractors and Farm Equipment Ltd v Green Field Farm Equipment Ltd & Ors*, 2006 (32) PTC 343 (Mad). The applicant/plaintiff, M/s Tractors and Farm Equipment Ltd (TAFE) manufactured tractors. The second respondent/defendant had been an employee of the plaintiff TAFE when it had developed the idea of a tractor called 'Hunter', who as per the plaintiff, had direct access and information regarding the said program. The second respondent/defendant had

tendered his resignation from, plaintiff TAFE and joined Green Field Farm Equipments Private Limited, promoted by his wife. Till he resigned from the plaintiff company, there had not been much activity in the defendant's company. Thereafter the defendant started manufacturing tractors by name Maharaja 3300.

The applicant/plaintiff company claimed that they conceived a project called 'Hunter Project' for producing tractors and entered into a tie up with some UK companies to design the tractor. These companies developed the design and assigned the rights therein to the plaintiff, TAFE. The second respondent/defendant while in service of the plaintiff company was deputed to UK in his capacity as senior member of the R&D team of Hunter Project for the purpose of developing the design for the tractor. All communication emanating from the UK design partners had been accessible to the defendant.

The plaintiff, TAFE alleged that the first respondent/defendant company registered a design, which according to the plaintiff company was the design of tractor developed under the Hunter project. On comparing the designs, the court found that the registered design was a copy and plain imitation of the design developed by the British companies for TAFE. Since the second respondent/defendant had access to the Hunter tractor designs as a result of his association with this program during his employment in TAFE and since such tractors were not manufactured by TAFE, the court held that the defendant ex-employee alone could have copied and registered the design in the name of the first respondent, Green Field Farm Equipments. Additionally, no material was produced before the court by the defendants to show that they developed the design on their own and that the applicant/plaintiff did not have any claim over it.

While employing the second respondent/defendant, the plaintiff TAFE, had entered into a confidential agreement which stipulated that if he had acquired any knowledge of confidential or restricted nature either developed by itself or through technical collaboration or licenses, he should not make available or accessible such knowledge to third parties either directly or indirectly for a period of three years.

Based on its finding that the Hunter tractor design and the design of the tractor registered by the defendants under the Designs Act were one and the same, the court concluded that the second respondent

who was in the service of the plaintiff, unlawfully copied the original designs assigned to applicant/plaintiff by the British companies. It was held that the second respondent/defendant had committed a breach of trust and confidentiality agreements for which he should be restrained by an order of injunction.

The court also found a subsisting copyright in favour of the plaintiffs in the Hunter tractor design and restrained the defendants from infringing the copyright.

But the court made it clear that the injunction will not be applicable if the defendants are manufacturing tractors on their own not connected with the digital images and photographs of Hunter tractor design since there cannot be any blanket injunction against anybody preventing the production of a tractor of his own design and configuration, not offending the rights of others.

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