



Focus On



INTERNATIONAL/CROSS-BORDER LAW

India cracks down on IP violations

High court begins awarding punitive damages to plaintiffs

BY JULIUS MELNITZER
For Law Times

India, a common law country whose modern legal system has strong roots in the British tradition, shares the concept of punitive damages with many of its commonwealth brethren.

"Punitive damages are known to all common law systems but they are rather more confined in most jurisdictions compared to what we're seeing coming out of the United States," says David Wingfield, an international litigation partner at WeirFoulds LLP in Toronto.

Confined is one thing; unrecognizable is another. Consider, for example, that punitive damages are becoming more common in India, where they are known as exemplary damages.

But historically, Indian courts have been conservative in awarding damages of any kind. Many judges are sensitive to the financial impact of punitive damages while recognizing their utility.

"These judges have been extremely creative and innovative in designing new remedies to suit the complex social and economic environment of the country," says Pravin Anand, managing partner of Anand and Anand in New Delhi. "For the most part, these remedies, which are in the nature of community service, are a softer approach."

In India, damages in several intellectual property cases include:

- Ordering a chewing tobacco manufacturer found liable for intellectual property violations to install 150 spittoons in Hyderabad hospitals.
- Compelling infringing defendants to work with Microsoft Corp., the plaintiff, in anti-counterfeiting campaigns, including participating in seminars advocating for the legal use of software.
- In a case involving the Ralph Lauren company, making defendants undergo 30 days of community service in an old-age home and an orphanage.

Whether the softer approach will do the job punitive damages are supposed to do remains to be seen. But in the area of intellectual property enforcement, where India, like many developing nations, is somewhat lacking, the mere fact that punitive damages now pass judges' lips has been welcome news for Canadian and other foreign companies doing business in India.

"I have historically tried to have my clients avoid the Indian courts whenever possible because the results have been too unpredictable, and litigation can be tied up procedurally to the point where the commercial disputes at issue are no longer

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relevant," says Shaalu Mehra, chairman of Perkins Coie LLP's India practice. "But the pattern of punitive damages that has emerged in IP cases may be indicative of a trend that sees Indian courts adopting western-style jurisprudential approaches as the country is forced to adopt the industrial world's business practices."

It's been a long time coming.

"From Indian independence in 1947 to 2005, a period of nearly 58 years, there were no reported cases on damages in IP litigation in India," Anand says. "Since then, the Delhi court alone has granted punitive and exemplary damages in more than 50 cases."

According to Anand, three factors are motivating the courts.

"Firstly, piracy is increasing and unless there is deterrence, it cannot be substantially curbed," he says. "Secondly, the costs of litigation are also increasing, and if the plaintiff has had to come to court, he must be compensated. And thirdly, there is a lot of pressure on the criminal justice delivery system, which could be relieved by making the civil remedy for IP violations more attractive to plaintiffs."

Although damages in India are traditionally compensatory in nature, the concept of punitive or exemplary damages has always existed in the country's common law. But because the proportionality of punishment has been an important principle in the system, it was only in 1993 that the Supreme Court of India came around to actually making such an award in the celebrated case of *Common Cause v. Union of India*.

In that case, the court found that a government minister had acted

oppressively in making petrol pump allotments in favour of certain people for extraneous reasons and awarded about \$100,000 in punitive damages.

The decision came somewhat short of stimulating a plethora of punitive damages awards but it did establish firmly that relief in this form was available. As is the case in the United States, *Common Cause* established that punitive damages were appropriate for deplorable conduct like fraud and malicious, reckless, abusive, and oppressive behaviour.

Still, injunctive relief remained the primary remedy in IP cases. That changed in 2005 with the Delhi High Court's ruling in *Time Inc. v. Lokesh Srivastava*. The U.S.-based magazine sued a Hindi-language Indian magazine for copying its distinctive red cover design. *Time* also complained that the magazine's title, *Sanskaran*, was a transliteration of the English word "time."

Declaring that the time had come for granting punitive and exemplary damages in IP matters, the court awarded roughly \$10,000 in compensatory damages and \$12,500 in punitive damages to *Time*.

"This was the Indian courts' first recognition of the importance of protecting the IP rights of western countries in particular," says Wingfield. "And while the actual amounts of the award may seem modest in the U.S. context, they represent a significant deterrent in the context of the domestic Indian economy."

Indeed, Indian judges have commented favourably that punitive damages on the scale being awarded were adequate deterrents because they could "spell financial disaster" for affected defendants.

Since *Time*, a host of multinational

concerns, including Microsoft, Adobe, Yahoo, Cartier, Autodesk, Hilton, adidas-Salomon, and the Scotch Whisky Association, have been the beneficiaries of punitive or exemplary awards in copyright, trademark, and patent cases.

Still, until recently the trend has remained fairly subdued on international legal radar screens. The publicity surrounding the recent case of *Adobe Systems Inc. v. Bhoominathan*, however, has moved it to higher ground.

This may be because two software giants, Microsoft and Adobe, were involved as plaintiffs in the copyright infringement suit. The case also dealt with the widespread international problem of the alleged illicit pirating of two of the world's ubiquitous software brands.

After receiving word that someone in India was copying their software and reselling it, Microsoft and Adobe applied to the Delhi High Court for an inspection order. The subsequent raid found 18 hard drives containing infringing versions of Microsoft software, although it did not turn up any pirated copies of Adobe products.

Evidence at trial established that the defendant's activities would have deprived Microsoft of potential revenue amounting to about \$70,000. The court ordered payment of roughly \$10,000 to compensate the plaintiff for lost profits and an equal amount for punitive damages.

As it turns out, Microsoft has been in the vanguard of U.S. companies seeking to enforce IP rights in India. In 2006, the company claimed punitive damages of \$10,500 in the case of *Microsoft Corp. v. Deepak Raval*, a matter that also involved copyright infringement. In agreeing to the award, Justice Arjun Sikri of the Delhi High Court showed an acute awareness of the danger presented by widespread IP violations.

"In the present case, the claim of punitive damages is [for \$10,500] only, which can be safely awarded," he wrote. "Had it been higher even, this court would not have hesitated in awarding the same. This court is of the view that punitive damages should be really punitive and not flea bite, and quantum thereof should depend upon the flagrancy of the infringement."

The difficulty is that not all Indian judges feel that way given the examples of punitive damages noted above.

"The important caveat is that it is primarily the Delhi High Court, rather than courts throughout the country, who are granting punitive damages," Anand says. "We need to spread the culture to other courts, too."

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