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## Tortious googly – Protecting property rights through common law remedies

**By Subhash Bhutoria**

Contributing to the growing domestic IP jurisprudence, the Delhi High Court has recently upheld unfair competition tort in a matter pertaining to data and information emanating from a cricketing event and held that such information qualifies as quasi-property. This article briefly discusses the said emerging trend of protecting property rights through common law remedies and its plausible outcomes and consequences.

### Common law remedy under Indian IPR Regime

The Indian IPR laws have selectively recognized the economic tort of unfair competition. In case of trademarks, the Trade Marks Act of 1999 provides for a non-obstante provision i.e. Section 27(2), which allows a person to initiate an action for passing off in case of unregistered trade mark. However, such provision is not recognized in copyright, design or patent statutes.

Till recently, the Indian Courts recognized unfair competition tort (passing off) only in trademarks. However, in 2012, Bombay High Court observed that passing off action may lie against a design violation, provided that the consumers associate the unique design with the source and that the infringer has copied the design with *mala fide* to deceive the consumers.[1]

The aforesaid position of law is further clarified by the Larger Bench of Delhi High Court in the case of *Micolube India Limited* v. *Rakesh Kumar & Ors.*[2], which upheld that passing off remedy is available in respect of a design, which is used as trade mark upon lapse of the term of registration. Therefore, the tort of unfair competition is also recognised in design actions.

However, no precedent has yet hinted to the application of unfair competition tort in copyrights. One reason may be that the Copyright Act, 1957 does not recognize any copyright or similar right accrued in any work, which is not in accordance with the Act. In fact, the Division Bench of Delhi High Court observed in the case of *Time Warner Entertainment Co.* v. *RPG Netcom & Ors.*,[3] that:

> "Section 16 of the Act specifically bars a person from claiming copyright or any other similar right in any work otherwise than in accordance with the provisions of the Act itself or any other law in force… The appellant-plaintiffs cannot claim copyright and sue for infringement of copyright de-hors the Act. Common law rights under copyright law were abrogated earlier by Section 31 of the Copyright Act, 1911, which was enacted to amend and consolidate the law relating to copyright."

The Division Bench further observed that:

> "Action for passing off can be initiated, where interest of an author or owner of a copyright work in his business reputation and goodwill is damaged by misrepresentation that falls outside the copyright law, i.e. *the Act. Passing off action will be maintainable, when the claim is not based on infringement of*

1 *Videocon Industries Limited* v. *Whirlpool Of India Limited,* 2012 (6) BomCR 178

2 Unreported Judgment pronounced by Delhi High Court in Civil Suit being CS (OS) No. 384 of 2008 on 15-5-2013.

3 2007 (34) PTC 668 (Del)

*copyright but damage to reputation and goodwill of the proprietor* and the said damage is caused by deceit or misrepresentation by the defendant."

Apparently, common law remedy is not available against any copyright violation. However, the remedy is available for non-copyrightable data or information, which have accrued quasi-property right.

## Quasi-property rights

Property Rights are classified on the basis of their characteristics. However, the existing classification is inadequate to categorize certain rights which may also qualify as properties. One such category is "Quasi-property rights". Unlike the popular concept that property rights are available *In Rem,* quasi-property rights are exercised against a specific class of users, generally the competitors.

Equity Courts began using the term "Quasi-property" to describe interests that resembled property rights in their functioning even when they were not property rights, or, strictly speaking, ownership interests.[4] The quasi-property rights were popularized by the early 20th century judgment by the US Supreme Court in the case of *International News Service* v. *Associated Press*[5] (*INS* case). In the *INS* case, the respondent claimed quasi-property rights in the news reports. The Court held that:

> "…For, to both of them alike, news matter, however little susceptible of ownership or dominion in the absolute sense, is stock in trade, to be gathered at the cost of enterprise, organization, skill, labor, and money, and to be distributed and sold to those who will pay money for it, as for any other merchandise. Regarding the news, therefore, as but the material out of which both parties are seeking to make profits at the same time and in the same field, we hardly can fail to recognize that for this purpose, and as between them, it must be regarded as quasi property, irrespective of the rights of either as against the public"

*INS* case recognised quasi-property right in short duration news (*Hot News*) and upheld that its use by the competitor amounts to unfair competition. (*Hot News Doctrine*). However, the courts, in subsequent decisions, further narrowed down the scope of this doctrine and repetitively held that the quasi-property claim survives on blatant and true "Free Riding".[6] In the landmark case of *National Basketball Association* v. *Motorola Inc.*[7] (*NBA* case), the US Court of Appeals held that:

"The surviving "hot-news" INS-like claim is limited to cases where: (i) a plaintiff generates or gathers information at a cost; (ii) the information is time-sensitive; (iii) a defendant's use of the information constitutes free riding on the plaintiff's efforts; (iv) the defendant is in direct competition with a product or service offered by the plaintiffs; and (v) the ability of other parties to free-ride on the efforts of the plaintiff or others would so reduce the incentive to produce the product or service that its existence or quality would be substantially threatened."

## The Star India case[8]

The court upheld the claim of quasi-property rights in cricket scores and held that its publication

4 Shyamkrishna Balganesh, *Quasi-Property: Like but not quite Property,* , University of Pennsylvania Law Review [Vol. 160] P. 1889

5 248 US 215

6 *Barclays capital* v. *Theflyonthewall.com,* 650 F.3d 876 (2d Cir. 2011)

7 105 F.3d 841

8 *Star India Pvt. Ltd. v. Piyush Agarwal & Ors.*, MIPR 2013 (1) 201

through SMS, amounted to unfair competition. Star India instituted three separate actions against violation of '*bouquet of rights*', which were assigned to the plaintiff by Board of Control for Cricket in India (BCCI). Plaintiff's case was that it had the exclusive rights in all and every information emanating from a cricketing event organized by BCCI and therefore, dissemination of such information through live score cards, match updates, score alerts via SMS by the defendants amounted to the tort of unfair competition. The plaintiff based its whole cause of action *de hors* the Copyright Act, 1957 claiming quasi-proprietary rights accrued in the information. The defendants opposed claim of common law remedy and contended that the information was *publici juris* before they disseminated the same.

The court primarily based its reasoning on the Hot News Doctrine and held that although the NBA case might have "watered down" the doctrine, the Five Factor Test retained the primacy of fundamental principle of unjust enrichment. It opined that the defendants incurred the expenditure for process of dissemination of information and not towards the organization of the event or in the process of legitimately obtaining the information from the plaintiff or BCCI. It held that defendants' action constituted *free riding* amounting to unfair competition. As a balancing act, it held that the defendants could provide the match updates with a delay of 15 minutes without seeking any license from the plaintiff or the organizer.

## Conclusion

With the advent of quasi-property rights, information, products, services or assets, which are outcome of skill, expenditure and labour, may be protected like a property and any violation or misappropriation thereof would give rise to a cause of action. However, the applicability of quasi-property rights is a highly contested issue globally as it may open floodgate of property related litigation as is also observed in the NBA case.

The *Star India* case is certainly a step forward in domestic property jurisprudence. However, the judgment has overlooked material aspects. Importantly, the court appears to have misconstrued the Five Factor NBA Test and also overlooked the narrow interpretation of the Hot News Doctrine as held in the *Barclay's* case (supra). The court held that out of five factors, three have retained the fundamental principle of unjust enrichment and hence the test is satisfied in the facts of the case. On the contrary, the test lays down that a quasi-property claim survives only when all the five factors in the test are satisfied, especially the factor relating to passing off. Though the *Star India* case has introduced the quasi-property rights, the same is not in consonance with foreign precedents and hence lacks parity.

Further, taking a cue from the recent *Micolube* Judgment (supra), it may be suggested that upon lapse of design registration, the owner can also claim quasi-property rights in the design and may initiate a passing off action against the infringer on the basis of a quasi-property claim. Further, Confidential Information or Trade Secrets, which are not yet protected under *sui generis* laws, may also get covered under the quasi-property rights. Apparently, the quasi-property rights may open floodgate for property right claims and hence its precincts be defined by cautious legal interpretations.

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## Opposition Board – Procedures and formalities

**By Kshipra Sharma & S. Jayaram**

India's Intellectual Property Appellate Board (IPAB) has set aside the revocation order passed by the Controller on Pfizer's ('patentee') licensed patent on kidney cancer drug Sutent (sunitinib). The IPAB has ordered[9] the Indian Patent Office (IPO) to re-constitute the Opposition Board, re-assess the entire matter afresh and decide the case. The Board has criticized the IPO that the long winding patent litigation has been going back and forth only because there are procedural lapses in the IPO.

Pfizer's patent number IN 209251[10] was granted in 2007. It describes 3-pyrrole-substituted 2-indolinone compounds that modulate protein kinase activity and can be used as an anti-cancer drug known by the name of Sutent (sunitinib). However, in the following year the Indian generic company Cipla filed a post-grant opposition against Pfizer's patent. The Controller revoked the patent in September 2012 on the basis of the following grounds, viz. the invention is publicly known or used, it is not an invention as it lacks inventive step and is obvious in the light of three prior art documents that describe the molecules modulating the tyrosine kinase activity capable of treating proliferative diseases and lastly for non-compliance of Section 8 by the patentee.

The patentee filed a writ petition in the Delhi High Court (HC) which rejected the revocation decision on the ground that the recommendations of the Opposition Board were not furnished to the patentee. Further, the HC also granted an injunction restraining Cipla from marketing the generic versions of Sutent.

Against this decision of the HC, Cipla filed an appeal in the Supreme Court of India (SC). The SC upheld the decision of the HC and reinstated the revoked patent holding that the non-furnishing of the Board's report resulted in violation of principles of natural justice. The matter was remanded to IPO and the Controller was directed to dispose the matter afresh.

For the second time, Controller heard the patentee on the following grounds, a) IPO did not send the evidence to the Opposition Board, b) the reply evidence filed by Cipla was time barred, c) the prior-art documents D1, D2 and D3 should not have been admitted since Section 25(2)(b) was not taken as a ground, and d) the reply evidence was beyond what is prescribed in Rule 59 .

The Controller passed the impugned revocation order rejecting all the grounds raised by Pfizer and held that the patent was obvious and lacked inventive step. Further, the Controller also rejected the Section 8 ground raised by Cipla and held that the patentee has complied with the Section 8 requirements as all the details are available in the WIPO website, which can be freely accessed from the internet. The Controller confirmed the rejection of Pfizer's patent under Section 25(2) read with Rule 62 on February 11, 2013.

The patentee filed an appeal at the IPAB challenging the Controller's order on the grounds,

9 *Sugen Inc. et al* v. *Cipla et al* (Order (No.107/2013), dated May 14, 2013

10 Titled: *"Pyrrole Substituted 2-Indolinone Protein Kinase inhibitors"*

inter alia, the Controller did not take into account Section 25(2)(b) and hence the decision of the Controller on the basis of prior publication was not sustainable. However, the Board rejected this ground and held that Section 25(2)(e) had been raised by the respondent, which is a valid ground for revocation and covers the scope of Section 25(2)(b).

The patentee also objected to the reply evidence filed by Cipla under Rule 59 being filed beyond time, as the request for extension was not made within the prescribed period. It argued that the reply statement was served on the respondent on 5th November 2008 and hence the extension petition should have been filed within one month from the date of delivery to the opponent of a copy of the patentee's reply statement i.e. on or before 5th December 2008. However, Cipla filed the reply statement on 16th December. The IPAB did not accept this contention and stated that the reply statement was filed by Cipla within the prescribed period that would include one month which was allowable under Rules 138 and therefore the petition filed before that period was not barred.

Lastly, the patentee raised the ground that the Controller did not forward a crucial document (an affidavit) for consideration by the Opposition Board under Rule 60. The IPAB opined that the unexplained non-forwarding of the reply evidence filed by the patentee would render the Opposition Board's recommendation defective. The Board concluded that the decision was based on the defective recommendations and was flawed and Controller's order was set aside.

The IPAB has also strongly denounced the Controller for the opinion on the availability of Section 8 information on the internet and held that, this issue should be decided again as the matter is to be heard *de novo* right from the stage of the Constitution of the Board. It opined that IPO needs to provide valid reasons before arriving at any conclusion as such a twisted litigation is an unnecessary harassment for the patentee and detrimental to public interest. As the case has come back to the IPO for the third time and with stern orders from IPAB, it remains to be seen how the IPO decides finally.

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# Ratio Decidendi

## Common law remedy against passing off in Designs

A holder of a registered design can institute an action for passing off and that he can institute suit against a person who is also in possession of a registered design according to Larger Bench of Delhi High Court. As against the majority view of the Delhi High Court the dissenting opinion records that the rights and remedies under Designs Act, 2000 (the Designs Act) are statutory in nature and common law remedy cannot be sought. Both the parties to the suit were registered proprietors of designs.

It was held by the majority that passing off action can be based on a plea that the design, which is an unregistered mark, was being used for the purposes of business, enjoyed goodwill and was identified by the consumers as belonging to the claimant. It held that though a person did not have statutory rights under Designs Act, he could still seek to remedy wrongs, like the user of an unregistered trademark, who is not denied protection under Trademarks Act. There cannot be simultaneous registration as a design and a trademark as per Section 2(d) of the Designs Act. But, post-registration, there is no limitation on use of a design as a trademark.

The High Court opined that one registered design holder can sue the other since the assertion in the suit is the right of monopoly based on the uniqueness, newness and the originality of his design qua the defendant registrant. The certificate of registration is only a proof that it does not fall foul of Section 4 of Designs Act in that it is new, not prior published, scandalous or obscene. It only creates a rebuttable presumption that it fulfils adoption of all procedural safeguards which are required to be taken. [*Micolube India Limited* v. *Rakesh Kumar & Ors* – Delhi High Court Order dated 15-5-2013]

## Trademarks – Markets being different not acceptable when marks are confusingly similar

The Intellectual Property Appellate Board (IPAB) has removed trademark 'Medal' from the register on a rectification application filed by the owner of trademark 'Gold Medal'. The IPAB noted that the question as to what made the respondent to apply for 'Medal' as a trade mark within three weeks of the applicant's application in 1986 for mark 'Gold Medal', was unanswered and hence gave rise to serious suspicion. The Board observed that once the registrar makes a determination that 'Gold Medal' is a badge of origin of a particular manufacturer, he should not undermine his own ruling by assisting other in the trade to extinguish that 'Capability to distinguish'.

Respondent's contention that the competing goods are poles apart and relate to different markets was rejected by the IPAB observing that in the vile atmosphere of the market place with cut throat competition such fine distinction is not relevant. It also held that the competing marks are essentially the same as the use of 'GOLD' in 'GOLD MEDAL' is only a qualifying epithet and that the rival marks are confusingly similar. The Board was of the view that the adoption of 'Medal' as a trade mark was intentional and not accidental to dupe potential customers in the future. The general principle of "Thou shall not covet thy neighbour's house" was applied by the Board to hold that adoption by suitable window dressing is basically unacceptable. [*Bright Electricals* v. *Ramesh Shah* – IPAB Order No. 111/2013, dated 31-5-2013]

## Discovery of naturally occurring DNA not patentable

The United States Supreme Court has held that naturally occurring DNA, isolated from the rest of the human genome is not patentable but synthetically created DNA or cDNA (complimentary DNA) can be patented. The patentee discovered the precise location and sequence of BRCA1 and BRCA2 genes, and developed medical tests to detect mutation in these. These tests aid in assessing risk of breast and ovarian cancer. The patentee sought exclusive rights to isolate the gene and create cDNA which would have exons-only nucleotides containing the information necessary to create strings of amino acids used to build proteins in the body.

The Federal Circuit Court had held both DNA and cDNA to be patent eligible. Examining patent eligibility under 35 U. S. C. §101, the Supreme Court held that the DNA claim fell within the implicit exception 'laws of nature'. It observed that despite extensive research efforts – 'iterative process' of discovery, merely locating the gene did not give rise to new composition of matter. Also, severing of chemical bonds in the process of isolation of the DNA from the genome did not make it a non-naturally occurring molecule. Separating a gene from surrounding genetic material by itself was not an act of invention. The patent claims related to information contained in the genetic sequence, not the specific chemical composition of a particular molecule.

As regards cDNA, the Court held that since the non-coding regions of the DNA were removed, a new molecule containing only exons which was not a naturally occurring molecule was created. Thus cDNA was distinct from DNA. The appellant had argued that the cDNA was not patent eligible since it still contained the nucleotide of DNA as dictated by nature. An important observation by the Court is that there were no method claims or claims regarding new applications of the knowledge gained by the respondent. [*Association for Molecular Pathology* v. *Myriad Genetics Inc.*, US Supreme Court Order dated 13th June, 2013]

## News Nuggets

### LDCs get more time to implement IP laws

Least developed countries have succeeded in getting more time to implement TRIPS based Intellectual Property laws. At a formal meeting of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Council on 11th of June, WTO members decided to extend the deadline of the transitional period till July, 2021. As per the decision, LDCs shall not be required to apply the TRIPS provisions, other than Articles 3, 4 and 5, until 1 July 2021, or until such date on which they cease to be an LDC-member, whichever is earlier. LDCs had originally called for the new extension to last until each "graduates" from this category. It may be noted that such countries are presently also not required to implement or apply Sections 5 and 7 of Part II of the TRIPS Agreement or to enforce rights provided for under these Sections, in respect of pharmaceutical products, till 1st of January, 2016 and the extension granted this month will not have any effect on this.

Further, no-roll back clause in the similar decision taken in 2005 on extension of deadline has also been omitted. In 2005, a clause in the extension said that such countries will ensure that any changes in their laws, regulations and practice made during the additional transitional period do not result in a lesser degree of consistency with the provisions of the TRIPS Agreement. But, the extension this time only says that LDCs express their determination to preserve and continue the progress towards implementation of the TRIPS Agreement. This provision is being considered as a major victory for the LDCs.

## Madrid Protocol – Indian accession comes into effect from 8th July

India, on 8th April 8, 2013, acceded to the protocol relating to the Madrid Agreement concerning International Registration of Trade Marks, known as Madrid Protocol, by depositing its instrument of accession with the World Intellectual Property Organization (WIPO). The Madrid Protocol comes into force, with respect to India, on 8th July, 2013 as per Information Notice No. 15/2013 dated 29th May, 2013 issued by WIPO.

Universally, trade marks have evolved as an important tool of global brand identification through which one can distinguish his goods and services from others' goods and services across borders. Globalization along with highly advanced means of telecommunication has ensured rapid spread of awareness of goods and services from across the globe. Brands are, now, even built overnight, not only by well established multi-national companies but also by growing small and medium indigenous enterprises.

However, the protection of these brands and trade marks is territorial in nature. To augment global trade mark protection, India, one of the fastest growing economies of the world, acceded to the Madrid Protocol whereby the protection for a particular trade mark is extended across jurisdictions of the member countries. This step towards implementation of Madrid Protocol is deemed to provide a cost-effective platform to the applicants for securing registration of their trade marks. The Protocol enables international registration of a trade mark in multiple jurisdictions by making a single application at the head office of the national Trade Mark Registry.

To give effect to the Madrid Protocol in India, the Indian legislature has introduced The Trade Marks (Amendment) Act, 2010 as well as The Trade Marks (Amendment) Rules, 2013, which, together, elucidate a comprehensive procedure for applications originating both from India (as the Office of Origin) as well as oversees (where India is the designated country). The procedure elucidated under the Madrid Protocol not only provides a wider protection of the trademark but is also considered a speedy and cost effective procedure.