



The tides turn

Will punitive damages being awarded in India deter intellectual property infringement?

Rebecca Abraham reports

In October 2008, Delhi High Court put its stamp on an interesting settlement reached in a case of trademark infringement brought before it by Cadbury, which has been in India since 1948.

An individual who stood accused of infringing the company's marks agreed to make good by contributing his "personal physical service" to a charitable institution in Delhi for five hours each week for six months. This was to be on top of punitive damages of ₹500,000 (US\$7,500).

"The defendant said he couldn't afford more and so we went to the court and said he should do public service," recalls Chander Lall, founding partner of Singh & Singh Lall & Sethi, who acted for Cadbury.

Effective deterrent?

This case is unusual with respect to both the kind of penalty agreed to and the fact that damages were recovered. For while punitive damages for the infringement of

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Shwetasree Majumder
Founding Partner
Fidus Law Chambers



intellectual property (IP) rights have been awarded in India for over a decade, rights owners rarely succeed in getting the money from the violators (see *Are paper awards enough?* page 33).

"If they did pay up it would be a deterrent, as of now it is no different to what it was earlier," remarks Shwetasree Majumder, founding partner at Fidus Law Chambers.

But cases that are currently being decided by the courts – a few pertaining to disputes over patents – suggest that India's IP environment is set to change.

"The movement that started in 2010 to 2012 is now beginning to show up," says Pravin Anand, managing partner of Anand and Anand. "Now we find lots of matters in pipelines, matters are being argued and judgments are likely to come ... my estimate there should be at least 15 to 20 cases in patents, trademarks, copyrights that will finally be decided after trial in the next year or two."

A ruling in January by Delhi High Court in *Cartier*

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CA Brijesh
Partner
Remfry & Sagar



International AG & Ors v Gaurav Bhatia & Ors, in which punitive damages of ₹10 million were awarded, showed that the courts can award substantial damages, even against ex parte defendants.

In an earlier case (in 2013), Twentieth Century Fox Film collected ₹12.5 million from the makers of a Hindi film, *Knock Out*, as part of a settlement reached in a copyright infringement case it had filed before Bombay High Court. Mumbai-based Neolegal Associates, headed by Xerxes Ranina, acted for Twentieth Century Fox Film.

"A pertinent difference between the two cases is that in the Bombay High Court case the defendant was present," points out CA Brijesh, a partner in the litigation team at Remfry & Sagar.

Awards and settlements such as these could help persuade IP owners that it worthwhile to go after infringers.

Rights holders could also be emboldened by the enactment of the Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Act, 2015. With commercial cases getting more access to court time and courts increasingly pushing for expedited trials, lawyers talk of an almost tectonic shift in attitudes between parties.

"There is going to be a shift in the manner in which people negotiate settlements realizing that there is going to be an injunction, full trial and damages," says Lall at Singh & Singh and Lall & Sethi. "The legal system is changing and maturing to the extent where there will be actual litigation, actual costs, and actual damages."

"If parties request that the trial be conducted before a local commissioner rather than the joint registrar, the court allows that very quickly," says Brijesh, who adds that rights owners are increasingly reassured.

Opaque logic

Yet with no actual calculations of the damages suffered there is little transparency with respect to how the awards are arrived at.

"In all the cases the courts are just quoting the Times Incorporated case and the arithmetic doesn't come through ... lawyers like us should have been a little more

The arithmetic [of damages awarded] doesn't come through ... lawyers like us should have been a little more circumspect in how we get these damages

Vaibhav Vutts
Managing Partner
Vutts & Associates



circumspect in how we get these damages,” says Vaibhav Vutts, managing partner of Vutts & Associates. “Punitive damages usually flow from compensatory damages but if you don’t know what the actual damage is how do you know what the compensatory damages are and how then do they decide what the punitive damages are?”

But in at least one case, financial accounts are being examined.

In a patent dispute between pharmaceutical giant Hoffmann-La Roche and Cipla, which is currently before the Supreme Court, a division bench of Delhi High Court held in November 2015 that Cipla “would be liable to

render accounts concerning manufacture and sale” of the drug that was produced using the patent in question, and that a joint registrar would “record evidence pertaining to the profits made by Cipla concerning the offending product”. Cross-examination on accounts rendered by Cipla’s auditor took place in April.

The case has taken several twists and turns and involved marathon hearings. “It’s interesting because it’s highly focused and I have had to get into accounting principles ... it gets into granular details for every little issue,” remarks Anand at Anand and Anand, who has been representing Roche.

Are paper awards enough?

Recovering damages has long been a challenge

Punitive damages were first awarded in an intellectual property case in India in January 2005, by Delhi High Court in the case of *Time Incorporated v Lokesh Srivastava & Anr.* In that case, Time Incorporated, the publisher of *Time* and *Time Asia*, was awarded ₹500,000 (US\$7,500) for damages to its reputation and goodwill and another ₹500,000 as punitive and exemplary damages “for flagrant infringement” of its trademark and copyrights. Making the order, Justice Chopra said the time had come for courts to award punitive damages to “discourage and dishearten lawbreakers who indulge in violations with impunity”.

Vanishing act

Since this landmark ruling, Delhi High Court – which some would argue is the only court to have taken Justice Chopra’s words to heart – has awarded damages in around 220 IP cases. But the jury is out on what effect this has had on infringement activity as a large proportion of these awards were against ex parte defendants, as in the Time Incorporated case.

“Even if you are awarded a crore [₹10 million] it means nothing if you are not recovering that money,” says Shwetashree Majumder, founding partner at Fidus Law Chambers.

“How is the plaintiff going to execute an order for damages without even knowing who the party is?,” asks Vaibhav Vutts, managing partner at Vutts & Associates, a New Delhi-based firm, who has acted in several matters where defendants have been impossible to locate.

Worth the effort?

Recovering damages in India it is a two-step process. After an award is made the winning party has to go back to court to execute the award and executing an order can be a daunting proposition.

As Pravin Anand, managing partner of Anand and Anand, explains: “If the defendant’s assets are situated in a small town, it is not going to be an easy task for me to get an order in Delhi, get the decree transferred to the

small town and then get the execution done in that small town. It will involve a local legal team and take a couple of years at least, and it will add to the cost of execution. So if the damages are only ₹500,000 we may tell the client this may not be worth your while ... but in the end the company has to make the call.”

In January Delhi High Court, ruling in *Cartier International AG & Ors v Gaurav Bhatia & Ors*, awarded ₹10 million in punitive damages. This is being seen as one of the highest punitive damages awards reached by an Indian court. The defendants were known to the cyber crime cell of the police in the city where they operate, but did not appear in court.

Anand, who acted for Cartier, says this will not deter the company from going further.

“Some companies are very particular that we will go the whole way,” remarks Anand. Their feeling is: “We will spend any amount of money but we want to make an example of this.”

Making an example

Given the difficulties in recovering damages, rights owners who manage to face a defendant in court often seek to thrash out a settlement agreement.

As CA Brijesh, a partner at Remfry & Sagar, sees it: “The actual deterrent is when defendants have to participate in the proceedings and have to shell out money from their pockets.”

Such shelling out typically occurs in cases where the rights owner insists on receiving some damages before entering into any settlement. This settlement is then presented to the court for its approval.

Other plaintiffs may walk away with only damages on paper. This will be the only option when a rights owner is faced with tracking down an infringer who is essentially a fly-by-night operator. And there is no shortage of them in India.

“What I am hoping for is that in times to come in addition to punitive damages defendants should be asked to pay legal costs,” says Brijesh. He says this would be useful as senior counsel costs are very high, especially in Delhi.

While this will be seen as a welcome development in the jurisprudence of punitive damages, the question is whether other high courts will emulate Delhi High Court, which continues to be the most-IP savvy court in India.

Shoe on the other foot?

A further area where change may be afoot is with respect to the due diligence undertaken by rights owners before initiating infringement action. This is particularly relevant with respect to disputes over patents and where many patents are involved.

According to Mamta Rani Jha, a partner at Intl Advocare in New Delhi, plaintiffs are often “very adventurous” in India and due diligence standards can be lax. “Deep down they know that there may not be a huge liability or exposure to them as far as damages are concerned,” says Jha.

A ruling by Justice Kameswar Rao of Delhi High Court on 22 April, in an ongoing dispute over standard essential patents between Ericsson and Xiami, may prompt a change in such attitudes.

Holding that a party seeking an ex parte order has a “heightened duty” to disclose all the material which is relevant for the purpose of the ex parte injunction it seeks, the court vacated an injunction with respect to two patents that was granted to Ericsson in December 2014, on the grounds of material concealment.

“Cases such as this can really expose a plaintiff to

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Mamta Rani Jha
Partner
Intl Advocare



huge damages to be awarded to the defendant,” says Jha, who adds that awarding damages is something of a balancing act. “It is very important that the law should be developed so that both the plaintiff and the defendant know their limits.” ■

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