

National Judicial Academy



COLLOQUIUM ON COMMERCIAL LAWS FOR HIGH COURT JUSTICES

28-29 January, 2017

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The National Judicial Academy organized a “**Colloquium on Commercial Laws for High Court Justices**” from 28 – 29 January, 2017

INTRODUCTION BY DIRECTOR, NJA

SPEAKER: HON’BLE MR. JUSTICE G. RAGHURAM

The workshop commenced with the introductory address by Justice Raghuram, Director, National Judicial Academy. Justice Raghuram explained the role played by NJA in judicial education and the vision and mission of the academy which is dedicated towards the enhancement of the justice delivery system. He informed the participants and the speakers present that the current programme would be the 1009th programme in the Academy since 2004. The Academy has been involved in the process of training judges from all the ranks of judiciary. NJA was inaugurated in the year 1994, by the then President of India, in the presence of Hon’ble Mr. Justice Venkatachalaiah, Chief Justice of India. He also brought to the notice of the participants that NJA has conducted programmes for SAARC Countries, wherein many foreign dignitaries attended the programme.

Thereafter the Director mentioned in brief the outline of the sessions to be conducted:

Day 1

- Session 1- Addressing Tax Laws related Challenges of Digital Economy
- Session 2- Intellectual Property Rights: Genesis, Benefit, Importance
- Session 3- Intellectual Property Rights Regime in India: Government Policies and Practices
- Session 4- Role of Judiciary in effective Enforcement of Intellectual Property Rights.

Day 2

- Session 5- Development of Corporate Jurisprudence in India: The way Forward
- Session 6- Some Contemporary issues pertaining to Government to Commercial Laws for effective Adjudication of Commercial Dispute

Day 1

28th January, 2017

Session 1

Addressing Tax Laws related Challenges of Digital Economy

Speaker-Mr. Porus Kaka, President IFA & Senior advocate

Mr. Kaka pointed out that commercial laws has a very critical importance in the economic development of the Nation and today Digital economy has become a critical issue not only domestically but also internationally because the technology is working much faster than Law. Therefore Law is still lagging behind the technology. In the 1st session he discussed about what exactly Digital Economy is? and what are the current domestic laws on digital economy? He also discussed about the International scenario regarding digital economy followed by some current issues relating to the taxation of digital economy.

Then Mr. Kaka firstly discussed the meaning of digital economy. He pointed out that the term Digital economy was first coined by *Don Tapscott* 1994 in his book 'Digital Economy: Promise and Peril in the age of Networked Intelligence. He cited the definition given by Oxford Digital Economy Collaboration Group, which defines that '*The digital economy enables and conducts the trade of goods and services through electronic commerce on the internet*'.

Digital economy basically has divided in three different parts such as-

Subsection (a) Supporting infrastructure- it is a Infrastructure that used in digital economy such as communication network, server, Hardware etc.

Subsection (b) e- business- the process that an organization uses for using Digital economy such as an organization which sells not through direct selling agent but uses internet.

Subsection (c) e-commerce- Where business itself is a digital economy and the products are delivered through the digital economy such as videos, music etc.

He pointed out that the greatest problem with Digital economy is "mobility". According to our domestic law person are only liable to pay tax when his office or its branch is situated in India and the digital economy requires none of these i.e. no office and no selling agent. Therefore the non- mobility of Digital economy is having negative consequences on the tax policies such as base erosion. He further said that there is huge amount of money lying in tax heaven and one of the main reason behind it, is digital economy. In digital economy person can sell and buy any product by locating themselves in tax heaven which is fully legal but affected the country's economy. Therefore there is need to change the rules regarding tax policies on digital economy.

Mr. Kaka then comes on to the Indian system on Digital Economy. He said that Indian has territorial system of taxation especially for non-residents, and for resident we tax ourselves globally. Companies are taxed only when their control and management wholly in India, though this rule is going to be changed from April 2017 by introducing new law called "Poem". It decides which countries have a right to tax corporate. It is going to change the rules from 'wholly in India' to 'partly or effectively working in India.'

He clarified that there is no special law on digital economy in India, therefore we have to go back to the basic principle of income tax i.e. section 5 explanation 1 and explanation 2, then we expand to the to the definition of business connection provided under section 9 of the Income Tax act, it allows a person to be taxed even if he is outside India provided he has business connection in India. He further said that in 2012 we have come up with some major issues with the Explanation (2 sub-clauses) given under section 12 which says that If you fall under the royalties or technical services it will be taxable whether or not you have place of business in India or services in India. Therefore, the consequences of these provision is, domestic law becomes very harsh if you fail to deduct tax or fail to pay advance tax you will get full disallowance of amount for the Indian corporate of the person paying tax in India, you have corresponding withholding requirement as an assessee in default. Therefore, there is domestic consequences if person fails to recognize the transaction whether digital or non-digital or do not carry out the obligation in Law.

The Leading case on Business connection '*CIT v. R D Aggarwal & Co [56 ITR20 (SC)]*, where it SC held that nonresident is not liable to pay tax though he has a selling agent in India because the agent did not have the authority to conclude contract and the agent was remunerated properly. Therefore SC laid down two principle to tax in India on the ground of business connection 1) there should be the element of continuity between the business of non-resident and the activity in India 2) Business connection must be real and intimate leading to the income in the hand of non-resident. He said that digital economy transaction often happens without selling agent therefore this judgment if it continues to remain in law there will be significant base erosion.

Thereafter he continues his discussion by pointing out the challenges of Non-Digital Economy, He said that there is never ending international debate between develop world and India on source v resident. We view India as a source country means it levies tax where income arises and the developed world's are the resident countries means where the country is resident should get the tax and not the person where income arises. But for digital economy in domestic law we have different source rule. We do not have the business connection rule we have a criteria that as long as the person of payer who resides in India he will be taxable in India, so before you come to deciding the business connection you have to firstly characterize the income in digital economy. Therefore, if you come to the conclusion that it is copyright or royalty, merely the fact that person is situated in India and making the payment, will make the transaction taxable in India

irrespective of the business connection. So characterization becomes first in digital economy because the sourcing rule in the legislation are different.

He cited some of the leading judgment from the beginning on non-digital economy e.g. *Ishikawajma-Harima Heavy Industries Ltd v. DIT [288 ITR408 (SC)]*, which is a judgment concerned with transfer of technology for a project in India, where the goods supplied outside India but has business connection in India, the question arises whether it is chargeable to tax in India. Supreme Court holds that you cannot tax royalty in India unless the person has rendered service in India. So it was the one of the judgment which resulted in two retrospective amendments, Parliament added the subsection-1 in section 9 in 2010, Which says even if person do not have residence or place of business in India, they can be taxed in India if it's a royalty. But the Supreme court in the judgment did not talk about the residence or place of business, it said rendered service in India, so again this matter went through the court and in 2015 parliament retrospectively amended the section and added sub-clause (2). Mr Kaka also cited some of the non-digital economy judgment of SC i.e *CarborandumCo. v. CIT [108 ITR335 (SC)]*, which is in context of business connection or in the context of taxation. And *CIT v. Toshoku [125 ITR525(SC)]*, which deals with concept of agent in India and concept of receiving in India.

He pointed out some of the amendments which parliament made retrospectively since 2002 in order to overrule the Vodafone judgment parliament made the 20 retrospective amendments. Though according to him parliament should not pass law retrospectively and prospectively. In Vodafone case, Supreme court held that for a capital asset to be taxed they must earn income "through the business connection". So if it earn independent of the business connection they will not be chargeable to tax in India. Thereafter, parliament added explanation 4 and explanation 5; explanation-4 said that for the removal of doubts it is clarify that expression "through" shall mean to included "by means of " "in consequence of " or " by reason of" and explanation 5 said that if person transfers a share outside India it is deemed to be situated in India. Mr. Kaka said that now Parliament have taxed everything and for the last 5 year we are trying to undo some of these process for example explanation 5 was overrule by Delhi High court in *Asia Satellite Communications Co. Ltd. V. Director of Income Tax[2011] 332 ITR 340 (Del)*.

Another judgment of Supreme court, *CIT vs. PVAL Kulandagan Chettiar[(2004) 300 ITR 5(SC)]* this was a case of a plantation in Malaysia being sold and the treaty with Malaysia says Malaysia may tax the capital gain so court held that where the international tax treaty uses the word "may" shall be 'shall. So if Malaysia has the right to tax, India does not consequently have right to tax. Therefore, parliament by making amendment define adjective in domestic law by saying 'may' shall be equal to 'shall'.

He said that there is no special provisions on digital economy therefore, domestic law requires firstly for taxation in India is characterization, whether it is a sale of a good or sale of the royalty or is sale of technical services and depending on the characterization you have different rule of

sourcing you then look at the section 9, section 5 and other domestic law in order to decide your taxable right.

He further moved onto the International Treaty Law. The problem with digital economy in international law it is same as domestic law. Old concepts of taxation may no longer be relevant particularly under the treaties because the concept of permanent establishment requires some kind of permanency located in the country which allows you to tax a non-resident. But now it's irrelevant today because most of the selling are being done through the internet. So the economy is still changing but we still not keeping up with it.

He said that whenever the confusion arises one should look back to the basic principles e.g. the basic principle of copyright says that whenever we download something on our iPod, it does not give us right of copyright but gives only right to read. Similarly in the classic judgment of Madras High courts where it was held that whenever person is paying the mobile bill for using software or hardware, it would only mean that they are only using the facility and not paying a royalties or technical services fee.

However, countries are trying to find out the way or means to tax people who are not physically present in country but having transaction from there. Section 5 permanent establishment requires three criteria such as fixed place PE, Agency PE and rendering services beyond the certain threshold. He gave the example where US lawyer come down to India to advice their client if they are in India more than 90 days or more days depending on the treaty they can be taxed irrespective of fact whether they have office in Indian or not. Therefore some development has been made but still we are lagging behind the technology.

Regarding the treaty issue at the domestic law we should firstly do the characterization then determines the taxability, source and attribution. For Article 12 i.e. Royalty and FTS he cited the latest judgment of Delhi High court i.e. *DIT v New Skies Satellite*, 382 ITR 114 which deals with the issue was whether the use of transponder in a satellite is taxable in India or not? The department argument is that when you use the transponder you are using a process under the Income Tax Act 1960. But Delhi High court by rejecting the argument holds that the intention of using 'process' word in 1960 act includes the process to manufacture the chemical, the process to manufacture building a technical plan or a technical design and not when you use technology otherwise using mobile will also become the process. Immediately the amendment came with retrospective effect from 1960 which said even use of satellite is always meant to use a process. Delhi High court replied that though in domestic law you can apply law retrospectively but this is not possible when we are dealing with a tax treaty situation because the tax treaty has two parties i.e. India and counterpart and if they don't amend the law retrospectively in the treaty it cannot by apply retrospectively. He said that fortunately therefore we come up with less retrospective problem when we dealing with the treaty situation because the treaty counterparts may don't accept our view.

However, capital gain under section 13 does not really affect the digital economy unless you are really transferring copyright and royalty in the form of book itself. He gave the example of Andhra Pradesh high court case i.e. *Sanofi Pasteur Holding SA, 354 ITR 316 (AP)* which dealt with the Sales of the share of French company situated in France to another French company, court held that Situs of asset being shares of French company held to be situated outside India.

He then moved onto the some of the leading judgment i.e. *Tata Consulting services [271 ITR 401 (Sc)]*, where supreme court held that even intellectual property once it is put on media, whether it be in the form of book or canvas or computer discs or cassettes and marketed would become good and are susceptible to sale tax.

Some of the tribunal judgment on the issue whether advertising on Google or Yahoo is chargeable to tax in India, *Right Florists (P.) Ltd. [143 ITD 445 (Kol)]* it was held that Online advertising fees paid to foreign search engine company is not fees for technical services and is not taxable in India due to absence of permanent establishment of such foreign company in India and in *Pinstorm Technologies (P.) Ltd [54 SOT 78 (Mum)]* where court held that Payment made by assessee to non-resident for uploading and display of banner advertisement on non-resident's portal would not be liable for tax deduction at source in absence of any PE of non-resident in India.

He further added on the difference of view on software, according to him all the High court except the Karnataka High court had taken the view that when you purchase a product but don't get a license to distribute it would not amount to copyright whereas Karnataka High court held that even license to use amounts to transfer of copyright.

He discussed about the chapter VIII of Equalisation Levy in Finance Act, 2016 aiming to bring income generated by the digital economy within the ambit of taxation in India. the provisions of this chapter are applicable to an Indian resident who carries out business or profession, or a non-resident having PE in India making payment of more than one lakh rupees to a non-resident not having PE in India, to avail of 'specified services'. But this is not allowed to be done under the tax treaty therefore it is put under the separate part of Finance act and not under the income tax act.

He concluded the session with the view that India has maximum amount of International tax judgements more than all countries put together. Therefore this puts a huge onerous responsibility on judiciary and high court must not be excluded from judging the issues.

Session-2

Intellectual Property Rights: Genesis, Benefits, Importance

Speaker: Mr. PravinAnand and Ms. Pratibha M. Singh

Mr. Pravin Anand introduced the 2nd session by explaining the need to tighten the Intellectual Property laws or to capture the new opportunities which we seem to be letting go by. He further said that the entire focus of his presentation will be to show the importance of intellectual Property and what we seem to be missing.

He cited the book called '*Justifying Intellectual Property*' by Robert P. Merges. Robert P. Merges used the justification in two ways i.e. the first would use to create an argument in favor of IP and the second as use in to crop the IP so as to meet our present day needs. Mr. Praveen Anand pointed out that the five arguments of universally accepted conceptual foundation given by Robert P. Merges and these arguments are-

- (i) Traditional utilitarian formulation – it means that creators are rewarded to encourage creation and disclosure, if you don't reward them one-day creation will die- People will stop writing books, stop making books and this will lead to the social loss due to the marginal increase in the cost. Therefore, intellectual property seeks to strike a balance between net gain and social loss. This is also called as efficiency argument.
- (ii) The non-removal principle- It says that the public domain not only should be preserved but from time to time things should be contributed to the public domain and the intellectual property is meant to preserve and maximize the public domain.
- (iii) Principle of Proportionality – a property right commensurate with the magnitude of contribution e.g. a small change would not justify a strong long term protection.
- (iv) Dignity Principle – it links it to an author's personality or we can say the individual moral rights.
- (v) IP seen as Property- where Locke, Kant, John Rawls argues that intangible is nonetheless property.

He also mentioned the link between IPRs and Long Term Growth. He said that the strong IPRs seem to create incentives for people to put in money for research and development. He supported his statement by giving the example that If People are to invest 50 million dollars in a

factory they would not do so unless they assure that they would make a profit or their profit is guaranteed. Therefore, they will be guaranteed their profit only if they have some sort of legal protection through intellectual property. This legal protection through intellectual property enables the creation of technology or wage growth and once technology is created it transfer but without intellectual property it's difficult to have tangible transfer from one person to another. Therefore, there is a need to have a definition of what is being transferred which intellectual property enable you to do so. He further said that the technology transfer creates skill acquisition, education, job creation and wage growth and all this leads to foreign direct investment, setting of an economic infrastructure. Though the technology may be quite diverse it may be manufacturing technology or it may be management technology or even how to transport, how to warehousing and how to test all that part of intellectual property.

He also pointed out that there is concept called '*Fire inBelly*', which means that the creative domain consisting of artist, inventor, authors, lyric writer, music composer etc. they follow a predictable pattern. Initial fire in belly will not stop at creation whether there is high incentive or low incentive but if they find that their product has been copied and they are unable to stop the wrong the deep frustration which will sets in and the fire will be doused. However, in a jurisdiction with impoverished IP content balance lies on the side of strong protection.

He said that though intellectual property includes many things such as patent, Trademark and copyright, geographical indication etc. but he takes only one intellectual property for illustration purpose i.e. patent. Patents are unquestionably an Incentive for Invention, Investment and Innovation, which Mr. Parveen Anand called a '*I-4 Pathway*'. He Pointed that its patent that are the incentive, this incentive therefore leads people to invent and once there is an invention you need to commercialize the product which requires an investment and that investment would not come unless there is an innovation (conversion of this idea in a commercially viable product is the act of innovation) and that innovation will come only through certain guarantee that for certain number of years people would not be able to copy that product. That is how incentive, invention, investment and innovation form the I-4 Pathway. He further said that even the market is an incentive for people who invented the product but the problem is that the market is so uncertain that commercially your product may not succeed in the market therefore, market root becomes the poor incentive. He also pointed out that someone might argue that trade secret is

also an incentive but the difficulty arises when one employee leaves the organization and carries the trade secret to its competitor, it will have no protection except under Indian Contract Act.

Mr. Anand pointed out that Asia till 1000AD was contributing in the maximum no. of inventions but from 1000AD to 1300AD Europe started to transform due to many reasons such as Climate, Small countries, Fierce fighting, Ownership of land and hence psychological independence, Agricultural reforms (water mills; two field to three field crop rotation), Specialization in agricultural services of training, Money system, Scientific and industrial revolution, Capitalism. He said that around 1250AD East or west were more or less balanced but from 1400 AD - 2000AD Europe dominated the world. Though China was the top inventor even then but the reason behind not doing so well is that they did not have the patents but now China

He said that the normal rule is we always prefer quality over quantity but sometimes optimum number is necessary to reach a result such as two great cricketers will not make the team you need eleven members. Similarly, there are certain number of patent that the Nation must have for its economy to roll on. India files roughly 45000 patent every year which is the 7th highest after US, China, Korea, Japan, EPO and Germany but yet that is not good enough because we compare our population with china whereas if you see china files 1.3 billion patent application every year which is far more than India. The reason why China has out beaten India so dramatically is because of its IPR policy. Mr. Anand compared the National IPR policy with China's IPR policy and come to a conclusion that though our National Intellectual Right policy have come up with for start-up i.e. 50% discount on filing of patent, Technical assistance by facilitators who would draft for start-up and an examination out of turn that provide the quicker grants. Now that might lead to increase in some patent application but China has declared a target of two million patent application by the year 2015 as a result state, every department, every corporate filed the suit but in our National IPR policy we did not set any Target.

He also compared the India and China with regard to Research and Development and gave the example of 'STEM' Research which stands for Science, Technology, Engineering and Maths. He said that education in India is about the lowest i.e. 7/1000 as compared to Korea, Japan which are above 100 out of 1000. Therefore, there is huge need to step up our STEM education.

The resource person also referred some statics and came to a conclusion-

- Between 1996-2014 china has increased the expenditure on Research and development 300% times more than India who only increased to 33% in the said period.
- 87% of china's patent application are filed by Chinese citizens whereas only 27% of India's application are filed by Indian and rest are all filed by foreign corporation. It means that domestic sector is so active in inventing, in researching, in filing application and in Innovation. The percentage of grants and the number of applicant is much higher in China than India.
- He then moved on to the infrastructure i.e. patent offices in china is seven whereas in India it is four, also the Patent examiners, agents and information data centres in China is more than India.

It shows that it is harder to get patent in India than China and after comparing the law of both the countries he came to a conclusion unlike China, India has got many attacks on the validity, in a pre-grant opposition, in a post-grant opposition, in a revocation petition, when suit for petition is filed and even in a counter-claim. Therefore, who owes the patent is always under attack that's not the case in China.

In the course of discussion, it was also suggested that if we should file more patent application at the state, corporate and Individual level, the effect of that will generate IP culture. The greater number of Patent will lead to greater number of court cases because if you do not have the court case how will you generate precedent on the subsequent cases. He also focused our attention on, in India from 1947 to now there is only seven cases finally decided by supreme court, which is very low. He also compares the Intangible Property with Tangible Property, where he said that the cost of generating the ideas is nil, even the cost of protecting the ideas through Copyright, Trademark or Design is also nil due to Berne convention. The cost for patent if wider coverage is required can be deferred because of two international conventions i.e. Paris Convention and Patent cooperation treaty. These treaties lay down the basic principles which enables the right of priority and the first filing gives that right and therefore, enable the patentee to defer the filing in other countries.

The session was concluded by Mr. PravinAnand by stating that there should be right balance between Incentives and Access, Creators and Owners and Consumers and Users, Individual and Collective Benefit, Rights and Obligations, Private and Public Rights.

Ms. Pratibha M. Singh: Senior Advocate

Ms. Pratibha M. Singh commenced the session with brief introduction of Intellectual Property. She gave some of the example to show how we live. breath, talk intellectual property in everyday life, whether it's a newspaper, dress, mobile or cell phone, food, car, books and even there is broadcasting right. Then she came on to the genesis of IP, it started in 1623 by statutes of monopolies and thereafter many treaties have been came into existence such as Convention For the Protection Of Industrial Property, Convention For The Protection Of Literary And Artistic Works, 1891 – Madrid Agreement, Agreement Concerning the International Deposit of Industrial Designs, Bureaux For The Protection Of Intellectual Property which became the World Intellectual Property Rights Organization (WIPO) which later joins the United Nation in 1974, 1970-Patent Cooperation Treaty and Agreement on Trade Related Aspects of Intellectual Property Rights, which is the uniformed standardized intellectual property regime prevalent in all WTO countries. It came into effect on 1st January 1995, it is most comprehensive multilateral agreement on Intellectual Property, covers copyright, Trademarks, Geographical Indications, Industrial Designs, Patents, Plant Varieties, Layout Designs of Integrated Circuits, Undisclosed Information like Trade Secret The basic principle in all these treaties is 'National Treatment' means every foreign IP owner has to be treated in the same way as we treat domestic IP owner. So even if the work is created in South Africa is protected in India.

In India for all the intellectual right such as Trademark, copyright, Patent. Plant varieties, semi-conductor, designs, and Geographical Indication we have statute in India. She said that India has always been an innovative society but lacks awareness regarding the importance of Intellectual Property Rights. She gave the example that the Mangalyaan which undertook by India is one of the most cost effective mars mission ever in the world but they did nothing to protect their cost effective technology which they should have.

She referred some of the importance of IP and these are-

- IP stimulates creativity and innovation
- IP rights are marketable financial assets and an economic tool
- IP promotes advancement in science and technology, arts, biodiversity, etc.
- IP provides competitive advantage in commercial activities by Preventing unauthorized exploitation by third Parties.
- IP protection provides a guarantee with respect to the safety and quality of goods
- It enables technology transfer – licensing, assignment
- IP is an intangible asset that helps some get financing loans, investments etc.

She also showed the report of '*Annual Report 2015-2016: Govt. of India, Ministry of Commerce & Industry, Dept. of Industrial Policy & Promotion*' which said there is an increase in application in the year 2015-2016 by comparing it to last 15 years.

She further discussed about the Trademark, which is distinctive marks of authenticity that distinguish goods and services of a particular merchant from others. It acts like a trust mark and reminds the customer of the satisfaction from the previous purchase, it is an assurance of quality

and creates an emotional appeal to products/services. Registering Trademarks protects businesses appropriately against competition and by registering a TM one builds a barrier to entry around one's brand. She further said that there has been some recent development such as 500 Pending opposition/rectification matters referred to mediation and conciliation with the consent of parties in February 2016, 100 new Trademark examiners have been appointed, India joined the Madrid Protocol for the International Registration of Marks (July 2013). The Trademarks office has recruited 203 new Trademark Agents in 15th March 2016 and also the Indian Trademarks Office initiated E-Registration Certificates whereby the entire process of generation and dispatch of registration certificates will be automated.

Some of the recent judgement had also been referred by Mr. Singh, such as *S. Syed Mohideen v. P. Sulochana Bai, 2016 (66) PTC 1 (SC)*, which held that Passing off right is a broader remedy than that of infringement.

Intellectual Property Attorneys Association v. The Controller General of Patents, Designs and Trade Marks, W.P.(C) 3067/2016 & CM APPLs. 12987-12988/2016 The Delhi High Court stayed the orders of abandonment passed by the Respondent on or after 20th March 2016 and directed the Respondents not to treat any trademark application as abandoned without proper notice being given to the effected party under the Trademarks Act.

Cartier International Ag & Others v. Gaurav Bhatia, 2016(65)PTC168(Del) where Court took a strict stand against piracy & counterfeiting and ordered for exemplary damages of Rs 1 crore (approximately USD147,000) in favour of the Plaintiff.

In *ITC Limited v. Britannia Industries Limited , 2016(68)PTC11(Del)* Britannia restrained from violating rights of ITC in packaging/trade dress of 'Sunfeast Farmlite Digestive-All Good' biscuits by allegedly using a deceptively and confusingly similar trade dress for 'Nutri Choice Digestive Zero' biscuits.

Data Infosys v. Infosys Technologies, 2016(65)PTC209(Del) Prior permission of the Court in a pending infringement suit is not necessary for filing a rectification petition before the Intellectual Property Appellate Board.

Then she further moved on to the copyright. Copyright benefits the author, it prevents unlawful, reproduction or exploitation by others. It is the protection or reward of the efforts of the author though need not be meritorious or creative. It encourages people to create original work by rewarding exclusive rights. Here the Protection is only given to Expression and not Ideas and Protection is Automatic, no need of registration is required. She gave some of the recent judgments such as *Department of Electronics and Information Technology v. Star India Private Ltd., 2016 SCC OnLine Del 4160* where The Delhi High Court ordered to block of 73 websites and directed the Department of Electronics and Information Technology to assist in the enforcement of the orders passed on online piracy issues and another case in *The Chancellor, Masters & Scholars of University of Oxford and Ors. v. Rameshwari Photocopy Services and Ors., 235(2016)DLT409* which was regarding the fair use, A single Judge of the Delhi high Court dismissed the infringement suit filed by a consortium of international publishers against a

photocopy shop located in Delhi University, accusing them of selling “course-packs” that are compilations of text-books and other course materials for “commercial gain”. The division bench restored the suit without granting an injunction.

The basic principle of Patent is that it has to be new, there has to be an inventive step and it has to have an industrial application. There cannot be granting of an academic patent, so if you have an industrial idea which have no industrial application, that cannot be patented. She said that even simplest invention can be patented such as there was patent granted on the invention of cloth clip hanger where the clip has the very unique locking mechanism. She further said that in the recent year there have been number of development which has taken place in the recent year there has been increment in grant of patent, even the filing has increased four times over a year, it also provided the expedited patent examination and, transparency and online data availability is another development which has taken place. The Patent Amendment Rule 2016, which provided for

- Appointment of 458 new patent examiners,
- An applicant may claim refund of 90% of fees paid for request for examination/expedited examination, by filing a request for withdrawal of an application before the issuance of First Examination report.
- Hearings may now be held through video conferencing or audio-visual communication
- Reduction in time for filing response from 12 months to 6 months.
- Benefits for start-ups – conducive business environment & promoting patent initiative.

Then she further moved on to the Designs. Most of Designs which are created on daily basis are protectable in ‘Designs’. There need not to have any big technological advancement in designs. It applied to any article which is two-dimensional or three dimensional by industry process. The registered proprietor has a right to License or sell as legal Property.

Geographical Indication provides legal protection to goods in national and international markets. It prevents the unauthorized use of the GI and gives the right to sue for infringement. It promotes the exports and also provides financial benefits to them. However, the term is 10 years but it can be renewed. She gave the example OF Darjeeling Tea, Kashmir Pashmina. Coming to Plant Varieties and Farmer rights acts which aims at to promote and protect the new varieties of plants along with the rights of the farmers/breeders. There is large number of plant varieties especially for wheat, corn, cotton registered in India and in case of infringement of PV Act both civil and criminal action could be taken.

She further gave the two example how intellectual property plays role in the value of the product. Apple’s I-phone where the actual cost of manufacturing is about 17000/- does not include other cost like R&D, marketing but the market price could be 62000/- and this is because of the intellectual property. Another example is ‘Lego’ which in the last 10 years has grown into

nothing less than the Apple of toys and its' because of increasement in cost of R&D which had huge impact on revenues of Lego.

She further moved on to the situation exist in India. She said that India is a party to almost all major convention, on traditional matters involving TMs, Copyrights, Designs etc. and jurisprudence has evolved such as on Patents, new areas are emerging like Standard Essential Patents, overlapping areas like Competition, Plant Varieties etc., regarding Traditional knowledge, India is looking at sui generis protection. She also said that some areas which require improvements such as awareness, need for better implementation of criminal remedies, Low investment in R&D. she also pointed out that Large company like Infosys, WIPRO and TCS which has little investment in creating & protecting their IP. Therefore, she concluded the session with the statement that India needs to focus on innovation in order to become more competitive in protectionist regime.

Session- 3

Intellectual Property Rights Regime in India: Government Policies and Practices

Speaker: Rajiv Aggarwal, Joint Secretary Department of Industrial Policy & Promotion

The session commenced with Mr. Rajiv Aggarwal by giving a brief introduction of the topic. He stated that this 21st century is essentially belonging to an Intellectual property. He said that the bedrock of entire copyright regime is TRIPS agreement, which came in effect from 1st January 1995. TRIPS as an agreement lays down the minimum standards which should be complied by all nation and member may also provide a more extensive protection of Intellectual Property, if they wish to do so. He further pointed out that the member are free to determine appropriate methods of implementing within the ambit of their own system, India also in 2005 amended the Patent law to be fully complied with TRIPS. He further said that along with TRIPS we have Doha Declaration on Public Health, which basically provides the rights and flexibility as to how we want address our issue on public health. It should be interpreted and implemented in a manner supportive of WTO members' right to protect Public Health and, in particular, to promote access to medicines for all.

Then Mr. Rajiv Aggarwal went on to the Judicial and administrative setup. He said that on the Judicial side along with High Court and Supreme court we have commercial courts- with the enactment of commercial court act, commercial court is coming up along the country, Intellectual Property Appellate Board which takes care of dispute related to Trademark, patent and geographical Indication, has a headquarter in Chennai, Copyright Board deals with against the order of copyright registrar and also decide tariff related issues, and ADR which is in evolving field. He said recently we have tied-up with Delhi state legal Authority and transfer around 500 cases to them to settle an issue through ADR. He further said that in terms of centre and state we have IP cells and Patent Facilitation Centers and also there are some implementing agencies such as Controller General of Patents, Designs and Trade Marks, Protection of Plant Varieties and Farmers' Rights Authority. In terms of enforcement there is Police and customs.

Then he moved forward to the core issue of Patent i.e. Evergreening, Data exclusivity, Compulsory License, Patent Linkage, SEP , Foreign Filing Permission, CRI Guidelines and Working of Patents. Though he agreed with Mr. Praveen Anand that Patent is needed in order to incentivize Innovation but invention does not necessarily flow out the Patent only. He gave the example of James Hawkins who invented the steam engine, he said that till his patent survives, capacity of steam engine grew only few a couple of times but the moment his patent expires the capacity of the capacity of engine grew five time. Therefore, there is need of fine balance between public right and private right with regard to the Intellectual Property.

Mr. Aggarwal mentioned in his discussion the 8 Patent issues and these are-

Ever greening:

Ever greening, which is provided under section 3(d) of Indian Patent Act, disallow patenting of any product which is a new form of known substance. E.g. salt, ester, ether, polymorphs etc. of known substance which does not have enhanced efficacy. The efficacy is defined the Supreme court in case of *Novartis v Union of India* as enhanced 'Therapeutic Efficacy' in case of drugs. The similar provision has been provided under the other Jurisdictions such as Philippines, Argentina, Mexico, Japan, European Patent Office. He gave the example of drug called 'Insulin' which actually being under patent over 100 years, though there was nothing new but by creating new forms it's been under patent for 100 years.

Compulsory License:

India has so far granted only one Compulsory License to the drug called Nexavar. Bayer was the Company which had the patent on this drug for cancer patent, it was estimated that time two lakh doses which was needed but the total importation at that point of time was two thousand in the year. So they failed to serve the basic needs of the people. MD states that this drug was never meant for Indians but for western patients. This was criticized universally. Therefore, this kind of statutory right is provided in other countries such as USA, Germany, Canada, Italy, Indonesia along with India but applied with lot of diligence. Some of the provisions with regard to CL are- Art. 31 of the TRIPS and Article 15 of the Paris Convention provided provision for complaint regarding the Compulsory License, Section 84 empowers the Controller of Patents to grant CL, Section 92 provides for CL on notifications by Central Govt, Section 92A provides for export of patented pharmaceutical products and Section 100-Power of the Central Government to use inventions for purposes of Government.

Working of a Patent

The Section 146 of the Patents Act provide that every patentee and every licensee shall furnish information periodically whether such patented invention has been commercially worked or not. The Intention is to ensure that inventions patented are commercially worked in India to the fullest extent within a practicable reasonable time. Even the Article 27(1) provides that Patents shall be available and patent rights are enjoyable without any discrimination as to the place of invention, the field of technology and whether products are imported or locally produced. He further said that though there are some issues but as we develop jurisprudence on this we will be coming upon with a more reasonable way of making them on record.

Data Exclusivity

Article 39.3 of TRIPS relates to 'Data Protection' different from Data exclusivity, it provided that Whenever any drug manufacturer seeks marketing approval for its' drug, he goes to the concerned authority and where he has to provide details how his drug is efficacious, how it satisfied various toxicity level etc. so he has to give entire information to drug controller before he gets marketing approval. Today, even the generic company can also go to the regulator and can say they have conducted these extra trial to show that the drug they are making is as efficacious or safe as the original innovator company. They generally asked for to rely on the data given by the originator company, and to clear their drug for marketing. However, under data exclusivity Drug regulator cannot rely upon the examination of other manufacturer's application. There are countries which provide data exclusivity for 5 years, some provides for 7 years and even for 12 years etc. He said that the data exclusivity will impact access to medicines such as any company which wanted to introduce would have to go through the entire regime of expensive clinical trial and that would results in the increment in the rate of generic drug.

Patent Linkage:

Patent linkage mean that the whenever a country seek market approval, the drug controller will have to see whether that medicine include the patented drug or not and if so, can refuse an application. The issue here that it is very difficult for the drug controller, who is not an expert in patenting, to decide whether particular drug actually has patent or not. Therefore, we did not apply this in the India. The Drugs and Cosmetics Act does not require the Drug Controller General of India (DGCI) to see whether a patent exist on a drug for which an application seeking marketing approval has been received, nor is he empowered to do so. He further said that patent is private right, therefore, patentee has to protect himself; it cannot shift its burden of protecting on the drug regulator.

Standard Essential Patents (SEP)

The standards are not mandated by law but voluntary, SEP are patents essential to implement a specific industry standard. Since the infringement of that SEP mandatorily required to meet standards, patentee does not have right to take legal action, therefore, it becomes the kind of compulsory licensing that which patentee imposes on himself. To promote application of the standard and to avoid any anti-competition concerns, such licenses must be made available under Fair, Reasonable and Non-Discriminatory (FRAND) terms. Most countries around the world do not recognize SEP but most countries are complied by guidelines which are being issued from time to time. He poses some of the key questions on SEP such as how should issue of SEPs be addressed in IPR legislation? Should royalty be based on Smallest Saleable Patent Practicing Component (SSPPC)? Appropriate mode and remedy for settlement of disputes in matters related to SEPs, especially while deciding FRAND terms? Whether Injunctions are a suitable remedy in cases pertaining to SEPs and their availability on FRAND terms? Steps to make the practice of Cross Licensing and patent pooling transparent so that royalty rates are fair & reasonable?

Online Copyright Piracy: Enforcement Issues

There are a number of intricacies involved in taking enforcement action against online copyright piracy such as Territorial Limitations i.e. one of the pirates is outside India then patentee has no remedy, Anonymity, change of URLs and statutory safe Harbors. One of remedy against these are *John Doe Orders*, which emerged as an effective judicial remedy for protecting copyrighted material online. These orders are implemented by Internet Service Providers which access to infringing website.

Geographical Indications & Traditional Knowledge

Regarding the Traditional knowledge there is Traditional Knowledge Digital Library (TKDL) which Pioneer initiative to prevent misappropriation of the country's traditional medicinal knowledge, Enhanced the quality of search and examination of prior-art. India is home to some of the most vibrant and diverse Geographical Indications in the world, with *Sui generis* Indian legislation to help artisans realize true economic value of their labour.

Then Mr. Rajiv Aggarwal further moved on to the National Intellectual Property Rights Policy, adopted on May 12, 2016. The need was felt to undertake the depth study on the IPR scenario in the country, thereafter a Think-Tank was constituted which drafted IPR Policy after consultation with stakeholders. IPR Policy finalized based on inputs from various departments, Think Tank and internal discussions with 300 stakeholders including 5 foreign Governments. He called the policy as Vision document or a singled Document that encompasses and brings to a single platform all IPRs. It was very conscious of not to include quantitative targets. It lays down 170 actionable points, with nodal Ministry/ Deptt. and even sets in place an institutional mechanism for implementation, monitoring and review these action points. It provided the vision and Mission statement, under the vision statement it says that knowledge is the main driver of development and knowledge owned is transformed into knowledge shared and under the mission statement it provide access to healthcare, food security and environmental protection under IP.

There are seven objectives of this policy i.e. IPR Awareness: Outreach and Promotion, Generation of IPRs, Legal and Legislative Framework, Administration and Management, Commercialization of IPR, Enforcement and Adjudication, Human Capital Development. Regarding the enforcement and Adjudication, he said that 50% of copyright cases comes from Tamilnadu that's because the film city in this state is very-very active, therefore, very effective in dealing with those cases, Telangana has also come up its own IP crime unit to take action against online Piracy.

There is Cell for IPR Promotion and Management created as a professional body to effectively implement the National IPR Policy 2016 and it also conducted various awareness Programmes in 18 states. It undertakes sensitization of police and Customs in order to have effective enforcement.

He further said that though quality is important but quantity is equally important. Earlier we had 130 patent examiner but 459 new technically competent Patent Examiners in various fields of technology has been appointed in one year and now first batch of 286 has started examination work after training. The policy provided that Pendency in Patent examination is targeted to be brought down from the present 5 years to 18 months of workload by March 2018. Regarding the Trademark, 100 Trademark Examiners has added on contractual basis and Pendency in Trademark examination has also been brought down from 13 months to just 1 month.

Regarding the Patent Rules 2016, amendment made to streamline process and make them more user-friendly. It provides:

- Provision has been included for condonation of delay due to war/natural calamities,
- For the first time refund of fees in certain cases has been permitted, as also withdrawal of application being permitted without any fees,
- Timelines have been imposed to ensure speedy disposal, the number of admissible adjournment have been limited,
- Expedited Examination is now permitted on certain grounds
- Hearing through video conferencing
- Electronic Transfer of applications from any of the Patent office branches to another.
- Special provisions for start-ups, whereby they will get 80% rebate in fees vis-à-vis other companies as also expedite their application

Regarding Trademark the rules are still under amendment, which proposes:

- TM Forms to be reduced from 74 to 8
- All forms can be submitted online by the applicant
- Lower fees for individuals, MSMEs and startups
- Redundant and obsolete provisions deleted: Rules reduced from 185 to 158
- Modalities for determination and maintenance of Well-known trademarks introduced
- Limiting number of adjournments
- Hearing through video conferencing introduced
- E-filing being encouraged with 10% rebate vis-à-vis physical filing.

Regarding the enforcement Mr. Aggarwal referred to 'toolkit', which has been prepared for police officers, primarily focusing on two laws trademark and Copyright. He quoted some of the reports and came to a conclusion that there has been 20% increase in examination and regarding the grant and disposal there is almost 50% rise in the Patent trend. He further said that though in 2015, India became the world's sixth largest annual R&D spending country but still R&D is very

low in India. India's 2016, R&D expenditure increased to USD71.48 billion from USD61.85 billion in 2014. Therefore, some effective step needs to be taken such as make funds under R&D Cess Act, 1986 available for research activities, Industry-academia tie-up crucial for furthering R&D, Linking public R&D organizations with industry for commercialization of R&D outcomes, R&D should be focused on Industrial challenges so that there is high probability of innovation getting commercialize, CIPAM hastaken step towards promotion of commercialization of IPR, and also IPR Cells should be created in each institution to foster innovation culture among the youth.

Ms. Pratibha M. Singh Concluded the session on the note that apart from government policy, Human capital development is required in India because most of patent filed in India are cut and copy from foreign countries, there are not enough patent agents who can draft in India.

Session-4

Role in effective Enforcement of Intellectual Property Rights

Speaker: Justice Manmohan Singh,

Justice Manmohan Singh commenced the session with a note that in Delhi under the Trademark Act 60-70% case are filed, under the copyright Act 15-20%, under the Patent Act 5-10%, less than 5% filed under the Design Act and very new matters are filed under the Geographical Indication and Plant Varieties. He deals with the subject Act wise. Therefore, he firstly takes the Trademark Act, which came in 1940 which was the replica of UK law of the Act 1938. In 1958, Trade and Merchandise Act was introduced where the 1948 Act was amended. After 1955, under the compliance of TRIPS we have amended all the Act i.e. Patent Act, Copyright Act as well as Design Act. Though under the Trademark Act there was hardly any change required because all the reliefs have already been granted by court whether if it's a well-known Trademark or whether its' a suit for passing off. So, all the relief granted the Trademark Act, 1999 were already been given by the courts though, different color has been given for example earlier infringement to trademark comes under the heading of Passing-off, section 135 added which says that relief can be granted for discovery of Document, attachment of Property, injunction, Benefit of Jurisdiction etc. Between 1940-1958 laws of passing off was very rigid and earlier the mandate was, party has to prove actual deception but now law has changed which says that If party has a good will and reputation, actual deception may not be necessary. It was held in Case of *Laxmikant v. Patel v. Chetanbhai Shah*, [(2002) 3 SCC 65].

He also refer the 253rd Law Commission Report in 2015, which recommended setting up of commercial court, as a result the commercial court was enforced from 23rd October 2015. Despite having the commercial courts, ordinary courts trying their best to reduce the number of cases by taking IP cases as ordinary case. He further referred *Telefonktiebolaget LM Ericsson v Lava International Ltd* [(2016) SCC Del 1354], Defendant deliberately approach for settlement when there was 2 months left for the plaintiff to file the written statement to the counter claim as there was limitation under the commercial Law which says that written statement must be filed within four months. The High court held that time consumed for settlement must be excluded from the limitation provided under the commercial Law. This judgment was reaffirmed by the Supreme court.

He also refer some cases as how court deals with brand name, which are very common. The Section 2(m) of the Trademark and Merchandise Act, which says that any word, sign, numeral, letter mark uses in the course of trade and had acquire a goodwill and reputation, must be protected. In the *Reddaway v Banham case* (1889) 13 RPC 218, the suit was filed by Reddaway against plaintiff on using the brand name camel hair Belt which basically made for the camel fair. The House of Lord held that the brand though a descriptive similar, has acquire a good will or reputation and it is very peculiar circumstances that belts are used for camel, therefore should

be protected. He said there are three type of trademark i.e. distinctive brand name, Suggestive brand name and Descriptive brand name, regarding the descriptive brand name there is dilemma such as if 'Milka' brand name used for milk, court might consider it highly descriptive but when it used for chocolate and other products it can be protected by the Courts. Therefore, these are cases where court examine the each brand name.

He further said that generally the cases comes before courts are related to counterfeit, similar or deceptively similar. Justice Manmohan Singh examine the law on this matter from the very beginning. He firstly referred the case of 1955 where Supreme Court held that brand-name 'Siri' for vegetable oil is a generic name cannot be protected. Again in the same year in 1955 Supreme Court held that brand name may be little generic but can be protected under law of passing-off. In 1960 in the case of *Corn Products Refining Co. vs Shangrila Food Products Ltd.* 1960 AIR SC 142, where marks name 'Gluvita' (with respect of biscuits) and 'Glucivita' (with respect to glucose) are deceptively similar. So, court said 'GLUVITA' deceptively similar to 'GLUCOVITA'.

the marks connote the same idea that of glucose and life giving properties of vitamins. Glucose is used in the manufacture of biscuits. Thus, there is trade connection between the goods of the parties. An average purchaser would therefore be likely to think that the respondent's 'Gluvita biscuits' were made with the appellant's 'Glucovita' glucose. In 1963 the case came before court i.e. *Amritdhara Pharmacy vs Satyadeo Gupta*, AIR 1963 SC 449, where court held that the mark Amritdhara and Lakshmandhara are both deceptive similar and the trademark are to be compared as a whole, you cannot split it in prefix and suffix. Another case of 1965, *KavirajPanditDurgaDutt Sharma vs Navaratna Pharmaceutical*, AIR 1965 SC 180, court held that it is for court to decide the comparison between passing off and infringement and parties cannot compare the mark themselves. It further held that where the case for infringement is made out no further evidence is required. Therefore, the jurisprudence has evolved by the courts on Trademark and even before amendments, the law was already there.

Ms. Pratibha Singh, focused on the commercial courts Act, which come in force 1st January, 2016 for expeditious disposal and fully implementation of cases. The designation of commercial courts helps in two ways; firstly, it results in delineation of commercial cases and non-commercial cases. So, once the Resource allocation is divided it helps the court in following the process and timeline for commercial courts under commercial courts Act and non-commercial courts under Civil Procedure Code, it would reduce the dilemma in judges' mind and secondly it ensures that the commercial courts Act is fully implemented in its letter and spirit.

She further said that the act has actually prescribed the time limit for speedy disposal of case by making amendment in CPC. The Act provided that commercial cases should be mandatorily disposed-off within 12-18 months, where within 30 days-120 days the written statement must be filed and from the written statement to inspection and inspection to admission or denial of case, 45 days has been given which should be mandatorily be complied with by the court. The legislature has amended the CPC for the purpose of commercial court Act such as the amended

Order 11 Rule 4(6) of CPC provides that court can actually ask for oath or affidavit on admission denial, therefore no need of documents required at this stage but at the time of first case management hearing after four week court can actually see, if the defendant or plaintiff unnecessarily denying the document, exemplary cost can be imposed. It further if the party are proposing a unreasonable issue, court can record the issue subject to the condition that if party loses exemplary cost may be imposed. After the admission or denial of document within 4 week First case management hearing should happened and thereafter oral argument should be completed within 45 days. Once the oral argument is completed, within 90 days the judgement should be pronounced. Another provision added is regarding summary judgment under order 13-A, which is slightly different from order 12 rule 6 of CPC because it requires admissions by a party whereas under order 13-A this power given to court to decide the case summarily for expeditious disposal of the cases.

Therefore, these are Steps taken to simplify procedure & minimize delays-

- Doing away with the practice of filing original documents
- Lawyers should either seek inspection or file statements to admit or deny documents
- Imposition of exemplary costs/reprimand in case frivolous arguments/issues are raised.
- Summary procedure needs to be revisited in view of the lack of discretion vested in a Judge to pass a summary judgment

She cited some of the leading judgment such as *Telefonaktiebolaget LM Ericsson v. Lava International Limited* [(2016) SCC Del 1354], where supreme court held that the time period prescribed for filing the written statement is mandatory under the commercial courts Act and in another case i.e. *Hubtown Limited v. IDBI Trusteeship Service Limited* [2016 SCC Bom 9019] where the division bench of Bombay high court held that the provision of not maintainability of appeal under section 13 (2) of the commercial court act, apply only to order and not to judgments.

The interplay between Intellectual Property and Competition law has been discussed in several cases such as in *Glenmark Pharmaceuticals Ltd. v. Merck Sharp and Dohme Corporation & Anr.* [(2015) 6 SCC 807] the Supreme Court observed that “Unusual and extraordinary course of action should be taken to ensure highly contested commercial cases that require immediate attention are disposed of quickly”

In the case of *Eros International Media Limited v. Telemax Links India Pvt. Ltd* [, 2016 SCC OnLine Bom 2179] the Bombay High Court on an application under Section 8 of the Arbitration and Conciliation Act 1996, held that IP disputes arising out of an agreement are arbitrable if such agreement contains an arbitration clause. Therefore, the Provisions of the Copyright Act and the (Indian) Trade Marks Act, 1999 (Trademarks Act) do not oust the jurisdiction of an arbitral panel from deciding the case.

Then Mr. Praveen Anand, continued the session with the view that judges follow some structured process while deciding the case i.e. Consistency at first, Curiosity which mostly concentrated not on solutions but by asking question, Creativity at work and Change without fear of consequences. There are some small changes and big changes happened which impacted the intellectual property culture. The small changes which has minor impact on IP are Fees of Local commissioners to be standardized, Insisting on demystifying techniques like Power point, video's, models, note of arguments, Encouraging mediation and settlements, Insistence that wrongdoer pays back - damages or alternate form e.g. Baba Spitoon case, Ralph Lauren – Community service, Microsoft seminars, Ray Ban. Now the Big change which majorly impacted IP culture are:

- a zero tolerance for Counterfeiting cases which led the court to grant Anton Piller Orders, John Doe orders (eg Ten Sports case during World Cup Football), Mareva Injunctions, Lock breaking powers (Levis case)
- contempt for not following courts orders - – sealing of defendants premises (LV case)
- Commercial Courts Act – strict timelines and Summary procedure (Sugen Case)
- E-courts
- Video conferencing (Scrabble and Dupont cases)

The two area which has not become practice of day to day culture–

- Defreezing Finals (Philips case) and
- Time limits for arguments (eg as in Merck vs Glenmark)

He cited some more cases-

- Courts adopted broad interpretation on Shape marks e.g. Birkin Bag of Hermes , Range Rover cars, leather, Ferrero Rocher chocolates, zippo lighters have been protected by the courts.
- Parallel imports –In *Kapil Wadhwa v. Samsung Electronics Co. [2012 SCC Del 5172]* where it was held that once goods have been lawfully purchased i.e. purchased in accordance with the laws of the country of purchase, the sale of such goods in India would not infringe the registered trademark in India. However, it was on the importer to prove that the goods had been lawfully acquired.
- Well known trademarks – whirlpool case and even colour combinations like John deere recognized as well known trademarks by relying on Trans border reputation principle.
- Domain names – In *Yahoo vs Akash Arora [1999 SCC Del 133]* it was held that law of passing off would also apply to the internet.
- Moral Rights – [*Amar Nath Sehgal v. Union of India, 2002 SCC Del 390*]
- Music – MBPL valuation, IPRS, PPL, ISRA
- Metatags and hyperlinks recognized an another form of passing off and applied law of torts to them – Scrabble case

- Phishing – Nasscom case i.e. *National Association of Software vAjay Sood&Ors.*[2005 SCC Del 402]delhi High court held that 'phishing' on the internet to be an illegal act, entailing an injunction and recovery of damages.
- Patent cases- in the *Enercon (India) Ltd. v. EnerconGmbh*, [(2014) 5 SCC 1]court limited the right of defendant to attack validity of patent multiple times.
- Trade secrets – John Brady case recognized that breach of confidentiality considered as separate tort apart from contract.

Mr. Anand concluded the session with the suggestion the judges require right mindset i.e. what is worth Copying is worth protecting. He also suggested that dishonest trading by defendant must be stopped, also court should experiment with new wrongs using old torts like trespass, nuisance etc. and new and unique remedies must be adopted.

Session-5

Development of Corporate Jurisprudence in India: The way forward

Speaker: Mr. Ravi S., Mr. Somasekhar Sundaresan

Mr. Ravi S. commenced the session by giving brief about his presentation; he divided his presentation into two parts, firstly he discussed about the recent statutory changes made in the company legislation world and secondly the leading judgement of last few year which makes the substantial changes in corporate world.

He pointed out that major changes has been made under the Company Act, 2013 such as creation of new body i.e. National Company Law Tribunal which has succeeded the many different judicial body such as-

- Power of Company Law Board;
- Power of Board of Industrial and Financial Reconstruction for revival and rehabilitation of sick industrial companies ;
- Appellate Authority for Industrial and Financial Reconstruction and;
- The provisions relating to amalgamation, restructuring, reduction of capital and winding up will no longer be under the jurisdiction of the High Court.

He said that the new amendment in the act reduced the power of High court to hear appeals, which are now being heard by the National Company Law Appellate Tribunal (NCLAT) from the order passed by NCLT. The issue here is that NCLAT is consist of only one chairperson and eleven other members means have limited benches which sits all over the India and this will lead to less accessibility by the litigant and also increase the pendency of cases, though earlier these appeals were heard by the High court under section 10(f) of the old act. He further said that the provision of rehabilitation of sick companies, rules of winding up incorporated under the insolvency code is very much similar to the amendment therefore; amendment made in the act could have easily combined with them. He also pointed out that under the amendment even a single member of NCLT can hear the case and has power to punish for contempt but problem is that it is highly undesirable to punish a person for contempt who is not judicially competent. Another thing is the member of NCLT are highly untrained i.e. not have technical knowledge in the matter of dealing with insolvency. Therefore, the amendment made is highly undesirable for the reason that putting multiple of jurisdiction on one body makes process much more susceptible to delay and not serve the purpose of the act.

The serious Fraud Investigation Office (SFIO) involved in major fraud probes, was set up by the government order on 9th January 2013 after recommendations made by the Naresh Chandra Committee but now after the amendment made under Company Act, 2013 it has got statutory recognition, under section 211 of the act provides that the member of SFIO should have expert from various financial sector, capital market, accountancy, Forensic audit, taxation, law,

information technology, company law, customs and investigation. He further said that the section 477 of the act provides clear definition of 'fraud', which is inclusive. The scope and coverage of 'fraud' is very wide in comparison to the old act, it provides in its definition that fraud includes any act or omission of concealment of any fact, and abuse of position by a person with an intend to deceive irrespective of fact whether or not he suffered any 'wrongful gain 'or wrongful loss'. The section 212 provides that once central government has assigned case to SFIO, no other investigating agency of central government or state government will have the jurisdiction to proceed with the investigation. He further added that the section 212(6)(1) imposed additional restriction on the power of court to grant a bail because the provision said that bail can only be granted in the case where public prosecutor has given the opportunity to oppose the application for such bail and where the court is satisfied that there are reasonable grounds for believing that person is not guilty of such offence and that he is not likely to commit any offence while on bail.

Then he moved onto the area which is fast expanding i.e. the Prevention of Money Laundering Act, is a predicate offence i.e. an offence that is created under some other statutes. Initially the schedule under the act was limited but gradually it has enlarged by the amendment made in 2009, 2011 and 2013 therefore so far as the economic activity are concerned offences relating to violation of copyright and trademark act, SEBI in case of insider trading and customs relating to evasion of duty and importation of prohibited goods, are being brought within the definition of schedule. A person who is convicted under the principle act may also be liable under section 3 of the said act though it is not sufficient that person should commit offence given under schedule but it should also be established that there was some active involvement on the part of offender and money generated from the scheduled offence is by series of complex transaction also called as layering such as Satyam scam. Section 3 also puts the burden of proof on the accused to show that the money is untainted. In addition to criminal liability under section 3 there is also a civil liability under section 5 read with section 8, authority can seize the money which it believes proceeds from scheduled crime and once the accused is convicted the money can be confiscated by the government.

Then he moved on to the other set of amendment i.e. Arbitration and Conciliation (Amendment) Act 2015 has made some significant changes in the matter of conduct of Arbitration. Most important amendment is resurrection of view of supreme court in *Bhatia international V Bulk Trading and ans. [(2002)4 SCC 105]* where it was held Part I of the arbitration act apply in its entirety i.e. it not only applies to domestic arbitration but also applies to the international arbitrations so the power of court to grant interim relief was secured until it was overrule by the supreme court in case *Bharat aluminium v kaiser aluminium [(2012) 9 SCC 552]* part I of arbitration relating to grant of interim relief not applicable to the international arbitration though this would apply prospectively not retrospectively. Now the statutory amendment by parliament takes us back to position existed in Bhatia International case passed in 2002 but subject to a condition that power of courts to grant interim relief is confined to the period anterior to the constitution of tribunal and upto the stage of award. Another amendment is regarding the international commercial conciliation for the purpose of considering the appropriate court, earlier the high court who do not have the original jurisdiction cannot consider application under section 9 but now under the Commercial courts, commercial divisions and commercial Appellate

division of high courts Act 2015, application under Section 9 would have to be filed in high court and will be tried by commercial division of the respective state. He further comes onto the issue regarding whether amendment made under section 34 and section 37 would apply retrospectively or prospectively. Earlier section 34 provided for absolute stay when award is challenged before the appropriate court but after the amendment the award granted by arbitrator, will not be a decree only if there is stay by respective court, he said that some court are of the view that amended act apply retrospectively to the situation where award is passed but no proceeding has initiated but some courts view are amended act will apply prospectively. Another issue is regarding the party autonomy, where Supreme Court held regarding the international arbitration that two tier appeal is permissible and there is nothing in provision of arbitration act which renders such an agreement void between the parties where they agreed to subject themselves to a second tier appeal outside the country but it silent on the issue when both the parties are from Indian origin as to whether they have liberty to choose procedure for arbitration of any other country.

Thereafter he came onto the Commercial courts, commercial divisions and commercial Appellate division of high courts Act 2015, which was passed to expedite the justice delivery system at least as regards commercial disputes. However, he pointed out some issues such as-

- Whether the development agreement relating to immovable property fit into the commercial matter or not? Because in some cases court has the view that it is in nature of joint venture but in other cases it is not in nature of joint venture where some courts held that the owner who merely gives property for development but does not have the right of supervision or right of making application etc. is a passive party and therefore there is no element joint venture. Therefore, what cases of joint development agreement will fit into the definition of commercial dispute could be a contentious issue.
- Some court will be burdened by the transfer of large number of specified disputes and it is also time consuming.
- The act made an elaborate process of imposing cost devised by amendment to CPC, court has consider number of factors while fixing cost such as conduct of the party, frivolous counter claim for delay, frivolous claim for vexatious proceeding etc. Therefore, the adjudication process itself even for levy of imposing cost for vexatious proceedings will become time consuming.
- It has provision for disclosure of document where the plaintiff and defendant require to file an affidavit along with documents, that those were the only document which were relevant and he has disclosed all of them, but at the same time it has also a provision for filing these document at the later stage. So according to him by filing the first affidavit he has committed perjury.
- amendment made in order 13-A of CPC for the purpose of commercial matter provides for summary judgment i.e. on certain aspect of matter before framing of issues if the court comes onto the conclusion that there is no valid defense court can give a summary judgment on those aspect which would result in multiple decree in the same suit.

He further praises the amendment regarding Case management hearing, contemplated under order 15-A of CPC, it sets out the framework for decision making process which is highly desirable because before framing the issue all the preliminary issues will be resolved which will facilitate speedy disposal.

Thereafter he comes onto the few judgments relevant in corporate field. The provision of information technology addressed some of the issues relating to infringement of copyright and loss of reputation of individual. Some of the provisions if the IT Act was challenged in the case of *ShreyaSingal v Union of India [(2013) 12 SCC 73]*, where section 79 provides for the protection of intermediary liability provided it has not made any changes or modified the content, destination and the policy must clearly state the do's and don'ts. Supreme Court now added the third requirement through this case, which held that if there is an order by the competent court which put injunction on any material being displaced, the intermediary should immediately take it off.

Mr. Somasekhar Sundaresan continued with the discussion wherein he talked about in context of how regulation is done in our country. He said that the best practice of worldwide, has been made the statutory requirement under Company act 2013. He further raise the issue regarding the composition of board where fellow board member decides who will join the board therefore there is no democratic system. The new companies act provided the regulation of board composition for listed companies-

- one-third to be “independent directors”
- Section 149 defines term with stringent criteria
- 5-year term; 2 successive terms; 3-year cool-off
- annual declaration of independent status
- At least one resident Indian director –new requirement
- Social Justice Interventions too are mixed up such as participation of women director, small shareholder director.
- At least two-thirds to retire by rotation

The company law provision provides that not more than twenty directorships are allowed and for the public company directorships shall not exceed ten, section 166 has motherhood objective of the act imposed obligation backed by sanction on the part of director to promote benefits of members as a whole and interests of company, employees, shareholders, community and environment protection. Another area of development is regulation of related party contracts where shareholder approval would be required if contract are outside the course the ordinary course of business or if they are not on arms-length terms, he said that what is the arms length, is a complex mixed question of law and fact.

Then he moved onto to the Securities regulation under the SEBI Act where ‘listing agreement’ had now elevated to ‘listing regulations’, it provided the detailed composition norms for board and mandatory special sub-committee such as ‘Audit Committees’, ‘Nomination and Remuneration Committee’ and ‘Risk Management Committee’. The listing regulation also provided the governance of subsidiaries of listed companies and it also provided for shareholder’s approval at the listed holding company level is required for certain transaction at

the subsidiary level i.e. in case of disposal of assets of above 20% of subsidiary and disposal of subsidiary shares to de-subsidarize it. He also pointed out some of the other securities regulations such as-

- The board of directors has special obligations to make recommendation on open offer terms, not to take material decisions once offer is made and to ensure subsidiaries comply.
- Provision requiring recusal of board members from discussion and preparation.
- Listed boards to apply their mind designating insiders for compliance coverage.
- Listed boards have to frame specific policies as how information could be tacked.

Then the session concluded with the question and answer round.

Session- 6

CONTEMPORARY ISSUES

Speaker: SomasekharSundaresan

Mr. SomasekharSundaresan, commenced the session by raising the issue regarding the interplay between SEBI act and prevention of Money laundering act e.g.circular under Prevention of Money laundering Act required to be authored by RBI for banks and SEBI for capital market intermediaries which should be issued under the section 11 of SEBI act, failure of reporting the suspicious transaction have a consequences under Prevention of Money laundering Act, therefore, this interplay between two legislations raises the question of double jeopardy because the same action could be punished by the same authority under multiple statutes e.g. same action could be punished under the SEBI Contract Regulation act (SCRA) and SEBI Act by the same authority under the two separate penalties.

Thereafter, he came onto the some of the M&A/ Shareholder related disputes that often end up in courts even after arbitration and dispute regarding the jurisdiction of civil courts and jurisdiction of NCLT.

- Disputes over shareholder Agreements
- Dispute over alleged breach of company law
- Disputes with interplay of takeover Regulations
- Dispute over Share Purchase Agreements
- Dispute on corporate family settlements
- Dispute with regulators
- Dispute over Jurisdiction

The shareholder agreements provisions entails some share transfer restrictions i.e. right of first refusal, right of last refusal, Tag-along rights, Drag-along rights, Contractual lock-in of shares, Covenants not to buy further shares. He added some of the governance right such as right to be represented on board, Affirmative Right i.e.in order to make changes in the fundamental character of the company affirmation of shareholders are required, Funding obligation i.e. dilution of shareholders. He pointed out some area of controversy regarding the shareholder agreement is that we often link shareholders agreements with company law such as -

- Whether shareholders can say that they are not bound by the agreement which restrict their right to transfer his own shares because section 111 of Companies Act provide the shareholders the right to freely transfer their shares. Therefore, shareholders can claim that the shareholders agreements are not enforceable by law.
- Can the standard could be increased which are prescribed by the company law under the shareholders agreements or not?
- Are voting rights are transferable under the shareholders agreement?
- Are quorum specified by company law may be increased or decreased under the shareholders agreements?
- Can voting power be varied by the contract?

Therefore, some of the question often becomes matter of litigation such as ‘whether shareholders agreements are repugnant to the scheme of law’ or when the agreement does not embedded the phrase ‘unless the Articles otherwise provide’.

He further added some of the issues regarding interplay with regulatory provision, which often end up in courts such as-

- Dispute involving takeover regulations regarding the whether obligation to make an offer is mandatory or directory and dispute regarding the timing of an offer i.e. at what time party intended to make an offer because the timing determines the price at which offer is made.
- Dispute involving delisting regulations: alleged rigging of book-building price building.
- Do governance right constitute control? The ‘control’ under SEBI and Competition law sub serve the different legislative objective first look at the corporate takeover control and other look at the liberal, free and fair competition in market. Therefore, they might come to the different conclusion.
- Restructure ownership triggers an offer, therefore exemptions provisions could come up for dispute.

He said that Indian law on prohibition of insider trading is very stringent because onus is on the person who is possession of unpublished information to prove his innocence and the punishment on communication of unfair practice of sensitive information is very stringent under section 24 of the SEBI Act, no provision of penalty with fine. Similarly, the fraudulent and unfair trade practices regulation sometimes trapped the people who have bonafide belief. He said that because the security regulations is a civil matter, the ‘pre-ponderous of probability’ standard should be followed and not to be ‘proved beyond reasonable doubt’ standard.

He further raises the issue that whether ‘purchase agreements’ under the share purchase agreements are enforceable? Because the Security Contract Regulation Act put ban on forward contract and one can raise an argument the objective of SCRA is to ban speculative trade which is considered bad for the market but the share purchase agreements had nothing to do with market therefore going by the legislative intend does not apply to mutual agreements . He said that though derivatives listed on stock exchange are enforceable under 18A of SCRA but again what about the derivatives which are not listed whether it is enforceable or not. There are other disputes arises with regards to the computation of fair value and alleging global takeover to be oppressive.

He raises some more issues regarding the corporate family settlements where after entering into the trade family member changes his heart, government policy changes or family member claiming to be unaware etc and issue regarding the conflict between regulator and courts with respect to scheme of arrangements.

Justice Raghuram concluded the two-day colloquium on the note that commercial matters are just one facet of a social dissonance and every facet that comes before the court getting suboptimal treatment because of bad law, bad administration and bad judging.