

## *A basic guide*

**Abhai Pandey and Deepak Srinivas of Lex Orbis IP Practice** give an overview of the options available to companies in seeking to enforce their IP rights

**T**oday's expanding technologies have facilitated the infringement of IP rights to an unprecedented extent. A detailed and comprehensive system for protecting IP rights is meaningless if it is not possible for the rights owners to effectively enforce these rights, and also prevent the grant of rights to others. An accessible, sufficient and adequately funded enforcement regime for the protection of rights, underpinned by a strong judicial strategy for dealing with both civil and criminal offences are crucial in any worthwhile IP system, where rights owners must be able to take action against infringers in order to prevent further infringement and recover losses incurred from any actual infringement.

Companies affected by another's rights will carefully assess what its scope is, and whether or not it is valid. In effect, enforcement of rights starts with the rights owners policing themselves. Companies must keep an eye on the industrial and commercial markets in which they sell their products or provide their services to keep abreast of their competitor's activities. If



they become aware of an apparent infringement, the competitor should first be contacted to point out the existence of a right through a letter drawing attention to it. This also is vital, as the infringer cannot subsequently argue ignorance and term the court action as a groundless threat for alleging infringement. In some instances, the

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competitors might approach to seek a licence, or negotiate some other agreement in order to avoid or overcome the problem of operations being obstructed by earlier rights. In negotiation, an infringer may well be persuaded to change what he is doing. During the attempts to negotiate, the supposed infringer may claim that he is

not infringing; or he may allege that the right is of little value and does not justify significant royalties; or he may argue against the proposed licence terms. In coming to agreements with competitors, companies must be careful to avoid certain restrictive conditions. This normally means that the terms of any licence must not

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contain unreasonable provisions that distort competition.

### Strategy

The strategic use of innovation is of paramount importance in today's knowledge-based economy. Companies, for better positioning in the business domain, require a sustained competitive advantage depending on the ability to create, manage and commercialise knowledge-based assets. Thus the creating, using, sharing, accessing, valuing and trading of intellectual assets depend on a proper understanding and appreciation of the IP system, of which enforcement of IP rights is an important aspect.

A strategy on IP enforcement necessitates an understanding of its key ingredients and then its integration with the business strategy. A working guideline on the steps involved as outlined below may help make the most of the intangible assets:

- **IP surveillance:** monitoring of newly published patent and trade mark applications or issued patents and trade marks to contribute towards competitive intelligence initiatives.
- **Infringement and validity analysis:** targeted claim analysis (patents) and deceptive similarity (trade marks) to determine if one or more IP items may be infringed by a new product release to market and also a search for a prior art (patent) or prior use (trade mark) reference that may render a target IP product invalid.



### *Abhai Pandey*

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- **IP watch and enforcement:** on monitoring newly issued patents on a periodic basis, if an opinion finds that a patent granted to any other corporation is infringing any in-house patent then an infringement suit can be filed. In the same way, if an opinion finds that a patent granted to another corporation is being infringed then the company can (i) modify its products or processes so that they don't infringe (designing around) (ii) seek a licence from the patent holder (iii) see if they can find evidence that the patent is not valid. A company might do a novelty search to determine if there is any prior art that would invalidate the patent, that the patent office had not previously considered. If said prior art is discovered, the company may bring an opposition proceeding to have the patent declared invalid.

A working guideline may be brought into place to carry out searches of published trade marks, identifying identical or deceptively similar marks, fol-

lowed by a systemic process carrying out an opposition process for invalidation. It should also integrate information sharing with the business development group to get information on trade marks in the market infringing in-house marks, the presence of counterfeit products in the market, and information on identical or deceptively similar artistic works on packaging infringing the in-house colour scheme and stylization of words.

### Litigation

The Office of the Controller General of Patents, Designs & Trade Marks (CGPTM) administers the Indian IP system, and as a quasi-judicial function provides a forum for procedures for contesting rights under consideration by the office. These are opposition procedures open to third parties to intervene before the IPO in proceedings leading to the grant of a right. Proceedings for contesting the grant of a right are rectification or cancellation of a registered right. Despite the efforts to achieve a settlement through administrative actions, circumstances can and do arise where the owner of a right feels that he must take action against an in-

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fringer in order to protect his market. Infringers may also genuinely believe that they have a plausible case on such aspects. In this respect, only a judicial order can transgress the limited scope of an administrative order and be all-encompassing.

Most statutory provisions for IP protection worldwide provide for civil as well as criminal remedies. The requirements that need to be established in a criminal action are different to those in a civil action. Criminal actions are initiated by the state and may often be time consuming. Litigants prefer to initiate civil actions where the remedy of an interim injunction is available. The primary matter with which the court is concerned in granting an interlocutory injunction is the maintenance of a position that will most easily enable justice to be done when the final determination is made. The purposes of civil remedies are: (a) to provide compensation for the prejudice caused by infringement, (b) to dispose appropriately of the infringing copies, (c) to dispose appropriately of implements used for infringing activities and (d) to grant injunctions to prohibit further infringement.

### Patents

The first task in any patent infringement action is to construe the patent specification, to accurately assess the limit of the rights granted. The next task is to decide whether the alleged infringement falls within the scope of the claims as construed. Most patent infringement may not be slavish imitations but, arguably, take advantage of the protected inventive concepts of the patent and will have to be resolved on the basis of expert opinion. In India, patent litigation has considerably increased and lately there has been a remarkable improvement in the civil enforcement system. The High Courts are applying internationally well-established principles in IP infringement cases, and judges in High Courts are regularly trained on IP issues, a segment of whom over time, have acquired specialised expertise in the area. Jurisprudence for awarding damages has seen a complete overturn in recent years, particularly in cases of blatant violation of IP rights. In such cases, courts are awarding exemplary damages as a deterrent. The Intellectual Property Appellate Board (IPAB) is



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hearing, on a regular basis, patent revocation proceedings and patent appeals. The writ jurisdiction of the High Court (invoked against decisions of the IPAB) and also the original jurisdiction are regularly used by litigants to institute suits. There are a number of significant patent cases going on in the Supreme Court and High Courts, particularly the Bombay and Delhi High Courts. Although there is no centralised database of courts to ascertain the numbers of cases filed every year, from the reported cases we expect that 20-25 lawsuits or patent infringement actions were being filed every year before various high courts, in the past three years. As mentioned above, about 28 post-grant oppositions were filed before the Patent Office in the year 2009-2010 and we expect that during the same period about 50 revocation applications were filed with the IPAB.

### Trade marks

Trade mark infringement is a statutory tort arising with the registration of the trade mark at issue. Registration involves consideration of areas such as distinctiveness of the proposed mark, whether it is an invented word, and whether it has any direct reference to the character or quality of the goods in respect of which registration is sought. The arguments concern the scope of the registration and whether the allegedly infringing mark is confusingly similar to the earlier mark. The courts in India, particularly in the field of trade marks, are successfully using

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awards of exemplary damages as an effective deterrent to widespread blatant infringements. In awarding damages the courts usually consider the following options:

- Actual damages: the loss of revenue incurred by the plaintiff due to the infringing acts or activities by the defendants
- Damages to goodwill and reputation: to what extent the infringing acts or activities of the defendants weakens the market position of the plaintiff, provide benefits to competitors and creates a bad image before the existing and potential clients
- Exemplary damages: in case of flagrant violation by the defendant of the plaintiff's rights, the damages are awarded under this heading to set a deterrent example for others
- A criminal action for enforcement of IP rights is most often used in an anti-counterfeiting action and remedies are a fine and/or imprisonment. Under Indian trade mark law, falsifying a trade mark or applying a false trade mark is a punishable offence with imprisonment and/or a fine.

One potential risk involved in IP litigation is the delays in granting interim relief, which not only increases the cost of litigation but also drags the matter through court for many years without successfully stopping the alleged infringement. However, the courts have devised ways to handle this situation, and where no interim injunctions are granted the courts direct the defendant regularly to submit the accounts of sale of infringing products, so that at the stage of disposal of the suit the court can easily determine the damages to be awarded in the matter.

While litigation is the traditional and often the most effective means of blocking any infringing activity, its advantage must constantly be reviewed against the cost of litigation.

### Alternative dispute resolution

It is imperative that companies are made aware of the effectiveness of dispute resolution, as their IP

assets are crucial to the economy. Although an IP dispute can be resolved through court litigation, alternative dispute resolution (ADR) procedures are frequently resorted to, as ADR is appropriate for most IP disputes. The application of ADR gained ground when the Civil Procedure Code introduced that if a court sees elements of a settlement, then the court can, of its own motion, refer the dispute for mediation and conciliation as per the procedure laid down by the code. A surge in ADR came when the Delhi High Court started to grant damages in a large number of IP matters, and in some decisions the courts granted damages, not only compensatory but punitive and exemplary, in order to reduce the pressure on the criminal justice system, and to make the civil remedy more attractive. As a result, the plaintiffs began asking for substantially more than simply an injunction, and the defendants fought back, unwilling to pay damages. This resulted in cases not settling so easily, and mediation came along as a useful tool in resolving some of these contested cases. In the meantime the exposure in advanced models of mediation, early neutral evaluation (ENE), and plea-bargaining, also added to the cause. In *Bawa Masala V Bawa Masala 2007*, the High Court granted an ENE order, and two neutrals gave their reports, following which a number of disputes between the parties were resolved as a result of mediation.

Parties to contracts involving the exploitation of intellectual property often wish for a speedy resolution when a dispute arises. Common examples of such contracts include patent, know how and trade mark licences, research and development contracts, technology-sensitive employment contracts, mergers and acquisitions where IP assets assume importance, and technology transfer contracts.

Types of IP disputes that may be considered suitable for settlement by mediation include:

- disputes about the licensing of IP rights;
- disputes concerning the infringement of IP rights;
- trade mark opposition and invalidation proceedings on relative grounds;
- disputes over patent entitlement, for example whether a co-inventor was an employee or consultant;
- disputes over patent and trade mark ownership, for example whether an employee developed invention in their own or in the company's time; and,
- disputes over patent inventorship, for example the significant contribution made by a third party.

Mediation through mediators with specific expertise in the relevant technology can help transform a potentially prolonged litigation involving significant costs, into an arrangement suiting both parties' business interests.



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