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# **CHANAKYA NATIONAL LAW UNIVERSITY**

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The pandemic 2020 has been a period of unrest in all walks of life, especially in academics too. Thanks to Information Technology that supplemented the classroom teaching and sitting in the Physical library to online teaching and access to Online learning material ,books ,journals, magazine, newsletters etc. The significance of onlinepublication has been understood and the universities have been converting their hard copy intosoft copy for the worldwide access and benefits. This e- journal (E-JAIRIPA) is an effort by CIRF to contribute to the academic world in the domain of Intellectual Property Research. Intellectual Property is a creation of human mind. The Patents Law deals with the invention and innovation. It is a tool for Industrial Development furthering industrialization, employment, and economic development. Patents Law has become the backbone of the Economy of any country. The Pharmaceutical Patents helps in health care along with continuous research for human development. Patents is granted to the inventors and protects the invention from infringement by any person. It is a guaranteed safeguard to the invention and economic gain. The patentee avails this right for twenty years (As per TRIPS), thereafter it enters public domain, which is open to use by anyone without payment of royalty or permission. The trademarks are an essential Intellectual property for safe business and safety to consumers. The information technology, semi-conductor integrated circuits lay out design (chips) are essential tools used in our daily life. The Community intellectual property (GI, Biodiversity, Biotechnology, Plant Variety, and farmer's rights) are the part and parcel of intellectual Assets. This online journal will encourage the researchers, academicians, students to do fundamental research and this journal will disseminate the ideas and understanding world-wide.

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The journal E-JAIRIPA has been published and released keeping its importance in academics. This will surely encourage the students, authors, teachers in the field IPR to write on certain issues and try to find solution. Since the papers has to be peer reviewed, it will be a guideline as to how to write scholarly papers. Most importantly, when the journal is online (E-Journal), it has easy access to all the people on this globe. Hence merits and demerits of articles cannot be concealed. In the paperless world, the e-journal is a need.

I appreciate the efforts of the CIRF team in bringing first issue of E-JAIRIPA to the public for learning and examining the quality of the writings. The reader's corner will be a feedback for the improvement in its quality. Since this is a first issue, the team will learn its strength and weakness which shall be certainly reflected in improvement with successive volumes and issues. Wishing the CIRF Team all the Best for all success of the Journal.

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## PREFACE



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E-JAIRIPA (E-Journal of Academic Innovation and Research in Intellectual Property Assets) is a Peer Reviewed E-Journal of the Centre for Innovation Research and Facilitation in Intellectual Property for Humanity and Development (CIRF –in-IPHD) of Chanakya National Law University. The JAIRIPA is a half yearly journal of Academic Innovation and Research on the issues related to copyright, Patents, Trade Marks, Geographical Indications, Plant Varieties and Farmer's Rights, Bio Diversity, Layout design and integrated circuits, Industrial Design, Traditional Knowledge, on current Academic issues. It is a half-yearly e-Journal, Vol.-2, Issue-1, 2021 (January-June 2021). Although this journal was scheduled to be released as January to June issue, but various constraints came underway. Hence the second issue (January-June 2021) of the journal is being released today on the 21<sup>st</sup> December 2021. This E-Journal shall have open access to all the concern world-wide for Common Good. The ISSN will be obtained later as per Rule.

Research is the backbone of academics. The journals are the conveyances on which the research papers are carried on from the authors to the readers, the reaction of reader's to authors' vice-versa. The journals expedite the process of thesis –antithesis and synthesis. The research scholars' survey the problems in the area of their disciplines and think over the gap. Hence the contribution made by the author-researcher helps to the teaching community, research scholars and policymakers. It helps the book authors, either it be student edition or reference. It is the journal that keeps the teachers updated and well informed. The class teaching is monotonous without current and relevant issues as it correlates the academics with real world. The Journals are supplementary and complementary to academics, a bridge between society and academicians for the benefit of students and researchers. This cycle goes on with observation, scrutiny, comments, analysis, updating the existing knowledge and filling the gap. The regular readers of the journals are well informed, advanced and confident. They learn the style of writing and way of expression. The journal carries variety of opinion, ideas, information that help in the correction of concept and revealing the truth. This is the reason that research writing and publication is essential component for the Academic positions. The paper writing is a proof that the person has academic bent of mind. It is a proof that one is growing. This E-Journal has been launched and released for the benefit of all the stakeholders without making any



discrimination on the basis of caste, creed, race, color, class, gender and political boundary, etc. This journal has open access to all concern. This issue of JAIRIPA carries twenty research papers contributed by researchers from different parts of India. All the papers have been peer reviewed, and similarities checked. The editors and reviewers have tried their best to allow the best possible papers before the readers. The comments, criticism, and advice of the readers are most welcome for further improvement. Hence this half-yearly E-Journal (JAIRIPA) is hereby submitted with all humility before the readers on the 21<sup>st</sup> December 2021.

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**THE DEVIL IN DILUTION: THE DISSONANT JURISPRUDENCE WITHIN  
NIKE V. MSCHF**

*Varun Nair\**

**ABSTRACT**

*Multinational sportswear giant Nike earned a restraining order in its favor in a lawsuit against a Brooklyn based design studio, MSCHF, on the 2<sup>nd</sup> of April, 2021. The suit was settled a week later, with MSCHF accepting the conditions proposed by Nike. Essentially, Nike had claimed trademark infringement as well as trademark dilution stating that the design house had not approached them for any prior permission or authorization concerning the release of their 'Satan Shoes'. Although this appears a simple case of trademark violation, the controversy surrounding the same has the scope for dissection and exploration. This article will focus on the basis of the lawsuit and the background surrounding it, while also attempting to provide a comparative analysis with respect to various other cases in the same legal realm. The paper also features suggestions based on original research as to the future of trademark violations in tandem with entertainment, celebrity rights, and intellectual property.*

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## I. INTRODUCTION

On the morning of March 29<sup>th</sup>, 2021, six hundred and sixty-five pairs of modified Nike Air Max 97 shoes, priced at \$1018 each, were sold out within a minute from the website of a small Brooklyn-based art-collective named MSCHF.<sup>1</sup> The shoes featured a black and red pattern with the iconic Nike swoosh, pentagram sigils and inverted crosses on the laces, as well as the words “Luke 10:18” on the side, referring to the biblical verse “I saw Satan fall like lightning from heaven.” More unsettlingly, each of the soles contained 60 cc of red ink, along with one drop of real human blood.

The company had originally released the 666-run series of altered shoes, nicknamed “Satan Shoes”, in collaboration with American rapper Lil Nas X, who had intended them to be promotional material for the music video of his new record “Montero (Call Me By Your Name)”. The video itself contain numerous biblical references, including scenes heavily featuring the character of Satan.<sup>2</sup> However controversial the music video was, the shoes took most of the spotlight due to the outrage at its sacrilegious nature. Unsurprisingly, MSCHF was served with a temporary restraining order shortly after from Nike, in a legal saga that explored the annals of trademark law, and finally ended in an out-of-court settlement. This article will discuss the issues surrounding the case, the arguments from the parties, as well as the rationale of the court. Furthermore, it will also attempt to critically analyze the legal quandary relating to trademark infringement, confusion, and dilution by comparing decisions of the court in previous instances of similar breach of intellectual property rights. Lastly, the author will attempt to provide suggestions on how likewise cases may be approached in the future.

## II. BACKGROUND AND ISSUES

The design studio, MSCHF, has been involved in such satirical antics for quite some time. It has described itself as “a conceptual art collective known for interventions that engage fashion,

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<sup>1</sup> Oscar Holland & Jacqui Palumbo, *Lil Nas X's unofficial 'Satan' Nikes containing human blood sell out in under a minute*, CNN STYLE (MAR. 29, 2021), <https://edition.cnn.com/style/article/lil-nas-x-msCHF-satan-nike-shoes/index.html>.

<sup>2</sup> Heather White, *Lil Nas X's 'Satan Shoes' trolled some Christians. But 'Montero' is about more than that*, NBC NEWS (MAR. 31, 2021, 2:17 AM), <https://www.nbcnews.com/think/opinion/lil-nas-x-s-satan-shoes-trolled-some-christians-montero-ncna1262495>.

art, technology, and capitalism in various, often unexpected, mediums.”<sup>3</sup> Known as ‘Banksy of the Internet’,<sup>4</sup> the company garnered major attention in 2018 with the release of their first work titled, ‘The Persistence of Chaos’. The exhibit featured a 2008 Windows laptop loaded with six of the most harmful computer viruses in the world – malware which had cost the global economy at least \$95 billion dollars in damages. The laptop was eventually auctioned off as a work of art for \$1.5 million dollars.<sup>5</sup>

Over the past two year, the studio has also been involved in the release of some ridiculous products such as ‘Puff the Squeaky Chicken’ (a rubber chicken that turned into a device for the ingestion of marijuana) and the ‘Cuss Collar’ (a dog collar that turned barks into swear words).<sup>6</sup> In late 2019, the company had released a series of modified Nike Air Max 97s, nicknamed “Jesus Shoes”, featuring a clean blue and white theme with a golden crucifix on the laces, and holy water sourced from the river Jordan in the soles. MSCHF explained that the shoes were the ‘holiest collab ever’ - their response to the absurdity of collaborations between commercial giants from various industries.<sup>7</sup>

Therefore, it may come as a surprise to purchasers of the MSCHF brand that Nike had taken offense at the sale of the ‘Satan Shoes’, especially when its earlier cousin was virtually unscathed. However, Nike put out a statement soon after the release, clarifying its stance and distancing itself from the project, and immediately filing for a lawsuit on the grounds of trademark infringement and trademark dilution.<sup>8</sup> It cited the prominent display of the Nike swoosh alongside satanic imagery, which may confuse and dilute the company’s goodwill among members of the public, as well as disapproval over the use of blood due to health hazards, as reasons for filing the injunction.

According to Nike, the shoes were unauthorized and likely to cause confusion among consumers as to the association between Nike and MSCHF. Furthermore, the unapproved

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<sup>3</sup> *Statement April 1 Final – MSCHF*, MSCHF (APR. 1, 2021) (available at <https://msCHF.xyz/statement.pdf>).

<sup>4</sup> Sanam Yar, *The Story of MSCHF, a Very Modern ... Business?* THE NEW YORK TIMES (JAN. 30, 2020), <https://www.nytimes.com/2020/01/30/style/MSCHF-sneakers-culture.html>.

<sup>5</sup> Christine Fisher, *Auction for a laptop full of malware closes at \$1.3 million (updated)*, ENGADGET (MAY 27, 2019), <https://www.engadget.com/2019-05-27-persistence-of-chaos-malware-laptop-auction.html>.

<sup>6</sup> Luke Dormehl, *We’ve hit peak millennial internet culture. Want proof? Meet MSCHF*, DIGITAL TRENDS (MAR. 17, 2020), <https://www.digitaltrends.com/cool-tech/inside-the-world-of-msCHF>.

<sup>7</sup> Caitlin O’Kane, *“Jesus shoes” with holy water in the soles are selling for \$4,000*, CBS NEWS (OCT. 11, 2019, 7:26 PM), <https://www.cbsnews.com/news/nike-air-max-97-jesus-shoes-filled-with-holy-water-selling-for-4000-2019-10-11>; see also Letter from MSCHF Counsel (Mar. 31, 2021) (available at [https://www.documentcloud.org/documents/20536836-nike\\_v\\_msCHF\\_defendant\\_letter](https://www.documentcloud.org/documents/20536836-nike_v_msCHF_defendant_letter)).

<sup>8</sup> Bryan Pietsch, *Nike Sues Over Unauthorized ‘Satan Shoes’*, THE NEW YORK TIMES (MAR. 28, 2021), <https://www.nytimes.com/2021/03/28/style/nike-satan-shoes-lil-Nas-x.html>.

incorporation of the iconic white ‘swoosh’ logo amounted to trademark infringement. Nike’s attorneys also argued that the brand has suffered massive and irreparable harm to its goodwill, in the short time the shoes were in circulation.<sup>9</sup> To illustrate this point, Nike included screenshots of tweets from confused consumers, who seemed to be disillusioned as to the nature of the association, if any. Lastly, Nike also raised a point on the health and safety risks to the purchasers, arising from the drop of human blood included in the midsoles.<sup>10</sup>

In response to the complaint, MSCHF asserted that the suit should be dismissed as all but one pair of the entire limited-edition series had already been sold and shipped, with the 666<sup>th</sup> pair remaining in the rapper’s possession. The company stated that the inclusion of the Nike swoosh was integral to the nature and commentary of the art it undertook.<sup>11</sup> It underlined the absurdist products and ideas related to it, as persuasive evidence for the very spirit of its artwork, i.e., a satirical critique of systems. Furthermore, it also pointed out that the studio was a regular creator of unconventional artwork using consumer products, and thereby sought artistic exemption from infringement. On a related note, it also mentioned that the shoes were not produced for commercial purpose, but rather as a limited run targeted towards ‘sophisticated purchasers’.<sup>12</sup> It must also be noted that the incredibly short time taken to sell out the entire series suggested a dedicated group of consumers who were actively waiting on the website for the drop, thereby eliminating any questions of point-of-sale confusion. Lastly, MSCHF asserted that the “Jesus Shoes” were not contended by Nike during its release, and given that the same level of artistic integrity has gone into the production of the “Satan Shoes”, an exemption on the basis of First Amendment rights must be granted.

Judge Eric Komitee of the United States Eastern District Court of New York, in his decision, granted a temporary restraining order (TRO) against MSCHF, citing that Nike had shown some likelihood of success in at least some of their claims.<sup>13</sup> Furthermore, the court held that plaintiffs had shown sufficient evidence for likelihood of irreparable harm to reputation and goodwill, sans granting of the TRO. However, with that said, the court held that “First Amendment rights of artistic expression are paramount” and was of the opinion that the defendant MSCHF did possess the right to pursue this defense at a preliminary stage, if they

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<sup>9</sup> Complaint at 10, Nike, Inc. v. MSCHF Product Studio, Inc., No. 21 Civ. 1679, (E.D.N.Y. MAR. 29, 2021) (available at <https://www.abc4.com/wp-content/uploads/sites/4/2021/03/NIKE-vs-MSCHF.pdf>).

<sup>10</sup> *Id.* at 8.

<sup>11</sup> See Defendant Letter, *supra* note 7, at 3.

<sup>12</sup> *Id.* at 2.

<sup>13</sup> Nike v. MSCHF, No. 21 Civ. 1679, (E.D.N.Y. MAR. 29, 2021) (order granting preliminary injunction).



so choose.<sup>14</sup> The First Amendment of the United States bars the government from formulating legislations which may, in any way, regulate religion, free speech, freedom of the press, right to assembly, etc.<sup>15</sup> Although left open as an option for MSCHF, the studio decidedly chose not to pursue with the same.

### III. ARGUMENTS ANALYZED

In essence, the *Nike v. MSCHF* case remains a matter of breach of trademarks. Trademark legislations are designed to protect the consumer public from confusion and fraudulent seller behavior. According to United States legislation, trademark is generally dealt with via the Lanham Act, in which it is defined as a mark used in commerce, or registered with a bonafide intent to use it in commerce.<sup>16</sup> Further, the Act provides for federal protection for distinctive marks and trademark registration under the same serves as a nationwide recognition of ownership.<sup>17</sup> The following serves as the primary requirements for a product to qualify for trademark protection:

- “distinctive” quality of the source of the goods or services to which it is affiliated,
- must not be disqualified by any statutory bars to protection, and
- Trademark must be used in commerce.

For a suit of trademark infringement to prevail in court, the plaintiff must prove that:

- they own the particular trademark,
- the defendant used the trademark in commerce without consent, and
- That there was a likelihood of confusion created by the defendant’s actions, as a result of which the plaintiff has suffered harm or damage to reputation.

#### A. INFRINGEMENT

In the present case, Nike not only argues the likelihood, but goes onto assert that “significant” confusion has already taken place due to MSCHF’s actions. This was supported by providing screenshots of social media posts from consumers, who were furious at the “Satan Shoes”. Furthermore, Nike has also cited the billions of dollars invested into maintaining the goodwill and reputation of the brand and a need to “set the record straight” as reasons for filing the suit.<sup>18</sup> However, the case is exceptional, in the sense that it is no ordinary type of trademark

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<sup>14</sup> *Id.* at 3.

<sup>15</sup> See U.S. CONST. amend. I.

<sup>16</sup> See THE TRADEMARK ACT OF 1946, 15 U.S.C § 1051 (2013).

<sup>17</sup> See THE TRADEMARK ACT OF 1946, 15 U.S.C. § 1116 (2013).

<sup>18</sup> Complaint, *supra* note 9, at 2.

infringement. Firstly, MSCHF had bought all the pairs legally and from authorized Nike stores. Secondly, the modification and alterations had been made after the purchase, thereby activating the first sale doctrine as defence.<sup>19</sup>

The first sale doctrine states, “When a retailer merely resells a genuine, unaltered good under the trademark of the producer, the use of the producer’s trademark by the reseller will not deceive or confuse the public as to the nature, qualities, and origin of the good.”<sup>20</sup> Essentially, the doctrine allows for an individual to resell a trademarked item after it has been sold by the authorized owner. Trademark law is so designed to protect the public from deception. As an authentic resale would not generally cause confusion in the minds of the buyers, the point of the first sale doctrine remains to protect the seller from unwarranted lawsuits. However, it does not apply when the resale has taken place after material alteration of the product, i.e., modification in such a way that it is likely to affect the consumer’s decision to purchase the product.<sup>21</sup>

According to *Maui Jim v. Smartbuy Guru Enters*, “an alteration is material if it changes something about the product that is relevant to the consumer’s decision to purchase the product.”<sup>22</sup> In this particular case, the defendant were accused of reselling Maui Jim sunglasses, albeit with cheaper lens attached. However, Maui Jim’s patent for the lenses mentioned its *material* ability to protect the eyes from UV rays and glare. Furthermore, Skin Cancer Foundation had officially recommended the brand owing to its effective protection of the eyes and surrounding areas.<sup>23</sup> For these reasons, Maui Jim stands at risk of harm to reputation as the resellers had not mentioned the replacement of the lenses, thereby forming a likelihood of confusion. The factor of material alteration of the lenses was found relevant to the purchaser’s decision to buy, and thus the case was ruled in favour of the plaintiff.

In the present case, Nike argued that the shoes were materially altered to prominently feature satanic imagery, as is paramount in rejecting any first sale defence. Furthermore, adding blood (albeit taken voluntarily from employees of MSCHF) to the midsoles could pose a safety risk. The Air Max 97s typically contain an air pocket, for better cushioning in high pressure situations, but the replacement of the same with any liquid for that matter, qualifies as ‘material

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<sup>19</sup> Sarah Reis, *Toward a "Digital Transfer Doctrine"? The First Sale Doctrine in the Digital Era*, 109 Nw. U. L. Rev. 175 (2015) (available at <https://scholarlycommons.law.northwestern.edu/nulr/vol109/iss1/4/>).

<sup>20</sup> *Maui Jim, Inc. v. Smartbuy Guru Enters.*, 459 F. Supp. 3d 1058 (N.D. Ill. 2020).

<sup>21</sup> *Sebastian International, Inc. v. Longs Drug Stores Corp.*, 53 F.3d 1073, 1074 (9th Cir. 1995).

<sup>22</sup> *Maui Jim, Inc. v. Smart buy Guru Enters.*, 459 F. Supp. 3d 1058 (N.D. Ill. 2020).

<sup>23</sup> *Recommended Products*, The Skin Cancer Foundation, <https://www.skincancer.org/recommended-products> (last visited June 5, 2021).

alteration’.<sup>24</sup> In addition, the satanic detailing, affixation of pentagrams, and a new sock liner have all been made examples of material changes, thereby distancing the “Satan Shoes” from the original and authentic version as intended by Nike.

For years, American courts of law have struggled with clearly defining the line of separation between expressive freedom granted by the First Amendment and prevention of infringement as governed by the Lanham Act. This conflict was somewhat brought to rest by the formulation of the Rogers test, according to which the use of a trademark in a creative work would not be actionable unless no artistic relevance to the original work exists, or if it does exist, it is explicitly misleading as to the source of the work.<sup>25</sup> Thus, the aim of enforcing the Lanham test was to ensure that the public interest against confusion is not overshadowed by the public interest for creative expression. The first element of the test – ‘artistic relevance’ – depended on a case-by-case basis, as according to the circumstances of each situation. The bar for proving relevance, however, has been demonstratively low, suggesting that judges have been far more lenient than not, in granting the criterion of relevance.<sup>26</sup> The second element – “explicitly misleading” – deals with the plaintiff proving that the use of the trademark expressly and obviously deceives the public as to the source of the original work. According to the Rogers test, the proof of confusion is required to be compelling enough to outweigh the claim of creative expression. The plaintiff would be required to prove that the packaging, content, or marketing of the counterfeit product clearly invokes a presence of originality and affiliation.<sup>27</sup> In the current case, even though Nike’s claim of consumer confusion due to the prominent white swoosh logo appearing on the ‘Satan Shoes’ is valid, it must be noted that Nike has previously collaborated with various artists and designers to alter their shoes in a manner similar to MSCHF’s additions.<sup>28</sup> Furthermore, some courts have also asserted the requirement of explicit statements from the defendant to prove misleading, and not simply use of the trademark.<sup>29</sup> In this particular situation, MSCHF has not expressly claimed in any way, shape, or form that it is associated with Nike.

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<sup>24</sup> Memorandum from Nike, Inc. in support of its motion for a temporary restraining order & preliminary injunction at 17, Nike, Inc. v. MSCHF Product Studio, Inc., No. 21 Civ. 1679, (E.D.N.Y. MAR. 29, 2021) (available at <https://www.courthousenews.com/wp-content/uploads/2021/04/Nike-motion-for-TRO.pdf>).

<sup>25</sup> Daniel J. Wright, *Explicitly Explicit: The Rogers Test and the Ninth Circuit*, 21 J. Intell. Prop. L. 193, 200-203 (2013) (available at <https://digitalcommons.law.uga.edu/jipl/vol21/iss1/8>).

<sup>26</sup> See THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION 31 (5th ed. 2019); see also Lynn M. Jordan & David M. Kelly, “Another Decade of *Rogers v. Grimaldi*: Continuing to Balance the Lanham Act with the First Amendment Rights of Creators of Artistic Works,” 109 TMR 833, 837 (October 2019).

<sup>27</sup> Jordan, *supra* note 26, at 863.

<sup>28</sup> See Nike News – Collaborations (last accessed on Apr. 7, 2021) (<https://news.nike.com/collaborations>).

<sup>29</sup> Jordan, *supra* note 26, at 868.

## B. CONSUMER CONFUSION

The footwear and apparel giant has also claimed ‘false designation of origin’, i.e., consumer confusion. The prominent display of the white Nike swoosh over the satanic imagery is admittedly likely to cause confusion among the public. According to the claim, the use of swoosh is “likely to cause confusion and dilution and create an erroneous association between MSCHF’s products and Nike.”<sup>30</sup> A widely recognized mechanism for proving the same would be the claim of point-of-sale confusion, usually invoked when a consumer believes a product to be from a certain company when it is not.<sup>31</sup> In this particular case, point-of-sale confusion is unlikely to have taken place due to the limited number of shoes sold, as well as the absurd \$1018 price tag (original pairs were available for retail at \$180). However, Nike has also contended the case on the concept of post-sale confusion.

The theory of post-sale confusion suggests a likelihood of confusion caused to a person other than the buyer due to the sale.<sup>32</sup> The harm envisaged in this case would not be consumers wrongly buying the counterfeit products, but rather consumers being discouraged from buying original products due to misinformation, or association with blasphemous content, as is the case here. Skewing the perspectives of the consumers count as unfair competition,<sup>33</sup> and therefore the “Satan Shoes” could have caused massive harm to the reputation and goodwill to Nike, perhaps leading to a loss in revenue as well. This can be further illustrated in the example of the 2006 World Cup match between the Netherlands and Ivory Coast. The Dutch fans had turned up by the thousands, wearing bright orange pants distributed as part of a promotional campaign by Dutch brewer, Bavaria. However, since Bavaria was not the official beverages partner of FIFA, they objected and successfully argued the case by stating that the campaign was a tactic of “ambush marketing” and that the beer company had infringed upon the FIFA’s trademark rights on the match kits, by giving out similar pants by which were likely to confuse consumers into believing they had sponsored the Dutch team.<sup>34</sup>

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<sup>30</sup> Memorandum, *supra* note 24, at 2.

<sup>31</sup> See Ferrari S.P.A. *Esercizio Fabriche Automobili E Corse v. Roberts*, 944 F.2d 1235 (6th Cir. 1991).

<sup>32</sup> See Peter O’Byrne & Ben Allgrove, *Post-Sale Confusion*, 2 J. INTEL. PROP. L. & PRACT. 315 (2007) (available at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=934728](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=934728)); see also Shaina Hourizadeh, *Post-Sale Confusion*, JIPEL Blog (March 6, 2019) (available at <https://blog.jipel.law.nyu.edu/2019/03/post-sale-confusion>).

<sup>33</sup> Sarah Lux, *Evaluating Trade Mark Dilution from the Perspective of the Consumer*, 34 UNSW Law Journal 1053, 1056 (2011) (available at <https://ssrn.com/abstract=1965852>).

<sup>34</sup> See Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413 (2010) (available at <https://www.jstor.org/stable/40649630?seq=1>).

It must also be noted that this doctrine applies across products sold in different markets as well.<sup>35</sup> This is pertinent to be mentioned in the likelihood that MSCHF had argued a non-commercial use of the shoes, instead of insisting on a strictly artistic system of consumption. The same is inferred from the landmark case of *Borden Ice Cream Co. v. Borden's Condensed Milk Co.*, in which the court held that though the use of the name 'Borden' in the packaging and marketing of both products was likely to cause confusion, the plaintiff did not satisfy the burden of proof to show that the non-competitive use of the name would divert potential customers.<sup>36</sup> After all, consumers looking for ice cream would not buy a packet of milk by mistake. However, it must be noted that in future cases, a strict insistence on the plaintiff to demonstrate the confusion would be beneficial, for the sake of efficient jurisprudence.

### C. DILUTION

The third major claim contended by Nike is that of trademark dilution. This is the concept of trademark law in which an owner can forbid others from using their trademark in such a way that it would 'blur' or 'tarnish' the mark.<sup>37</sup> In 1996, the United States Congress enacted the Federal Trademark Dilution Act (FTDA), according to which it became possible for trademark owners to invoke proceedings against unlawful use of their property, even in the absence of per se infringement.<sup>38</sup> The Act provides a right for owners to sue third party users of their trademark, in order to curb a negative consumer perception of a famous mark. The FTDA protects against two types of dilution:

- 'Blurring' is when the **uniqueness** of a famous mark is compromised because of association with a similar mark or trade name.
- 'Tarnishing' is the **harm to reputation** of the trademark due to association with a similar mark or trade name.

Some examples of the above situations can be seen in the case of *Mattel, Inc. v. Internet Dimensions Inc* (2000), in which the court upheld the plaintiff's claim and denied the use of

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<sup>35</sup> See *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 904–05 (9th Cir. 2002) ("A dilution injunction . . . will generally sweep across broad vistas of the economy.").

<sup>36</sup> See *Borden Ice Cream Co. v. Borden's Condensed Milk Co.*, 201 F. 510 (7th Cir. 1912).

<sup>37</sup> See Stacey L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory or Fait Accompli?* 54 EMORY L.J. 461, 493- 94 (2005) (available at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=636872](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=636872)).

<sup>38</sup> See David E. Missirian, *The Death of Moral Freedom: How the Trademark Dilution Act Has Allowed Federal Courts to Punish Subjectively-Defined Immoral Secondary Use of Trademarks*, 18 CHI. -KENT J. INTELL. PROP. 396 (2019) (available at <https://scholarship.kentlaw.iit.edu/ckjp/vol18/iss3/5>).

the term ‘Barbie’ in a URL by the defendant.<sup>39</sup> Similarly, a pornographic website owned by Internet Entertainment Group was not allowed to use the URL of ‘candyland.com’ due to its similarity to the Candyland series of board games, produced by Hasbro.<sup>40</sup> However, these were arguably easy decisions to grant as the tarnishment in question, involved pornography or obscenity. The courts have been noticeably inconsistent on deciding cases lacking the involvement of any indecent element.

The indecisive nature of the judicial system in interpreting the law in this area can be highlighted by reviewing the recent cases on the subject. In *VIP Prods. LLC v. Jack Daniel’s Properties, Inc.* (2020), the court held that parodic imitation of the Jack Daniel’s bottle design as a squeaky toy for dogs was protected under the First Amendment rights, as an expressive work and thereby not infringing on any trademarks.<sup>41</sup> The case was inspired by the decision in *Louis Vuitton Malletier v. Haute Diggity Dog, LLC* (2006), in which the court dismissed the plaintiff’s claim of trademark dilution due to the defendant’s line of Chewy Vuitton squeaky toys.<sup>42</sup> It was held that the product was simply ‘a joking and amusing parody’ seeking to poke fun at the elegance and luxury of Louis Vuitton products. However, varying decisions has also been made in such cases like *Dr. Seuss Enterprises, LP v. Penguin Books USA, Inc.* (1997).<sup>43</sup> Herein, the defendant had published a book titled ‘The Cat NOT in the Hat!’ by Dr. Juice, containing a parodic version of events as they happened during the infamous O.J. Simpson trial. In this case, Dr. Seuss’s estate was successful in ceasing publication of the book as the court accepted the plaintiff’s claim, on the basis of violation of both copyright and trademarks.<sup>44</sup>

Contrastingly however, in the same year, a Ninth Circuit court dismissed the petition filed by Mattel against the song ‘Barbie Girl’ by Aqua.<sup>45</sup> In this particular case, the plaintiff had claimed that the song violated the copyrights and trademarks related to their Barbie character, and had essentially turned her into a sex symbol. This was asserted by interpretation of the lyrics of the song in which she was referred to as ‘Blonde Bimbo’. Further, Mattel also claimed trademark

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<sup>39</sup> Kiran Nasir Gore, *Trademark Battles in a Barbie-Cyber World: Trademark Protection of Website Domain Names and the Anticybersquatting Consumer Protection Act*, 31 HASTINGS COMM. & ENT. L.J. 193, 214-215 (2009) (available at [https://repository.uchastings.edu/hastings\\_comm\\_ent\\_law\\_journal/vol31/iss2/1](https://repository.uchastings.edu/hastings_comm_ent_law_journal/vol31/iss2/1)).

<sup>40</sup> See *Hasbro, Inc. v. Internet Entertainment Group, Ltd. et al.*, 1996 WL 84853 (W.D. Wash. 1996).

<sup>41</sup> See *VIP Prods. LLC v. Jack Daniel’s Properties, Inc.*, 953 F.3d 1170 (9th Cir. 2020).

<sup>42</sup> See *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC.* - 507 F.3d 252 (4th Cir. 2007).

<sup>43</sup> See *Dr. Seuss Enters., L.P. v. Penguin Books USA, Inc.* - 109 F.3d 1394 (9th Cir. 1997).

<sup>44</sup> See Mary L. Shapiro, *An Analysis of the Fair Use Defense in Dr. Seuss Enterprises v. Penguin*, 28 GOLDEN GATE U. L. REV. (1998) (available at <http://digitalcommons.law.ggu.edu/ggulrev/vol28/iss1/5>).

<sup>45</sup> See *Mattel, Inc. v. MCA Records*, 296 F.3d 894 (9th Cir. 2002).

infringement of the iconic colour theme, ‘Barbie Pink’, which was used in the packaging and promotion of the song. These claims were, however, dismissed in the lower courts, with further appeals upholding the dismissal. Judge Alex Kozinski, in 2002, ruled that the song was protected under the defence of parodic production and nominative use, arising from First Amendment rights.<sup>46</sup>

In *Nike, Inc., v. MSCHF Product Studio, Inc.*, as mentioned earlier, Nike was successful in securing a temporary restraining order against MSCHF. Under the Trademark Dilution Revision Act (2006), owners of unique and distinctive trademarks are entitled to obtain TROs against unauthorized production and recreation in cases where the mark has caused dilution, regardless of any actual confusion.<sup>47</sup> Furthermore, previous legal decisions show that Nike has been successful in proving the prominence and fame of its swoosh,<sup>48</sup> and therefore the only element to be decided becomes whether or not the risk of blurring or tarnishment of the Nike tick is greater than MSCHF’s right to creative expression. This contradictory jumble of either legislations may seem difficult to untangle, at first glance, but recent decisions have shown the possibility of overturning dilution laws, and even perhaps finding them unconstitutional.<sup>49</sup> For instance, the constitutional validity of the disparagement clause in the Lanham Act was called into question in *Matal v. Tam*,<sup>50</sup> wherein the court denied registration of trademark to an Asian-American musical group named “The Slants”. This was done as the name was derogatory and disparaging to those of Asian heritage. The bench, in this case, had unanimously concluded that the judgment would actively prevent the use of offensive terms as trademarks, thereby discouraging the usage of the terms as well. While earlier judgments had avoided engaging with the First Amendment aspect of intellectual property rights, focussing more their commercial conduct instead, the *Tam* case was the first to tackle this hesitation and recognize that modern trademark use transcends commercial boundaries and into social systems. Ironically for the band, however, they had chosen the name in an act of reclamation of the racist

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<sup>46</sup> Tamar Buchakjian, *Mattel, Inc. v. MCA Records, Inc.: Let's Party in Barbie's World - Expanding the First Amendment Right to Musical Parody of Cultural Icons*, 36 LOY. L.A. L. REV. 1321, 1325 (2003) (available at <https://digitalcommons.lmu.edu/llr/vol36/iss3/7>).

<sup>47</sup> Trademark Dilution Revision Act of 2006, PUB. L. NO. 109-312, H.R. 683, 109th Cong. (available at <https://www.govinfo.gov/content/pkg/PLAW-109publ312/pdf/PLAW-109publ312.pdf>).

<sup>48</sup> See *Nike, Inc. v. Nikepal Intern., Inc.*, 2007 WL 2782030 (E.D. Ca. Sept. 18, 2007); see also *Nike Inc. v. Variety Wholesalers, Inc.*, 274 F.Supp. 2d 1352 (S.D. Ga. 2003).

<sup>49</sup> Lisa P. Ramsey, *Free Speech Challenges to Trademark Law After Matal v. Tam*, 56 HOUS. L. REV. 401, 423-424 (2018); see also Sara Gold, *Does Dilution ‘Dilute’ the First Amendment? Trademark Dilution and the Right to Free Speech after Tam and Brunetti*, 59 IDEA: L. REV. FRANKLIN PIERCE CENTER FOR INTELL. PROP. 483, 489 (2019).

<sup>50</sup> See generally *Matal v. Tam*, 137 S.Ct. 1744, 1765 (2017); see also 15 U.S.C. § 1052 2(a).

term, suggesting that the courts had in fact opposed the creative expression rights of the musical group in this particular case, in favour of expressive power of the trademark itself.<sup>51</sup> Similarly, in *Nike v. MSCHF*, the court has considered the social implications of Nike's trademark being associated with satanic and blasphemous imagery. Since a trademark may be the most frequent association of a product with its owner, a holistic and encompassing view must be adopted by the courts to ensure effective recognition of proprietary rights.<sup>52</sup>

#### IV. THE WAY AHEAD

Although the two parties in this case eventually agreed on an out-of-court settlement, it would be pertinent to keep an eye out for similar issues that may arise in the future. A trial litigation on the subject would allow the judiciary to explore further into the relationship between First Amendment rights and modern trademark use. However, in the absence of the same, a few suggestions may be provided in favour of consistent and efficient application of intellectual property rights in likewise cases.

Firstly, there is a need to bridge the gap in consistency when it comes to jurisprudential decisions as well as statutory legislations. Herein, the author argues in favour of allowing expressive trademark usage under a non-commercial application. The 'fair use' clause, for instance, excludes trademarks used as 'a designation of source' but non-commercial application is not afforded the same limitation in legislative text.<sup>53</sup> Furthermore, unlike claims for trademark infringement, those for dilution contain within themselves a self-check mechanism – the consumer-confusion requirement. Not only does this provision limit the trademark owner's power to cease expressive applications, it reduces the burden of proof borne by the trademark owner as well, allowing the application of the mark to reach across varying fields. Furthermore, the requirements to secure injunctions on the claims of trademark infringement and trademark dilution differ in the sense that the former is premised on preventing confusion among consumer public, whereas the latter is predominantly for the

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<sup>51</sup> Giulio Ernesto Yaquinto, *The Social Significance of Modern Trademarks: Authorizing the Appropriation of Marks as Source Identifiers for Expressive Works*, 95 TEX. L. REV. 739, 740-741 (2017).

<sup>52</sup> Robert C. Denicola, *Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols*, 1982 WIS. L. REV. 158, 195–197.

<sup>53</sup> See 15 U.S.C. §§ 1125(c)(3)(A)(ii), (C) (2012) ("The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection: (A) Any fair use . . . other than as a designation of source . . . in connection with . . . (ii) identifying and parodying, criticizing, or commenting upon the famous mark owner. . . . (C) Any non-commercial use of a mark.")



protection of a trademark's value.<sup>54</sup> Therefore, it is only natural to relax the reaches of trademark dilution, owing to its decreased importance in the eyes of the public.

Secondly, there needs to be a clear and consistent implementation of trademark law in consonance with the First Amendment and its intentions. An express attempt should be made to allow the exclusion of trademark appropriation only when it directly affects the owner functionally, thereby ensuring the protection of the appropriation under the right to creative expression. An example of this can be seen in *Smith v. Wal-Mart Stores* in which expressive application of the Wal-Mart trademark was excluded as the words “Wal-qaeda” and “Walocaust” displayed a strong and negative sentiment against Wal-Mart's business practices.<sup>55</sup> Furthermore, in keeping with the trend, courts have been increasingly likely to apply the exclusion in cases where the appropriation was focused and directed against rightful owners of the trademark. The idea behind it is that the more decisions of a similar nature would result in merging the narrative and interests of the public with the legislative protection that can be afforded.<sup>56</sup>

Thirdly, a solid framework of protection must be conceptualized to act in tandem with dilution laws. It will seek to facilitate proper implementation as well as guidance of the application. One suggested standard that may be considered is that of artistic relevance. Not only is it one of the pivotal principles in proving a trademark infringement claim, it also encapsulates the spirit behind the Rogers test, which has now been widely adopted.<sup>57</sup> As mentioned earlier, according to the Rogers rule, if the appropriation has the least amount of artistic relevance, it will be allowed provided it does not expressly mislead or cause intentional confusion.<sup>58</sup> According to the Ninth circuit, the minimum threshold bar to pass in order to satisfy artistic relevance “merely must be above zero.”<sup>59</sup> Admittedly, in order to apply the concept of artistic relevance in a manner suiting the proper implementation of expressive trademark use, the court must examine and enlarge the expressive activity under question, thereby contributing to the

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<sup>54</sup> See *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 904–05 (9th Cir. 2002) at 905.

<sup>55</sup> See *Smith v. Wal-Mart Stores, Inc.* 537 F. Supp. 2d 1302 (N.D. Ga. 2008) at 1340.

<sup>56</sup> See Neil Weinstock Netanel, *Copyright and A Democratic Civil Society*, 106 YALE L.J. 283, 350–51 (1996) (“Even seemingly innocuous cartoon characters, like Bart Simpson and Mickey Mouse, may be used to subvert (or reinforce) prevailing cultural values and assumptions—and with greater social impact than the most carefully considered Habermasian dialogue.”).

<sup>57</sup> *Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d Cir. 1989); see generally David M. Kelly & Lynn M. Jordan, *Twenty Years of Rogers v. Grimaldi: Balancing the Lanham Act with the First Amendment Rights of Creators of Artistic Works*, 99 TRADEMARK REP. 1360 (2009).

<sup>58</sup> See *Rogers*, 875 F.2d at 1000 (“Where a title with at least some artistic relevance to the work is not explicitly misleading as to the content of the work, it is not false advertising...”)

<sup>59</sup> *E.S.S. Ent. 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095, 1096, 1101 (9th Cir. 2008) at 1100.

jurisprudence on the subject as well. Together, artistic relevance and its subsequent evolution would offer a suitable framework for validating and authorizing the registration and application of expressive trademark used under the federal statute.

## V. CONCLUSION

On the 8<sup>th</sup> of April, 2021, Nike and MSCHF settled out of court for an undisclosed amount and thereby, agreed to drop the case. Ultimately, however, Nike stood little to gain with most of the publicity invigorating the MSCHF brand as well as boosting the resale value of the ‘Satan Shoes’ by hundreds of dollars.<sup>60</sup> The situation was also capitalized on by the design studio via a tongue-in-cheek sales drop of T-shirts with the opening page of Nike’s complaint on the front, along with the words ‘Legal Fees’.<sup>61</sup> Unsurprisingly, the news of the merchandise was met with disdain from Nike’s end, who accused MSCHF of attempting to incite controversy.

The case at hand, however, admittedly possessed the potential to become a landmark in First Amendment rights. The case stood testament to the evolution of modern trademarks, from conflicts involving trademark owners’ interests to now representing and upholding creative expression rights in the interest of the consumer public. The legislative structure surrounding trademarks have gradually begun to shift while simultaneously attempting to strike a balance between prevention of consumer confusion, infringement, dilution, etc., and the rights of the trademark owner. Trademark law has demonstratively developed into an efficient structure for the facilitation of intellectual property rights via culture, society, and politics. This sentiment, can be perfectly summed up in the final statement released by MSCHF, in which they declared that the ‘Satan Shoes’ were intended to comment on the absurdity of market politics and ‘collab culture’ in the era of globalization and capitalism and “*having already achieved its artistic purpose, MSCHF recognized that settlement was the best way to allow it to put this lawsuit behind it*”.<sup>62</sup> As for the simmering professional animosity between the two parties, there exists no legal dispute between the two, and therefore it would be wise to follow the words uttered

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<sup>60</sup> Matthew Impelli, *Lil Nas X's 'Satan Shoes' See 146% Markup on eBay After Selling Out in Minutes*, Newsweek (Mar. 29, 2021, 2:08 PM), <https://www.newsweek.com/lil-nas-xs-satan-shoes-see-146-markup-ebay-after-selling-out-minutes-1579555>

<sup>61</sup> Tim Lince & Trevor Little, *MSCHF teases Nike with trademark lawsuit shirt; VW rebrand backfires; ICANN meeting update – news digest*, World Trademark Review (Apr. 2, 2021) <https://www.worldtrademarkreview.com/brand-management/mschf-teases-nike-trademark-lawsuit-shirt-vw-rebrand-backfires-icann-meeting-update-news-digest>

<sup>62</sup> Neil Vigdor, *Company Will Offer Refunds to Buyers of ‘Satan Shoes’ to Settle Lawsuit by Nike*, THE NEW YORK TIMES (APR. 21, 2021), <https://www.nytimes.com/2021/04/08/style/satan-shoe-settlement-nike.html>.

by Judge Alex Kozinski in his concluding remark to *Mattel v. Aqua* (2002) – “The parties are advised to chill.”<sup>63</sup>

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<sup>63</sup> *Mattel, Inc. V. MCA Records, Inc.*, 296 F.3d 894 (9th Cir. 2002) at 908.



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**A STUDY OF DIGITAL STREAMING AND ITS INTERPLAY WITH  
COPYRIGHT LAW**

Gaurav Dahiya\*

**ABSTRACT**

*The present paper attempts to address the issue of finding the space digital streaming occupies in the realm of copyright law from a theoretical perspective. It begins by analysing the growing stature of digital streaming in the music industry, noting that it has started to take on an important role in a post-covid era. The paper also highlights the current issues related to streaming. Specifically, the composers' and songwriters' concern is highlighted where they believe they are inadequately compensated through the traditional forms of royalty for the number of streams their songs receive. It takes a deep dive into how courts in India have dealt with harmonising digital streaming as a part of the existing copyright law structure. In a landmark judgment, the Bombay High Court held that streaming is not a part of radio or television broadcast and thus statutory licensing does not apply to digital streaming services. An analysis of how the US legislature has amended their copyright statute to accommodate digital streaming has also been performed. The paper proposes a distinct category of copyright called "streaming rights", which can give more share of the royalty for composers and musicians.*

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1.

## I. INTRODUCTION

Digital streaming is becoming the default mode of listening to music nowadays. According to the IFPI Global Music Report 2021<sup>64</sup>, streaming accounted for 61.1% of the total global recorded music revenue. On one hand as streaming recorded a year-on-year growth of 19.9%, revenue from physical sales and performances declined by 4.7% and 10.1% respectively. This data clearly shows the overall trend of the music industry, where digital streaming has not just assumed the dominant role as a medium to enjoy sound recordings, but also sounded the death knell for physical sales of songs.

The global pandemic affected the music industry in a number of distinct ways. With concerts and public performances almost entirely shut down, artists had to find new and innovative methods to connect with their audience. Various artists from around the world such as John Legend, Elton John and Chris Martin, among others, uploaded live performances for their fans through the social media platform Instagram in 2020. While the demand for streaming has been rising for many years now, the global pandemic has made digital music streaming truly mainstream.

At the same time, there are some concerns in the music industry about how much musicians are remunerated per digital stream of their song. Mr. Kevin Kadish was a co-writer of the 2015 hit song “All About That Bass”. Mr. Kadish would go on to represent before the House Judiciary Committee in the United States that he only received \$5,679 from 178 million digital streams of the song<sup>65</sup>. The Digital, Media, Culture and Sport Committee of the United Kingdom announced on 15 October 2020 that it has launched an inquiry into the economics of music streaming. In its Terms for Reference, the Committee acknowledged that artists only receive 13% of the income generated by their songs through digital streaming<sup>66</sup>.

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<sup>64</sup> International Federation of the Phonographic Industry, *Global Music Report 2021*, (Aug. 8, 2021, 14:35 PM), <https://www.ifpi.org/ifpi-issues-annual-global-music-report-2021/>.

<sup>65</sup> Sam Machkovech, *Songwriter says he made \$5,679 from 178 million Pandora streams*, arsTechnica, (Aug. 8, 2021, 14:36 PM), <https://arstechnica.com/information-technology/2015/09/songwriter-tells-us-house-he-made-5679-from-178-million-spotify-streams/>.

<sup>66</sup> The UK Parliament, *Economics of music streaming*, (Aug. 8, 2021, 14:38 PM), <https://committees.parliament.uk/work/646/economics-of-music-streaming/>.

## II. STATEMENT OF THE PROBLEM

At this point, it is worth noting that any song essentially carries two forms of copyright – one which protects the composition (lyrics, music, melody etc.) and other which protects the production (the complete song as a product). While the musicians such as singers and writers may hold the composition copyright, the production copyright is usually held by the record company which produces, markets and distributes the song. This dichotomy is a major reason for the issue previously described, as while musicians may receive a major portion of the revenue from public performances (including radio play), the revenue from physical sales, internet downloads and digital streaming go to the record company. A popular music streaming service Spotify pays around 58% of its revenues from music streaming to sound recording owners and only about 6% to the artists<sup>67</sup>.

The musicians are then left to negotiate independently with the record company for their share in the revenue obtained from internet sales and streaming. In many cases the record companies or labels may delay or even withhold sharing of revenue to the artists. In India, various artists such as Lucky Ali<sup>68</sup> and Salim Merchant<sup>69</sup> have publicly highlighted this issue. The Enforcement Directorate has launched an investigation against five major record labels in India for not passing on royalties owed to the artists and misappropriating the money<sup>70</sup>.

The problem is brought to attention when one considers the changing reality for distribution of music in the present digital world, where artists cannot rely on radio broadcasts for their royalty payments. “Music Discovery” or “Lean back” playlists are a collection of songs, available on streaming platforms, which are chosen by algorithms from listener data. These playlists distributed by major streaming platforms also pose a direct threat to broadcast radio around the world. Bear in mind that music artists receive a greater share of royalties when their work is being broadcasted or performed than when it is being downloaded or streamed. Furthermore, the global pandemic has reduced the opportunities for artists to perform their song in front of

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<sup>67</sup> Manatt, Phelps & Phillips, LLP, *U.S. Music Streaming Royalties Explained*, (Aug. 8, 2021, 14:57 PM), <https://www.manatt.com/Manatt/media/Media/PDF/US-Streaming-Royalties-Explained.pdf>.

<sup>68</sup> Samarth Goyal, *Lucky Ali: I am probably the only artist who has not been paid royalties by a label*, Hindustan Times, (Aug. 8, 2021, 14:59 PM), <https://www.hindustantimes.com/music/lucky-ali-i-am-probably-the-only-artist-who-has-not-been-paid-royalties-by-a-label/story-bc19Jxe6ZlrLqrhVO3HKAK.html>.

<sup>69</sup> Hindustan Times Correspondent, *Salim Merchant claims YRF haven't paid royalties for 4 years, 'I know Javed Akhtar sahab has not been paid'*, Hindustan Times (Aug. 8, 2021, 15:00 PM), <https://www.hindustantimes.com/music/salim-merchant-claims-yrf-haven-t-paid-royalties-for-4-years-i-know-javed-akhtar-sahab-has-not-been-paid/story-fv4dXnOIcbY5Rj2RzZrULO.html>.

<sup>70</sup> Sunil Baghel, Anupam Dasgupta, *Deepdive: The row over money and melody*, Mumbai Mirror, (Aug. 8, 2021, 15:01 PM), <https://mumbaimirror.indiatimes.com/deepdive-the-row-over-money-and-melody/articleshow/61665873.cms>.

an audience<sup>71</sup>. Together with the meteoric rise in digital streaming, musicians around the world feel older methods of distributing music revenue must be changed and they must receive a better share of the revenue collected from digital streaming.

Through this paper, the author analyses how the copyright laws passed in major jurisdictions around the world apply to digital streaming. The author then proceeds towards major case laws related to this topic and study how the courts have resolved disputes related to streaming. Finally, the author presents a possible solution to the issues plaguing the music industry as a result of the boom in digital streaming.

### **III.1996 WIPO INTERNET TREATY PROVISIONS W.R.T. DIGITAL STREAMING**

The WIPO Copyright Treaty (hereinafter referred to as WCT) and the WIPO Performances and Phonogram Treaty (hereinafter referred to as WPPT), together known as the WIPO Internet Treaties, were specifically developed to address the issues which emerged from the rapid adoption of the internet in the 1990's. One of the main issues was the unauthorised copying of music through services such as Napster and Kazza. While the WCT covers literary and artistic works such as music, photography and books, the WPPT covers rights of producers and performers of sound recordings. Through these treaties, WIPO has attempted to provide guidelines to member countries on how to harmonise their copyright laws with the changing dynamic of digital streaming.

The treaties establish that the traditional forms of copyright law protection continue to apply for the digital environment, such as storage of copyright protected works in an electronic medium. They also clarified that right owners can control whether and how their works are made available to individual consumers through the internet. However, it must be noted that India has not ratified the WIPO Internet Treaties yet. The paper now analyses how digital streaming has been dealt with in the Indian context.

### **IV.EVOLUTION OF COPYRIGHT LAW W.R.T. DIGITAL STREAMING IN INDIAN CONTEXT**

In the year 2012, Section 31D was introduced in the Copyright Act, 1957 in compliance with Article 11(2) and 134 of Berne Convention, Article 9(1) of the TRIPS Agreement and Article

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<sup>71</sup> Christian L. Castle, Esq. and Prof. Claudio Feijóo, *Study on the Artists in the Digital Music Marketplace: Economic and Legal Considerations*, World Intellectual Property Office, (Aug. 8, 2021, 15:01 PM), [https://www.wipo.int/edocs/mdocs/copyright/en/sccr\\_41/sccr\\_41\\_3.pdf](https://www.wipo.int/edocs/mdocs/copyright/en/sccr_41/sccr_41_3.pdf) [hereinafter WIPO Report].



15(2) of the Rome Convention (for sound recordings). Section 31D brought the provision of statutory license of a copyrighted work (literary or musical recording) for broadcasting by serving a notice to the work owner as per royalty rates fixed by the Intellectual Property Appellate Board (IPAB).

The Section was introduced into the Copyright Act by the legislature to provide broadcasting services a means to broadcast musical works through the medium of radio and television. It aimed at balancing the public interest, in that the public can enjoy musical works without restrictions, and the private interests, in that the owners of the copyright receive a fair royalty which was to be decided by the IPAB. Section 31D has over the years come to take centre stage whenever the discussion over digital streaming takes place, as streaming platforms rely on its provisions to obtain statutory licenses for the songs they wish to provide for streaming through their platform. Statutory licenses are preferable to the streaming services as it is more convenient than opting for individual contracts for setting royalty rates with the record labels that own the reproduction rights of the songs. The paper now goes a bit deeper into how the Section has been interpreted over time by the judiciary.

## **V. THE BALANCE BETWEEN PUBLIC INTEREST AND PRIVATE INTEREST**

On numerous occasions, issues related to Section 31D of the Copyright Act have been brought to public notice. The primary amongst these is it takes away the opportunity of right holders to negotiate on even terms with the broadcasters, and consequently the broadcasters enjoy preferential and subsidised royalty rates. Another concern that has been raised is the possible violation of Art 19(1) (g) as the fixing of royalty rates by the IPAB may not come under the ambit of reasonable restrictions. These concerns were brought before the Court in *South Indian Music Companies v. Union of India*<sup>72</sup> in which the Court took up the question of balancing public interests and private interests. It held that under the guidelines for determining of royalty rates by the IPAB, a reasonable opportunity is given to the right holders to be heard. After applying the doctrines of purposive construction and reading down, the Court held Section 31D of the Copyright Act to be constitutional. Furthermore, the Court in two separate occasions<sup>73</sup> <sup>74</sup> has held that once a license has been obtained from the owner of a sound recording to

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<sup>72</sup> W.P No. 6604 of 2015.

<sup>73</sup> International Confederation of Societies of Authors and Composers (CISAC) v. Aditya Pandey, Civil Appeal No. 9416 OF 2016.

<sup>74</sup> Indian Performing Right Society Ltd. v. Eastern Indian Motion Pictures Association, (1977) 2 SCC 820.

broadcast it to the public, separate authorisations are not required from the authors of the underlying works (composers, musicians etc.).

It must be noted that the Section itself does not mention the words “internet broadcasting”. Consequently, there has been much confusion whether Section 31D might apply for digital music streaming or not. The consequences either way can be paradigm-changing. If the section were to apply for internet broadcasting as well, then streaming platforms can approach the IPAB to obtain statutory licenses for the songs which they wish to broadcast, meaning a less lucrative option for record labels. If not, these platforms will have to negotiate terms the music labels individually which would mean better deals for the labels but heavy costs for the streaming platforms and consequently heavy charges for the user streaming music digitally.

## **VI. THE 2016 DIPP MEMO**

On September 5, 2016, the Department of Industrial Policy and Promotion (DIPP) published an office memorandum (OM) in which it stated that Section 31D covers internet broadcasting within its ambit. The rationale behind this was explained by the DIPP on two grounds:

- i. Section 31D consists of the phrase “*Any broadcasting organization desirous of communicating to the public....*” which can be interpreted to include internet broadcasting as there are no specific restrictions for its coverage within the ambit of the Act.
- ii. Section 2(ff) defines ‘communication to the public’ as follows: “*making any work or performance available for being seen or heard or otherwise enjoyed by the public directly or by any means of display or diffusion...*” which can be given a broad interpretation to include internet broadcasting together with radio and television broadcasting.

Along similar line, in 2017 the Punjab and Haryana HC<sup>75</sup> directed the Copyright Registrar to hear the case of Kuku and Koyal Internet, a company registered in Ludhiana, Punjab, which had applied for a statutory license under Section 31D for internet broadcasting. The Registrar consequently did grant the company the license, but this was then challenged successfully in the Delhi HC by Saregama<sup>76</sup>. The Court ordered an interim stay on the license obtained under Section 31D, and thus no clarity has been obtained from these events as to the applicability of internet broadcasting under the Section.

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<sup>75</sup> Inderjit Singh v. Union of India, COCP No. 622/ 2017 (O&M).

<sup>76</sup> Saregama v. Union of India, W.P.(C) 1155/2018

### A. TIPS V. WYNK

In another case, the Court has taken a more concrete view. In *Tips Industries Ltd v. Wynn Music Ltd*<sup>77</sup>, the Bombay High Court held that Section 31D does not cover internet broadcasting, and that the OM issued by the DIPP is not statutory in nature. Using the doctrine of literal construction, the Court opined that internet was a well-known domain in 2012 when section 31D was introduced, and that there must have been a reason it was not mentioned in the wordings of the Section by the legislature.

However, the government has stuck to its guns on the issue. In 2019, the Department for Promotion of Industry and Internal Trade (DPIIT) introduced the Copyright (Amendment) Rules for public comments. As per the new rules, internet broadcasting would be within the ambit of Section 31D of the Copyright Act and it has placed reliance on the narrative of “greater public interest” for introducing the change. These rules have not yet come into effect, but have received some criticism. It is possible that these rules could again be held invalid considering the *obiter dictum* of the *Tips case*, and the only possible recourse for the government would be to amend the Copyright Act itself to include the term “internet broadcasting”.

### B. ABOLISHMENT OF IPAB

It must be noted that in April 2021, the President of India promulgated the Tribunal Reforms (Rationalisation and Conditions of Service) Ordinance which abolished the IPAB. All issues related to compulsory/statutory license shall now go to the appropriate Commercial Court (a Commercial Court or the Commercial Division of the respective High Court). It is also a well-known fact that these Commercial Courts face a long pendency and delay with respect to disposal of cases<sup>78</sup>. Without a specialised body or tribunal to look into fixing royalty rates for licensing of copyright works, one can expect further delays as broadcasting organisations will have to approach the Commercial Court before broadcasting every musical recording for which they seek a statutory license.

Having discussed how digital streaming has interacted with the copyright legislation in India, the paper turns its attention towards the international scene and analyses how other countries have adapted their legislations to incorporate digital streaming.

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<sup>77</sup> N.M (L) 197/2018 in C.S. I.P (L) 114/2018, 23 April 2019.

<sup>78</sup> Press Trust of India, *Govt pushes for minimal adjournments to reduce delay in commercial disputes*, The Business Standard, (Aug. 8, 2021, 15:05 PM), [https://www.business-standard.com/article/pti-stories/govt-pushes-for-minimal-adjournments-in-cases-related-to-commercial-disputes-120061200852\\_1.html](https://www.business-standard.com/article/pti-stories/govt-pushes-for-minimal-adjournments-in-cases-related-to-commercial-disputes-120061200852_1.html).

## **VII. EVOLUTION OF COPYRIGHT LAW W.R.T. DIGITAL STREAMING IN INTERNATIONAL CONTEXT**

A concern with streaming platforms and their usage of copyrighted works is that often they do not secure the required rights to offer the songs for streaming by their users. This was the case in *Tips v. Wynk Music*, in which Wynk had stopped paying royalties for many songs (relying on securing a statutory license), and also in the international scene. In December 2017, Spotify had to settle a copyright infringement suit worth \$1.6 billion with Wixen Music Publishing<sup>79</sup>. Wixen had alleged that Spotify was using a huge amount of songs which were a part of Wixen's catalogue without procuring a license from them. Spotify, perhaps indicative of a trend, was in a similar dispute with Warner Music India which they had to settle as well<sup>80</sup>. This dispute and other similar ones made it clear that the domain of digital streaming needed some regulation in order to streamline relations between the various parties involved. The United States of America passed a historic amendment to their copyright law regime in 2018 which addressed several issues, one of the primary ones being digital streaming.

## **VIII. THE HISTORIC MUSIC MODERNISATION ACT OF USA**

In 2018, the US legislature wanted to address the issue of modernizing the archaic framework of rewarding music artists through sales, which allowed instances like the one mentioned earlier where streaming companies could escape paying royalties. The Music Modernisation Act, 2018 ("MMA")<sup>81</sup> aims to make significant changes to the federal laws related to sound recordings, primarily through Titles I and II of the Act. For the purpose of our discussion on digital streaming, Title I of the Act is the most relevant. Title I, the Musical Works Modernization Act ("MWMA"), relates to mechanical royalties (which are generated when mechanical or digital copies of a sound recording are reproduced or sold or downloaded) and public performance royalties for digital streaming of musical compositions. Title I mandates digital streaming platforms to obtain mechanical licenses for the songs which they offer for streaming to their customers<sup>82</sup>. In essence, the Act extends the reach of mechanical license to cover digital streaming. Title I also expanded the scope of compulsory licensing for streaming

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<sup>79</sup> Sarah Perez, *Spotify settles the \$1.6B copyright lawsuit filed by music publisher Wixen*, TechCrunch, (Aug. 8, 2021, 15:05 PM), <https://techcrunch.com/2018/12/20/spotify-settles-the-1-6b-copyright-lawsuit-filed-by-music-publisher-wixen/>.

<sup>80</sup> Manish Singh, *Spotify and Warner Chappell end dispute in India, sign global licensing deal*, TechCrunch, (Aug. 8, 2021, 15:06 PM), <https://techcrunch.com/2020/01/14/spotify-and-warner-chappell-end-dispute-in-india-sign-global-licensing-deal/>.

<sup>81</sup> Orrin G. Hatch-Bob Goodlatte Music Modernization Act, Pub. L. No. 115-264, 132 Stat. 3676, (codified at 17 U.S.C. § 1401 (2018)).

<sup>82</sup> LaFrance, Mary, *Music Modernization and the Labyrinth of Streaming*, Bus. Entrepreneurship & Tax L. Rev. 2 (2018): 310.

platforms. Under earlier law, they could not go for compulsory license for songs which had not yet been released physically. But the Act removed this limitation and allowed streaming services like Spotify to go for a compulsory license even for songs not available in the physical format yet.

In order to facilitate the process of issuing compulsory licenses, the MMA envisages a non-profit mechanical licensing collective which will have three objectives – issue blanket mechanical licenses when requested by digital streaming platforms, collect the mechanical royalties from the streaming services, and distribute them to the artists. This remedies the issue of streaming services not paying the necessary royalty amounts to the Copyright Office in case they were not aware of the copyright owners, as now they must pay the royalties to the collective under any circumstance. To accomplish the objective of distributing royalties to the appropriate copyright owners, the Act tasks the collective with maintaining a database containing a record of all sound recordings and their respective copyright owners. However, the collective will not be responsible for setting the royalty rates for the compulsory licenses, a responsibility that will still vest with the Copyright Royalty Board (“CRB”, a board with three copyright royalty judges).

How should the CRB set the royalty rate? In another landmark change, the MMA establishes the “willing buyer/willing seller” model for determining the royalty rate for a sound recording which is very similar to a fair market value. Till now, judges around the world would grant a compulsory or statutory license keeping “reasonableness” as a criterion, which consisted of maximising public availability of the sound recording and giving the copyright owner a fair return. By introducing a fair market value model, the MMA enables the copyright owners to demand market rates for licensing their musical works, in turn theoretically leading to higher revenues. The MMA also removes the distinction between non-interactive streaming services such as SiriusXM (which used to pay lower royalty rates) and interactive streaming services such as Spotify for the purposes of a compulsory license.

Although the MMA is laudable in that it addresses many long-standing issues related to music streaming, there are some concerns which arise directly from the nature of the solutions it proposes. Primary amongst these is the application of the standard mechanical licensing structure on digital streaming. While this does present a logistically simple solution, it fails to consider the very nature of digital streaming which is different from digital reproduction or downloading of music. During streaming, a transient copy of the sound recording is created on

the user's device which is removed once the work has finished playing. This is not akin to a download, where the user gets to own a copy of the sound recording forever. Equating digital streaming to downloading a sound recording is not sound as far as technological merits are concerned. Secondly, it does not propose an effective solution as to how streaming services should distribute the revenues they generate from streaming the sound recordings to their various users.

Artist's remuneration from streaming platforms has been an ongoing issue ever since users switched over to digital streaming instead of purchasing physical copies of songs. There is a lack of uniformity across the streaming services regarding how to track the revenue generated from a song which is streamed by a user, and what portion of this revenue must be given as royalty to the copyright owner. The next section discusses an overview of the methods currently adopted by streaming platforms to remunerate the copyright owners as per the number of streams their sound recordings record on the platforms, and discusses the issues related with these methods.

## **IX. CURRENT METHODS OF REMUNERATION TO THE ARTISTS**

At present there are two methods of remuneration to the artists by music streaming platforms. The primary one used by all platforms except one is the "Big Pool" method. According to this method, the streaming data of all artists is collected at the end of a payment cycle (usually a month) and the artists are then paid according to their market share of total plays or streams across the platform<sup>83</sup>. Thus, artists are paid more for their popularity than their actual performance. This method is easy to implement for the streaming platforms but has a few major concerns as follows:

- i. It creates a bias towards the star or popular musicians who collect the majority of the revenue, leaving bits and pieces for the less famous artists.
- ii. Users have to pay from their subscription for music they never listened to, as their share could be going to an artist who is very famous but not liked by the particular user.

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<sup>83</sup> Tim Ingham, *Soundcloud Is About To Revolutionize Streaming Payouts, Launching User-Centric Royalties For 100,000 Indie Artists*, Music Business Worldwide, (Aug. 8, 2021, 15:08 PM), <https://www.musicbusinessworldwide.com/soundcloud-is-about-to-revolutionize-streaming-payouts-launching-user-centric-royalties-for-100000-indie-artists/>.

- iii. It has led to the menace of fake users at the streaming platforms to drive up streams for an artist so as to increase their market share and consequently, share in their revenue.

SoundCloud is a streaming service which has adopted a different approach for artist's remuneration which is called "User centric" method<sup>84</sup>. According to this method, a user's subscription or advertising revenue is split in the proportion of the artists they listened to over a period of time. For example, if a user listens to ten songs over a month and five of those songs belonged to artist A, A would receive 50% of the subscription and ad revenue generated by the streaming platform through the user. But this method has its drawbacks as well. As the major record labels have not given their consent for this method, SoundCloud is restricted to exercise this method only for its "premier" platforms where it has a direct relationship with independent music producers (which do not distribute their music through record labels, or have their own labels). This method is also functionally difficult to implement for the streaming service as there is an ambiguity in scenarios where the user did not listen to the song completely or merely added it to their playlist.

In light of the above two prevalent methods for artist remuneration and their drawbacks, as well as the various aspects touched upon till now, a solution for the issue is proposed in the next section.

## **X. SUGGESTIONS AND RECOMMENDATIONS**

The paper has so far observed how courts and lawmakers around the world are unsure on the position of digital streaming in the classical copyright framework, where they are primarily two kinds of rights (performers and reproduction) associated with a sound recording. When faced with this dichotomy, digital streaming has been arm-twisted to try and fit one or the other category. In the *Tips* judgment, the Bombay HC ruled that streaming is not similar to radio or TV broadcasting (performer's rights). Through the MMA, the US legislature has placed streaming as equivalent to mechanical rights (reproduction rights). The time has come to look at streaming from a technological perspective and not force it into one of the two copyright categories which are ill-fitted to cover streaming.

From a technological viewpoint, a digital stream is neither a performance nor a reproduction. It does not classify as a performance such as radio airplay, as the user exercises a high degree

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<sup>84</sup> *Supra* note 6.

of control over the sound recording they wish to listen to, a feature inherently not present in radio. Further, a transient or temporary copy of the sound recording is placed on the user's device during streaming, which runs contrary to radio airplay where no copies are ever stored in the user's device. However, neither is streaming a reproduction or download, as the user cannot access the transient copy of the sound recording once they stream the next song. The user does not possess the copy of the sound recording, unlike a permanent copy generated during downloading. Interestingly, a digital stream, while being different from both radio play and downloading, also possesses some of their features. It can be argued that "Music Discovery" or "Lean Back" playlists offered by most streaming platforms are a form of radio play, as a selection of music is offered to the user very much like a radio station picking songs to be transmitted to a user. Also, even if temporary in nature, a copy of the sound recording is stored on the user's device, like a download.

Considering the unique position that digital streaming occupies as a technology, it can only be fair to create a new category of rights specifically for digital streaming. This new category, which could be referred to as "streaming rights", shall be different from performance rights or reproduction rights. To enable these rights, a necessary amendment would be needed in Section 14 of the Copyright Act which describes the rights of owners of a copyright. Creation of "streaming rights" can help artists receive just and reasonable royalties for their creations. While they receive the lion's share of royalty for a performance, the scope for performances and concerts looks bleak in a post-covid world. As stated earlier, artists only receive a meagre share from reproduction royalties. Streaming royalties can then come to the rescue of artists in a modern era by allowing them to earn a fixed share of royalty revenue per stream of their song, which can be at least 50% of the royalty for that sound recording.

However, there are some shortcomings to this approach as well. The solution has been proposed from a singular perspective, and does not take into account the opinion of the various stakeholders related to digital streaming. Implementing this solution would also need a major amendment of the Copyright Act which can be time-consuming and slow. Also, the very fact that harmony between record companies and composers has been difficult to achieve so far, indicates that it may remain a pain point in the future as well. Within its limited scope, the present paper has attempted to throw some light on the current scenario of interplay between digital streaming and copyright legislations around the world. Considering the crucial role digital streaming now plays in the global music industry, there is now increased demand for more research into this domain to cover various aspects of digital streaming. The ultimate



objective would be a framework where composers and record companies should be compensated fairly through royalties for the creativity and effort they put into a sound recording, and these sound recordings are easily available to the public to enjoy at a reasonable price.

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**STATUTORY LICENSING UNDER INDIAN COPYRIGHT LAW: AN  
ANALYSIS**

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**ABSTRACT**

*Intellectual property of the creators and authors have always been recognised in India from time immemorial. India has formulated its laws in accordance with various international treaties such as Berne Convention for the Protection of Literary and Artistic works, The Rome Convention, The WIPO Copyright Treaty, WIPO Performances and Phonograms Treaty etc. Statutory licensing is being considered as an efficient way to manage and internalise the broadcasting. The rights of the author has been become a primary concern so far it has been made effective. This paper's overarching aim is to analyse the section 31-D of Copyright Act, 1957. The main purpose is to know whether internet broadcasting will falls under the gambit of sub-clause (1) and (3) of the section 31-D of Copyright Act, 1957 or not? In order to achieve the aims and objective this paper various international convention and treaties such as Berne Convention for the Protection of Literary and Artistic Works, WIPO Copyright Treaty (WCT) and WIPO Performances and Phonograms Treaty (WPPT) will be comprehensively examined.*

**KEYWORDS**

Intellectual property, copyright, statutory licensing, broadcasting rights, internet broadcasting

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## **I. INTRODUCTION**

The Indian Copyright laws have helped make music industry flourish in this nation. Copyright laws protect creators and artists, allowing them to thrive by granting them exclusive rights and protections to their works. However, the law has not kept pace with the music industry to reflect changes in consumer preferences and technological developments. The current statutory scheme applies inconsistent rules that place certain technologies at a disadvantage and result in inequitable compensation variances for music creators. These inconsistencies have drawn criticism that music copyright and licensing laws are too difficult to comply with and do not adequately reward the artists and professionals responsible for creating American music. Over the past few years, the question whether the internet broadcasting will be included under statutory licensing or not? Has become a matter of discussion in Copyright Law. Recently, in the case of *Tips Industries Ltd. v Wynk Music Ltd.* The Bombay High Court held that the statutory licensing under section 31D of the Copyright Act only includes radio and television broadcast and excludes internet broadcasting. The purpose of this research paper is to examine the existing laws in India, International treaties, and statutes of other nations to know whether interactive-services falls under the scope of statutory licencing under Copyright Law.

## **II. ORIGIN AND EVOLUTION OF RIGHT OF BROADCASTING**

In the world of information and entertainment, the right to broadcast is become a great point of importance. It is the fourth of the author's exclusive rights to be acknowledged by the Berne Convention, the other three being those of translation, reproduction and public performance. The right "of authorising the communication of...works to the public by radio and television" was first recognised in the Rome revision (1928).<sup>85</sup> It was again revised in Brussels (1948) and the subject was more extensively reviewed, and the right has been broken down into various aspects in order to take account of various challenges posed by technological development and ways by which it might be exploited.

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85 Art. 11bis, para (2), WIPO – Guide to the Berne Convention, p. 70.

### III. BERNE CONVENTION FOR THE PROTECTION OF LITERARY AND ARTISTIC WORKS

It is the oldest and most renowned treaty of all the international treaties assigned to the World Intellectual Property Organisation for the protection of literary and artistic works concluded in 1886. It has gained permanence and stability throughout the transforming circumstances. However, it has been revised approximately every twenty years to get adapted to political, economic and social changes.<sup>86</sup> This connotes that intent of the framers with respect to the treaty that it is not exhaustive in its nature and can be amended or revised as per the new technical and economic advancements. The Article 11bis(2) phrase 2<sup>87</sup> in tandem with Article 13(1)<sup>88</sup> of the Berne Convention avails remuneration by way of statutory rights instead of exclusive rights where it allows compulsory license to cease the exclusive character of the right, and fair remuneration for the material use of the authors work will be obtained by a statutory right.

The Article 11bis (1) (i) of the Berne Convention<sup>89</sup> lays down the definition of broadcasting, which entails ‘communication to the public by means of wireless diffusion’. These words show that ‘broadcasting’ in this Article is considered as the form of ‘communication to the public’ and Berne convention is technically neutral within the category of ‘wireless’ diffusion, and new forms of broadcasting under Article 11bis(1)(i) of the Berne Convention includes terrestrial radio and television broadcasting—as widely accepted these days—satellite broadcasting and communication to the public in the meaning of copyright law as Berne Convention is a subject to change as per the new technical and economic developments.<sup>90</sup>

In cases of point-to-point and distribution satellites, the public is reached indirectly after an intermediate earth station. It can be drawn by this point that the broadcaster has the intention to transmit the broadcast to the public ultimately. Thus, the Article 11bis (1) (i) of the Berne

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86 Jörg Reinbothe and Silke Von Lewinski, *THE WIPO TREATIES ON COPYRIGHT (A Commentary on the WCT, The WPPT, and the BTAP)*, 2nd ed. 2014, p. 3.

87 They shall not in any circumstances be prejudicial to the moral rights of the author, nor to his right to obtain equitable remuneration which, in the absence of agreement, shall be fixed by competent authority.

88 Each country of the Union may impose for itself reservations and conditions on the exclusive right granted to the author of a musical work and to the author of any words, the recording of which together with the musical work has already been authorized by the latter, to authorize the sound recording of that musical work, together with such words, if any; but all such reservations and conditions shall apply only in the countries which have imposed them and shall not, in any circumstances, be prejudicial to the rights of these authors to obtain equitable remuneration which, in the absence of agreement, shall be fixed by the competent authority.

89 (1) Authors of literary and artistic works shall enjoy the exclusive right of authorizing:

(i) The broadcasting of their works or the communication thereof to the public by any other means of wireless diffusion of signs, sounds or images.

90 Silke Von Lewinski, *INTERNATIONAL COPYRIGHT LAW AND POLICY*, p. 149.

Convention does not limit the communication to the ‘direct’ communication, technically neutral with respect to it.<sup>91</sup>

Article 11bis(1)(ii) of the Berne Convention<sup>92</sup> covers broadcasts by webcasting or fibre-optic cable under broad wording ‘Communication to the public by wire’ as it means broadcast by its re-diffusion by any physical facilities which enable the conduct of signal of the broadcast.

#### **IV. THE WIPO COPYRIGHT TREATY (WCT)**

Article 8 of WCT<sup>93</sup> deals with the Right of Communication to the Public, which states that any communication to the public in the way of interactive transmissions of the works and objects, their broadcast through the internet or similar possible future networks should be a subject to an exclusive right of authorisation of authors.<sup>94</sup>

#### **V. HISTORICAL BACKGROUND**

The ‘digital agenda’ particularly including the online communication was first come into the discussions 1995 afterwards. At the fifth session of the committee, the proposal has been made by the US that recognition of the ‘digital transmissions’ should be considered for the effectiveness of the reproduction right under Article 9 of Berne Convention. According to the US proposal, the right of communication to the public covers the digital transmissions, when such transmissions wouldn’t result in a copy at the remote site.<sup>95</sup>

Discussions at the Fifth and Sixth Sessions showed that the provisions of Broad agreement could be observed as the technology-neutral, and applicability of the reproduction right besides any other right might apply to digital transmission.<sup>96</sup> In order to specify that what rights (apart from the reproduction right) should cover digital transmission, the umbrella solution was adopted, the solution contained the following elements:<sup>97</sup> (i) the act of interactive transmission

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<sup>91</sup> Ibid, p. 150.

<sup>92</sup> Any communication to the public by wire or by rebroadcasting of the broadcast of the work, when this communication is made by an organization other than the original one.

<sup>93</sup> without prejudice to the provisions of Articles 11(1)(ii), 11bis(1)(i) and (ii), 11ter(1)(ii), 14(1)(ii) and 14bis(1) of the Berne Convention, authors of literary and artistic works shall enjoy the exclusive right of authorizing any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access these works from a place and at a time individually chosen by them.

<sup>94</sup> Art. 8, GUIDE TO THE COPYRIGHT AND RELATED RIGHTS TREATIES ADMINISTERED BY WIPO, p. 207.

<sup>95</sup> Supra n. 2, pp. 125-126.

<sup>96</sup> Ibid, p. 126.

<sup>97</sup> Supra n. 8, pp. 208-129.

should be described in a neutral way, free from specific legal characterization; (ii) such a description should not be technology-specific and, at the same time, it should express the interactive nature of digital transmissions in the sense that it should go along with a clarification that a work or an object of related right is considered to be made available “to the public” also when the members of the public may access it at a time and at a place freely chosen by them; (iii) in respect of the legal characterization of the exclusive right – that is, in respect of the actual choice of the right or rights to be applied – sufficient freedom should be left to national legislation; and, (iv) the gaps in the Berne Convention in the coverage of the relevant rights – the right of communication to the public and the right of distribution – should be eliminated.

Later on, during the seventh session, the European countries (EC) delegation has made a proposal extending communication right of the Berne convention where they have categorically mentioned that ‘digital transmission’ is a part of broad communication right for authors.<sup>98</sup> Further, EC delegation elaborated that the right covered ‘making available’ of the works to the public also. Eventually, the Article 10 Basic Proposal I 1996 reproduced the proposal made by the EC. This explanatory note has fragmented the right of the communication to the public and stated that purpose of the first part of the Article 10 Basic Proposal I was to supplement the existing provisions of the Berne Convention regarding the communication right. Therefore, any ‘making available’ of a work other than by distribution of copies to the public was supposed to be covered by ‘communication’ right on the broader sense.<sup>99</sup>

Regarding the second part of the article, it has been explained that the right will be equally applied insinuating to the making available of the work to the user, the mere provision of space server, communication connections, and routing of signals are irrelevant with respect to it. They have expressly specified the interactive communication as being covered by this right and emphasised the individual choice by users of place and time of access as the element connoting on-demand nature of access.<sup>100</sup>

At the time of Diplomatic conference, the expression of understanding has been made the US stating that right of making available as mentioned in Article 10 Basic Proposal I could be incorporated in national legislation by any exclusive right, and thus not compulsorily by the right of communication to the public.<sup>101</sup>

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<sup>98</sup> Supra n. 2, p. 126.

<sup>99</sup> Ibid.

<sup>100</sup> Ibid, p. 127.

<sup>101</sup> Ibid.

However, the Australian delegation offered three written amendment proposals:<sup>102</sup> (1) the proposal set out the right of ‘making available’ right remained syntactically depended on the communication to the public right, opposing the expression of considering the making available right as a separate from the communication right; (2) the technical changes are mainly required to make clarification or corrections, through the words ‘by wire or wireless means’ to qualify ‘any communication to the public’ rather than to qualify ‘the making available to the public’; (3) the Articles of the Berne Convention referred to in the ‘without prejudice’ clause were proposed to be Articles 11bis(1) and (2) rather than Article 11bis(1)(i), and Article 14(1)(ii) rather than Article 14(1)(i). The purpose of Australia behind to propose this technical amendment is to ensure that the new provision wouldn’t prejudice the possibility of providing a non-voluntary license for the retransmission of broadcasts.

The concern has been taken into consideration by the second phrase of agreed statement<sup>103</sup> concerning Article 8 WCT, which means that the aim of the Article 8 of WCT is merely to clarify or complement the fragmentary set of provisions of Berne Convention concerning the exclusive right of communication to the public and nothing in this provision can prevent the contracting party from enforcing Article 11bis (2) Berne Convention.

## **VI. THE ARTICLE 8 WCT: CONTENTS AND ITS PURPOSE**

The full coverage of the notion of ‘communication of the public’ has been introduced and rationalised in the 1996 WIPO Copyright Treaty by establishing a synthesised protection for all protected works of authorship. The new conception of “right of making available to the public” has been also introduced in this treaty. This right can be interpreted as the communication of authors work to an individual over internet, where users can “access these works from a place and at a time individually chosen by them”.<sup>104</sup> Significantly, the ambiguity regarding the scope of the Berne Convention right of the communication to the public by wired or wireless transmissions. Under Article 8 WCT the conception of ‘communication of the public’ doesn’t defined, but clarified and specified that public may be separated in place as well as time also.<sup>105</sup>

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<sup>102</sup> Sam Ricketson and Jane C. Ginsburg, *INTERNATIONAL COPYRIGHT AND NEIGHBOURING RIGHTS*, Vol. I, 2nd ed. 2005, pp. 744-746.

<sup>103</sup> It is further understood that nothing in Article 8 precludes a Contracting Party from applying Article 11bis (2).

<sup>104</sup> Art. 8, WIPO Copyright Treaty, 1996.

<sup>105</sup> Jane C. Ginsburg and Eduoard Treppoz, *INTERNATIONAL COPYRIGHT LAW*, pp. 314-315.



There are the two type of technologies for the ‘communication to the public’, in push technology the retransmitting entity selects the content and the timing of the communication by broadcast or wired transmissions to a passively receiving public addressed by article 11 and 11bis; allowing the public to choose among the pre-programmed communications and not a time individually chosen by them. Whereas in pull technologies interactive transmissions is allowed where public can access at their individually chosen place and time; the broad wording in article 11bis (1) (i)<sup>106</sup> and 11(1) (ii)<sup>107</sup> could actually cover the interactive transmissions. This have not been contemplated in Brussels 1948, but nothing in these articles has prohibited the on-demand transmissions as to the communication to the public. The intention of making clarification in Article 8 WCT was to fill the gap by specifying that ‘public may be separated in place and time both’. This reflects the intention to provide for a technology-neutral right. Thus, it will include interactive transmissions.<sup>108</sup>

## VII. THE ROME CONVENTION OF 1961

The International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (hereafter called the Rome Convention) was settled on October 26, 1961, at the end of a Diplomatic Conference held in Rome. It came into force on May 18, 1964, twenty Contracting States. It has not yet been the object of any revision, and the States in question are bound by a single text which is reproduced in the present work.

Broadcasting organizations and broadcasts has not been defined under the Rome Convention. However, the term ‘broadcasting’ has been defined under Article 3(f) of the Rome Convention.<sup>109</sup> Remuneration for the secondary uses under Article 12 of the Rome Convention.<sup>110</sup> Unlike Article 7(1) (a) of the Rome Convention, It covers broadcasting and communication in respect of fixed performances for commercial purposes of such phonogram or reproduction thereof. It deals with "secondary uses" of phonograms. This expression is not to be found in the Convention but it is generally used to cover the use of records for communication to the public and for broadcasting.

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<sup>106</sup> Any other means of wireless diffusion of signs, sounds and images.

<sup>107</sup> Any communication to the public of the performance of their works.

<sup>108</sup> Supra n. 21, p. 315.

<sup>109</sup> “Broadcasting” means the transmission by wireless means for public reception of sounds or of images and sounds.

<sup>110</sup> If a phonogram published for commercial purposes, or a reproduction of such phonogram, is used directly for broadcasting or for any communication to the public, a single equitable remuneration shall be paid by the user to the performers, or to the producers of the phonograms, or to both. Domestic law may, in the absence of agreement between these parties, lay down the conditions as to the sharing of this remuneration.

Phonograms published for commercial purposes, contrary to the general approach taken in Article 19 of Rome Convention,<sup>111</sup> only the phonograms give right to remuneration but not audio-visual fixations. Although the Article 15 of Rome of Convention<sup>112</sup> says that a compulsory licences may be provided in contracting states domestic laws and regulations, enforcing some kind of limitations regarding to the protection of performers, producers of phonograms and broadcasting organisations till the extent to which they are compatible with the Convention.

## **VIII. THE WIPO PERFORMERS AND PHONOGRAMS TREATY (WPPT)**

### **PROVISIONS OF WPPT**

The Article 15 of WPPT<sup>113</sup> is in respect of right to remuneration for broadcasting and communication to the public. The term broadcasting is here defined in the Article 2(f) of WPPT.<sup>114</sup>

## **IX. COMPARISON WITH THE ROME CONVENTION AND THE TRIPS AGREEMENT**

The rights provided for in Article 15 of the WPPT are of the same nature – although, as discussed below, not regulated exactly in the same way – as the so-called “Article 12 rights” under the Rome Convention. It is a common element of Article 12 of the Rome Convention and Article 15 of the WPPT that they apply to phonograms published for commercial purposes.

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<sup>111</sup> Supra n. 6, pp. 208-209; Notwithstanding anything in this Convention, once a performer has consented to the incorporation of his performance in a visual or audio-visual fixation, Article 7 shall have no further application.

<sup>112</sup> Any Contracting State may, in its domestic laws and regulations, provide for the same kinds of limitations with regard to the protection of performers, producers of phonograms and broadcasting organisations, as it provides for, in its domestic laws and regulations, in connection with the protection of copyright in literary and artistic works. However, compulsory licences may be provided for only to the extent to which they are compatible with this Convention.

<sup>113</sup> (1) Performers and producers of phonograms shall enjoy the right to a single equitable remuneration for the direct or indirect use of phonograms published for commercial purposes for broadcasting or for any communication to the public; (2) Contracting Parties may establish in their national legislation that the single equitable remuneration shall be claimed from the user by the performer or by the producer of a phonogram or by both. Contracting Parties may enact national legislation that, in the absence of an agreement between the performer and the producer of a phonogram, sets the terms according to which performers and producers of phonograms shall share the single equitable remuneration; (3) Any Contracting Party may, in a notification deposited with the Director General of WIPO, declare that it will apply the provisions of paragraph (1) only in respect of certain uses, or that it will limit their application in some other way, or that it will not apply these provisions at all; (4) For the purposes of this Article, phonograms made available to the public by wire or wireless means in such a way that members of the public may access them from a place and at a time individually chosen by them shall be considered as if they had been published for commercial purposes.

<sup>114</sup> “broadcasting” means the transmission by wireless means for public reception of sounds or of images and sounds or of the representations thereof; such transmission by satellite is also “broadcasting”; transmission of encrypted signals is “broadcasting” where the means for decrypting are provided to the public by the broadcasting organization or with its consent.

The agreed statement quoted above – stating that “Article 15 does not prevent the granting of the right conferred by this Article to performers of folklore and producers of phonograms recording folklore where such phonograms have not been published for commercial gain” – does not extend the scope of the minimum obligation. It only clarifies in this respect what is valid also in respect of other provisions of the Treaty; namely, that they only provide for a minimum level of protection, and, therefore, Contracting Parties may grant more extensive rights to performers and producers of phonograms (or the same rights in a broader field).

## **X. HISTORICAL BACKGROUND**

The First Session of the committee had The Memorandum of the International Bureau of WIPO for providing a possible new instrument called as exclusive right of communication to the public for performers and phonogram producers as a principle instrument.<sup>115</sup> Except in the case of digital communication to the public, the contracting parties can limit this exclusive right to a right to equitable remuneration. However, later in the memorandum for the Third session the principle was again discussed, but with a specific terminology called as on-demand communication, in this session it was concluded that no exception should be allowed to the exclusive right.<sup>116</sup>

An exclusive communication and broadcasting right for performers and phonogram producers as a principle, the submission of the proposal by the European Countries and its member states for the Fourth Session of the Committee of Experts following the approach of the International Bureau of WIPO. Exclusive right in respect of interactive communication was supported by the US only for the phonogram producers, while mentioning the indirect relevance for the right of the performers.<sup>117</sup>

The proposals made by different delegation in the Discussions at the Fifth Session showed a broad agreement on the requirement to embrace on-demand and similar interactive services by an exclusive right of performers and phonogram producers.<sup>118</sup>

The Articles 12 and 19 Basic Proposal II 1996 contained separate but parallel provisions on a right to a single equitable remuneration for the direct and indirect use of commercial phonograms and productions thereof for broadcasting or any communication to the public.<sup>119</sup>

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115     Supra n. 2, p. 388.

116     Ibid, p. 389.

117     Ibid.

118     Ibid, p. 390.

119     Ibid.

Article 12(4) and 19(4) Basic Proposal II 1996<sup>120</sup> laid down an exception to the reservation possibilities of Articles 12(3) and 19(3) Basic Proposal II 1996 in favour of broadcasting or communication that can only be received on the basis of subscription and against payment of a fee. The notes justified Articles 12(4) and 19(4) Basic Proposal by the fact ‘that in the context of such (subscription-based) services, fixed performances of performers are exploited directly for commercial gain’. As a result of the discussions mainly in the Sixth Sessions of the Committee of Experts, Basic Proposal II 1996 dealt with digital on-demand transmission in separate articles providing for an exclusive right of making available.<sup>121</sup>

## **XI. THE ARTICLE 15 WPPT: CONTENTS AND ITS PURPOSE**

The Article 15 of WPPT is framed upon Article 12 of Rome Convention. The first paragraph of the article compels the Contracting parties to provide a remuneration for performers and producers of phonograms in respect of use of commercial phonograms for broadcasting and communication to the public. The third paragraph allows the similar reservation as the Article 16(3) of the Rome Convention that the provisions of Article 12 will not apply to them after depositing a notification the Director General of WIPO. The fourth paragraph states that if phonograms have been made available online, they will be considered as published for commercial purposes.

## **RIGHTS OF BROADCASTING ORGANISATIONS IN INDIA**

Copyright is a right to copy, a property right given to the author for its original work (including literary, musical, dramatic, choreographic, pictorial, graphic, sculptural and architectural works; motion pictures and other audio-visual works; and sound recordings) secured in any tangible medium of expression, it gives the holder the exclusive right to reproduce, adapt, distribute, perform and display the work.<sup>122</sup> It is said to be infringed when someone without the permission of holder of copyright does anything, the exclusive right being granted upon the owner by the Copyright Act.<sup>123</sup>

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120 See note 12.08 and 19.08, Basis Proposal II 1996; In paragraph (4) it is proposed that the possibility of making a reservation to the right of remuneration laid down in this Article would not apply to broadcasting and communication to the public by wire or wireless means which is offered to the public in the form of subscription based services. The reason for this proposal is that in the context of such services, fixed performances of performers are exploited directly for commercial gain.

121 Supra 2, p. 390; Articles 11 and 18 basic Proposal II 1996.

122 Bryan A. Garner, Black’s Law Dictionary, 10th ed. 2014, p. 411.

123 N.S. Gopalakrishnan and T. G. Agitha, PRINCIPLES OF INTELLECTUAL PROPERTY, 2nd ed. 2014, p. 435.

The Section 31–D of the copyright act deals with the Statutory licence for broadcasting of literary and musical works and sound recording. The clause (1)<sup>124</sup> and (3)<sup>125</sup> of the Section 31–D of the copyright act provides for compulsory license in case of broadcasting of an unpublished work and the rate of royalties for broadcasting such work respectively.

## **XII. CLAUSE (1) OF SECTION 31–D OF COPYRIGHT ACT: WORDING**

The term ‘broadcast’ means communication to the public by any means of wired (includes rebroadcast) or wireless diffusion, irrespective of any one or more of the forms of signs, sounds or visual images.<sup>126</sup> It can be substantiated from the definition itself that broadcast is considered as a form of communication to the public. The way of communicating the works of a copyright holder is wired or wireless diffusion, but it is technical neutral in its regards as it says by any means. It shows the intent of legislators that new forms of broadcasting under section 31D of Copyright Act includes terrestrial radio and television broadcasting—as widely accepted these days—satellite broadcasting and communication to the public in the meaning of copyright law, and it will include any similar type of similar way of broadcasting.

‘Communication to the public by wireless diffusion’ means making any work or performance available for being seen or heard or otherwise enjoyed by the public directly. ‘Communication to the public by wire’ means broadcast by its re-diffusion by any physical facilities which enable the conduct of signal of the broadcast.<sup>127</sup> Communication here simply means reaching of authors work to the public by any means other than resulting it into a remote site.

In cases of point-to-point and distribution satellites, the public is reached indirectly after an intermediate earth station. It can be drawn by this point that the broadcaster has the intention to transmit the broadcast to the public ultimately. Thus, the Section 31–D of Copyright Act does not limit the communication to the ‘direct’ communication, and it is technically neutral with respect to it.<sup>128</sup>

## **XIII. CLAUSE (2) OF SECTION 31–D OF COPYRIGHT ACT: WORDING**

The rate of royalties, which is to be paid to the performers and phonogram producers by specifically mentioning that the rates for radio broadcasting shall be different from television

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124 any broadcasting organisation desirous of communicating to the public by way of a broadcast or by way of performance of a literary or musical work and sound recording which has already been published may do so subject to the provisions of this section.

125 The rates of royalties for radio broadcasting shall be different from television broadcasting and the [Appellate Board] shall fix separate rates for radio broadcasting and television broadcasting.

126 Section 2(dd), Copyright Act, 1957.

127 Section 2(ff), Copyright Act, 1957.

128 Supra n. 6, p. 150.

broadcasting. However, nowhere this clause limits this for radio and television broadcasting only.

#### **XIV. CASE LAW**

##### *TIPS INDUSTRIES V WYNK MUSIC*<sup>129</sup>

In its interim order in *Tips Industries Ltd v Wynk Music Ltd and Anr*, the Bombay High Court rejected an Internet music streaming service's claim that it was eligible for compulsory licensing of musical works and sound recordings under India's statutory regime for compulsory broadcast licences.<sup>130</sup> The judgment has wide ramifications for online music streaming services seeking to operate in India. The complexity of the applicability of the statutory licensing under the Copyright Act have been thoroughly discussed in this case. Yet, there is a need to discuss about whether the internet broadcasting falls under the gambit of statutory licensing or not?

##### *BACKGROUND*

The plaintiff is Tips Industries Ltd., a music label in India, which controls copyright over a 2600 sound recordings (repertoire). In 2016, this repository was licensed to the defendant, Wynk Music Ltd., an online music streaming service of the Airtel. The license get expired in 2017 after its expiry, attempts have been made by both the parties attempted to renegotiate licensing terms for allowing Wynk offer downloading and streaming of musical works owned by Tips. After this the Defendants (Wynk) refused to deactivate the tips repertoire and invoked Section 31D of the Copyright Act. In short, the Defendants claimed that they are a broadcasting organization and that they are entitled to a statutory license under Section 31-D of the Act to communicate the work to the public by way of broadcast of the Plaintiff's musical work and sound recordings.

##### *QUESTION OF RELEVANCE*

Whether the Defendants can invoke Section 31-D of the Act to exercise a Statutory License in respect of the Plaintiff's Repertoire for internet broadcasting?

There is no dispute about the fact that 'on demand streaming services' offered by the Defendants amounts to communicating of the sound recording to public. The grant of Statutory License under Section 31-D is only restricted to radio and television broadcasting organisations

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<sup>129</sup> *Tips Industries Ltd vs Wynk Ltd. And Anr* on 2 May, 2019, visited on 20 Sep. 2019, available at [https://www.livelaw.in/pdf\\_upload/pdf\\_upload-360750.pdf](https://www.livelaw.in/pdf_upload/pdf_upload-360750.pdf).

<sup>130</sup> *Ibid*, p. 104.

and the Defendants’ on demand streaming services offered through internet as an “internet broadcasting organisation” do not fall within the purview of Section 31-D of the Act.<sup>131</sup>

Assuming that ‘internet broadcasting’ is covered within the provision of Section 31-D of the Act, Statutory License under the said Section 31-D can only be exercised upon fixation of the manner and rate of royalty by the Appellate Board. Seeking to claim benefit of Section 31-D, the Defendants have contended that they are a broadcasting organization and that they are communicating to the public by way of broadcast of the Plaintiff’s Repertoire over internet.<sup>132</sup> Defendants submitted that they are an internet broadcasting organization and that they are entitled to a Statutory License under Section 31-D of the Act to broadcast over internet sound recordings including inter alia the Plaintiff’s Repertoire. The Defendants relied upon Section 31- D (1) of the Act which bears a reference to “any” broadcasting organisation. It is submitted that Section 31-D is plenary and all-encompassing in nature and thus covers in its purview ‘any’ broadcasting organisation.

The Ld. Senior Advocate for the Defendants then placed reliance upon the use of phrases “any means of wireless diffusion” and “any means of display or diffusion other than by issuing physical copies” found in Sections 2(dd) and 2(f) of the Act, respectively. He submitted that a bare reading of Section 31-D along with Sections 2(dd) and 2(f) clearly expresses that the legislative intent is that any broadcasting organization, which is broadcasting/communicating to the public by any means of display or diffusion including wireless and wired diffusion, is entitled to a Statutory License under Section 31-D of the Act.<sup>133</sup>

The Ld. Senior Advocate for the Defendants further submitted that the principle of contemporaneo expositio must be applied while interpreting Section 31-D of the Act. He submitted that a liberal construction of Section 31-D and the definition of broadcast under Section 2(dd) would breathe life into the statute. He submitted that Section 31-D(3) does not even purport to detract from or limit the scope of Section 2(f) when read with Section 31(D)(1) of the Act so as to limit Section 31-D of the Act only to radio and television broadcasting. He submitted that if such interpretation is permitted, it would be in direct conflict with Section 2(f) which allows broadcasts/communication to the public, by any means of display or diffusion.<sup>134</sup>

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131 *Ibid*, p. 47.

132 *Supra* n. 46.

133 *Ibid*, p. 48.

134 *Ibid*.

Although the defendant has also made certain other arguments in acquiesce to include the internet broadcasting under the gambit of statutory licensing but that doesn't hold any valid point in establishing interactive transmission as a part of section 31-D of Copyright Act. Therefore, relying the argument given on the behalf of defendant in the case of *Tips v Wynk* corollary to the International Treaties there another point of view can be established.

### *ANALYSIS*

The Bombay High Court's judgment, written by Mr Justice SJ Katha Walla, was in respect of an interim injunction application, pending the disposal of the final suit. The court accepted *Tips*' claims of infringement, rejected *Wynk*'s defences on all counts, and granted an interim injunction. The court assessed that *Wynk*'s music streaming service covered three distinct aspects of the copyright for sound recordings.

First, allowing users to cache and listen to songs offline was covered under the right to make another sound recording embodying the original sound recording under section 14(e) (i) of the Copyright Act. Secondly, allowing songs to be downloaded for a fee, or as part of a subscription service, amounted to the sale or commercial rental of the sound recording under section 14(e) (ii). Thirdly, the broadcasting or streaming services provided by *Wynk* amounted to 'communication to the public' under section 14(e) (iii).

The court held that *Wynk*'s services of providing users the ability to download songs, either for a limited part of time as part of the subscription service, or permanently, by purchasing them, amounted to 'sales' or 'rentals' of the sound recordings, and infringed *Tips*' copyright under section 14(e)(i) and (ii). Moreover, the court held that *Wynk* could not invoke section 31 D in respect of such sales or rentals, since section 31 D is limited to the right under section 14(e) (iii), namely, the right of communication to the public. The court also rejected *Wynk*'s defence that its downloading services amounted to 'personal use' or 'transient and incidental storage' of the works and, as such, would not amount to infringement under section 52 of the Copyright Act.

Next, the court examined *Wynk*'s claim that it had validly invoked the statutory licensing scheme under section 31 D in respect of its online broadcasting service. First, the court held that the compulsory licensing scheme, it being in the nature of an exception to a copyright holder's freedom to contract, must be strictly interpreted. Applying the principle of strict



interpretation to section 31 D, the court examined its legislative history as well as the language used in the statute and the rules thereunder, and held that the legislative intent was to clearly exclude the applicability of section 31D to Internet broadcasting. Further, the court held that Wynk could not rely upon the DIPP office memorandum, since it was merely an administrative order without any statutory force.

Finally, the court examined whether the statutory licence could be invoked without the prior fixation of royalty rates by the IPAB. The court first reiterated that the IPAB had no jurisdiction to fix royalty rates for Internet broadcasting, as the same falls outside the statutory scheme of section 31 D. Further, the court held that, in any event, the statutory scheme clearly indicates that the rate and method of payment of royalty to the copyright holder must be fixed prior to invoking the compulsory licence for any copyright work.

An interim injunction is granted if the court concludes that the plaintiff has a prima facie case, if the balance of convenience is in favour of the plaintiff, and if there would be irreparable injury to the plaintiff in its absence. The Bombay High Court came to a prima facie conclusion that Wynk's reliance on section 31 D was void both on substantive as well as procedural grounds, and that its services amounted to infringement of Tips' copyright. The court also concluded that, since the entirety of the plaintiff's repertoire was being infringed, the balance of convenience was in Tips' favour, and the absence of an injunction would cause irreparable injury.

## **A CASE STUDY OF US**

Recently, USA allowed for the statutory licensing of sound recordings for interactive-services, after Musical Works Modernization Act (HR1551, 2018) was passed, to streamline the licensing process for online music streaming.

The purpose was to update the existing music copyright laws by introducing a new compulsory licence method for mechanical works, updating the rate standards applicable to music licensing providing copyright royalties to pre-1972 artists, and ensuring that producers, mixers, and sound engineers are able to receive compensation for their creativity.

## ***AVAILABILITY AND SCOPE OF COMPULSORY LICENSE CLAUSE***

Clause (ii) in subparagraph (A) of paragraph (1) of section 115(a) Copyright Law of the United States<sup>135</sup> provides a new system under which broadcasting organisations may obtain a compulsory license for a nondramatic musical work. Under the latest wording of section 115(a)(1)<sup>136</sup>, “any other person” can obtain compulsory license after a sound recording consisting of a musical work has been distributed to the public in the United States with the permission of the musical work copyright holder. The purpose of the new language is to eliminate any ambiguity or abstruseness under existing law as to whether a digital music provider may obtain a compulsory license when the digital music provider is the first person to distribute digital phono record deliveries of such musical work. The new wording of the section makes it very lucid that a digital music provider may obtain a compulsory license in those instances in which the digital music provider is the first person to make and distribute digital phono record deliveries of a sound recording embodying a musical work.<sup>137</sup>

#### *ROYALTY PAYABLE UNDER COMPULSORY LICENSE*

The amendments to subsection (c) of section 115 of United States Copyright Law alters the earlier rate of royalty payable standard Consistency with the current 115 compulsory license, subsection (c) (2) (A)<sup>138</sup> makes clear that voluntary licenses entered into between musical work copyright owners and digital music providers are given effect in lieu of the rates established for the blanket license.

Therefore, the introduction of amendment in the existing Copyright law of United states made the first substantial copyright legislation to come in force in decades accomplishes three main changes: first, The use of music by interactive/streaming services will now be paid under a regularized royalty arrangement; Second, Audio producers and engineers who participated in musical recordings will start to be paid when their recordings are played on online and satellite

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135 The making of the phono records was authorized by the owner of copyright in the sound recording or, if the sound recording was fixed before February 15, 1972, by any person who fixed the sound recording pursuant to an express license from the owner of the copyright in the musical work or pursuant to a valid compulsory license for use of such work in a sound recording.

136 When phono records of a nondramatic musical work have been distributed to the public in the United States under the authority of the copyright owner, any other person, including those who make phono records or digital phono record deliveries, may, by complying with the provisions of this section, obtain a compulsory license to make and distribute phono records of the work. A person may obtain a compulsory license only if his or her primary purpose in making phono records is to distribute them to the public for private use, including by means of a digital phono record delivery.

137 The first title of H.R. 1551, ‘Music Modernization Act’ concerning Section 115 of Title 17, p. 2, visited on 21 Sep. 2019, available at [https://www.copyright.gov/legislation/mma\\_conference\\_report.pdf](https://www.copyright.gov/legislation/mma_conference_report.pdf).

138 The royalty under a compulsory license shall be payable for every phono record made and distributed in accordance with the license.

radio services; third, Digital services will have to pay for their use of songs recorded and released before 1972 (these recordings were not previously protected by copyright law).

*PRINCIPLE OF CONTEMPORANEA EXPOSITO EST OPTIMA ET FORTISSIMA IN LEGE*

The interpretation of a statute should be done as it would have been at the time when it was passed. When the meaning is doubtful or suspicious prior usage or interpretation of the statute is the presumptive evidence of its meaning, when the statute has been enforced. A statute may have been interpreted in one way, but a wrong meaning could have been affixed to it for a long time then its immaterial and court have to give the correct meaning by interpreting it.<sup>139</sup>

The principle of this rule is failure of the legislature to correct the practice by amendment. The rule is that an Act may be interpreted as per its actual words together with the practice existing at the time when the act was passed and not by the practice followed under it. If the prior interpretations are contradictory, the court will have to interpret the statute after considering the reasons given and then come to its own conclusion.<sup>140</sup>

In *STO v. Budh Praksh*<sup>141</sup>, the respondent challenged the legality of the assessment done by the Income Tax Officer in respect to the contracts to sales tax. He stated that the Act, insofar as it imposed a tax on contracts was beyond the authority (*ultra vires*) of the power of the provincial legislature. He contended that there was only an agreement to sell, and a liability to be assessed on sales tax can arise only if there is sale completed. In response to this the Court said:

*There having existed at the time of the enactment of the Government of India Act, 1935, a well-defined and well-established distinction between a sale and an agreement to sell it would be proper to interpret the expression 'sale of goods' in entry 48 in the sense in which it was used in legislation both in England and India and to hold that it authorises the imposition of a tax only when there is a completed sale involving transfer of title.*

In *The State Of Madras vs Gannon Dunkerley & Co. (Madras) Ltd.*<sup>142</sup> the respondent has raised the issue before the High Court, that the power of the Madras legislature to impose a sales tax did not extend to imposing a tax on the value of materials used in works under Entry 48 in List II in schedule 7 of the Government of India Act, 1935, as there was no transaction of sale

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139 Vepa P. Sarathi, *INTERPRETATION OF STATUTES*, 5th ed. 2010, p. 145.

140 *Supra* n. 55.

141 AIR 1954 SC 459; (1955) 1 SCR 243.

142 1958 AIR 560; 1959 SCR 379.

regarding those goods and the provisions introduced by the Madras General Sales Tax (Amendment) Act, 1947, authorising the imposition of such tax were beyond the authority (*ultra vires*), here the Supreme Court held:

*The Court held that here the word 'sale' has wider implication as meaning the 'transaction of sale' in the sense of an agreement to sell, as one of the essential ingredients of sale. Sale would only result when it has resulted in the passing of property in the goods to the purchaser. Thus, sale of goods must not be construed in popular sense in Entry 48, but interpreted in its legal sense.*

## CONCLUDING REMARKS

The equilibrium is required to be achieved between the competing and conflicting interests of public and the copyright stakeholders. The main object of this paper is to preserve the very fundamental purpose of granting copyright protection to the authors along with safeguarding the interest of the consumers. The comprehensive study connotes that the broadcasting can be in two ways through push and pull technologies, the purpose in both the case is communication of the works to the public by any means of wired and wireless diffusion. The provisions of statutory licenses under copyright law encompasses 'any' broadcasting organisations which makes it available to any type of broadcasting and also it is technically neutral right in respect of new economic and technical advancements.

Therefore, the past history of statutory licencing for the interactive transmissions should not prejudice the judgment and the provisions of statutory licencing under copyright law should be interpreted in its legal sense as it was intended by the legislators which nowhere prohibits the statutory licensing of broadcasting by online streaming services. Indeed, this is a matter for greater legislative deliberation, and maybe it is time to make distinction between interactive and non-interactive online streaming like US to safeguard the purpose of audio streaming.

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### **TRADEMARKING OF RELIGIOUS MARKS IN INDIA: DIRECTION OF LAW OR DISCRETION OF COURT?**

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#### *Abstract*

*Religion, more or less, pervades each and every aspect of the life of a human being. This is especially true in a country like India where religion and religious affiliations are given utmost importance. However, slowly but steadily, religion is now pervading even areas previously not thought possible such as trade and commerce. The selling of products and services named after religions, Gods and Goddesses, holy books, places of worship, spiritual leaders, etc. is now quite a common occurrence in India despite the existence of Section 9(2) (b) of the Trade Marks Act, 1999 which stipulates that “a mark shall not be registered as a trademark if it comprises of any matter likely to hurt the religious susceptibilities of any class or section of the citizens of India”. Furthermore, various courts in India, at the state as well as national level, have interpreted Section 9(2) (b) in a different manner over the years as is evident in decisions such as the Attukal Bhagawathy Temple case and the case of Amrital Singh v. Lal Babu Priyadarshi. The position of India as well as other countries such as China, Singapore, United States and United Kingdom with respect to trademarking of religious marks will hence be elaborately analysed and interpreted in this paper with the help of legal provisions, case laws and examples in this regard. Furthermore, the question whether the existing provisions are sufficient or further changes are advisable will be discussed in detail, suggestions made in this regard and a conclusion reached thereafter.*

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## I. INTRODUCTION

Religion is something that is highly personal, subjective and close to the heart of each and every human being. A person's religion often influences their actions and behaviour, shapes their values and morals, provides them with mental and emotional support, confers on them a sense of purpose, influences the decisions they take and thereby play an extremely crucial role in their lives. However, taking advantage of the religious affiliations of people by means of selling products and services named after religions, deities, holy books, places of worship, religious leaders, etc. has now become quite a trend. What is more, such religious marks are not only used for selling purposes but also further trademarked and monopolised. Trademarks with religious connotations are highly likely to hurt religious sentiments. Furthermore, everybody has the right to use religious marks and the same should hence not be monopolised by one individual or group of individuals for their own personal benefit.

For example, the use of the name of a Hindu God or Goddess such as Ganesha, Krishna, Laxmi or Meenakshi, or holy book such as Ramayana with respect to beef products; or the use of the name of a Muslim prophet such as Muhammad or holy book such as Koran with respect to pork products would be tantamount to "hurting religious susceptibilities" as stipulated in Section 9(2) (b) of the Trade Marks Act, 1999.<sup>143</sup> Refusal to register words like "Hallelujah"<sup>144</sup>, "Lord Buddha" and "Sri Ramakrishna" as trademarks because they have religious connotations is also a good example of the same.<sup>145</sup> Furthermore, trademarking the picture of "Goddess Meenakshi", with respect to fertilisers, was also held to be tantamount to hurting religious sentiments.<sup>146</sup> However, as what all can be brought within the ambit of "hurting religious susceptibilities" under Section 9(2) (b) has not been defined anywhere, a considerable amount of discretion has been conferred on the judicial system. This has resulted in huge disparity between the judgements passed by the courts in India over the years.

Initially, the name of deities, temples and such were not allowed to be trademarked by the court as can be observed when the Tirupati Devasthanam Board attempted to register the name of "Lord Venkateshwara"<sup>147</sup> as a trademark. However, the scenario is quite different now as can be clearly understood from the fact that the Attukal Bhagawathy Temple Trust was recently

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<sup>143</sup>Lavish Garg, Trademarking Religion: Examining the Judicial Conundrum of Section 9(2) (b) of Indian Trademarks Act, 9 Indian Journal of Intellectual Property 73, 73-87 (2018).

<sup>144</sup>Hallelujah Trade Mark, 93 IPLR 22 (1976).

<sup>145</sup>Supra 1.

<sup>146</sup>Sri Meenakshi Tamil Nadu's Application, 89 IPLR 144 (1976).

<sup>147</sup>Ashwani Bansal, Commercial's Law of Trade Marks in India 196 (Commercial Law Publishers, 2001).

able to successfully trademark the picture of the temple deity “Attukal Devi”<sup>148</sup> as well as the title “Sabarimala of Women”<sup>149</sup> in association with the temple.<sup>150</sup> Another example where such disparity is blatantly evident is the case of *Mangalore Ganesh Beedi Works v. Union of India*<sup>151</sup> and the case of *Amrital Singh v. Lal Babu Priyadarshi*<sup>152</sup>. In the former case, the court refused to bar the trademarking of the word “Ganesha” with respect to cigarettes. However, in the latter case, the court barred the registration of the word “Ramayana” as a trademark with respect to incense sticks. Clearly defining what all can be brought within the ambit of “hurting religious susceptibilities” under Section 9(2) (b) and thereby reducing the discretion granted to courts in cases of trademarking of religious marks is hence the need of the hour.

## II. LEGAL PROVISIONS

Section 9 of the Trade Marks Act, 1999 prescribes certain “absolute grounds for refusal of registration of a trademark”. Clause 1 of the said Section lays down the ground for refusal of registration if the trademark intended to be registered is not capable of distinguishing the product or services from others, those that designate to serve kind, quality, etc. and those that have become customary. Section 9(2)(b) explicitly states about the refusal of registration of a trademark in cases where the same is expected to hurt or offend the religious sentiments or religious susceptibilities of any class or section of people in India. Apart from Section 9(2) (b), Section 295A of the Indian Penal Code, 1860 establishes the punishment for any deliberate attempt made to outrage the religious sentiments or feelings of any particular class by indulging in acts that insult the religion or religious beliefs of that class or group of people.

India is a very diverse country with at least nine religions in existence and thus the religious sentiments and beliefs of these groups must be safeguarded. The existence of so many religions and beliefs gave rise to the common trade practice of using religious symbols, name of Gods and Goddesses, etc. to trademark a product. This practice in itself is not considered offensive unless and until the usage of such symbols, names, etc. in relation to certain products and services offends the sentiments of a certain religious group.<sup>153</sup> Using symbols or terms in

<sup>148</sup>Attukal Devi, Trademark No. 1420800.

<sup>149</sup>Sabarimala of Women, Trademark No. 1420799.

<sup>150</sup>Suo Moto Proceedings Initiated on a Petition Received from Sri R. S. Praveen Raj, Thiruvananthapuram, Regarding Trademark Registration of the Picture of the Deity of Attukal Temple, Thiruvananthapuram, Writ Petition (Civil) No. 14153 of 2009.

<sup>151</sup>Mangalore Ganesh Beedi Works v. Union of India, 1974 AIR 1832.

<sup>152</sup>Amrital Singh v. Lal Babu Priyadarshi, (2015) 16 SCC 795.

<sup>153</sup>Supra 5.



relation with the Muslim community on alcoholic drinks can be considered as an offensive act since Muslims consider alcohol to be “*haram*” and the same can hence be brought under the ambit of Section 9(2) (b).

There have been various instances where a trademark has been refused registration even before the existence of Section 9(2) (b). The application for registering the picture of “Goddess Meenakshi”<sup>154</sup> as a trademark was refused on the ground that it offended the sentiments of a religious group. Similarly, the term “Hallelujah”<sup>155</sup> was refused registration as a trademark for a clothing line because it was against the generally accepted norms of morality and thereby affected the sentiments of a religious group. But there have been instances where trademarks have been given for a particular term or symbol which can be considered as religious. Thus, it is the discretion of the court to grant such trademarks in cases considering the circumstances at hand. But it was in the case of *Amritpal Singh v. Lal Babu Priyadarshi*<sup>156</sup> that a blanket prohibition was introduced by the Hon’ble Supreme Court of India.

Article 25 of the Constitution of India guarantees every citizen the “right to freely practice, profess and propagate a religion” provided that the same is not against “public order, morality and health”. Trademarking a religious name, symbol, etc. would be against the wordings of Article 25 since it would act as a restriction to freely “practice, profess and propagate” a religion. For example, if a picture and title of a deity is granted trademark, it would restrict the free usage of that picture and term. Hence, Section 9(2) (b) in a way upholds the provisions of Article 25 by not granting trademark to any such names or symbols that offend religious susceptibilities.

Article 18(3) of the International Convention for Civil and Political Rights (ICCPR) states that the “right to freedom of religion” is only limited to such restrictions that are prescribed by law and that are necessary for the protection of “public safety, order, health, morals and others’ fundamental rights and freedoms”. Article 18 of the Universal Declaration of Human Rights (UDHR) also states about the “right to religion”. As far as the global image is considered, the “right to religion” has been upheld in various international treaties and conventions. Monopolizing religious symbols and terms by trademarking would hence restrict people from accessing their “right to religion”

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<sup>154</sup>Supra 4.

<sup>155</sup>Supra 2.

<sup>156</sup>Supra 10.

### III. INTERNATIONAL PERSPECTIVE

#### China

China is a multi-religious country with no official religion, just like India.<sup>157</sup> In furtherance to this Buddhism, Taoism, Islam and Christianity constitute the religion of majority population of the country.<sup>158</sup> Furthermore, folk religions such as Mazuism and Yellow Emperor Worship are also widely practiced in China.<sup>159</sup> Consequently, religious marks such as the name of religions, Gods or Goddesses, holy books, places of worship, spiritual leaders, etc. are often protected by means of trademark in the country.<sup>160</sup> Trademarking of the Shaolin Temple, with respect to goods and services, is a prime example of such a trademark.<sup>161</sup> However, registration of trademarks in China is subject to Article 10 of the Trademark Law, 1982. Furthermore, trademarking of religious marks in the country must comply with Article 36 of the Constitution.

In this regard, Article 36(3) of the Constitution stipulates that “no one may make use of religion to engage in activities that disrupt public order, impair the health of citizens or interfere with the educational system of the state”. Furthermore, Article 10(8) of the Trademark Law stipulates that “signs that are detrimental to socialist morality or customs, or having other unhealthy influences should not be used as trademarks”. In furtherance to this, in the case of *Shanghai Cheng Huang Jewellery Co., Ltd. v. Trademark Review and Adjudication Board of the State Administration for Industry and Commerce of China*<sup>162</sup>, a trademark that had been registered, with respect to jewellery and precious stones, was subsequently declared to be invalid by the court as the same offended the religious sentiments of the Taoist community. It can hence be inferred that trademarking of religious marks is, more or less, allowed in China subject to certain reasonable restrictions.

#### Singapore

Singapore is also a multi-religious country with no official religion, like India and China.<sup>163</sup> In furtherance to this Buddhism, Christianity, Islam, Taoism and Hinduism constitute the religion

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<sup>157</sup>Andre Laliberte, Religion and the State in China: The Limits of Institutionalization, 2 Journal of Current Chinese Affairs 3, 3-15 (2011).

<sup>158</sup>Id.

<sup>159</sup>Daniel L. Overmyer, Religion in China Today: Introduction, 174, The China Quarterly 3077, 307-316 (2003).

<sup>160</sup>Wenqi Liu, Legal Protection for China's Traditional Knowledge, 7 Religions 1, 1-10 (2016).

<sup>161</sup>PTI, Shaolin Temple Fights to Protect Trademark, The Economic Times, Aug. 1, 2007.

<sup>162</sup>Shanghai Cheng Huang Jewellery Co., Ltd. v. Trademark Review and Adjudication Board of the State Administration for Industry and Commerce of China, Gao Xin Zhong Zi No. 539 (2014).

<sup>163</sup>Kerstin Steiner, Religion and Politics in Singapore - Matters of National Identity and Security? A Case Study of the Muslim Minority in a Secular State, 58 Osaka University Law Review 107, 107-134 (2011).

of majority of the country.<sup>164</sup> Furthermore Zoroastrianism, Judaism, Sikhism, Jainism and a few other religions are also practiced in Singapore.<sup>165</sup> Registration of trademarks in the country is subject to Article 7 of the Trade Marks Act, 1998. Furthermore, trademarking of religious marks in Singapore must comply with Article 15 of the Constitution. In this regard, Article 15(4) of the Constitution stipulates that “every person has the right to profess and practise his religion and to propagate it as long as it is not contrary to any general law relating to public order, public health or morality”. Furthermore, Article 7(1)(b), (4)(a), (5) and (6) of the Trademarks Act stipulate that “a trade mark shall not be registered if it is devoid of a distinctive character, contrary to public policy or morality, of such nature as to deceive the public or to the extent that the application is made in bad faith”.

In furtherance to this, in the cases of *Han’s (F&B) Pte Ltd. v. Gusttimo World Pte Ltd.*<sup>166</sup> and *Eley Trading Sdn Bhd v. Kwek Soo Chuan*<sup>167</sup>, the court opined that permitting a business to trademark words or phrases that other businesses may also legitimately require the use of was *prima facie* opposed to the interest of the public. Furthermore, in the latter case, the trademark that had been registered, with respect to incense sticks and scented oils, was subsequently declared to be invalid by the court as the word that had been trademarked featured prominently in Buddhist publications and was also very much associated with the Buddhist religion. It can hence be inferred that trademarking of religious marks is not allowed in Singapore despite the country not have any legal provision expressly stipulating the same.

### **United Kingdom**

The Church of England is the official state church of the United Kingdom and the monarch of the country is the Supreme Governor of the said church.<sup>168</sup> Despite this, apart from Christianity, religions such as Islam, Hinduism, Sikhism, Judaism, Buddhism, Jainism, Neopaganism and Bahá’í Faith are also practiced in the United Kingdom.<sup>169</sup> Registration of trademarks in the country is subject to Article 3 of the Trade Marks Act, 1994. In this regard, Article 3(1) (b), (2) and (6) of the Act stipulates that “a sign shall not be registered as a trademark if it is devoid of a distinctive character, contrary to public policy or to accepted principles of morality, of

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<sup>164</sup>Id.

<sup>165</sup>Joseph B. Tamney, *Religion and the State in Singapore*, 30 *Journal of Church and State* 109, 109-128 (1988).

<sup>166</sup>*Han’s (F&B) Pte Ltd. v. Gusttimo World Pte Ltd.*, [2015] 2 SLR 825.

<sup>167</sup>*Eley Trading Sdn Bhd v. Kwek Soo Chuan*, [2017] SGIPOS 15.

<sup>168</sup>David Voas and Steve Bruce, *Religion: Identity, Behavior and Belief Over Two Decades*, 36 *British Social Attitudes* 1, 1-29 (2019).

<sup>169</sup>Clive D. Field, *Measuring Religious Affiliation in Great Britain: The 2011 Census in Historical and Methodological Context*, 44 *Religion* 357, 357-382 (2014).

such a nature as to deceive the public or to the extent that the application is made in bad faith”. In furtherance to this, the word “Jesus” with respect to clothing, cosmetics, optical apparatus, precious metals, stationary, leather, textiles, games, etc. was denied registration as a trademark due to being contrary to public policy and few other such considerations.<sup>170</sup>

Though the United Kingdom does not have a written constitution, Article 9(2) of the European Convention on Human Rights (ECHR) stipulates that “freedom to manifest one's religion or beliefs shall be subject to such limitations as are prescribed by law and are necessary in a democratic society in the interests of public safety, for the protection of public order, health or morals, or the protection of the rights and freedoms of others”. Article 18(3) of the International Convention on Civil and Political Rights (ICCPR) also contains a similar provision. Furthermore, the Human Rights Act, 1988 makes the ECHR enforceable in the courts of the country, thereby making the provisions of the convention tantamount to the laws of the United Kingdom. It can hence be inferred that trademarking of religious marks is not allowed in the country despite the United Kingdom not have any legal provision explicitly prescribing the same.

### **United States**

The United States is a Christian majority country.<sup>171</sup> However, several other religions such as Judaism, Islam, Bahá'í Faith, Rastafarianism, Buddhism, Hinduism, Jainism, Sikhism and Taoism are also practiced here.<sup>172</sup> Consequently, religious marks are often protected by means of trademark in the country. Trademarking of the Episcopal Church, with respect to religious instruction services, is a prime example of such a trademark.<sup>173</sup> As opposed to several other countries, protection of religious marks by way of trademark is allowed in the United States as they believe that protection of reputation is also as important as making profit and selling goods.<sup>174</sup> Furthermore, goods and services in the country are often named after religions, deities, holy books, places of worship, religious leaders, etc. and also thereafter registered as

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<sup>170</sup>Trade Marks (International Registration) Order 1996 in the Matter of: Requests by Basic Trademark SA for Protection in the United Kingdom of (1) International Trade Mark No. 689374 in Class 25 and (2) International Trade Mark No. 776058 in Classes 3, 9, 14, 16, 18, 24 and 28.

<sup>171</sup>The Boisi Center, Religious Pluralism in the United States, Papers on Religion in the United States (Aug. 25, 2021, 10:00 AM), [https://www.bc.edu/content/dam/files/centers/boisi/pdf/bc\\_papers/BCP-Pluralism.pdf](https://www.bc.edu/content/dam/files/centers/boisi/pdf/bc_papers/BCP-Pluralism.pdf).

<sup>172</sup>Id.

<sup>173</sup>Episcopal Church, Trademark No. 3379870.

<sup>174</sup>Supra 19.

trademarks.<sup>175</sup> In this regard, the word “Jesus”<sup>176</sup> with respect to jeans, “God”<sup>177</sup> with respect to computer application software and “True Religion”<sup>178</sup> with respect to handbags, belts, etc. were registered as trademarks in the United States by BasicNet, Morell International Inc. and Guru Denim Inc. respectively. Furthermore, the words “The God Helmet”<sup>179</sup> with respect to fitness evaluation and consultation have also been trademarked in the country.

However, registration of trademarks in the United States must comply with and is subject to Section 2 of the Lanham Act, 1946. In this regard, Section 2(a) of the Act stipulates that “no trademark should be refused registration unless it consists of immoral, deceptive or scandalous matter; or matter which may falsely suggest a connection with persons, institutions or beliefs; or bring them into contempt or disrepute”. In furtherance to this, in the case of *In Re Riverbank Canning Co.*<sup>180</sup>, the court opined that the word “Madonna” could not be trademarked, with respect to wine and other similar products, as the word was often associated with Virgin Mary and thus would constitute immoral or scandalous matter. It can hence be inferred that trademarking of religious marks is allowed in the country to a considerable degree.

#### IV. CRITICAL ANALYSIS

The practice of not granting trademarks to proprietors who use religious symbols, terms and other related material existed even before the enactment of the legislation that governed the same. Even before the enactment of any such legislation, the Bombay Mill Owners Association maintained a proprietor register for trademarks and refused to grant trademarks in cases where it contained religious names.<sup>181</sup> However, after the introduction of a codified trademark law in the country, the ground for refusal of trademarks on the basis of hurting religious sentiments was followed.<sup>182</sup> The provision mainly stated about hurting the religious sentiments of the people and did not define any aspect of such susceptibilities and it was very much understood that a blanket prohibition was never envisaged by the law.<sup>183</sup> The same provisions were carried

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<sup>175</sup>Id.

<sup>176</sup>Allison McCowan, *Jesus Jeans and Jesus Surf: Trademarking Jesus*, Journal of Business and Intellectual Property Law (Aug. 24, 2021, 4:00 PM), <http://ipjournal.law.wfu.edu/2013/03/jesus-jeans-and-jesus-surfed-trademarking-jesus/>.

<sup>177</sup>God, Trademark No. 5004970.

<sup>178</sup>True Religion, Trademark No. 3628973.

<sup>179</sup>The God Helmet, Trademark No. 4531717.

<sup>180</sup>*In Re Riverbank Canning Co.*, 95 F.2d 327.

<sup>181</sup>Kapil Wadhwa and Dr. Abhishek Manu Singhvi, *Venkateswaran on Trademarks and Passing off* 155 (Lexis Nexis, 2015).

<sup>182</sup>Supra 1.

<sup>183</sup>Id.

forward to the successive enactments and trademark laws in the country.<sup>184</sup> Section 11(d) of the Trade and Merchandise Act, 1958 and Section 9(2) (b) of the Trade Marks Act, 1999 show a similar picture to the provision that was followed in the Trade Marks Act, 1940.

Considering the provisions of the legislations governing trademarks, it is impossible to draw a straight line between trademarks hurting the religious sentiments of the people and granting the trademark to the proprietor. Hence, it is upon the direction of the court that a case on whether to grant the trademark is decided. It was the discretion of the court to adjudicate a case considering the different circumstances and interpret the same provision on a case-to-case basis. This discretionary power of the court can be clearly understood in the case of *Mangalore Ganesh Beedi Works v. Union of India*<sup>185</sup>, where the Allahabad High Court granted the use of trademark of the term “Ganesha” on beedi packets. The respondent on the other hand claimed that smoking beedi is considered as a wrong in Hinduism and also the packet would later be squeezed and thrown into the dustbin after usage, which is equally wrong and both this hurt the religious sentiments of the people belonging to the Hindu community. This argument was, however, not accepted by the court and the trademark was granted by declining the bar for registration.

But in other cases, such as when the picture of “Goddess Meenakshi” was registered for trademarking fertilizers and manure mixtures, the same was refused on the ground that it hurt the religious sentiments of the people.<sup>186</sup> Here, it is difficult to draw a distinction between the two cases. Hence, it can be understood that it is the pure discretion of the court to decline the bar for registration considering the circumstances of the case and the courts have failed to maintain a uniform standard to draw such a distinction. But later in 2015, the Supreme Court of India adopted a blanket prohibition which stated that the mere usage of religious names for trademarking a product will be affected by Section 9(2) (b) of the Trade Marks Act, 1999 and the same would be refused on the basis of certain considerations.

The blanket prohibition on registration of names of religious books extending to all names associated with religion was adopted by the Supreme Court for the first time in the case *Amritpal Singh v. Lal Babu Priyadarshi*<sup>187</sup>. In this particular case, the appellant filed for registration of trademark of the word “Ramayana” for incense sticks and perfume that would

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<sup>184</sup>Id.

<sup>185</sup>Supra 9.

<sup>186</sup>Supra 4.

<sup>187</sup>Supra 10.

be manufactured and sold. However, the respondent claimed that allowing such a registration would be against the spirit of Section 9(2) (b) since it would give the proprietor an exclusive right over the name of a religious text. The ruling of the court was in accordance with the claim of the respondent and the court went on to state that no single person should have the exclusive right to use the name of any holy or religious text.

Reference to Report 8 on the Trade Marks Bill, 1993 was also made by the court to point out the opinion that had been made by the committee with regards to usage of symbols that referred to any particular God or Goddesses, place of worship, etc. stating that the same would not be granted trademark.<sup>188</sup> But it is important to note in this case that the court failed to establish whether the registration of such a trademark offended the religious sentiments of any group involved. But instead, the court just ruled that exclusivity cannot be granted and the usage is contrary to Section 9(2) (b). Here, it can be clearly understood that exclusivity cannot be the sole reason for not granting trademark under Section 9(2) (b) considering the wordings of the Section. The Hon'ble Supreme Court, in this instance, failed to explain the applicability of exclusivity with regards to the Section. It was very vague and unclear whether it hurt the sentiments of a group of people and the same aspect was overlooked by the Hon'ble Court.

Prohibiting the usage of names of religious texts as trademarks would logically prohibit the usage of names of Gods and Goddesses. There are over nine religions in India and the Hindu religion itself has 330 million different Gods and Goddesses.<sup>189</sup> Considering the total numerical value of names that is prohibited under this provision would result in an astronomical number of names having such prohibition. But there have been instances where such trademarks were given to the name of Gods and Goddesses like in the case of *S. P Chengalvaraya Naidu v. Jagnath*<sup>190</sup> and *Registrar of Trade Marks v. Ashok Chandra Rakhit Ltd.*<sup>191</sup>. In fact, the trademark journals in itself would have a considerable number of names of Gods, Goddesses and other religious terms trademarked.<sup>192</sup> This gives rise to an inconsistency in applying the Section in similar cases, thus denoting an unjust practice that is followed.

It is a well settled fact that common names cannot be trademarked and the same is clear under Section 9(1) of the Trade Marks Act, 1999. Similarly, religious names lack such distinctiveness and cannot be trademarked. The courts in many cases have pointed out the same and stated that

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<sup>188</sup>Government of India, *Lok Sabha's Eighth Report on the Trade Marks Bill, 1993* (1995).

<sup>189</sup>W. J. Wilkins, *Hindu Mythology: Vedic and Puranic*, 52 (Thacker, Spink & Co., 1900).

<sup>190</sup>*S. P Chengalvaraya Naidu v. Jagnath*, JT 1993 (6) SC 331.

<sup>191</sup>*Registrar of Trade Marks v. Ashok Chandra Rakhit Ltd.*, AIR 1955 SC 555.

<sup>192</sup>*Supra* 1.

religious names cannot be monopolized. The Bombay High Court has held that the term “Laxmi” cannot be trademarked since it is a common name.<sup>193</sup> But, the problem arises where these name of Gods and Goddesses are also common personal names. So, what should be the distinction between the common names of persons and common names of Gods and Goddesses?<sup>194</sup> Is it necessary that the names of Gods and Goddesses must be treated specially and differently? In the recent judgment by the Madras High Court, the court held that “Vishnu” was a very common personal name and did not belong to any religion.<sup>195</sup>

Similarly, there must be some distinctiveness in the name that is trademarked. It is difficult to trademark the names of Gods and Goddesses considering the fact that it is impossible to create a secondary distinctiveness. In the case of *Bhole Baba Milk Food Industries Ltd. v. Parul Food Specialities Pvt. Ltd.*<sup>196</sup>, the Delhi High Court held that “Krishna” was a common name and referred to Lord Krishna, a popular Hindu deity associated with milk and milk products according to the Hindu Puranas, and the same has therefore not acquired any distinctiveness. Hence, the court held that the name cannot be monopolized in association with dairy products. In the same case, the respondent sold products under the label “Parul’s Lord Krishna” with the term “Krishna” highlighted wherein the court directed the respondent to use all the three words in similar font to avoid any kind of confusion.

In another case, *Kewal Krishna Kumar v. Rudi Roller Flour Mills*<sup>197</sup>, the appellant had obtained a trademark for the term “Shiv Shakti” in 1832. The question before the court was whether the same could be trademarked or not. The respondent applied for trademarking the term, “Shakti Bhog”. The court held that “Shiv Shakti” is phonetically far away from the term “Shiv Bhog”. Even though the term “Shakti” is common in both the trademarks, it merely acts as a descriptive word. The court hence stated that there cannot be any monopoly over the word “Shakti” which was merely a descriptive word. This case clearly deals with the aspect of drawing a secondary distinctiveness. In both the trademarks mentioned in the case, the common term is a mere description and the two trademarks have their own distinctive features as required by the legal provisions governing the same.

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<sup>193</sup>*Freudenberg Gala Household Products v. GEBI Products*, CA 72/201 (Bom).

<sup>194</sup>*S. K. Sachdeva v. Shri Educare Limited*, CS (OS) 1151/2014.

<sup>195</sup>*Ananthaya v. Vishnu*, CA 421/2016 (Mad).

<sup>196</sup>*Bhole Baba Milk Food Industries Ltd. v. Parul Food Specialities Pvt. Ltd.*, 2011 (48) PTC 235 (Del).

<sup>197</sup>*Kewal Krishna Kumar v. Rudi Roller Flour Mills*, 2007 (35) PTC 848 Del.



Recently, the Attukal Bhagawathy Temple Trust in Kerala acquired trademark protection for a picture of its deity<sup>198</sup> and for the title<sup>199</sup> “Sabarimala of Women”. The same was questioned in the High Court of Kerala stating that it violated the provisions contained in Section 9(2) (b) and also provided the temple trust with monopoly over the deity and the title.<sup>200</sup> The court dismissed the said petition and granted trademark to the Temple Trust.<sup>201</sup> The Court stated that “what assumes significance is the status of the deity as also that of the Trust in relation to the deity.”<sup>202</sup> In order to create the connection between the traded goods and service and the person acting as the proprietor, the court first elevated the status of the Trust as the Manager of the estate of the idol and then granted the secondary distinctiveness holding.<sup>203</sup>

But whatever the case maybe, by holding the trust as the Manager, the court has overlooked the bigger problem at hand, that is, monopolizing the idol and the title. Also, the same violates the “right to free practice of religion” guaranteed under Article 25 of the Constitution of India by excluding others from using the title or name of the deity. Hence, these cases and judgments prove that there still do not exist a clear and uniform threshold to determine the granting of trademarks in cases where it questions the provision under Section 9(2) (b) of the Trade Marks Act, 1999. Also, the aspect of hurting religious sentiments has been overlooked by the courts in many cases by focusing more on monopolizing a common name.

As far as the global scenario is considered, many countries like Singapore, United Kingdom, etc. have provisions that restrict the registration of trademarks which hurt the religious sentiments of a class or a community.<sup>204</sup> China and United States, however, are two countries that do not have any such restrictions on registering a religious mark as a trademark under reasonable circumstances.<sup>205</sup> But liberalizing the registration of trademarks without considering the sentiments of people can be a bane and similarly, too much restriction on religious basis would also defeat the purpose. Hence, it is important to find something between the two. India, though trying to strike that balance, has failed to provide the necessary guidelines that would help in applying the law governing the same. This has led to the unjust

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<sup>198</sup>Supra 6.

<sup>199</sup>Supra 7.

<sup>200</sup>Jithin Saji Isaac, A Nod to Appropriating Deity, 10 Journal of Intellectual Property Law and Practice 1, 1-3 (2015).

<sup>201</sup>Id.

<sup>202</sup>Id.

<sup>203</sup>Supra 8.

<sup>204</sup>Ankita Ansari, Commercialising Religion via Trademarking God 23 The Journal of World Intellectual Property 75, 75-81 (2020).

<sup>205</sup>Id.

and unfair practice of granting trademark in the country under Section 9(2) (b) when compared to legislations and practices followed by other countries.

## **V. RECOMMENDATIONS**

India is a diverse country with many religions and beliefs. The people in the country consider religion close to their heart and daily life. This has made religion to be a basis of many political and communal issues in the country. A percentage of the population in the country is willing to fight and die for their religion and there have been instances proving the same. Considering the fact that religion is a very sensitive topic in the country, it is important to have provisions that are fool proof with respect to this aspect of the society. As far as the Trade Marks Act, 1999 is considered, Section 9(2) (b) speaks about the refusal to grant trademark to those terms or symbols that hurt the religious sentiments of the people. But the Section in itself is vague and unclear. It provides too much discretion to the court to decide whether to grant a trademark or not. The Section does not define the terms or religious connotations that can be restricted under the Section. Neither does it provide any guidelines for the court to act on this basis.

This loophole in the Section has led to unjust practices and the court granting and refusing to grant trademarks in various cases without setting a clear boundary. The earlier decisions of the court have lacked uniformity and consistency. In many cases, the court has overlooked the aspect of hurting the religious sentiments of a religious group and refused to grant trademark since it monopolizes a term and this same justification has been brought under Section 9(2) (b). It is important to set guidelines on which the court can act in accordance with Section 9(2) (b). The guidelines should define the threshold or rather the division where a trademark can be granted and not granted considering the provisions of the Section. This is important to maintain uniformity and make sure that a just and fair practice of granting trademarks is followed.

Similarly, in many cases, the court has refused to grant trademark stating that a particular term cannot be monopolized. Section 9(1) states that a trademark can be granted only if the term or symbol that is to be registered is distinguishable. But the degree of distinction need is not defined anywhere in the Section. The blanket prohibition refuses the registration of names of holy texts and books, leading to the refusal of the registration of the names of Gods and Goddesses. But in many cases, the same names are also names of people and this creates confusion. It is necessary that there needs to be a barrier in registering common names but in many cases, it is not possible to create a distinction. Hence, proper and structured guidelines

addressing the same issue is necessary for the court to function according to the objectives that are sought to be achieved by Section 9(2) (b) of the Trade Marks Act, 1999.

## VI. CONCLUSION

In India, Section 9(2) (b) of the Trade Marks Act, 1999 restricts the registration of trademarks in cases where it hurts the religious sentiments of a class or community. This was a practice that has been followed even in the previous legislations and it is important in a country like India with various religions and beliefs.<sup>206</sup> But the age-old legislations and the amended legislation have failed to provide proper guidelines according to which the Section can be applied. This has resulted in the courts having higher discretionary power to decide cases by examining the circumstances and not properly applying the Section or overlooking the provisions embedded therein. There have been many instances where the courts have granted trademark which is in contradiction to the provisions mentioned in Section 9(2) (b) and similarly, the courts have refused to grant trademarks in cases where the same did not offend religious susceptibilities.<sup>207</sup>

This has resulted in not having a uniform pattern and unjust way of granting and refusing to grant trademarks. It was not until 2015 that a blanket prohibition was applied to the registration of trademarks with names of holy texts and thereby prohibiting the registration of names of Gods and Goddesses as trademarks.<sup>208</sup> But even after this, there have been confusion regarding the guidelines or factors that should be considered before granting registration to a trademark. It is the need of the hour to provide proper guidelines addressing the issues especially in this situation where the crimes on behalf of religion are increasing. Furthermore, questions such as whether it is actually necessary for the names of deities to be treated specially and differently from that of common people has to be answered taking into consideration the fact that several people in India are in fact named after Gods and Goddesses.

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<sup>206</sup>Supra 1.

<sup>207</sup>Id.

<sup>208</sup>Supra 10.



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### ROLE OF IPR IN INDUSTRIAL GROWTH & TECHNOLOGY TRANSFER

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#### *Abstract*

*Due to widespread competition, any organization needs innovation to have an edge in the market. This leads to the creation of Intellectual property and contributes towards attaining the goals of an organization. It acts as an asset for any organization and gives them benefits for a longer period. As the revenues of the company start to increase, innovations can be expanded to other geographical areas because of stronger Intellectual property protection. The paper has been divided into four parts, with an attempt to cover major areas relating to the topic. In the first part of the paper, an analysis of the role played by the IPR on the industrial revolution is analyzed and the claims are inclined to the effect it has on the overall economic growth of that country. Thereafter in the next part, we see the impact of IPR in economic development, through analysis of the various form of intellectual property and empirical study on several models. Then, in the third part, we see the importance of IPR for SMEs, it analyses the significant role played by innovation in their development. Also, a brief explanation of technology transfer that takes place through the patent regime is provided. Lastly, in conclusion, we will describe the results falling from the analysis which is inclined towards the positive impact of IPR on industrial and economic growth.*

**Keywords:** Technology Transfer, IPR, WIPO, Patents.

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## I. INTRODUCTION

Intellectual property can be defined in simple words as the creation delving from the human mind and intelligence. As per the *World Intellectual Property Organization* (WIPO), Intellectual property Rights include the creations of the mind, i.e., trademarks, designs, copyright, literary and artistic works, symbols, names and images used in commerce.<sup>209</sup> Thus, we can clearly imply that Intellectual property is indirectly related to industrial growth and development.

To understand the role of Intellectual property in Industrial development we need to look at the significant role played by it in the industrial revolution. The industrial revolution is described as the time period between the 1760s to 1830s, where a transition was seen towards industrial production (completely mechanised and dominated by technology). It began in Britain and led to sweeping changes across the globe. It is important to note that this industrial development was supported by the development of laws relating to Intellectual property which were laid down in Britain as early as 1624.<sup>210</sup>

It is important to understand that patents act as an incentive for factory operators and helps an economy by increasing innovation and growth. Thus, a stronger patent helps in increasing research and development (R&D), which helps in improving the quality of output. This helps in attracting the investments, JW Goethe thereby mentioned that Britain patents transformed the assets into real inventions.

After the Industrial Revolution, it has been noted that the effectiveness of technology transfer from Britain eventually became the key indicator of national prosperity.<sup>211</sup> This made England enact a law that banned the migration of skilled labour and recruitment abroad. As per this law, the emigrants from England will have to return within six months, after which they may be warned by a British diplomat of that country. If an emigrant failed to comply with the requirements it will lead to loss of land rights and ownership of goods. Also, it will lead to the abrogation of citizenship.<sup>212</sup> This shows the intensive nature of

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<sup>209</sup> *What is Intellectual Property?* WIPO <<https://www.wipo.int/about-ip/en/>> (last visited on Aug 10, 2021).

<sup>210</sup> Joel Mokyr, *Intellectual Property Rights, the Industrial Revolution, and the Beginnings of Modern Economic Growth*, 99 AEA papers & proceedings 349, 349 (2009).

<sup>211</sup> David S Landes, *The Unbound Prometheus – Technological Change and Industrial Development in Western Europe from 1750 to the Present*, 44 Cambridge University press 566, 582 (1969).

<sup>212</sup> HA-JOON CHANG, *INTELLECTUAL PROPERTY RIGHTS AND ECONOMIC DEVELOPMENT – HISTORICAL LESSONS AND EMERGING ISSUES* 10 (Third world Network, Malaysia 2001).

technologically advanced countries in the early years of the Industrial revolution to restrict the abundance of development to themselves.

Lastly, it is important to mention the US-based National Centre for Inter-American free trade has claimed that the industrial countries that began as developing countries exhibit that Intellectual Property development has been the most powerful tool for economic development growth and technological diffusion.<sup>213</sup> This clearly stands to the claim that better intellectual property protection leads to industrial development. However, it has restricted the growth of Britain by creating monopolies in the industrial world and lowering the pace of development. This just restricted the development to Britain and held it as the workshop of the globe until the later nineteenth century.<sup>214</sup>

## **II. IMPACT OF INTELLECTUAL PROPERTY ON ECONOMIC GROWTH**

IPR has a significant and positive impact on the R&D investment and also conclude that stronger protection will help in innovation and technological progress, which impacts the upward growth. Further, economists have the tendency to put forward several systems depending upon the markets. Intellectual property rights in their varied forms operate in distinct forms. Therefore, it becomes important to analyse them specifically.

Firstly, Patents are provided for twenty years of the authorised creation of the technology. It provides the recognition to a claim that is novel and has industrial utility. Thus, it helps by establishing the protective market and technical knowledge. Thus, stronger patent protection clearly adds an incentive to a creator and helps in economic progress.

Secondly, a trademark protects the rights relating to goods and services through the protection of names, marks and symbols. It is crucial to ensure that there is enough uniqueness in any trademark so that the objective of distinction can be achieved. In countries where trademarks have not been protected another company can pass off their lower quality product. Thus, stronger trademark protection is essential to restrict the abuse of legitimate goods produced by a firm. It thereby helps in the establishment of a name and reputation leading to a competitive marketplace, which makes a country a better marketplace and leads to economic growth.

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<sup>213</sup> *Strong Intellectual Property Protection Benefits the Developing Countries*, National law centre (Apr. 19, 1989). (Available at: [http://natlaw.com/db\\_document/strong-intellectual-property-protection-benefits-the-developing-countries/](http://natlaw.com/db_document/strong-intellectual-property-protection-benefits-the-developing-countries/)) (last visited on Aug 10, 2021).

<sup>214</sup> Ibid.

Thirdly, the protection given to any literary work or software is through the Copyright, which provides for the moral right of the artist and copyright of any of the derivative products. There are several exceptions to this concept and it is allowed to use the copyright works under fair use doctrine. Similarly, we have trade secrets, where protecting the trade secrets promote innovation and encourage learning through the legal route.

Lastly, there can be several other forms of intellectual creation like internet materials and databases that are not under the Copyright scope but are protected and it is essential for economic development. Overall, better protection for all of these will help in encouraging innovations, stimulating the economic growth of the country. These elements also need stronger enforcement in order to become effective which is ensured by legal expertise extensively.

Several empirical studies and researches have been taken out to find out the relevance of Intellectual Property Rights on the economic development of the country. Branstetter and Hu and Png have argued that IPR protection will help in enhancing industrial development.<sup>215</sup> This is seen specifically among the global multinational firms in technologically developed nations. Further, it was upheld that as a result of such reforms the production of goods shifts towards the reforming countries. Further, an important takeaway from this research is that a 10% increase in the percentage of FDI to GDP will lead to a 3% increase in growth.<sup>216</sup>

### III. IMPACT OF IPR ON SMALL & MEDIUM ENTERPRISES

It is important to look at the topic from the lens of SMEs because they constitute approximately 95% of the business workforce. It has been noted that small and medium enterprises are using IPR to protect the research and their investments in the market. They are able to survive and generate funding by using IPR as a legal tool to block the competitors. There is no doubt to fact that effective management of IPR will provide more business opportunities.<sup>217</sup>

Further, we see that in recent times the technological advancements have led to the creation

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<sup>215</sup> *THE ECONOMICS OF INTELLECTUAL PROPERTY*, WIPO [https://www.wipo.int/edocs/pubdocs/en/economics/1012/wipo\\_pub\\_1012.pdf](https://www.wipo.int/edocs/pubdocs/en/economics/1012/wipo_pub_1012.pdf) (last visited on Aug 11, 2021).

<sup>216</sup> *Foreign Direct Investment for Development*, OECD <https://www.oecd.org/investment/investmentfordevelopment/1959815.pdf> (last visited on Aug 11, 2021).

1. <sup>217</sup> [Stephen Ezell](#) and [Nigel Cory](#), *The Way Forward for Intellectual Property Internationally*, ITIF

<<https://itif.org/publications/2019/04/25/way-forward-intellectual-property-internationally>> (last visited on Aug 12, 2021).



of several technologies like blockchain, Artificial intelligence etc. The organisation that is innovating in these niche areas are primarily the SMEs. Thus, to ensure that there is proper protection given to these organisations and the limitations are done away with. There are several limitations facing these enterprises, they include the high cost of patents, time period for the grant, limited years of protection, limited protection and lack of knowledge.

#### **IV. PATENT VIS-A-VIS TECHNOLOGY TRANSFER**

A patent is a legal document that grants its holder the exclusive right to control the use of an invention, as defined by the claims of the patent, within a specific geographical area and time period by prohibiting others from, among other things, manufacturing, using, or selling the innovation without the holder's consent.<sup>218</sup> Patents may be granted to guarantee that new inventions are protected, that they include an inventive improvement, and that they are suitable for contemporary uses. In addition, the patent owner has the authority to transfer the patent, licence the invention, and take action in the case of an infringement of his or her right to patent. A patent applicant also has some rights that begin to accrue even before the patent is issued to him or her. Increasing worldwide commerce as well as increased rivalry in international trade demonstrate that big and medium-sized businesses must safeguard their inventions, their goods, and whatever exploitable consequences of their operations may be obtained.

When a governmental actor or another private business transfers technology to an industrial actor, the process is called technology transfer (TT). The goal of technology transfer is most frequently to commercialise a technology. A procedure in which physical or intangible assets are transferred from one entity to another is known as a transfer of assets. TT has emerged as a critical component of open innovation because it enables businesses to reap the benefits of research conducted by partners, whether public or private, inside their own ecosystem. Put another way, technology transfer is the process through which discoveries arising from university or private research are formalised and made available to industry in order to

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<sup>218</sup> *What are the criteria for patenting my invention?* <<https://www.government.nl/topics/intellectual-property/question-and-answer/what-are-the-criteria-for-patenting-my-invention>> (last visited on Aug 5, 2021).

commercialise them as new goods or services. Increasing the competitiveness of businesses via technology transfer is essential.<sup>219</sup>

In certain cases, the transfer may result in a financial transaction, which can manifest itself in a variety of ways (patent purchase, cooperation, recruitment or "hostile" methods). Organizations, whether they be commercial businesses or public organisations, are often the two most important partners. However, we can also consider that these are two distinct fields of application; in this case, the transfer of technology is analogous to the transposition of a concept, or an idea, from its typical application to a field that shares some characteristics with the original application, but for which this implementation represents a breakthrough. In all instances, the technology represents a breakthrough for the customer, despite the fact that the owner has previously mastered it.

For a variety of moral and political reasons, new technologies are still often transmitted, and only new technologies are transferred. As a result, given the fact that technology transfer was mainly institutionalised during the period 1980-1990, we must comprehend this area of activity in the context of innovation policies, with a particular emphasis on the Oslo Manual of the OECD being used to assess this last.<sup>220</sup> In this environment, there is a significant emphasis placed on the significance of technology and the business as the only engine of the economy and, therefore, the sole engine of competitive advantage. It is widely agreed that teaching or studying a trade does not constitute a transfer of technology.

## **V. DOES THE TRANSFER OF TECHNOLOGY FOLLOW A WELL-DEFINED PROCESS?**

“The diffusion and transfer of technologies is a major pillar that supports the patent system.” This quote, taken from a text by WIPO (World Intellectual Property Organization), specifies the importance of the link between patents and technology transfers. The expressions technology license, licensing, transfer contract, express the various forms that the transfer of technology can take, more especially in the field of business, commerce and commercial industry. If one takes into consideration the meanings of the word “technology”, it is very simplifying to understand by transfer of technology only a commercial agreement between the owner of a patent (or any other source of the property or commercial law) and a purchaser of all or part of this patent (or rights of use).

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<sup>219</sup> Ibid.

<sup>220</sup> *STUDIES IN TECHNOLOGY TRANSFER*, UNCTAD [https://unctad.org/system/files/official-document/dtlstict2013d7\\_en.pdf](https://unctad.org/system/files/official-document/dtlstict2013d7_en.pdf) (last visited on Aug 10, 2021).

For academic research, technology transfer is an operation that consists of Transmitting the knowledge resulting from research, formalized or not in the form of a patent (s) or registered property rights, to another research centre, public or private, intended to pursue it for industrial development purposes; or transform research into industrial innovation, by selling its discoveries to a company governed by public or private law. In general, a technological research step is necessary before exploiting the technology in question. Technology transfer is a source of funding for scientific research. It is part of the valuation of research. It is considered that today around 10 to 15% of the research capacity of companies is bought from outside. Faced with the ever-increasing complexity of the technological environment, the TT helps manufacturers to diversify their innovations, share the risks of research, strengthen their internal expertise, accelerate the marketing of their products, etc.<sup>221</sup>

Both public and private actors have understood the importance of Technology Transfer in their development and growth. They have thus become better and better structured over the years to professionalize their approach. Many countries such as France have created dedicated structures and public authorities like SATT (Technology Transfer Acceleration Companies) or France Brevets, like the Tech Transfer structures existing in the United States for example. Companies have better aligned their internal resources to accelerate the acquisition of outside technologies and bring them to market quickly. On the other hand, the ecosystem around the licensing of intellectual property rights has only grown stronger and dedicated digital platforms, powerful patent analysis tools (Patent Analytics), the emergence of intermediaries (brokers) has been established.

Although open innovation and TT are widespread and “trendy”, it is a particularly complex activity with a high failure rate. Many factors come into play: cultural differences between partners, their strategies and individual visions, which are sometimes incompatible, their financial expectations, etc. It is therefore illusory that all situations obey the same codified process. However, some methodologies allow both protagonists (the one who buys the technology and the one who sells it) to build the confidence necessary to develop a strong, fair and sustainable transfer agreement. These methodologies will make it possible to analyze the technical, financial and legal aspects of the TT to optimize the chances of reaching an agreement.

Among these factors, we can cite the creation of industrial property, the time and cost of development or even the need to invest in a manufacturing unit. These are all factors that will

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<sup>221</sup> Ibid.

considerably impact the valuation of the technology transferred and which, moreover, may change over time. For example, concerning the creation of industrial property, it is essential to know the chain of rights, that is to say, to know who owns the technology if it is possible to exploit it without having recourse to third party licenses, who will have the rights to the improvements made. There are practical tools that allow you to list and evaluate these different parameters and that help to set up a robust methodology allowing you to exchange and negotiate with your partner.

There are three main key elements of the Technology transfer process. The first element is trust, without trust, it is impossible to seal a lasting agreement. The second is transparency, associated with a clear strategy. Finally, the third is to take into account all the factors that will impact the value chain, from the moment the assets are transferred until the moment of their valuation (on the market for example). Professionals who work in the world of TT have the particularity of having very diverse profiles and training. In general, they combine their technical training with a good knowledge of patents, negotiation and contracts. There is no proper education in the licensing and TT sector.<sup>222</sup>

## **VI. TECHNOLOGY TRANSFER CONTRACTS**

After years of being monopolised by a small number of nations, the sector has seen a significant expansion in recent years, with new capabilities and technology being introduced in a number of new countries. Instantaneously, the commercial connection is no longer confined to the transmission of a product but is instead characterised by contracts that culminate in the transfer of technology. Reforming practises was necessary since technology cannot be transmitted in the same manner to a client who has technical competence or does not possess technical competence.

It is quite typical for foreign companies seeking to join the world market or a specific country to engage in technology transfer activities as part of their expansion strategy. Technology transfer is often carried out within the context of a joint venture, in which the foreign business agrees to transfer a portion of its technology to the other company in exchange for the other company allowing the foreign company to sell its goods in the target market ( for example- Indian market). Traditional contractual numbers are no longer adequate when we see a huge shift of resources to developing nations. We are also confronted with the reality that some of

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<sup>222</sup>EXCHANGING VALUE NEGOTIATING TECHNOLOGY LICENSING AGREEMENTS, WIPO <[https://www.wipo.int/edocs/pubdocs/en/licensing/906/wipo\\_pub\\_906.pdf](https://www.wipo.int/edocs/pubdocs/en/licensing/906/wipo_pub_906.pdf) > (last visited on Aug 10, 2021).

our partners do not have the currencies necessary to make purchases of products or supplies on our behalf. This leads to the deployment of commercial activities that are based on compensation agreements.

Like In India, the Reserve bank of India guides the programmed endorsement to all businesses for foreign innovation cooperation arrangements subject to - (a) The sum of an amount not surpassing the US \$ 2 million; (b) Royalty was payable being restricted to 5 % for domestic deals and 8 % for international, subject to a complete installation of 8% on deals more than 10 years period. However, Payment of royalty up to 2 % for export and 1 % for domestic deals are permitted under the programmed course on the utilization of trademark and brand name of the foreign partner without technology transfer. Payment of royalties on account of TT includes payments of royalty for the use of the company's brand name as well as payments of royalty for the use of the foreign partner's brand name.<sup>223</sup> Payment of royalties to seaward parent organizations by wholly-owned auxiliary (WOS) of up to 8 per cent on foreign transactions and 5 per cent on domestic deals are allowed under the planned course, with no time restriction on the duration of royalty payments. In the event that there are any leftover proposals for foreign innovation agreements that do not meet the requirements for the scheduled endorsement, they are evaluated on their own merits by the Project Approval Board (PAB). The Secretary of the Department of Industrial Policy and Promotion is in charge of this.<sup>224</sup>

For the time being, let us consider the issue of the transmission of information that is subject to secrecy, particularly know-how. Transfer of patented technology is usually insufficient by itself to enable the development of a product or a commercial solution in the majority of circumstances. This technology transfer also often includes the simultaneous transmission of knowledge related to this technology, which in particular allows the assignee or licensee to comprehend how it works, thus increasing the likelihood of the cooperation project's success and reducing its failure. However, this know-how cannot be protected under intellectual property law, but it may be protected under the law of unfair competition in some circumstances if specific criteria are fulfilled. As a result, when it comes to the transfer of know-how, the design of the technology transfer contract must be given special care in order for the holder of

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<sup>223</sup> *Trademark Licensing- Indian Context, Legal Services India*, <<https://www.legalserviceindia.com/legal/article-4019-trademark-licensing-indian-context.html>> (last visited on Aug 14, 2021)...

<sup>224</sup> *The Role of the Department of Industrial Policy & Promotion*, <<https://www.india-briefing.com/news/the-role-of-the-department-of-industrial-policy-promotion-11759.html/>> (last visited on Aug 15, 2021).

the know-how to be able to apply the law of unfair competition in the case of a violation of the confidentiality agreement.

## **VII. WHAT PRECAUTIONS SHOULD BE TAKEN WHEN DRAFTING A CONTRACT?**

The need for a wide definition of know-how is essential in order to ensure that any private and valuable technical knowledge is appropriately included within the scope of the know-how as defined by the contract. Definitions included in the Joint Venture agreement and the technology transfer agreement must be compatible with one another. In addition, the transfer of know-how from the assignor to the assignee must be monitored and documented in order to be able to demonstrate, if necessary, that the technology transfer has really occurred, as described above. If the technology in question is especially strategic, the involvement of notaries may be suggested in order to acquire notarized evidence of the transfer of ownership. At the absolute least, the contract must specify the methods through which the parties will communicate knowledge amongst themselves, such as email addresses or IDs that will enable them to access databases, among other things. Additionally, individuals of the licensee's team who have the authority to get access to the know-how must be specified in the licencing agreement.

It is necessary to protect the confidentiality of the know-how in order to qualify for protection under the law of unfair competition. Reasonable measures include the creation of a database access code, the recording of download history, inserting confidentiality clauses in employment contracts or signing confidentiality agreements, drafting specific non-competition clauses for experienced engineers, and drafting specific non-competition clauses for new employees.

During a dispute involving the transfer of know-how, the courts will need evidence to qualify the transferred know-how information in order to resolve the issue. As a result, the applicant will be required to establish the existence of this know-how by demonstrating that the conditions specified above are met, namely that the information was protectable, unknown to the public, that it had a commercial value, and that the holder had taken appropriate confidentiality measures prior to filing the application. In response to this qualification, the defendant may demonstrate, for example, that the technology was widely recognised in the community. The court will make its judgement based on all of the information that has been presented. Because of the complexities of the attribution of property in the event of an improvement, it is essential for the parties to determine in advance the rules that will apply in the event of an improvement in know-how as well as the right to file a patent on that

improvement. In order to protect the interests of the assignor or grantor, it is recommended that provisions be made for the requirement of obtaining his or her consent, or the consent of both parties, in the event that a patent application is filed by the partner or by the Joint Venture, particularly when it comes to an innovation resulting from the transferred know-how or technology.

In addition, technology transfer contracts often include the transferor providing consulting and training services to the transferee, as well as the other way around. In this situation, it is suggested that the fees or charges be differentiated according to the various objectives of the contract. This will make it feasible to recalculate the amount of technology transfer fees owed in the event of a patent being declared invalid. It is recommended that you do not rush the preparation and negotiation of a technology transfer agreement and that you foresee the need to supervise the transfer of knowledge to provide sufficient protection for the ceding business. Technology transfer contracts also presented substantial risks for international businesses, owing to certain laws that placed protective measures on local enterprises and invalidated provisions that provided for differing rules in various jurisdictions.<sup>225</sup>

## VIII. CONCLUSION

It can be concluded from the analysis made above that there is a direct relation between IPR and industrial growth. The industries have consistently added to the intellectual property rights for reaping the benefits of their innovation. There must be the implementation of various components of Intellectual property among the industries. Proper protection of IPR elements will ensure an increase in tax revenues, welfare spending etc.

Also, there are several empirical studies that have been conducted to find the relation between economic development and IPR. Though the results have been divergent we can say that most of these studies find the net positive effect. Also, the positive impact of IPR protection outweighs the negative impacts. Globally, countries have the tendency to go through agreements protecting Intellectual rights. Some important agreements include the TRIPS, GATT (WTO) and WIPO. They have ensured at the global level that there is proper implementation and legal framework for IPR.

Since a stimulant for technological progress, patents play a critical role in the occurrence of technology transfer, as they are one of the most effective methods of protecting intellectual

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<sup>225</sup> *Transfer of Technology*, UNCTAD, <https://unctad.org/system/files/official-document/psiteiitd28.en.pdf> (last visited on Aug 18, 2021).

property. A vital role in the growth of the business sector, the introduction of innovation and technology, as well as the development of a country's economy as well as the development of its citizens, technology transfer and licencing have taken on an increasingly important significance. If we look at it from the Indian perspective, we can say that India, as a developing country, must deal with innovation improvement and technology transfer and must develop a structured procedure that includes the development of new workplaces associated with the transfer of technology and the education of young people about the benefits associated with the transfer, by establishing predetermined colleges and from zero to one hundred per cent employment opportunities.

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### **ACCESS TO LIFE-SAVING DRUGS: SCOPE OF IMPROVEMENT**

Suhasini Kapoor & Aditi Mishra\*

#### *Abstract*

*Improvements and innovations have changed the entire healthcare system of the world. We now even know about stem cells and its benefits. But when we think of the time in 20<sup>th</sup> century, diseases like Cancer, Tuberculosis etc. were incurable. But in today's world we have thousands of facilities and medical formulas to treat them. However, almost 10 million people died of cancer in the year 2020. The fact here is that we have achieved heights of knowledge but we fail to avail them. Extensive researches have been conducted throughout these years to innovate medicines that could save the life of humans. Despite such creations people continue to die due to lack of access to those medicines. Current patent regime fails to clear the clutter, rather it fuels them. Association of human rights has by far provided no help. This paper unveils the issues and challenges faced by people due to abuse of patent law by pharmaceutical giants. Increased rates and prices in addition to the monopoly created by the grant of patents (for life-saving drugs) have led to static inefficiency, which seems to be non-curable using the current patent legislation. This paper will have us dig into the history and analysing whether associating human rights has helped us solve this situation or not? There are certain flaws in the Patent law regime and also a need to protect the interest of our society as a whole. What will be the potential solutions of retooling of the same so that it is competent, capable, and efficient enough, by in itself, to cater to every falling possibility in front of it?*

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## I. INTRODUCTION- THE ISSUE WITH ACCESS TO THESE MEDICINES

Deaths due to infectious disease are one of the primary and major causes of death around the world, particularly in developing nations and under-developed or low-income countries<sup>226</sup>. Millions of people die annually due to these infectious diseases<sup>227</sup>. While on the face of the matter it can be said that these diseases can be cured with the help of these certain life-saving drugs, but the fact remains that this can only be done if these people had access to those medicines<sup>228</sup>. The crux of the matter is that the benefit of such drugs can only be availed if they are genuinely available to the public who are in need of the product, instead of it merely being a privilege. The irony lies here, where these drugs were essentially made for the benefit of the entire mankind and yet the patenting of these very essential drugs has become another major reason for the retrogression of this very mankind.

Increased rates and prices in addition to the monopoly created by the grant of patents (for life-saving drugs) have led to static inefficiency, which seems to be non-curable using the current patent legislation. Not to forget that patents were introduced in order to procure and safeguard the ideas, innovations, and potentials of individuals and society, but it appears that they have now metamorphosed into a beast that is not only deteriorating the original aim but is much faraway from achieving the real objective for which legislations for Intellectual Property were created<sup>229</sup>.

Recent incidents clearly indicate how granting of patents has transformed into laws and restrictions that tend to snatch away people's right to health. It is not a long-gone incident when India was hit by the second wave of the COVID-19 pandemic, and everyone infected by the virus was giving their best shot to get the one "miracle" drug called Remdesivir. Although it is not clear that Remdesivir is a life-saving drug or not, the fact that doctors were recommending Remdesivir injections to COVID patients is true and must be brought to light here. The higher demand for the injection was partly due to the huge number of rising COVID cases and partly due to manufacturing and supply issues. Apparently, there are seven manufacturers of the drug

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<sup>226</sup> BAYLOR COLLEGE OF MEDICINE, <https://www.bcm.edu/departments/molecular-virology-and-microbiology/emerging-infections-and-biodefense/introduction-to-infectious-diseases#:~:text=Infectious%20diseases%20are%20a,variety%20of%20infectious%20agents> (last visited on Aug 26,2021)

<sup>227</sup>WORLD HEALTH ORGANIZATION, <https://www.who.int/news-room/fact-sheets/detail/the-top-10-causes-of-death> (last visited Aug 26,2021)

<sup>228</sup>WORLD HEALTH ORGANIZATION, Access to medicines: making market forces serve the poor, <https://www.who.int/publications/10-year-review/chapter-medicines.pdf>

<sup>229</sup>Akansha Mehta, Patenting of Life Saving Drugs has created a global health crisis where human life has become a commercial commodity, LSE IMPACT BLOG, (Aug. 26 2021, 5.33 P.M.), <https://blogs.lse.ac.uk/impactofsocialsciences/2014/08/06/the-morality-of-patenting-life-saving-drugs/#:~:text=potentials%20and%20fulfilments.,Unfortunately,-%2C%20applications%20of%20the>

who despite increasing their production of the drug were not able to meet the demands for the drug<sup>230</sup>. Things and situations worsened when the demand increased and along with so did the prices for the drug, which further led to the creation of black markets and a handful of people taking advantage of the situation. Situations could have been said to have gone so out of control that people were forced to pay almost five times the M.R.P. for the drug which would in normal situations have just cost them Rs. 900<sup>231</sup>. With people dying on one side and protection of IPR on the other, what should ideally be chosen? Still remains one of those questions which the existing legislations fail to answer.

Humira is one of the world's top-selling drugs which helps in treating diseases in the ambit of arthritis and other chronic situations, but the irony of the condition lies in the fact that this drug is blocked or checked upon by almost 132 patents since the year 2002 (for almost a period of 39 years).

Cancer is one of the deadliest diseases out in the world. For the treatment of the same, a drug called Revlimid is prescribed. The point to be highlighted here is that the particular drug is protected by 96 patents in total and provides for 40 years of no competition.

Lantus which is a drug used to cure Diabetes in patients who rely on insulin treatment has 49 patents for its usage<sup>232</sup>.

We are living in a world where patents have lost their aim and identity. Can human rights be of any help in such a tense situation? Are situations going to remain the same? Will the general public keep on suffering due to the war between the grant of patent licenses for essential drugs

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<sup>230</sup> THE ECONOMIC TIMES, <https://economictimes.indiatimes.com/industry/healthcare/biotech/pharmaceuticals/crisis-over-shortage-of-remdesivir-fabiflu-to-end-by-next-fortnight/articleshow/82340650.cms?from=mdr#:~:text=fortnight%20in%20India,-,%22An%20unprecedented%20surge%20in%20demand%20of%20some%20crucial%20medicines%2C%20use%20in%20treating%20Covid%20patients%2C%20has%20created%20a%20mess.-,Now%20companies%20like>, (Aug 26, 2021)

<sup>231</sup> Prabhjote Gill, The utter chaos and confusion over Remdesivir in India is making the second wave of covid-19 worse, THE BUSINESS INSIDER INDIA (Aug. 26, 2021, 5:46 P.M.), <https://www.businessinsider.in/science/health/news/remdesivir-injection-price-jumps-five-times-as-covid-19-cases-rise/articleshow/82083414.cms#:~:text=Remdesivir%E2%81%A0%E2%80%94%20currently%20a%20drug%20of%20last%20resort%20against%20the%20novel%20coronavirus%E2%81%A0%E2%80%94%20has%20become%20a%20hot%20property%20with%20its%20own%20black%20market%20where%20it%20could%20cost%2C%20sometimes%2C%20up%20to%20five%20times%20the%20price>

<sup>232</sup> Erik Komendant, Pharmaceutical Patent Abuse: To Infinity and Beyond, ASSOCIATION FOR ACCESSIBLE MEDICINES (Aug 26, 2021, 5:50 P.M.), <https://accessiblemeds.org/resources/blog/pharmaceutical-patent-abuse-infinity-and-beyond#:~:text=The%20world%E2%80%99s%20top-selling%20brand%20drug%2C%20Humira%2C%20treats%20arthritis%20and%20other%20chronic%20conditions.%20On%20the%20market%20since%202002%2C%20132%20patents%20block%20competition%20for%20up%20to%2039%20years>

and their very basic fundamental right to health? The primary tiff lies in what ought to be done and what is done and that who is to bear consequences of the same.

Another point to be highlighted here is that on average there are 71 patent licenses granted in respect to only one drug with over<sup>233</sup>, 125 applications for the grant of a patent which are filed for the same. In relation to which prices of drugs have hiked by almost 68% since the year 2012 and only out of the topmost 12 selling drugs, only one drug can be said to have its price decreased on an average<sup>234</sup>. In regard to the monopoly of drugs in the market about double of the 20 years monopoly seems to be intended by the US patent law, it can be said that at least 38 years of patent protection is attempted thereby blocking the industry and market competition<sup>235</sup>, which is applied for, by the generic drug makers for each of the top-grossing drugs. This clearly means that the common man is, unfortunately, to face the harsh consequences of this blockage in the market, as increased prices and monopoly of certain drug makers is a direct implication of granting of Patent licenses for essential drugs, thereby making the weaker section inaccessible to essential drugs at affordable prices and fall prey to the monopolization of drugs by advantaged ones.

## **II. WHAT SHOULD PREVAIL BETWEEN HUMAN RIGHTS AND PATENT RIGHTS?**

How come we labelled this lack of access to life-saving drugs with Human Rights? To find the answer to this question we will have to dig into the history. All of it started in South Africa, during the AIDS outbreak in the country when thousands and millions of people died due to lack of access to anti-retroviral drugs<sup>236</sup>. When these Africans were dying some of the developed nations decided to deny them access to these drugs, such as the society we live in, because they were not willing to sell those drugs at lower prices. However, some lives were saved after gaining a lot of international political attention which ensured that these lives were saved at all costs, without letting these monopolies getting in their way<sup>237</sup>. But now as it seems required for us is to understand whether associating human rights has helped us solve this situation or not?

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<sup>233</sup> I-MAK, <https://www.i-mak.org/wp-content/uploads/2018/08/I-MAK-Overpatented-Overpriced-Report.pdf> (last visited Aug. 26, 2021)

<sup>234</sup> *Id.*

<sup>235</sup> *Id.* at 6.

<sup>236</sup> S. Thambisetty, Improving Access to Patented Medicines: Are Human Rights Getting in the Way?, 3 LSE Law, Society and Economy Papers, 2 (2018), [www.lse.ac.uk/collections/law/wps/wps.htm](http://www.lse.ac.uk/collections/law/wps/wps.htm) and the Social Sciences Research Network electronic library at: <https://ssrn.com/abstract=3130703>

<sup>237</sup> *Id.* at 2.

Farida Shahid the UN General Rapporteur (in the field of cultural rights) once said that “where patent rights and human rights are in conflict, human rights must prevail”<sup>238</sup>. No doubt those human rights should be given higher importance when it comes to saving people’s lives from diseases and patent monopolies. Again this leads us to ask another good question, can we really establish a hierarchal system here when both of these rights generate from widely different platforms and have varying reach? Patent rights and human rights are two distinct approaches and, therefore, associating both of them together and then establishing an entire system of hierarchy would not be beneficial. I would like to support this statement with the help of a current example- the TRIPS waiver initiated by the Indian Prime Minister and South Africa. They have demanded a waiver of IP Rights in case of the COVID vaccine, which is justified while following the hierarchal system where we are, ought to put human rights to health over everything. Soon after it was proposed it gained a confidence vote by the second and third world countries, whereas, European Nations seemed to disagree. However, United Nations seem to agree with the proposal of waiver of TRIPS<sup>239</sup>. European Nations are disagreeing with this motion because they will not be able to draw the required economic incentives if they allowed the waiver. Apparently, the hierarchal establishment seems to distort.

Therefore, in the view of this article, this establishment could not be the solution for improving the access to life-saving drugs. These parallel rights cannot be treated together and, thus, we need a different system where none of the parties have to compromise and settle for anything less than what they deserve. Talking historically, Patent rights or any other Intellectual Property rights were created to incentivize and encourage creators so that mankind could achieve perpetual growth. But the juxtaposition of two widely different legal rights is intellectually incoherent and it seems to corrode the original aim of IP Laws and Rights.

### **III. EUROPEAN COMMISSION’S PHARMACEUTICAL SECTOR INQUIRY: FINDINGS**

It is the European Commission that has actively shown concern for the abuse of patents by Pharmaceutical companies. This committee has been the first among others to unveil certain practices performed by originator pharmaceutical companies that tend to delay the introduction of generic medicines in the market<sup>240</sup>. As has been discussed earlier, these pity practices are

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<sup>238</sup> UNITED NATIONS HUMAN RIGHTS OFFICE OF THE HIGH COMMISSIONER, <https://www.ohchr.org/en/Issues/CulturalRights/Pages/impactofintellectualproperty.aspx> (last visited on Aug 26, 2021).

<sup>239</sup> OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2021/may/statement-ambassador-katherine-tai-covid-19-trips-waiver#:~:text=This%20is%20a,the%20issues%20involved> (last visited on Aug 26, 2021).

<sup>240</sup> PHARMACEUTICAL SECTOR INQUIRY FINAL REPORT, [https://ec.europa.eu/competition/sectors/pharmaceuticals/inquiry/staff\\_working\\_paper\\_part1.pdf](https://ec.europa.eu/competition/sectors/pharmaceuticals/inquiry/staff_working_paper_part1.pdf) (last visited on Aug. 26 2021)

commonly called strategic patenting where patents are filed with a strategy to delay the introduction of generic competition for quite some time or even forever.

European Union launched a survey in 2008 to ascertain the root causes behind the lower rate of competition in the pharmaceutical sector<sup>241</sup>. Then in 2009 European Union released a report- Pharmaceutical Sector Inquiry Report, 2009 based on the survey conducted in 2008. The primary observations of the Report were that the number of medicines reaching the target was declining and the introduction of the generic medicines was significantly delayed.

The Commission came across some, very disturbing facts about the patent culture. The ratio for primary to secondary patents is 1:7<sup>242</sup>. This confirms that the increase in the value of drugs and that the monopoly is not only sustained but also is properly maintained through the grant of secondary patents.

This paper strongly argues that the abuse of patents by taking advantage of one's dominant position in the pharmaceutical industry is completely unethical as it not only reduces the chances of clear and easy access to drugs but also it hampers the ultimate goal of the patent system of incentivizing the innovator for furthermore inventions. Strategic Patenting techniques attract and limit the innovation to the already existing products rather than focusing on new ones. Innovators use all of their resources in the creation of secondary patents and newer versions of the same products which cut the scope of new inventions. Also, this further affects the Generic industry as they are not able to invent alternatives of the patented products. Together, all these factors contribute to the increase in the price of drugs, and in absence of generic alternatives people are left with two options, the first being to be able to afford those medicines and the second is to die without them. In the coming paragraph, we will try and understand Strategic Patenting in brief.

#### **IV. STRATEGIC PATENTING- THE NEW INFINITY STONE**

These Pharmaceutical businesses have come with an infinity stone of their own called Strategic Patenting. And we are in a dire need of Avengers. Pharmaceutical Companies are the player of their own field and now are immune to the checks. They know how to maintain their profits through years of patenting and almost earning from it until infinity. Thus, strategic patenting serves the interest of the patent owners to maintain their monopoly and ends up creating havoc for society.

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<sup>241</sup> *Id.* at 10.

<sup>242</sup> Olga Gurgula, *Strategic Patenting by Pharmaceutical Companies- Should Commercial Law Intervene?* , SPRINGER LINK (Oct 28, 2020)



There are various pillars in the pharmaceutical industry, for example, the Originators, the Generics, the Patients, and the Doctors Etc. who regulate the access to medicines. But the access is adversely affected by the competition between the Originators and the Generics. Originators are the innovators and Generics are the other companies who produce cheaper variants of the original drug after the expiration of Patents. But in order to secure their profitable monopoly, these Originators have adopted a strategy where they do not only file for *basic patents* but also for *secondary patents*<sup>243</sup>. Secondary Patents are granted on various other aspects of the drug-like the process of formation etc., unlike Basic Patents which provide protection for the main active compound. This benefits the owner of the IP to continue with their market position because of the fact that even after the expiration of the *basic patents*, *secondary patents* remain alive. Due to these existent patents monopoly sustains and hence, the clear access stands suspended. So IP owners have now extensively engaged themselves in strategic planning and creating modified versions of the existing drugs rather than putting their effort into newer innovations. Therefore, the aim of incentivizing innovators for new innovations is hindered.

So, basically, Strategic Patenting is a practice adopted to increase and maintain the patent monopoly by delaying the entry of generic competition and applying for *extra* or *secondary* patents over *basic* ones. Many researchers called this practice ***ever-greening of patents***<sup>244</sup>. These originator or innovator companies follow these practices for recurring the high cost spend in the research and development of the drug. What happens is, suppose when a drug is launched and is granted with patent protection on its original molecule for 20 years from today<sup>245</sup>. Then the pharmaceutical company will file a patent for a minor modification or a crucial step involved in the manufacture of the drug, just before the expiration. Since the generic companies are again prohibited from the manufacture, patent monopoly sustains. This can be understood by *AstraZeneca's Case*<sup>246</sup>.

#### **AstraZeneca Case**<sup>247</sup>

In this case, European Union held AstraZeneca liable for abusing the patent rights and misusing its dominant position in the pharmaceutical market. AstraZeneca basically committed two

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<sup>243</sup> *Supra* note 17.

<sup>244</sup> Arun Kumar and Arun Nanda, *Ever greening in Pharmaceuticals: Strategies, Consequences and Provisions for Prevention in USA, EU, India and other countries*, 6 PHARM. REGUL. AFF.1, 1 (2017), <https://www.hilarispublisher.com/open-access/evergreening-in-pharmaceuticals-strategies-consequences-and-provisions-for-prevention-in-usa-eu-india-and-other-countries-2167-7689-1000185.pdf>

<sup>245</sup> *Id.* at 1.

<sup>246</sup> *AstraZeneca v. Commission*, C-457/10 P, EU:C:2012:770

<sup>247</sup> *Id.*



patent fits of abuse. Firstly, it used its dominant position for grant of supplementary patents. It was alleged that the company misled patent offices by its representations for the grant in Germany, United Kingdom, Denmark, Belgium, Norway, and the Netherlands. And later on, it went for delaying the entry of generic competition in the market. AstraZeneca had filed for deregistration of market competition for its drug  *Losec* in Denmark, Norway, and Sweden. AstraZeneca also tried to launch its newer version of its product, named  *Losec MUPS* capsules. AstraZeneca had a monopoly in the market for its  *Losec* capsules which were helpful in treating ulcers.

This was the first time when the commission recognized the patent abuse and discovered traces of strategic patenting. The Commission held AstraZeneca liable for breach of Article 102 of TFEU<sup>248</sup> and Article 54 of EEA with 60 million Euros as a fine<sup>249</sup>.

Later, AstraZeneca went on and appealed in the General Court against the Commission's Decision. General Court upheld the Commission's decision and confirmed the applicability of Article 102 of TFEU<sup>250</sup> in the pharmaceutical sector.

General Court's decision laid down the stepping stones for checking the process of curbing down practices like strategic patenting. At least, now it is in our knowledge that these practices are unethical and abusive.

Generic Industry promotes and facilitates one more kind of invention known as ***Follow-on inventions***. These inventions are basically alternatives and newer versions of the products that are off the patent. But, with the presence of strategic patenting in the market these innovations are put off and innovation is demolished. There is a sheer need to eliminate strategic patenting from the pharmaceutical industry because it increases the life of patients thereafter contributing to the lack of access to medicines and helping for the creation of a sustainable monopoly. This practice should be strictly restricted in the case of life-saving drugs because they are crucial to life. There is a need for adequate proctorship and monitoring over the pharmaceutical industry, especially focusing on giant businesses.

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<sup>248</sup> Treaty on the Functioning of European Union, art. 102, Mar. 25, 1957, OJ C202/1.

<sup>249</sup> *Supra* note 21.

<sup>250</sup> *Supra* note 22.

## V. REMEDIES

### A. Is Compulsory License Efficient and Enough?

When talking about regulations on an international level, the TRIPS (Trade-Related Aspects of Intellectual Property) agreement<sup>251</sup>, to which India is also a signatory, comes into the frame. TRIPS was an initiation of WTO which provided a means of “balance between providing incentives for future inventions and creations in the long term, while simultaneously allowing for the people to use current inventions and creations”. The TRIPS agreement has nowhere explicitly mentioned or defined the term “Compulsory Licensing”, however Article 31<sup>252</sup> of the agreement clearly puts forward the idea that other use of patents can be entertained, without the patent owner has authorized the other party for the usage of the same.

Now, coming down to the topic of compulsory licensing it must foremost be noted here that compulsory licensing is a way out to strike the balance between the rights of the patent holders and the public interest at large. Article 31(a)<sup>253</sup> specifically deals with compulsory licensing in regard to the TRIPS agreement. Moreover, to understand what compulsory licensing means it is important to know that it is a way when the government or any other national authority of a country, without the permission or will of the patent holder grants itself or any other entities/organization, the permission to basically exploit the patented products or drugs.

Article 31(a)<sup>254</sup> provides for the conditions in which the government can issue the same, in furtherance of a farsighted objective. In certain conditions like in cases of an emergency or where it can be said that there is a compelling need for the same a compulsory license can be issued. Moreover, it must be noted that this is done because the patent holder is either unwilling to grant voluntary licenses or that the product is unavailable to the public at large due to economic reasons or in regard to improper and unconditional usage by the Patent Owner and the curb the creation of monopoly of the pharmaceutical entities. This is done where such drugs or products are essential for the public interest at large, which is why the public authority has the right to exploit the patent rights of the patented product by either itself or through others on a given compensation to the patent owner. It must be noted here that compulsory licensing can also be given in cases of copyrights in cases of few intellectual properties upon due compensation given to the owner, however in the due course we would like to restrain to our

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<sup>251</sup>TRIPS Agreement: Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299, 33 I.L.M.1197 (1994)

<sup>252</sup> TRIPS Agreement, *supra* note 26, art. 31.

<sup>253</sup> *Id.* art. 31(a).

<sup>254</sup> *Id.*

topic of the research paper and would keep it limited to the scope of Compulsory Licensing in the light of Patenting of essential drugs.

Compulsory Licensing is extremely imperative not only at the national level but also needs to be addressed at the international forum as almost one-third of the worldwide population is inaccessible to basic essential drugs and the fact that is not only leading to a monopolization of such pharmaceutical companies but has led us to such a situation where such medications have surpassed the inflated rates as well.

Now considering the fact that the patent owner is once granted the exclusive license over his now patented product, he officially and legally is empowered to prevent his patented product and debar others from making, using, selling, or distributing the same. The minimum time span for the existence of patent rights is 20 years, however, there are certain exceptions to the same. They include-

- Such means and methods may be diagnostic, surgical, or therapeutic in nature which is used to cure humans and animals.
- Such animals and plant-related inventions; and
- Such other necessary inventions whose exploitation needs to be curbed in order to prevent the human, plant, and animal life and health on the planet.

When we talk about the provisions of the TRIPS agreement, Article 8 of the same is to be mentioned here along with Article 5A of the Paris Convention which deals with the measures that the government can resort to in situations of patent abuse by the patent owner. Such situations of patent abuse are said to arise when the quantity supplied is unable to meet the quantity so demanded in the domestic market (including both, the domestic production of the drug along with the imported quantities of the same), in cases of extremely high rates of the patented drug such that the public cannot avail it at reasonable and affordable rates. In addition to this, another factor remains that if the patented invention is unable to satisfy the public's need in respect to its reasonable requirements that it is expected to perform. When the drug is unable to work or meet the demand of the required quantity of the drug in a particular geographical zone of the same nation, is also another case of patent abuse.

Now that we have spoken about the aspects and provisions for compulsory licensing, it might seem too many to be a boon on one side, however, like there are always two sides of a coin, so does compulsory licensing as a procedure. On one hand, where it seems to be a very lucrative alternative to suppress the patent abuse by the patentees, however on the other hand Article

31(b), (c), (g), (d), (e), (f) and (h)<sup>255</sup> implement certain restrictions over the grant of these licenses which makes the grant extremely difficult to get a compulsory license and thereby prove ineffective and of no use in cases of urgency, like in the present case of the pandemic. These provisions include stating that reasonable efforts must have been made by the potential patentee to get a voluntary license from the Patent owner, along with which if the Compulsory license is granted, the patent owner is to be paid and compensated with adequate remuneration, the license of the same is to also remain exclusive and cannot further be assigned. The restrictive and limited scope of the compulsory license must also be highlighted here, which is limited only to the national market in respect of the country which has been granted the compulsory license thereby not catering to issue of need and usage, and demand of the product in regions which actually require the product but are facing obstacles to obtaining a compulsory license. This issue can particularly be observed in India as of the current situation, where big pharmaceutical companies decide to export drugs to India, which are patented in various other nations, as the Indian Patent law only provides for the grant of Compulsory licenses for those drugs which are patented in the land. These large pharmaceutical organizations find it to their benefit, the above-mentioned loophole which they very conveniently use to suit their needs and avoid compulsory licensing and exploit the needy. Lastly, the fact that this compulsory license so granted shall terminate to have effect when there is a change in conditions upon which the patent under compulsory license was granted, i.e. when the scope or the purpose for which the license was granted is said to have changed or obliterated.

In view of such restrictive scope, a compulsory license is hardly and rarely issued. If and when it is so issued, it is taken care of under Article 31(k)<sup>256</sup> of the TRIPS agreement, where the grant of compulsory license in order to fix anti-competitive practices by the Patentee is spoken about. So, it can be said that it is actually very difficult to effectively prevent patent monopolies with the help of Compulsory Licensing. However, it must be noted here that the need of the hour remains that efficient rules and laws in regard to compulsory licensing must be framed. The primary reason for the same being the fear of “parallel trading” or “arbitrage”, which is a situation that arises when big pharma companies or individuals buy patented drugs at an extremely low price and export the same to other nations where these drugs are sold at higher prices thereby sabotaging the efforts that are presently being made in order to make the essential patented drugs available to the general public and the needy at reasonable and

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<sup>255</sup> Supra note 26.

<sup>256</sup> *Id.* art. 31(k).

affordable prices. Adding to this is another bottleneck where fake/ counterfeit substitute drugs are also sold in the mainstream market. The problem lies in here where the common man who is unable to buy the essential drug at such sky-touching prices due to monopolization of the drug, is yet forced to buy the similar-looking drug at cheaper prices not being aware of it being a counterfeit product thereby risking the health of the society at large. Thus, clear demarcations as to the standard, process, and rights and liabilities of parties in regard to compulsory license should now be issued at both the national and international levels.

## **VI. CONCLUSION**

The system of hierarchy of two such rights from completely different worlds is just not fair and is blight in my view. It is only dampening and reducing the chances of better and significant changes in the subject. The patent law regime needs a significant change, and it is definitely through stricter regulations.

Generally, patents are granted when the patent office runs certain legal tests stating the position of the grant. Later, at the time, of the grant, it is impossible to conduct a complex analysis because patent examiners are not equipped with tools and techniques to calculate as to what will be the outcomes of such grants. This, ultimately, creates a void in the system and the results or after-effects are terrible sometimes. Thus, it is difficult for anyone to analyse something which is contingent on future events, making this system flawed.

Also, the most crucial area of improvement lays over the regulation of patents post their grant. In fact, this is the step which in my view has the ability to improve the entire system. Mostly, chances of patent abuse and monopolies exist after the grant of patent especially when it comes to drugs that are as important as air to some patients. Practices like compulsory licensing and discrimination of pricing are adopted but they are equivalent to that of no use. Regulation relative to public interests on what happens to patents after they are granted is important.

To conclude in our view, we need nothing but a retooling of the patent law regime so that it is competent, capable, and efficient enough, by in itself, to cater to every falling possibility in front of it. Also, it should prove to be beneficial for all, the developing, the developed, and the underdeveloped nations. Suggestions on our part would include that primarily, certain diseases be suggested on an international forum for which granting of Compulsory License becomes mandatory. Secondly, recognition of grants of Compulsory License must be made on an international platform and in several nations instead of recognizing it on a national scale, by those countries who have compliant governments granting those Compulsory Licenses. Another effective method would be the “Buy-out” of Patents of Essential drugs by the government which would help in creating clear price demarcations and regulations thereby

reducing exploitation of the common man. Moreover, in addition to this a standardized model as to grant of Compulsory License which must be adopted, at yet again the international forum, clearly setting the boundaries as to under which circumstances can Compulsory Licenses be granted, in order to prevent and stop abuse by nations willing to granted Compulsory Licenses for availing cheaper drugs. The best method to curb the abuse would be to improve the pharmaceutical industry which could only be done by financing (both government and private) of research and development of the pharma industry. Lastly, a suggestive method would be that where a company has targeted no profits and investment in case of a developing or underdeveloped nation and the essential drug is to be granted a compulsory license, the provisions of Article 31(h)<sup>257</sup> of the TRIPS agreement which talks about “adequate remuneration” must be considerate towards both the developed and the developing and the under-developed nations and such adequate remuneration should be conceived more liberally considering the economic status of the developing, under-developed nation which would mean either low, less or as the circumstance demand, compensation. Quoting John F. Kennedy, who very correctly said, “Economic growth without social progress lets the great majority of the people remain poverty, while a privileged few reap the benefits of rising abundance”. The foremost consideration in our opinion and in all cases should be social benefit and welfare of people and society at large.

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<sup>257</sup> *Supra* note 26.



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### **PUBLIC MORALITY AND OBSCENITY IN THE GRANT OF PATENTS: IS IT BEING APPLIED IN THE INTENDED MANNER?**

**DIVYAKSHI JAIN\***

#### **ABSTRACT**

*In this paper, I have tried to highlight the fact that the morality and public order exclusion found in the patent laws of most jurisdictions is not being used in the appropriate manner in India. It was intended to curb inventions that would cause social anarchy or to control the inventions which are so reprehensible that they cannot be condoned, eg. An invention involving experimentation on human embryos. However, in India, it is being used to reject patents on sex toys and not to analyse whether the biotechnology rules available in India are well drafted and cover all moral ambiguities that arise in the areas of biotechnology. Furthermore, it should be made clear what is moral or immoral according to law and it should not be left for determination up to Patent Offices who are not equipped for carrying such a heavy burden. Thus, I have analysed the morality exception scenario through the rejected sex toy patent and tried to suggest measures which would improve the manner in which the morality exception is being applied in India. I have also tried to show that there is a need to clarify the bounds of morality and how it would be enforced against inventors, not only in India but in other jurisdictions as well. Because even EU also does not have a clear-defined approach to regulation of morality. I have, for this purpose analysed Section 3(b) of Patents Act, 1970, Article 53(a) of the EPC and Article 27.2 of TRIPS.*

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## I. INTRODUCTION

There are multiple theories provided by different people in order to justify the existence of the patent system. Among these different theories “incentive or reward theory” are the most widely accepted. To put it in simple words, patents were introduced as a reward in the form of monopoly being granted to the person who has put in an effort to invent new and useful products or processes and it is also expected that the lure of such a reward would attract investors and foster their spirit of innovation, so they produce new products by applying the maximum of their knowledge and creativity. However, it has always been a contentious issue whether the patent system actually encourages innovation or not.

In developing countries, innovation is not the only criterion when taken in account the patent regime to be established, there are other concerns such as access to technology which need to be addressed, most significantly in the field of pharmaceuticals and public health. Hence it has always been accepted that the patent regime cannot be segregated from public policies such as moral values and health.

The main concern is to create a balance between conflicting and competing concerns that would come up when promoting innovation, does not detract from the other significant issues. We would be discussing how countries try to limit the grant of patents to certain categories of innovations. Broadly such exclusions include public order and morality, methods of treatment, new plant and animal varieties, discoveries, mere combinations, derivatives, etc. The exclusion in relation to public order and morality will be extensively discussed in this paper.

Obscenity which is defined as a crime under the Indian Penal Code (IPC) is an evidence of India’s colonial past. Though its need has been debated, it is indisputable that the judiciary has sometimes interpreted it in an archaic manner, befitting the age of the provision in fact. The judiciary has, no doubt, evolved from the infamous Hicklin Test<sup>258</sup> to the contemporary community standards test<sup>259</sup> (testing the impugned material against contemporary national standards and not by the standards of sensitive people). However, the latter test has been criticized for its vagueness and subjectivity.

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<sup>258</sup> R v. Hicklin, [1868] LR 3 QB 360; Ranjit D. Udeshi v. State of Maharashtra, 1965 AIR 881:1965 SCR (1) 65.

<sup>259</sup> Aweek Sarkar v. State of West Bengal, (2014) 4 SCC 257.

In 1957, the US court developed a new test for obscenity in *Roth v. United States*<sup>260</sup>. In this case, the Court laid down that only those sex-related materials which had the capability to generate prurient interests or lustful thoughts would be categorized as obscene. This was to be judged from the point of view of an average person as per community standards, unlike the previous tests which only targeted the susceptible readers such as the vulnerable sections namely children or weak-minded adults.

When the manner in which obscenity is adjudged under IP law is studied, it is very unsurprising that a similar lacuna, lack of clarity, skewed opinion of morality and confusion about the appropriate tests to be applied when studying obscenity, exists. The definition of “obscenity”, is fuzzy at best and confounding at worst. Any material that is “lascivious or appeals to prurient interests” and tends to “corrupt or deprave” is considered “obscene”, and its transmission in any form – physically or electronically – is liable to be criminally prosecuted.<sup>261</sup> The conception of obscenity is different in each nation and it is completely dependent on the moral and cultural values that shape the countries’ society.<sup>262</sup>

Public morality, on the other hand, as a standard for declaring a wrong as a crime, is confined to very small area. Thus, it needs to be emphasized that the standard adopted is “public morality” and not “social morality”. However, in the modern era, the line of distinction between public and social morality is too thin and a cause of confusion.

It needs little debate to understand the inherent inconclusiveness, relativity, and at times, contradictions in the definition of the term ‘morality’. It is no different when we consider public or social morality. This is the reason why public morality is only used as a standard in only limited circumstances.<sup>263</sup> Thus, there is ambiguity in both obscenity and public morality as a ground of exclusion of grant of patents. We are going to address this ambiguity and try to see how and when the application of this exclusion is appropriate and how it can easily be misused and also cause grave injustice to inventors.

For this purpose, I would first analyse Section 3(b) of the Patents Act, 1970 which lays down morality as an exception to grant of patents. Then I would analyse the morality exception laid

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<sup>260</sup> *Roth v. United States*, 354 U.S. 476.

<sup>261</sup> Saurav Dutta, *Prosecuting Snapdeal for selling vibrators isn’t about sex: it’s about online censorship*, SCROLL (February 5, 2021), <https://scroll.in/article/711726/prosecuting-snapdeal-for-selling-vibrators-isnt-about-sex-its-about-online-censorship>.

<sup>262</sup> Sahana Chaudhari, *Obscenity & the Indian Law*, CYBER BLOG INDIA, (February 5, 2021), <https://cyberblogindia.in/obscenity-the-indian-law/>.

<sup>263</sup> K. Balakrishnan, *Constitutional Morality in India: the new kid on the block*, BAR AND BENCH, (February 5, 2021), <https://barandbench.com/constitutional-morality-india-new-kid-block/>.

down in TRIPS. Then I would analyse a sex toy patent which was rejected on morality ground by the Indian Patent Office (IPO) that demonstrates the ultimate power held by the patent offices in such matters. There would then be a discussion on the implications of such use of morality and obscenity exclusion. Lastly, there would be a comparison with other jurisdictions and how they deal with morality as a patent exclusion. The paper would be concluded with certain suggestions that could streamline the process of determination of morality and reduce the ambiguities held within.

## II. ANALYSIS OF SECTION 3(B) OF THE INDIAN PATENTS ACT, 1970

Right from its inception in 1911, the Indian Patent regime has always had a ‘morality’ exception. Section 3(b) of the Patents Act<sup>264</sup> articulates this exception as any invention, ‘*the primary or intended use of which would be contrary to law or morality or injurious to public health.*’ Further the draft manual of Patents also provides some examples which come under exclusion on the grounds of public order or morality. However, the exclusion as provided under the law is yet to be scrutinized by the Indian Courts.<sup>265</sup>

There is only one unreported instance of the use of Section 3(b) by the Indian Patent Office. The invention in this case related to medicinal powder prepared from skeletal remains of dead bodies dug up within a week of burial. Digging up graves for earning profit was seen as morally objectionable by the patent office.

In the *Novartis* case,<sup>266</sup> the IPAB also denied the patent on the ground that the prices of the drug Gleevec were excessively high and out of reach of common man. And that considering all the circumstances of the appeals, the Appellant’s alleged invention won’t be worthy of a reward of any product patent for its possible disastrous consequences which would attract the provisions of section 3(b) of the Act which prohibits grant of patent on inventions, exploitation of which could create public disorder among other things.

Patent Application no. 1375/DELNP/2009 was also denied by the IPO due to contravention of Section 3(b). The invention in question was related to a method and device which aided in the controlling and positioning of numbering wheels of numbering devices as used in printing presses for carrying out numbering of printed documents, especially banknotes and securities. According to the applicant, the numbering devices was unique as it allowed each numbering

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<sup>264</sup>The Patents Act, 1970 § 3(b), No. 39, Acts of Parliament, 1970 (India).

<sup>265</sup>Singh & Associates, *Ordre Public and Morality exclusions from Patentability*, LEXOLOGY, and (February 5, 2021) (last accessed on August 31, 2021).

<sup>266</sup>Novartis AG v. Union of India, Civil Appeal No. 2706-2716 of 2013.

wheel to be set in any position independent from the other numbering wheels. The Controller of Patents observed that the entire purpose of this invention was numbering banknotes and securities which is contrary to public order and morality. However, this seems a very vague ground to be discussed under Section 3(b) and also shows a narrow view taken by the Controller.<sup>267</sup>

In the light of the above examples, it might feel that the resort to the morality exception is a *non sequitur*. However, it is important to remember that this exception was dormant in most other regimes and triggered off mainly when confronted with biotechnology applications. The provision of the Indian Patents Act that deals with the ‘morality’ and public safety threshold closely mirrors the European Patent Convention. Thus, as per Section 3(b) of the Indian Patents Act, inventions whose primary and intended use would be contrary to law, morality and public health are non-patentable. Till date there are no significant cases in India about this exception, which according to some commentators is surprising.

The Indian provision is very similar to Art 53(a) of the European Convention<sup>268</sup> which prohibits the patenting of inventions that are contrary to ‘*order public*’ or ‘morality’. In Europe, there has been controversy regarding the provision as it has several contested meanings. Major decisions on this provision have included the Relaxin (gene patenting)<sup>269</sup>, Oncomouse (Genetically modified animal)<sup>270</sup> and Stem cell (Enlarged board of appeal decision is awaited) decisions.

Looking into this issue also brings forth the debate of law as a reflection of morality or not. The positivist school of law believes that law should be divorced from morality and based on logical reasoning. On the other hand, the natural school of law argues that law should reflect the morality and prevailing social norms, that law is a social instrument and thus cannot be based purely on reason.<sup>271</sup> Following from this, a positivist would argue that a patent should be granted if it is novel, inventive as well as useful while morality should have no role in the grant at all. Natural law supporter would however feel that any invention that offends morality should not be granted a patent and a thing which offends morality cannot be given legal character.

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<sup>267</sup> RNA Technology and IP Attorneys, *A case on Public Order and Morality*, LEXOLOGY, (February 5, 2021) (last accessed on August 31, 2021).

<sup>268</sup> Convention on the Grant of European Patents, art. 53(a), October 5, 1973, 13 INT’L LEGAL MATS. 268 (1974) [hereinafter cited as EPC].

<sup>269</sup> Howard Florey/Relaxin, [1995] EPOR 541 T 0272/95 (October 23, 2002).

<sup>270</sup> The President and Fellows of Harvard College v. British Union for the Abolition of Vivisection, et al., EPO, T 0315/03 (July 6, 2004).

<sup>271</sup> JOHN SALMOND, SALMOND ON JURISPRUDENCE, (Universal law Publishing, New Delhi 1966).

### III. ANALYSIS UNDER TRIPS

Article 27.2 of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement permits member states to exclude inventions from patentability using the exception of “morality.”<sup>272</sup> The treaty states: “*Members may exclude from patentability inventions, the prevention within their territory of the commercial exploitation of which is necessary to protect order public or morality, including to protect human, animal or plant life or health or to avoid serious prejudice to the environment, provided that such exclusion is not made merely because the exploitation is prohibited by their law.*”<sup>273</sup>

States having a right to protect the public interest is an accepted general principle and patent law is no exception to it. Based on a long-established tradition in patent law (particularly in the European context), TRIPS allows (but not mandates) two possible exceptions to patentability, based on *ordre public* and morality. The implementation of this exception, which is at the choice of the nation itself, implies that a WTO member, in certain circumstances, may refuse the grant of patent when it finds it necessary to protect higher public interest.

The term “*ordre public*”, derived from French law,<sup>274</sup> is not an easy term to translate into English, and therefore the original French term is used in TRIPS. It is supposed to express concerns about matters that threaten social structures which are the foundation of the society. “Morality” is “the degree of conformity to moral principles (especially good).”<sup>275</sup> The concept of morality is relative to the prevailing values in a society. Therefore, both of the above terms have a fluid connotation with changes with culture and time. Despite the fluidity of the terms, many jurisdictions recognize exclusions as permitted by Art. 27.

Such values are not the same in different cultures and countries and change over time. Some important decisions relating to patentability may depend upon the judgement about morality. It would be ill-advised if patent offices around the world granted patents without giving any consideration to morality.

Article 27.2 provides that protection of order public or morality includes the protection of “*human, animal or plant life and health and any invention which could cause serious prejudice*

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<sup>272</sup> 2, CARLOS M. CORREA ET. AL., INTELLECTUAL PROPERTY AND INTERNATIONAL TRADE: THE TRIPS AGREEMENT (Kluwer Law International, 1998).

<sup>273</sup> Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 3; 33 I.L.M. 1197 (1994) art. 27.1 [hereinafter TRIPS]; 4, DANIEL GERVAIS, THE TRIPS AGREEMENT: DRAFTING HISTORY AND ANALYSIS, 421 (Sweet & Maxwell, 2012).

<sup>274</sup> UNITED NATIONS CONFERENCE ON TRADE AND DEV. & INT’L CTR. FOR TRADE AND SUSTAINABLE DEV., RESOURCE BOOK ON TRIPS AND DEVELOPMENT, 375 (2005).

<sup>275</sup> *Moral*, Oxford English Dictionary, (2<sup>nd</sup> edn. 1989).

to the environment”, thereby creating explicit exceptions when considering the grant of a patent. The concept of “health” may be deemed to encompass not only medical care, but also the satisfaction of basic requirements such as safe water, shelter, adequate food, warmth, clothing, and safety. The “environment” refers to the “surrounding objects, region, or conditions, especially circumstances of life of person or society”. Finally, it should be noted, that WTO Members can provide for the exceptions referred under Article 27.3 subject to one condition: non-patentability would only be established if the commercial exploitation of an invention would need to be prevented in order to protect the above-mentioned interests.

According to European Law, *ordre public* encompasses protection of public security and physical integrity of individuals which form part of the society. This concept includes also the protection of the environment but is deemed to be narrower than ‘public order’, which appeared in some drafts of the Agreement. Though European law seems to be yardstick that should be followed when interpreting “*ordre public*”, however even in Europe there is no universally accepted interpretation for the WTO members to follow. *Ordre public* mirrors the patent exclusion on morality grounds. Morality, as discussed above, however depends upon the culture of a country or region.

The EPO jurisprudence has created a distinction between *ordre public* and morality.<sup>276</sup> Under the Guidelines for Examination of the EPO, “*ordre public*” is linked to security reasons, such as riot or public disorder, and inventions that may lead to criminal or other generally offensive behaviour. *Ordre public* is a term which has been associated with international private law traditionally, where it is the last resort when the application of international law leads to an outcome which would completely disrupt the national legal order.

Morality reflects customs and habits anchored in the spirit of a particular community. There is no clear objective standard of feeling, instincts, or attitudes toward a certain conduct. Therefore, specific prescriptions involving uniform evaluation of certain acts are extremely difficult.

While *ordre public* has been interpreted to mean “expresses concerns about matters threatening the social structures which tie a society together i.e. matters that threaten the structure of civil society as such” and morality means “degree of conformity of an idea to moral principles”. Both morality and *ordre public* contain a reflection of the prevailing social, cultural and

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<sup>276</sup> Plant cells resistant to glutamine synthetize inhibitors, made by genetic engineering, (Plant cells), EPO, T 0356/93 (February 1995).

religious values of member countries thus it is not possible for an objective definition to be achieved. The Article 27.2, to some extent, defines the exclusions available when discussing morality and *ordre public*.

#### **IV. ANALYSIS OF THE SEX TOY PATENT REJECTION**

This patent was another example of the misuse of the power granted to the Patent Office to decide on the matter of morality. In this patent application, the applicant, Standard Innovation Corporation (a Canadian entity) had claimed a patent on a creative vibrator, branded as “We-Vibe”. The patent claiming this device (a unique vibrator) was denied on the ground that it was an “immoral” invention under section 3(b) of the Patents Act.

##### **1. PATENT CLAIM:**

The technicalities of this allegedly pornographic patent are listed below. The patent was filed in several countries including India and had even been granted the patent in some countries. Unfortunately, the Patent Office (speaking through an Assistant Controller in April last year) wasn’t pleased by the patent and rejected the patent stating:

*“The subject matter claimed in the instant application relates to “sexual stimulating vibrator” and its intended use or commercial exploitation could be contrary to “public order” or “morality” and falls under section 3(b) of the Patents Act (as amended) and is not allowable.... Mostly these are considered to be morally degrading by the law.”<sup>277</sup>*

Reasons given for the rejection of the patent:

##### **1. The law views sex toys negatively and has never engaged positively with the notion of sexual pleasure.**

The Patent Office claims that Indian legal system is at odds with the notion of sexual pleasure. They seem to forget that this is not the dark ages. The insinuation that sexual pleasure is something which is morally reprehensible is surprising and frankly archaic. And this is after the Supreme Court has ruled in the favour of freedom of sexual orientation and personal liberty in the case decriminalising Section 377 of IPC<sup>278</sup>.

##### **2. These are toys that are not considered useful or productive.**

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<sup>277</sup> Shamnad Basheer, *Sexual Pleasure is Immoral: So Says the Indian Patent Office!* SPICY IP, (February 6, 2021) (last accessed on August 31, 2021).

<sup>278</sup> Navtej Singh Johar v. Union of India, (2018) 10 SCC 1.

The requirement for productivity cannot be understood in a decent manner. The ITC complaint spells out the many splendored uses for this device.

*“Such devices are useful in a number of contexts, including improving relationships, increasing pleasure for a partner, sexual-disorder treatment, promoting monogamy and marital stability thereby reducing transmission of sexually-transmitted diseases, and increasing satisfaction of sex life of an individual and thereby contributing to an overall wellness/productivity gain for the individual.”*<sup>279</sup>

Thus, it seems that these sex toys do have their own particular uses, and cannot be deemed to be unproductive. Thus, this contention of the Indian Patent Office cannot be seen as anything but a hoax to reject the patent.

**3. Section 377 bans any sort of sexual intercourse that is termed to be unnatural biologically. Therefore, sex toys (sexual stimulation device), also known as adult toys are banned on the premises that they lead to obscenity and moral deprivation of individuals.**

Problematic as this provision is, its invocation here is tad bit surprising though, since the section is very specific in its application to only certain “subjects”: *“Whoever voluntarily has carnal intercourse against the order of nature with any man, woman or animal, shall be punished with...”*<sup>280</sup>

As can be seen, the section applies only if there is a “person” (whoever) at one end who engages in “unnatural” sex with another person (man/woman) or animal. Clearly, a vibrator is outside the scope, for it is neither a person nor an animal. Unless of course the argument is that the use of this vibrator during the course of regular procreative sex renders the sex itself between two consenting adults “unnatural”. This contention thus also cannot be allowed to stand.

**4. Importing and selling sex toys, considered as an ‘obscene’ object and hence illegal in India.**

Section 292 of the Indian Penal Code defines the term ‘obscene’ and provides for punishment for distributing any such object. Section 292 (1) defines ‘obscene’ as follows: “a book,

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<sup>279</sup> UNITED STATES INTERNATIONAL TRADE COMMISSION WASHINGTON D.C. Complaint, <http://images.mofcom.gov.cn/trb/accessory/201301/1357799990084.pdf>.

<sup>280</sup> Indian Penal Code, 1860 § 377, No. 45, Acts of Parliament, 1860 (India).



*pamphlet, paper, writing, drawing, painting, representation, figure or any other object, shall be deemed to be obscene if it is lascivious or appeals to the prurient interest....”*<sup>281</sup>

Here again, at least one court has made it clear that sex toys are not necessarily “obscene”. In *Kavita Phumbra v. Commissioner of Customs (Port)*<sup>282</sup>, the Calcutta High Court held as below:

*“In our opinion, an article or instruction suggesting various modes for stimulating the enjoyment of sex, if not expressed in any lurid or filthy language, cannot be branded as obscene. Acquisition of knowledge for enjoyment of sex through various means is not by itself a prohibited activity, provided it is not done through obscene language or pictures. The concerned items are meant for adults and as such their importation for restricted sale to adults only should not be considered to be on the wrong side of the law.”*

Thus, it can now be seen that the only reason why the Patent Office rejected the patent was because they felt that sex toys are against public morality and were trying to impose this morality on the society as a whole without valid legal reasons and this is not the way Section 3(b) was intended to be used. Further from a constitutional law perspective, any potential ban on goods has to be balanced against the fundamental right to free speech under Article 19(1) (a)<sup>283</sup> and the right to trade under Article 19(1) (g)<sup>284</sup>.

We need to step back and ask: is it prudent to vest the Patent Office with the authority to make “moral” or immoral determinations of this nature? Do they have the required institutional competence to comment upon this thorny issue? Thus, the main problem arises when legal institutions attempt to blur the distinction between obscenity as an offense under the country’s penal laws and their personal opinions on morality and public policy.<sup>285</sup>

## **V. IMPLICATIONS OF THE USE OF OBSCENITY AND PUBLIC MORALITY AS A GROUND FOR REJECTION OF PATENTS IN INDIA**

Courts and IP officers should not be allowed to use the façade of law to force their opinions of morality on others. Surprisingly, the same has been done by the IPO in the above-described case of the rejection of patent grant to a sex toy in its interpretation of the term “obscene” and “useful”. The IPO’s decision only applies the bare interpretation of Section 292 and does not

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<sup>281</sup> Indian Penal Code, 1860 § 292, No. 45, Acts of Parliament, 1860 (India).

<sup>282</sup> (2012) 1 Cal LJ 157.

<sup>283</sup> INDIA CONST. art. 19(1) (a).

<sup>284</sup> INDIA CONST. art. 19(1) (g).

<sup>285</sup> Prarthna Patnaik, *Obscenity and Morality under IP Law*, SPICY IP, AND (February 8, 2021) (last accessed on August 31, 2021).

discuss any presently accepted contemporary standards to reach its conclusion of sex toys as “obscene”. The IPO also tries to imply that law has a negative view of sexual pleasure in order to support their faulty order.

*“Why should the patents office handle moral decisions? Officials trained in technical science are not supposed to decide whether an invention is moral or immoral,”* Prof Basheer said when asked about the autonomy of patent’s office when deciding the question of morality.<sup>286</sup> Furthermore, the use of the morality provision was in context of stopping commercial exploitation of something which would affect the social fabric of the society itself. However, sex toys are openly sold online, and in a thriving black market in India. A survey conducted by an online sex toy store in India found that 62% of the buyers of such toys are men. And as far as is seen, the rejection of the patent has not affected the sale of such products and this sale has not affected the society in any adverse manner till now.<sup>287</sup>

This is not the first time that a patent had been rejected on morality grounds. In an instance, the patent office had rejected the application about a medical powder which was produced from the skeletal remains of dead bodies within weeks of burial. This was seen as objectionable by the office.<sup>288</sup> The above ground was now supported by the nebulous principles of morality which can be used as a legal weapon to justify the rejection of a patent.

While rejecting the patent in question, the said invention was said to be a “sexual stimulating vibrator” and thus held to be immoral. Here, if the underlying assumption is that “something related to sex/sexual intercourse is immoral” then there would be a long list of objects which should have been declared immoral and illegal. Going with the same analogy, a condom should also have been held immoral and obscene because of its seductive packaging. This particular incident sets an example for the moral-obscenity dichotomy.

Indian patent authorities have interpreted obscenity and immorality as one and the same thing. But there is a fallacy that flows with the above assumption because something which is obscene may not necessarily be immoral and vice versa for e.g. killing an innocent person may be immoral but not obscene and a condom advertisement may be obscene as it is likely to arise one’s prurient interest but is not always immoral.

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<sup>286</sup> *India rejects Patent plea for 'Immoral' sex toy*, BBC, (February 9, 2021) (last accessed on August 31, 2021).

<sup>287</sup> Srijani Ganguly, *Is India experiencing increased sale and purchase of sex toys?* INDIA TODAY, (February 9, 2021) (last accessed on August 31, 2021).

<sup>288</sup> Shamnad Basheer & Pankhuri Agarwal, *A Moral Quarrel*, ASIA BUSINESS LAW JOURNAL, (February 9, 2021) (last accessed on August 31, 2021).

Apart from morality, public order was another reason given for justifying the rejection. The absence of the term Public order has also led it to be open to be interpreted as per the wishes of the authorities.

In furtherance of the same, it is to be understood that even if the said invention was granted patent, it would not have impacted public order because there is no proximate relationship between granting patent to a sex toy and public order because sex toy is part of one's private life and thus not a subject matter of public concern. Therefore, one's using "We-Vibe" would not have any proximate nexus with the public interest because a sex toy is not something which is used in public hence it is least likely to disturb public order.

Now, reading it in conjunction with Locke's Non-Waste principle (which says that a person should not produce a thing which yields no benefit) would make the situation even more questionable as the rejection disentitles the inventor from any benefit. Now shifting to the labour theory of Locke, he doesn't have any incentive to come up with such invention because his creativity is not appreciated hence ultimately impacts the fundamental objective of IP law i.e. to provide incentives to create and serve the interests of the public by promoting economic growth.

This discussion is pertinent not only to India as it highlights the morality-obscenity dichotomy prevalent in many jurisdictions. This dichotomy enables the authorities to use their own brand of morality as a yardstick for determination of the legality of an object or act. The relevancy of the case is not just for India but for the entire IP law regime. Because whenever a statute gives morality as a ground for determining the legality, it creates a broad leeway to the interpreting authority to use it as a tool. The concepts of morality are said to be determined by social or community standards, but the irony is that people determining are in no way eligible to determine the social standards by themselves.

This leads to the cropping up of certain questions such as if today X (an inventor) is denied a patent on grounds of morality and public decency but a similar invention or even the same invention is granted patent at a later date, who would be attributed with the fault? Would it be the fault of X to invent such thing in the wrong span? Or is it the society's inability to set inadequate standards? Should the standard setting authority be held responsible for treating the invention in different manners at different times? Or it is the inadequacy of intellectual property to resolve such matters? The question often remain unanswered. Thus, only moral reasoning

should not be encouraged for giving a legal justification because doing so shambles the rudimentary premises of law.<sup>289</sup>

## VI. COMPARISON WITH OTHER JURISDICTIONS

### 1. EUROPEAN UNION

Under Article 53(a), “*European patents shall not be granted in respect of biotechnological inventions which, in particular, concern the following: a) processes for cloning human beings; b) processes for modifying the germ line genetic identity of human beings; c) uses of human embryos for industrial or commercial purposes; d) processes for modifying the genetic identity of animals which are likely to cause them suffering without any substantial medical benefit to man or animal, and also animals resulting from such processes.*”<sup>290</sup>

In Europe, the approach to interpretation of the ‘morality’ exclusion takes either of two approaches. First is the ‘patent first’, ‘regulate later’ approach. The reasoning behind this approach is that even if a patent is granted on, for example, a GMO, it is not a license to use, manufacture and sell this organism.<sup>291</sup> Regulatory approval must then be obtained, and all biosafety preconditions met. The main objections against this position include that once a patent is granted, it makes regulatory approval more likely. Further, initial patentability quickly sets up expectations within industry both domestic and foreign, potentially creating further barriers to regulation.

The second approach has been for the EPO itself to make a decision on biosafety in order to conclude that such concerns need not be a threat to ‘*public order*’ or morality. The obvious objection to this has been the legitimacy of patent examiners making sophisticated decisions on biosafety, a field outside of their normal expertise.<sup>292</sup>

To summarise, a combination of the above two approaches is used by the EPO when assessing biosafety of exploitation of an invention under the morality exclusion. But primarily the

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<sup>289</sup>Lokesh Vyas, *Morality-Obscenity Dichotomy: An Unfathomable Intellectual Property Law Approach*, BERKELEY JOURNAL OF INTERNATIONAL LAW (February 9, 2021).

<sup>290</sup>*Supra* 11.

<sup>291</sup>Margo A. Bagley, *Patent First, Ask Questions Later: Morality and Biotechnology in Patent Law*, 45 Wm. & Mary L. Rev. 469 (2003).

<sup>292</sup>Shamnad Basheer, *Grave Diggers, “Immoral” Patents and the NBRA*, SPICY IP, (February 9, 2021) (last accessed on August 31, 2021).

reliance is on post-grant regulatory bodies' efficiency in policing the dangerous aspects of the invention. The above approach has been criticised by academics as being overly dismissive of what could be developed into a strong legal doctrine that deals in a proactive rather than responsive way to dangerous or unsafe technologies. It must also be recognised that the approach of the EPO is fuelled by a generally expansive approach to patentability that interprets any exclusions in the law narrowly.

The European Patent Office (EPO) once took the position that morality and patentability were unrelated. The European Directive on the Legal Protection of Biotechnological Inventions that denies patent protection to human embryos on the grounds that such patents offend human dignity relies on Art. 27.2.<sup>293</sup>

Under Article 53(a) EPC, inventions the exploitation of which is likely would be so abhorrent for the public that its patenting would be inconceivable. The analysis of the application of Article 53 (b) of the EPC is made on a case-by-case basis. The EPO has employed two methods for that purpose: the balancing of interests at stake and the opinion of the vast majority of the public. In all the cases where these methods were applied, the EPO affirmed the patentability of the inventions under examination including on morality grounds.

EPO is very stringent on the morality and *public order* exclusion. In the Cooperative Patent Classification (developed by the European Patent Office and The United States Patent Office) there are several classifications for sex toys which means that it is not found to be immoral or obscene under the EU jurisdiction.

## 2. UNITED STATES

In the United States, some of the earliest intellectual property jurisprudence examined morality restrictions on patent registrations. In 1817, Justice Story had passed the judgement that granting protection to inventions intended to “*poison people, or to promote debauchery, or to facilitate private assassination*” was unacceptable.<sup>294</sup> This was the beginning of the “moral utility” doctrine. The United States Patent and Trademark Office (USPTO) and the courts relied upon this doctrine to exclude “immoral” inventions from protection using the theory that one of the results of an invention’s moral turpitude was that it lacked usefulness.<sup>295</sup> This doctrine

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<sup>293</sup> Directive 98/44/EC, of the European Parliament and of the Council of 6 July 1998 on the Legal Protection of Biotechnological Inventions, 1998 O.J. (L213) 13, 16; *See also*, Case C34/10, *Brüstle v Greenpeace*, 2011 E.C.R. I-9849.

<sup>294</sup> *Lowell v. Lewis*, 15 F. Cas. 1018, 1019 (C.C.D. Mass. 1817) (No. 8,568).

<sup>295</sup> *Nat'l Automatic Device Co. v. Lloyd*, 40 F. 89, 90 (C.C.N.D. Ill. 1889).

was thus used to deny protection to devices that could be used to commit fraud or for gambling purpose.<sup>296</sup> For many years, this doctrine served as a moral gatekeeper on patentable subject matter. In *Diamond v. Chakrabarty*,<sup>297</sup> the United States Supreme Court began a virtually unbroken string of decisions abandoning the moral utility doctrine.

United States of America never had a morality exception in their patent laws however such requirement was determined by the Courts but used rarely. In the mid-twentieth century the USPTO banned patents on gambling machines on morality grounds however the same came to end in 1980's when the Court held that inventions for gambling machines are no more or less immoral than invention such as a gun which may be used for killing people. The USPTO then in late nineties invoked moral utility doctrine in order to check the controversial applications related to biotechnology inventions. But the same was criticized by the Judiciary itself because according to them it was the legislature not the executive which can define the boundaries of the law. Hence there are very few examples where the morality exception was raised successfully before the USPTO.

## VII. CONCLUSION

If the IPO is called upon to make a decision on GMOs and their biosafety under the morality provision, it could result in contradictory approaches that are not in keeping with the latest information on biosafety. Further, the Indian Patents Act includes slightly different terminology to the European in that 'public health' is included. Public health concerns lend themselves to a wider range of biosafety concerns than 'public order' or 'morality' on their own. The Patent office must be steered to deal with 'biosafety' and its rightful legal relevance under S 3(b) of the Patents Act.

Moreover, morality-based prohibitions on patentability are generally targeted toward prohibitions on protection for inventions that could have a destabilizing effect upon society, or other such chaotic effects of measurable impact. None of these prohibitions seem to be aimed at free expression, and thus do not appear to negatively impact any Constitutional or human rights. Morality based restrictions on patentability are normally either divorced from cultural mores, or they are simply based in universal cultural traditions.

The issues of biotechnology and morality (as impossible as the latter term may be to define) are very much intertwined. With a patent system largely informed by the incentive theory, we

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<sup>296</sup> Scott & Williams, Inc., 7 F.2d at 1004; Lloyd, 40 F. at 90.

<sup>297</sup> 447 U.S. 303.

must consider whether the granting of a patent is likely to encourage activity that is deemed to offend universal values.<sup>298</sup> If inventions cut against the notion of human dignity, as in (at least arguably) research involving human embryos, we can at least see that it is the actual inherent in such activities, which we wish to discouraged.<sup>299</sup>

Today, these morality questions typically come up though in relation to genetic engineering and ethics. For example, should patents be allowed on human genes, or genetically-modified animals? In my opinion, these questions seem like much more trying questions of ethics than whether people should be allowed to use sex toys when being used consensually. Accordingly, sex toys are not prohibited patent protection on moral grounds in a vast number of developed countries, including the United States, European Union, Canada, Mexico, Australia, China, and others.<sup>300</sup>

As noted by Moufang, patent examiners “*are not specifically trained in ethics or in risk assessment. Since patents do not give a positive right to use the protected inventions, other bodies have to shoulder the responsibility for the decisions of society whether certain technology can and should be put into practice.*”<sup>301</sup>

In a country like India, such issues arise because of the balance that needs to be maintained between tradition and modernity. Some sections of the society are not willing to let go of traditional way of life and they are justified in doing that, but they should be prepared to digest the fact that modernization is inevitable and not come in the way of others who want to practice it. Especially with the manner that biotechnology is becoming increasingly innovative and raising a lot of ethical questions. The focus of patent laws should be on defining the morality which could be used to combat these issues and not towards the rejection of trivial patents like sex toys.

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<sup>298</sup> Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225, 229 (1964).

<sup>299</sup> Marc. J. Rendazza, *Freedom of Expression and Morality-based Impediments to the Enforcement of Intellectual Property Rights*, 16 NEV. L.J. 107 (2015).

<sup>300</sup> *Patent Denied for “Immoral” Sex Toy in India*, SEX TECH LAW (February 9, 2021) (last accessed on August 31, 2021).

<sup>301</sup> RESOURCE BOOK ON TRIPS AND DEVELOPMENT, 380 (Cambridge University Press, 2005).



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### CONSERVING FAIR USE IN ACADEMIA: A LEGAL PERSPECTIVE

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#### *Abstract*

*The fair use clause within copyright law provides individuals with the freedom to make unauthorized secondary uses of copyright protected materials. This article discusses the concept of fair use from an educational perspective by analysing the factors which determine whether a particular use is fair or an infringement, as well as by showing the criteria for fairly using copyrighted work in education with some cases. A comparative analysis is drawn out to demonstrate how the interpretation varies by countries like India where the courts take a stricter approach compared to the USA where it is more open-ended. Moreover, while it is true that stricter copyright laws would promote more original work and foster creativity, the article also recommends that expanding the scope of fair use would have beneficial effects by allowing the general public to have more access to copyrighted educational materials.*

**Keywords:** Copyright, fair use, educational purpose, technology, infringement.

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**I. INTRODUCTION**

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## **I. INTRODUCTION**

Copyright is an essential legal concept for professionals in academia which protects their intellectual property from being used without their authorization. Through copyright laws, not only are creativity and formation of original ideas encouraged, but original authorship is also protected from being replicated.<sup>302</sup> Fair use is an exception to copyright law which remains as “one of the most unsettled areas of copyright law.”<sup>303</sup> This allows individuals to use copyright protected material without the permission of the copyright owner. For instance, when a teacher uses an excerpt from a book for teaching purposes, then the concept of fair use takes effect. Therefore, students and educators are able to depend on it for their academic works. While educators often use portions of newspaper articles, books and journals to complement their teaching, students also refer to these texts to aid their research and scholarship.

## **II. THE CONCEPT OF FAIR USE IN COPYRIGHT LAW**

The basic idea of fair use is that individuals can use copyright protected materials for reasons such as education, commentary, criticism, review, parodies and so on. As long as the use does not replace the need for purchasing the work, then it is considered as a fair use.<sup>304</sup>

Fair use is defined as the "privilege in others than the owner of a copyright to use the copyright protected material in a reasonable manner without his consent, privilege in others than the owner notwithstanding the monopoly granted to the owner".<sup>305</sup> Because of fair use, authors, teachers and artists are encouraged to portray their creativity as they have been guaranteed the right to produce and gain from their original work.

## **III. HISTORICAL DEVELOPMENT OF COPYRIGHT AND FAIR USE**

Copyright laws were first enacted in England when The English Crown granted a monopoly to the Stationer's Company in order to regulate the spread of negative information concerning the

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<sup>302</sup> Crews, Kenneth D. "The Law of Fair Use and the Illusion of Fair-Use Guidelines." *Ohio State Law Journal* 62 (2001): 599-702.

<sup>303</sup> *Princeton Univ. Press v. Mich. Document Servs. Inc.*, 99 F.3d 1381, 1392 (6th Cir. 1996).

<sup>304</sup> Crews, Kenneth D. *Copyright Essentials for Librarians and Educators*. Chicago: American Library Association, 2000.

<sup>305</sup> *Basic Books v. Kinko's Graphics Corp.*, 758 F. Supp. 1522 (S.D.N.Y. 1991), which dealt with the question of whether photocopy stores may sell copied excerpts of books to college students without authorization from the books' publishers. The decision in the case ultimately affected the price that the public must pay for access to copyrighted information.

Crown.<sup>306</sup> Afterwards, Parliament enacted the Statute of Anne, which enabled publishers of books to have legal protection for 14 years, during which time, reproduction of their work without authorization was not legally permissible.<sup>307</sup>

In the United States, the Constitution incorporated copyright in the American law to protect original authorship.<sup>308</sup> It was modelled after the Statute of Anne and provided the same incentives for individuals to create original work by ensuring copyright protection. It was during the case of *Lawrence v Dana* (1869), when the term “fair use” was first introduced in the American court system, where Lawrence had sued Dana for unfairly using his notes on Wheaton’s “Elements of International Law.” Lawrence had previously edited and commented on two editions of the book for the benefit of the late author’s family; however, after the death of Mrs. Wheaton, Dana proceeded to publish another edition with no credits given to Lawrence. While Dana argued that he had abridged and “fairly used” Lawrence’s notes, the court eventually ruled that Lawrence’s notes “involved great research and labour” and that their use by Dana was not fair – rather it was a reprint.

Copyright law gives the original author a limited monopoly to encourage their intellectual creativity; but the monopoly is restricted by the first sale doctrine,<sup>309</sup> the fair use doctrine<sup>310</sup> and the concept of copyright privilege which only provides for a limited duration of copyright protection.<sup>311</sup>

#### **IV. THE PRESENT ADMINISTRATION OF FAIR USE IN THE UNITED STATES**

The common law doctrine was legislatively recognized as Section 107 of the Copyright Act of 1976.<sup>312</sup> The bill lists four non exhaustive factors to analyse fair use: (1) the purpose and character of the secondary use, (2) the nature of the copyrighted work, (3) the amount or substantiality of the portion used, and (4) the effect of the use on the copyright owner’s potential market. Since fair use is interpreted as “an equitable rule of reason”<sup>313</sup> the list of

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<sup>306</sup> William F. Party, ‘Copyright Law and Practice’ 10 (1994).

<sup>307</sup> Marshall A. Leaffer, ‘Understanding Copyright Law’ 1-2 (2d ed. 1995).

<sup>308</sup> The Constitution states that Congress shall have the power “To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” U.S. CONST. art I, Sec 8, cl. 8.

<sup>309</sup> The first sale doctrine allows a person who has legally acquired a copyrighted work to use that work so long as that person does not violate any exclusive rights of the copyright holder. This doctrine allows individuals to share or resell novels and enables libraries to loan books to the public. Title 17 U.S.C. Sec 109 (1994)

<sup>310</sup> Title 17 United States Copyright Law, Sec 107 (1994).

<sup>311</sup> The exclusive rights of copyright holders are limited to reproduction, distribution, preparation of derivative works, public performance, public displays, and public performance of audio works. Title 17 U.S.C. Sec 106 (1994 & Supp. IV 1999)

<sup>312</sup> Title 17 United States Copyright Law, Sec 107 (1994).

<sup>313</sup> *Sony Corp. of Am. v. Universal Studios Corp.*, 464 U.S. 417, 448 (1984); And *Geophysical Union v. Texaco Inc.*, 60 F.3d 913, 931 (2d Cir. 1994).

exceptions under Section 107 was neither viewed as an extension to the common law doctrine of fair use, nor were the listed factors intended to be the sole determiners of fair use.

The Copyright Act does not state the importance or considerations given to each factor. The Supreme Court disapproves a strict interpretation of the statute and has expressed that fair use permits and requires “courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designated to foster.”<sup>314</sup> On that account, the four factors within Section 107 should be regarded as general guidelines rather than clearly defined rules. The aforementioned factors for examining fair use are considered in the following points in more detail.

### 1. Factor One: The Purpose and Nature of the Use

First, courts must assess the nature of the use by determining whether it is for commercial purposes. The 1976 Copyright Act House Report stated that “the commercial or non-profit character of an activity, while not conclusive with respect to fair use, can and should be weighed along with other factors in a fair use decision.” The inspection of the secondary use focuses on the type of use being made rather than the type of entity making it. Furthermore, fair use also cannot be ruled out solely based on the factor of commercial gain.

A commercial use can be modified by a transformative use. Transformation implies that the new work has a non-identical purpose from the original work and makes some new “contribution of ... intellectual value.” The prelude to Section 107 of the Copyright Act of 1976 states that plausible purposes of fair use include “criticism, comment, news reporting, teaching, scholarship or research.” In general, the greater the transformation, the less any commercial purpose influences the analysis of fair use. When producing a scholarly paper, for instance, it is considered acceptable to quote other researchers’ writings for reference.

### 2. Factor Two: The Nature of the Copyrighted Work

The second factor considers whether the original work is informational or creative in nature and whether it was published. As copyright protects expressive materials such as fiction more than facts or particulars, creative works receive more substantial copyright protection.<sup>315</sup> Facts receive less copyright protection because rewarding the mere acquisition of facts would

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<sup>314</sup> Title 17 United States Copyright Law, Sec 107 (1994).

<sup>315</sup> Melville B. Nimmer & David Nimmer, Nimmer on Copyright, Sec 13. 5(A) (2) (a), at 13-170 (49th ed. 1999).

frustrate the intent of a copyright monopoly to distribute ideas by retarding the disclosure of facts and thoughts.<sup>316</sup>

### 3. Factor Three: The Amount and the Substantiality of the Portion Used

In each case, the court will examine the quality and proportion of the original work which has been taken for secondary use. If the copied amount is large enough to replace the need for purchasing the original work then the use is to be judged as not fair. While copying a small percentage would generally be regarded as fair use, using a majority of the work would point towards copyright infringement. However, in rare cases, copying a mere 5 second clip from an entire movie may be determined as an infringement if the court deems those 5 seconds to be highly “substantial.”

### 4. Factor Four: The Effect on the Plaintiff’s Potential Market

The fourth factor considers the probable harm to a copyright holder’s potential market.<sup>317</sup> It evaluates whether the copied work would result in the devaluation of the copyrighted material and whether it would lead to lost income for the original creator. Furthermore, copyright infringement must directly cause the alleged market harm. The Copyright Act does not provide protection against harms caused by criticism or reviews of the original work.<sup>318</sup> Instead, other areas of law such as slander and defamation deal with such issues.

## **V. CASE ANALYSIS ON MULTIPLE COPYING FOR THE PURPOSE OF EDUCATION AND RESEARCH**

Fair use has been tested in court as an affirmative defence only on rare occasions when it comes to educational settings. The following cases apply the fair use factors in academic contexts, where the court’s decisions demonstrate a pattern of increased protection for copyright holders and reduced lawful fair use.

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<sup>316</sup> Harper & Row, Publishers, Inc. v. Nation Enters. 471 U.S. 539, 563-64 (1985).

<sup>317</sup> Rubin v. Brooks/Cole Publ’g Co., 836 F. Supp. 909, 920 (D. Mass. 1993) (holding that plaintiff’s work had been published previously numerous times without any harm to the market and therefore a similar use would have little effect on the market).

<sup>318</sup> Campbell, 510 U.S. at 591-93. A court must distinguish between those harms caused by the defendant’s product becoming a substitute in the same or derivative market for the original work and those harms that result from criticisms of the original work.

## **1. Williams & Wilkins Co. v. United States**

In 1974, the National Institute of Health and the National Library of Medicine were charged with copyright infringement<sup>319</sup> for distributing unauthorized photocopies of articles taken from medical books and journals published by the copyright owner Williams & Wilkins.<sup>320</sup> The defendants would make these photocopies available upon request to their medical researchers who were engaged in scientific studies. However, the court found that the defendant's use of the articles constituted fair use due to the non-profit nature of both the institutes, which signified that there was no intent to make economic gain from the distribution. Furthermore, not only did the plaintiffs fail to prove that the defendant's practices could cause them substantial harm, but the court also had strong concerns that holding defendants' practices to be copyright infringement would harm future medical research.

## **2. American Geophysical Union v. Texaco Inc.**

The American Geophysical Union v. Texaco Inc.<sup>321</sup> case involved Texaco scientists photocopying articles from various journals for research purposes. Although the journals were used for research, Texaco's objective was to use the research to develop profitable products; therefore, the court concluded that Texaco's use was commercial. Texaco's use was not transformative either, as complete texts from the articles were photocopied verbatim. Thus, this factor also worked in the copyright holder's favour. Moreover, it was found that Texaco could have purchased a license for photocopying the articles through the Centre for Copyright Clearances, but by not doing so, they had deprived the copyright holder from potential economic gain in the form of licensing fees. On these accounts, the court ultimately judged Texaco's use to be not fair and the defendant was accordingly fined.

## **3. Princeton University Press v. Michigan Document Services**

Princeton University Press v. Michigan Document Services<sup>322</sup> addresses multiple duplication for educational use where Michigan Document Services (MDS) photocopied packets of course materials and offered them for sale to students without obtaining the necessary copyright permissions.

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<sup>319</sup> Williams & Wilkins Co., 487 F.2d at 1346. Although the case was decided under the 1909 Copyright Act, the court applied the same factors later prescribed by the 1976 Copyright Act.

<sup>320</sup> 172 U.S.P.Q. (BNA) 670 (1972), rev'd, 487 F.2d 1345 (Ct. Cl. 1973), aff'd, 420 U.S. 376 (1975)

<sup>321</sup> 60 F.3d 913 (2d Cir. 1994).

<sup>322</sup> 99 F.3d 1381 (6th Cir. 1996).

The court held that the copies made by MDS were not fair use based on several indicators. Firstly, MDS replicated entire chapters or articles without any alteration, which made the use non-transformative; some excerpts were greater than ninety-five pages in length,<sup>323</sup> thus exceeding the limits prescribed in the Educational Guidelines. Moreover, it was a profit-oriented photocopy shop, which meant that they operated for profit and therefore the use was commercial. Some of the excerpts taken for duplication also contained creative material which are considered to have substantial value, thus making the duplication of these materials to not be a representation of fair use. Lastly, the court found the existence of a market where the copyright owners licensed their books and articles for legal replication. This meant allowing photocopy shops such as MDS to continue duplicating without authorization could potentially diminish the revenue earned by the copyright owners through licensing.

## **VI. FAIR USE IN THE FIELD OF EDUCATION**

Due to the equitable nature of fair use, the controversies surrounding it seem particularly profound in the area of education. Fair use promotes the goals of copyright by encouraging the spread of information for the enrichment of society while education promotes the cultivation of society, provides access to information, and encourages creativity. Having said that, eliminating copyright protections throughout education would hinder monetary incentives for creation of original work. Although educational fair use should not be viewed as a complete protection to use copyright protected materials, the elimination of educational fair use would be similarly harmful.

## **VII. EDUCATIONAL BENEFITS DERIVED FROM FAIR USE**

Education provides the foundation of an informed populace by teaching reading, critical, analytical and problem-solving skills. All citizens, not just scholars, benefit from openly available information. It is evident that education creates social welfare by broadly disseminating ideas and exposing many people to new concepts.<sup>324</sup>

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<sup>323</sup> The court did not distinguish between a 95-page excerpt representing 30% of a work and a 17-page excerpt representing 5% of the work. The court ended its analysis after deciding the use did not fit within the Educational Guidelines.

<sup>324</sup> A complete exemption for education would be over-expansive. This Note does not seek a broad right of fair use in education, but seeks to preserve a reasonable right of fair use in the educational realm.

Educational fair use has beneficial effects upon further creative constructions, teaching expertise and student flexibility. In academia, students and instructors must constantly create new and original materials. Without the protection of fair use, the costs of producing secondary works would increase. This is because many students are restricted to limited educational budgets, which would prevent them from bearing the cost of licensing. As a result, students may be discouraged from enrolling in classes which require expensive reading materials.

Fair use allows instructors to provide the most appropriate and cultivated education possible. Instructors are able to utilize newly discovered materials that expose students to a more comprehensive understanding. This also enables instructors to keep classes up-to-date, especially in rapidly changing fields.

## **IX. LIMITATIONS IN THE ECONOMIC MODEL OF FAIR USE**

From an educational perspective, there are various flaws in the economic model of fair use despite there being high external benefits of distribution of information. For instance, although students are the primary consumers of copyrighted materials such as books and articles, the entities making the purchasing decisions are the educators or the school authority. Instructors making decisions usually focus on the higher objective of intellectual development rather than economic efficiency, which is why in the educational setting, it is less appropriate to use an economic model to explain efficient resource allocation.<sup>325</sup>

Instructors primarily focus on the academic benefits of obtaining a published work rather than its economic benefits. When presented with an option to choose from a number of articles with similar viewpoints, instructors would often determine their choice of article based on the content and academic satisfaction instead of economic factors such as the price. Moreover, finding alternative articles in search of a lower price may be more difficult and could raise the transactional costs to the instructor.

The absence of a central system for acquiring copyright permissions may further give rise to transactional costs. While large universities often use such systems to control future liability, smaller institutions may not have sufficient funds to arrange similar services which can help obtain copyright permissions. As a result, instructors often have to bear the cost of obtaining

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<sup>325</sup> Buranen, Lise and Alice M. Roy, eds. *Perspectives on Plagiarism and Intellectual Property in a Postmodern World.* Albany: State University of New York Press, c1999.



the licenses themselves when the institution does not have an available budget and it is not possible to spread the cost among students.

## **X. EDUCATIONAL GUIDELINES ACCORDING TO THE U.S. COPYRIGHT ACT OF 1976**

Although the factors and circumstances explained above apply to all cases involving fair use, educational uses of copyrighted materials pose special challenges to courts and thus have received particular attention from the legislature. Sections of the House Reports from the Copyright Act of 1976 specifically laid out guidelines for educational uses.<sup>326</sup> The Committee on the Judiciary concluded that broad copyright exceptions need not be granted to non-profit educational institutions but nevertheless included explicit guidelines to provide educators with some predictability. Thus, the Educational Guidelines were designed to provide a safety net for educational uses of copyrighted materials.<sup>327</sup>

## **XI. GUIDELINES FOR CLASSROOM USE OF BOOKS AND PERIODICALS**

The Educational Guidelines show specific instances when educators may reproduce copyrighted works without permission for research or classroom use. However, the preamble to the guidelines states that some reproductions not mentioned in the guidelines may still be considered as fair use. Although the Educational Guidelines clearly allow educators to make single copies of portions of books for research or class preparation,<sup>328</sup> the real issues arise when multiple copies are created in order to distribute in a class. In this case, the guidelines provide for the reproduction of multiple copies as long as the use is brief, spontaneous, not cumulative, and includes appropriate copyright notices.<sup>329</sup>

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<sup>326</sup> 1976 HOUSE REPORT, The “Educational Guidelines” are formally titled The Agreement on Guidelines for Classroom Copying in Not-for-Profit Educational Institutions with Respect to Books and Periodicals.

<sup>327</sup> Agreement on Guidelines for Classroom Copying in Not-for-Profit Educational Institutions with Respect to Books and Periodicals, March 1976. (U.S. Congress. House. Copyright Law Revision, 94th Cong., and 2d sesss. [1976]. H. Doc. 1476: 68-70.)

<sup>328</sup> The Educational Guidelines indicate that for research or preparation, a teacher may make a single copy of (a) a chapter of a book; (b) an article from a periodical or newspaper; (c) a short story, essay, or poem; or (d) a chart, graph, diagram, drawing, cartoon, or picture from a book, periodical, or newspaper.

<sup>329</sup> The brevity factor limits the amount that an educator can reproduce to a maximum amount of 1,000 words or 10% of a work or 250 words of a poem. *Id.* The spontaneity factor requires that only educators who are unable to obtain the appropriate approvals due to time constraints may make multiple copies. This factor states that teachers must need the work at that time for the “maximum teaching effectiveness,” and that therefore, it “would be unreasonable to expect a timely reply to a request for permission.”

Even if an educator fulfils those initial requirements for creating multiple copies, the Educational Guidelines present further limitations: educators may not make multiple copies to create or replace an anthology, materials may not be photocopied from term to term, no charge may be made to students in excess of the copying costs, and finally, the Educational Guidelines do not apply to consumables.

## **XII. CRITICISMS OF THE EDUCATIONAL GUIDELINES**

The Ad Hoc Committee of Educational Institutions and Organizations on Copyright Law Revision, members of the Authors League of America, Inc., along with the Association of American Publishers, Inc., who proposed the Book Guidelines, represented the interests of authors and publishers. However, educators disagreed with the committee's findings.<sup>330</sup>

The American Association of University Professors and the Association of American Law Schools wrote the Judicial Committee and criticized the Educational Guidelines on the basis of its standards for multiple copying.

Critics proclaimed that the Guidelines create additional confusion over legally permissible secondary uses. Although the prelude to the Educational Guidelines states that the guidelines represent the minimum permissible uses and that other uses could still be considered fair, academic institutions are relatively conventional and would adopt the Guidelines to avoid litigation expenses.<sup>331</sup> Consequently, adopting the guidelines would inadvertently narrow the acceptable applications of fair use in education.<sup>332</sup> The courts have adopted the same conventional view by looking at the permissible uses as requirements instead of guidelines.

Moreover, it is argued that the requirements of being spontaneous, brief and non-cumulative are excessively limiting. In the case of spontaneity, the Educational Guidelines suggest that educators can meet this criterion if they had insufficient time to obtain a license for using a particular work; it further requires educators to know about this service, be able to obtain necessary funding for copyright fees, and receive approval from an authorized representative

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<sup>330</sup> The three individuals who endorsed the Educational Guidelines represented the Authors League of America, the Association of American Publishers, Inc., and the House of Representatives Copyright Committee. Notably absent were the representatives from educational institutions.

<sup>331</sup> Gregory Klingsporn, *The Conference on Fair Use (CONFU) and the Future of Fair Use Guidelines*, 23 COLUM.-VLA J.L. & ARTS 101, 108 (1999).

<sup>332</sup> Stephana I. Cobert & Oren R. Griffin, *The Impact of Fair Use in Higher Education: A Necessary Exception?* 62 ALB. L. REV. 437, 440 (1998).

of the educational body. However, critics argue that this requirement provides very minimal guidance for educators.

A different issue arises when educators lack the monetary resources needed to obtain a copyrighted material from the publisher, even though the work is essential for educational purpose. Publishers often claim that not paying fees such as royalties would signify that their work is not being appropriately valued at their economic rate. However, this argument would be valid if it was the case that educational institutions possess unlimited resources for obtaining copyright materials and their licenses for teaching purposes. The amount that an educator is willing and able to pay would correlate with the value and importance that is placed on the material only when it is true that resources of an institution are unlimited.

There is further confusion about the extent to which the Educational Guidelines are legally persuasive as they are not included in the Copyright Act of 1976.<sup>333</sup> As they were originally drafted after negotiations by concerned parties such as educators and publishers, the involvement of congressional committee members during the drafting of the Guidelines is not clear. As a result, they do not extensively reveal congressional intent despite being accepted by the judicial committee. Moreover, the Guidelines particularly being excluded from Section 107 of the Copyright Act by Congress further weakens the importance of this proposal.

### **XIII. THE CONFERENCE ON FAIR USE (CONFU), 1994**

Due to rapidly advancing technology, a Conference on Fair Use (CONFU) was held in September 1994 to examine the effects of digitalization on fair use provisions of the Copyright Act and to develop new guidelines which were more suitable. The conference involved representatives from various interest groups including educators, publishers, Congress and the White House who were present to discuss issues regarding fair use in the digital world.<sup>334</sup> The White House Administration Task Force on Information Infrastructure, along with publishers, intended to narrow down the scope of fair use of copyrighted works in digital platforms.<sup>335</sup> Conversely, educators argued that the guidelines should provide counsel and recommendations rather than act as a strict set of rules. Due to a large number of divergent views and opinions,

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<sup>333</sup> MDS, 99 F.3d at 1390. Justice Scalia would agree that the meaning of the statute can only be determined by the words comprising the statute itself.

<sup>334</sup> The Copyright Act of 1976 also granted limited reproduction rights to libraries and archives. Section 108 allows libraries and archives to create at least one copy of a work if it is done without the intent of direct or indirect commercial advantage, the library is open to the public, and the reproduction includes the appropriate copyright notice.

<sup>335</sup> Conference on fair use: Final report to the Commissioner on the conclusion of the conference on fair use, available at <http://www.uspto.gov/web/offices/dcom/olia/confu/> (last modified Nov. 24, 1998)

the conference failed to develop guidelines for fair use in a digital learning environment even though there is a greater requirement for legislative solutions.<sup>336</sup>

#### **XIV. ADVANCING TECHNOLOGY**

The historical, economic, and legal backgrounds as well as the educational controversies surrounding fair use in copyright law highlight the conflict between maintaining creative incentives and promoting public accessibility. Technological advances further enhance this conflict as new technology lowers transaction costs and allows for greater ease of infringement. With advancing technology, copyright holders are advocate for expanding copyright protection, which is for the purpose of reducing public access to information for individual and educational use. Much of the debate concerning educational fair use centres on these technological advances and their effects on intellectual property rights.

##### **A. Development of copyrights due to technology**

Changes in copyright law emerged as new inventions appeared during the past fifty years. To counteract the increased threat of infringement caused by technological advances such as the copy machine, the Copyright Act of 1976 and the legislation that followed it provided copyright holders with additional intellectual property.

The Copyright Act of 1976 significantly increased the rights of copyright holders to include all fixed, original works. This new protection was automatic, as neither a copyright notice nor registration was necessary for protection. It extended the duration of copyright protection from a maximum of fifty-six years to fifty years after the death of the creator. Thus, new technologies forced copyright law to adapt in order to provide adequate protections and incentives to produce.<sup>337</sup>

The anticipation of threat from copy machines was eventually replaced by concerns regarding digital technology. The Clinton Administration envisioned the Internet as a channel for increased distribution and communications, both nationally and internationally. The White House Administration created the Information Infrastructure Task Force (IITF) to research implementation of digital networks, such as the Internet, and the effects of those structures on

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<sup>336</sup> For responses to the CONFU Final Report, see NINCH, Fair Use in Education: Responses to “Final” CONFU Meeting, [http://www-ninch.cni.org/ISSUES/COPYRIGHT/FAIR\\_USE\\_](http://www-ninch.cni.org/ISSUES/COPYRIGHT/FAIR_USE_) (May 19, 1997).

<sup>337</sup> Association for Computing Machinery (ACM). *Intellectual Property in the Age of Universal Access: A Collection of Articles from Leading Authorities Defines and Interprets the Emerging Technologies and the Laws They Instigate*. New York: ACM, 1999.

intellectual property rights. The IITF created the Working Group on Intellectual Property Rights to investigate the feasibility of a global communications network.

The Digital Millennium Copyright Act (DMCA)<sup>338</sup> is the latest amendment to American copyright law which does not clearly address fair use but still has an impact on the fair use doctrine. It has provisions for criminal penalties to prevent people from making unauthorized use of copyright protected material in digital platforms. This also provides publishers and their works with additional copyright protections in the form of encryption or similar software. Furthermore, it enables them to monitor and keep track of the use of their works through Copyright Management Information systems, which allows them more extensive control of their digital materials along with enforcing copyright protections.

Although providing additional copyright protections increases the profit of the copyright holders, it is at the expense of public access as it raises costs to individuals and educational institutions and decreases the number of expressive works in the public domain.

#### B. The impact of new technology on copyright

Beyond new legislation, copyright holders are also able to restrict use of their works without relying on the law due to advancing technology.

##### 1. Global Communications on the Internet

The Internet is a network of computer facilities expediting access to information. Not only does the Internet facilitate applications such as the World Wide Web, but e-mail, newsgroups, electronic bulletin boards, and Telnet are also included. The Internet creates an enormous resource centre by locating and distributing information or ideas in text, video, audio, or photographic format.

Computers and the Internet provide individuals with greater duplicating abilities than the simple copy machine.<sup>339</sup> Advanced software, digital graphics, scanners, and other technology allow individuals to make copies of works in digital format and disseminate that information quickly, with minimal cost, and without any concern for geographical borders.

##### 2. Technology hampering the spread of Information

The Internet allows for decreasing copying and distribution costs by enabling creators and copyright holders to better prepare and monitor the use of their works. For example, software

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<sup>338</sup> Pub. L. No. 105-304, 112 Stat. 2860 (1998) (codified in scattered sections of 17 U.S.C.).

<sup>339</sup> Vincent J. Roccia, Note, What's Fair Is (Not Always) Fair on the Internet, 29 RUTGERS L.J. 155, 161-62 (1997)

programs such as Copyright Management Systems are embedded in other documents or programs allowing copyright holders to keep the accessibility and distribution of works under their surveillance.

In addition to preventing and deterring infringement, technology also increases the ability to prosecute infringement. Encryption,<sup>340</sup> digital watermarks,<sup>341</sup> software metering,<sup>342</sup> and cryptolopes<sup>343</sup> all enable copyright holders to exert greater control over their works.

## **XV. FAIR DEALING FROM THE INDIAN PERSPECTIVE**

In Indian copyright law, the importance of fair dealing is highlighted in the Copyright Act of 1957 which allows for exceptions for educational uses. Section 52 subsection (1) of the Act explicitly deals with certain circumstances which do not represent a copyright infringement. More specifically, sections 52(1) (g), (h) and (i) consider fair use in the area of education which is why Indian lawmakers who aim to ensure the maximum possible fair use provisions for educational purposes should examine whether these sections are appropriate for achieving the educational policy objectives of the nation.

Section 52(1) (g) further states that, as long as it is for the purpose of school use, it is legally permissible to include short passages from copyrighted published literary works in a different collection which mainly consists of material which are not copyrighted. This exception is available subject to certain conditions, which are to be fulfilled in this regard.

The Copyright Act provides that the reproduction of a literary, dramatic, musical or artistic work or any translation or adaptation of such work:

- (i) by teacher or a pupil in the course of instruction; or
- (ii) as part of the questions to be answered in an examination; or
- (iii) in answers to such questions, shall not constitute infringement of copyright in the work.<sup>344</sup>

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<sup>340</sup> Encryption encodes information so that only users with an authorized decoder can access the document, software, or information.

<sup>341</sup> A digital watermark is an irremovable identifier embedded in a document. Although it does not alter the original document, if the user attempts to print or disseminate the document, a message will appear that conceals the original document and states that the use is unauthorized.

<sup>342</sup> Software metering requires that hardware be attached to a computer system. The hardware records and charges for each download or program used.

<sup>343</sup> A cryptolope is a program that allows a user to search documents for key terms, but charges a user for the encryption key to open the document and view the actual content. Michael J. Meurer, Price Discrimination, Personal Use and Piracy: Copyright Protection of Digital Works, 45 BUFF. L. REV.845, 891 (1997).

<sup>344</sup> Copyright Act 1957. s 52(1)(h) and s 52(2)

Section 52(1)(i) provides that the performance of a literary, dramatic or musical work by the staff and students of the institution is not an infringement of the copyright if the audience is limited to such staff and students, the parents and guardians of the students and persons directly connected with the activities of the institution. The exception is wider in scope as the parents and guardians of the students also constitute part of the audience who are allowed.

In *Wiley Eastern Ltd. and Ors vs. Indian Institute of Management*,<sup>345</sup> the court clearly traced the purpose of the defence of fair dealing to the Indian Constitution: 'The basic purpose of Section 52 is to protect the freedom of expression under Article 19(1) of the Constitution of India so that research, private study, criticism or review or reporting of current events could be protected. Section 52 is not intended by Parliament to negatively prescribe what infringement is'.<sup>346</sup>

The specified circumstances under which fair use is permissible, as per Section 52, has been said to be inflexible and exhaustive as any use not complying strictly with the mentioned purposes is deemed to constitute an infringement. Indian courts have repeatedly stated that it is not possible to formulate a strict principle to adhere to when dealing with cases of fair use as each case must be judged upon its own merits and context. The legal principles of fair dealing have been primarily drawn from approaches led by the United Kingdom and United States, but Indian courts have further included specific factors which are not provided by the Copyright law of India.

Fair use and fair dealing both act as defences when it comes to making secondary uses of copyrighted materials but the legal nature of these concepts and the extent of their provisions vary greatly. In common law jurisdictions such as India, Great Britain and Canada, their copyright statute allows fair dealing by laying out a set of specific purposes under which using a copyrighted work would be permissible. If the court finds that the use is for a commercial purpose then the use would not constitute to fair dealing. However, the United States copyright law takes a more flexible approach by avoiding a specific and restricted list; instead, it uses more versatile language and provides an open-ended list of purposes which may be a representation of fair use. Ultimately, the differences between the treatment of fair use and fair dealing in India vs its US counterparts depend upon the unique circumstances of each case and the policy preoccupations of the respective courts.

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<sup>345</sup> (1996) PTR 46 (Del).

<sup>346</sup> 61 (1996) DLT 281 Para 19.

## **XVI. RECOMMENDATIONS**

The fair use doctrine is an integral part of copyright law which allows for the legal reproduction of copyrighted work for certain situations. From the above discussion about educational fair use must be met for academic fair use are as follows:

1. The academic research paper must be original work of the author.

While this factor is open to interpretation, a paper which is supervised by a particular instructor for a course in a recognized educational institution will almost always qualify, as the reputation of the instructor and institution support the paper's "legitimacy." Conversely, individuals without formal academic connections who are writing on their own may need to establish the "legitimacy" of their work.

2. The material used must be directly relevant to the topic.

In the examples of the student papers cited below, the language and pictures of the cartoons were explicitly discussed in the explication of the papers. However, if a cartoon had not been explicitly discussed, but had been used as a decoration, illustration, or just to add color or style, this would not qualify.

3. The references must be provided for the original sources.

It must be clear from where the material was taken and, if possible, who created it. If the material was copied from a website or scanned from a print reference, this distinction should be clear. In all cases, a citation must be given for the original source.

4. The paper must be for non-profit educational purposes.

Academic fair use does not allow one to profit from the use of another person's copyrighted work. Typically, as in the case of papers written by Translation Department students which may be selected for the FAST website (or the Master's, Licentiate and Doctoral theses that are published in PDF format elsewhere in the university website), there is no question of profit or other financial benefit to the author of the paper, the website or the university, as all are non-profit educational instances. However, if the student were later to sell copies of his paper which included copyrighted work that may have established or increased the market value of the paper, this would disqualify one from academic fair use. In this case the student would need to seek permission to use the copyrighted material and possibly arrange for royalties payments.

5. The amount of copyrighted material used must not be excessive, and must not affect the market value of the original work.

The amount of copyrighted material used must not infringe on the original authors' ability to make an economic gain from their own works. An individual cannot use such an amount of the



author's material that the paper in which this material appeared could be considered an alternative to purchasing the original work of the author.

## **XVII. CONCLUSION**

Intellectual property laws and principles, especially those related to copyright, are especially relevant for professionals who work in the field of education. A basic understanding of these laws is important for informed use as well as for the development of ethical students. It is only when these laws are understood and applied that scholars, teachers and professionals in higher education can derive the proper benefits from the rights given by this doctrine.<sup>347</sup>

There is a very notable public interest in the controversies surrounding copyright and wider access to educational materials. It is evident that education has a special status as 'fair use' within the interests of the international copyright framework, and lawmakers should make the optimal use of the exception.<sup>348</sup> Considering that the nature of a country's copyright policy could have a significant impact on its ability to meet its developmental and educational goals, the most important objective for lawmakers in India is to reflect on the current fair use provisions for education in India not only for traditional education, but also for distance education and e-learning.

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<sup>347</sup> Tom Bell, Fair Use vs. Fared Use: The Impact of Automated Rights Management on Copyright's Fair Use Doctrine, 76 N.C. L. REV. 557 (1998).

<sup>348</sup> Lape L G, Transforming fair use: The productive use factorin Fair Use Doctrine, Albany Law Review, 58 (1995) 677-724.



## **COLLATERALIZATION OF INTELLECTUAL PROPERTY: ALCHEMY FOR TURNING INTANGIBLE ASSETS INTO GOLD**

Ghanishtha Mishra\* & Amit Patel\*\*

### *Abstract*

*Big companies over time have collateralized their IP, for different reasons may it be preventing bankruptcy or to finance R & D, but still collateralizing IP is a rare phenomenon and needs attention. Collateralization of intellectual property is highly beneficial for the corporates as it prevents company from becoming bankrupt on one hand and it extracts credit with nothing at stake, on the other. To prevent the interest of the Bankers as well as IP holders we need to amend the set of laws and regulations. Volatile nature of IP and issues such as overuse or negative publicity is resulting in constant reduction in its value and makes it very difficult to use IP as collateral. Not only big firms but also MSMEs will be the beneficiaries of the simplified and well-regulated process of collateralizing IP. We need to develop an environment where collateralization of IP becomes common phenomena; this will need IP holders such as MSMEs, start-ups and bankers to understand their respective roles in doing so. The paper discusses the nuts and bolts of IP collateralization. It goes on to explain the ways and means to convert IP into collateral, it briefly explicates on India's position and how collateralizing IP fits the bill when it comes to immediate funding with all other boons. The paper not only puts forth the impediments and disadvantages of collateralizing IP but also suggests some ideas to overcome the shortcomings. The intention behind the paper is to promote the use of intellectual property to extract credit which also strengthens the economy and call for innovations.*

### **KEYWORDS**

*Collateralization, IP, MSMEs, IP exchange, Market, Volatile*

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## I. INTRODUCTION

Intellectual property is nothing but the packaged product of creation by a human mind. IP is protected by various laws, which mutates it into intangible assets. These intangible assets become capable of extracting credit but it is very eminent that this IPs are ensconced and its value remains unharmed which makes collateralization of IP an ideal method for raising funds and should be put into practice. This very conjecture sets up the footing of the Knowledge-based economy and comes to rescue for micro enterprises in need of money. MSMEs and start-ups possess IPs but lack tangible assets and business needs cash inflow to prosper. For MSME's using IP to get a loan is the most viable option. The safer way it is to raise funds, the less it is exploited for multiple reasons.<sup>349</sup>

Let us take the Indian scenario, MSMEs are in desperate need of financial assistance, as the International Finance Corporation's 2018 report says; "overall demand for both debt and equity finance by MSMEs is estimated to be INR 87.7 trillion which comprises INR 69.3 trillion of debt demand and INR 18.4 trillion of equity demand."<sup>350</sup> India has the third-largest economic market for MSMEs and Start-ups in the IP-intensive sector such as Information technology and bio-pharmaceuticals (Drugs).<sup>351</sup>

Pledging IP is the befitting way to meet this debt by the MSMEs. The company's tangible assets are already in debt, and consequently they have no other option but to get financial assistance through IP-backed loans. Withal there is a possibility that pledging IP as collateral can in lieu increase the debt, if in future the company, unfortunately, does not earn profit and is not able to repay the loan and the value of their IP dwindles. The paper aims to counter such conundrums and lays down effective solutions. There is only one fly in the ointment that is 'risk'. It is risky for the lenders to lend IP backed loans as in case of default liquidating IP may not repay the loan owing to its volatile nature. It's risky for the IP holder as in some cases investors tend to extract so much that it leads to exhaustion. The simple solution is to fabricate a risk proof-

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<sup>349</sup> MSME Schemes, GOVERNMENT OF INDIA, 1, 20 (2015), [https://msme.gov.in/sites/default/files/MSME\\_Schemes\\_English\\_0.pdf](https://msme.gov.in/sites/default/files/MSME_Schemes_English_0.pdf).

<sup>350</sup> *Financing India's MSMEs Estimation of Debt Requirement of MSMEs in India*, INTERNATIONAL FINANCE CORPORATION I 1, 09 (2019), <https://www.ifc.org/wps/wcm/connect/df9d09d-68ad-4e54-b9b7614c143735fb/Financing+India%E2%80%99s+MSMEs+Estimation+of+Debt+Requirement+of+MSMEs+in+India.pdf?MOD=AJPERES&CVID=my3Cmzl>.

<sup>351</sup> *MSME Industry in India*, INDIA BRAND EQUITY FOUNDATION (Jul, 9 2021), <https://www.ibef.org/industry/msme.aspx>.

model of IP collateralization which protects all the parties in the contract and this is what the paper aims at.<sup>352</sup>

Back in the 1800s Thomas Edison collateralized its patented electric bulb, to raise funds to start a new company called General electric company<sup>353</sup> but now the whole world is on the verge of a revolution driven by the force of Intellectual Property (IP).<sup>354</sup> The environment relating to the regulation of IPR is evolving around the world, and various government initiatives to provide momentum to IP-backed financing are in progress. However, some economies like that of Singapore created a revolutionary global hub plan with the regulatory surrounding and robust infrastructure for IP backed financing.<sup>355</sup> The paper gathers information on such commendable initiatives taken by the organizations and countries all over the world and discusses real life stories of how IP collateralization has saved and helped companies to sustain and augment.

## II. TYPES OF IP BACKED LOANS AND THEIR MODUS OPERANDI

IP may be treated as an asset to raise the credit, but unlike other assets, IP has its attributes (IP's value is volatile, lacks a secondary market and needs much expertise in transactions); hence the procedure may sometimes become cumbersome.

**Direct Collateral**-The simplest form of pledging IP is by treating it as direct collateral. The procedure is simple; like immovable property, the lender can secure his loan in case of default or insolvency of the debtor through licensing agreements. The lender may sell the rights vested in IP and collect revenues. Being the most straightforward method for the lenders, it is risky, too, as the value of IP is volatile<sup>356</sup>.

**Securitization**-The aforementioned risk can be eliminated through securitization, wherein IP or rights in the projected revenues are placed in the hands of special purpose vehicles (SPV),

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<sup>352</sup> *New Approaches to SME and Entrepreneurship Financing: Broadening the Range of Instruments*, OECD 1, 20 (2015), <https://www.oecd.org/cfe/smes/New-Approaches-SME-full-report.pdf>.

<sup>353</sup> Brian W. Jacobs, *Using Intellectual Property to Secure Financing after the Worst Financial Crisis since the Great Depression*, 15 Marq. IPL. Rev. 450, 450 (2013), <https://scholarship.law.marquette.edu/cgi/viewcontent.cgi?article=1178&context=iplr>.

<sup>354</sup> Stephen Ezell, Nigel Cory, *The Way Forward for Intellectual Property Internationally*, ITIF (Apr. 25

3, 2019), <https://itif.org/publications/2019/04/25/way-forward-intellectual-property-internationally>.

<sup>355</sup> Giovanni Sapere, Singapore's 10-Year Plan for IP Growth, THE PATENT (June 22, 2021), <https://www.thepatent.news/2021/06/22/singapores-10-year-plan-for-ip-growth/>.

<sup>356</sup> Varun Gupta, Arvind Thakur, *IP-Backed Financing: Using Intellectual Property as Collateral*, CIIIPR, 1, 6 (2019), <https://ciiipr.in/pdf/CII-Duff-&-Phelps-Report-on-Using-IP-as-Collateral-2019.pdf>.

which issues securities against IP in the capital market. For instance, company 'X' borrowed a loan from the bank against its trademark. The bank will place rights vested in this trademark with SPV. SPV will raise shares for the trademark, henceforth securing the bank's loan (through the selling of shares). If the trademark value falls, the burden of loss will be on shareholders and not the bank. Securitization of the trademark of Domino's pizza chain<sup>357</sup> and that of HIV drug patent by Yale University<sup>358</sup> are two examples of how giants choose to raise funds.

**Sale-and-Leaseback Transactions**-Then there is a sale-and-leaseback transaction wherein the IP owner sells the IP to the lender or investor in exchange for immediate funding but simultaneously has the license to use the IP in return for specified royalty payments made to the buyer for a specific period. After the end of the period, the borrower can buy back IP at a predefined price. In 2010 Avgo technologies entered into a sale-and-leaseback transaction with Deutsche Bank and mortgaged around 2000 patents.<sup>359</sup>

**Venture Debt**-This financial model has both loan and equity components. In this arrangement, the company seeking investment receives capital in the form of a loan that it pledges to repay with interest. At the same time, the company offers warrants for equity in the company, which the lender acquires. IP is a valuable asset in these transactions, but the loan is generally secured by a blanket lien, which is a claim on all of the firm's assets in the event of failure to make repayment.

### III. INDIA'S STAND ON PLEDGING IP

India has nearly 6.3 crores of MSMEs at present and approximately 23.4 % of them have registered patents.<sup>360</sup> The pharmaceutical sector has the maximum number of patents.<sup>361</sup> MSMEs do understand the importance of patent and trademark, but their comprehension of

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4. 357 TAHIR M.NISAR, INTELLECTUAL PROPERTY SECURITIZATION AND GROWTH CAPITAL IN RETAIL FRANCHISING, Science Direct (Sep. 1, 2011), <https://www.sciencedirect.com/science/article/abs/pii/S0022435910000953>.

<sup>358</sup> Mei-Hsin Wang, *Legislation Study on Patent Securitization*, 11 Eng. L. Rev. 66, 75 (2014), [https://www.ipaj.org/english\\_journal/pdf/11-2\\_Wang.pdf](https://www.ipaj.org/english_journal/pdf/11-2_Wang.pdf).

<sup>359</sup> *IP Monetization – 'Sale and Leaseback' Option*, INTRICATE RESEARCH (Jan. 27, 2020), <https://www.intricate-research.com/ip-sale-and-leaseback.html>.

5. <sup>360</sup> *MSME Industry in India*, INDIA BRAND EQUITY FOUNDATION (Jul, 9 2021), <https://www.ibef.org/industry/msme.aspx>.

<sup>361</sup> *National Study on Intellectual Property and Small and Medium Sized Enterprises*, WIPO, 1, 2 (2012), [https://www.wipo.int/edocs/pubdocs/en/wipo\\_natstudy\\_sme\\_india.pdf](https://www.wipo.int/edocs/pubdocs/en/wipo_natstudy_sme_india.pdf).

‘brand’ and the significance of defending it with the right of trademarks and transforming IPs into an easily transferable non-tangible asset can often be seen in dearth.<sup>362</sup>

IPR policy released in 2016 by the government depicts the intention of India to endorse the commercialization<sup>363</sup> of IP, especially through securitization. The Indian legal framework pertaining to IPR complies with the WTO’s agreement on TRIPS (Trade-Related Aspects of Intellectual Property Rights).<sup>364</sup> This policy also suggests an IP exchange platform to bring together both IP owners and investors to make the process painless. Laws that legalize collateralization of IPs are as follows-

- **SARFAESI Act, 2002**<sup>365</sup> - In India the enforcement of security interest is guided by SARFAESI Act, 2002. Section 2 (1) (zf) of the said Act defines a security interest as the right, title, or any kinds of interest of the lender in the property by the virtue of hypothecation, mortgage, assignment. Further, section 2(t) of the SARFAESI Act defines property to include intangible assets, being know-how, patent, copyright, trademark, etc., thus allowing the owner to use IP as collateral for raising funds.
- **Companies Act, 2013**<sup>366</sup> – Schedule III of Companies Act, 2013 (j) provides the list of intangible assets and section 77 of chapter VI “allows a company to create a charge on its property or asset”.

Statutes on different intellectual properties also mention using IP as an asset to extract credit.

- **The Copyright Act, 1957**<sup>367</sup> – Section 18 of The Copyright Act, 1957 allows the owner for the assignment of the copyright subjected to certain conditions.
- **The Indian Patents Act, 1970**<sup>368</sup> – Section 68 of The Indian Patents Act, 1970 and,
- **The Design Act, 2000**<sup>369</sup> -permits patents and designs to be assigned or kept as mortgage.

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<sup>362</sup> *Making intellectual property work for business A handbook for chambers of commerce and business associations setting up intellectual property services*, WIPO,1, 1 (2011), [https://www.wipo.int/edocs/pubdocs/en/intproperty/956/wipo\\_pub\\_956.pdf](https://www.wipo.int/edocs/pubdocs/en/intproperty/956/wipo_pub_956.pdf).

<sup>363</sup> All you need to know about the new IPR Policy, THE HINDU (May 14, 2016), <https://www.thehindu.com/business/all-you-need-to-know-about-the-intellectual-property-rights-policy/article8600530.ece>.

<sup>364</sup> Dr. Manisha Shridhar, *Trade Related Aspects of Intellectual Property Rights (TRIPS)*, INDIAN INSTITUTE OF FOREIGN TRADE 1, 11 (2010), <http://wtocentre.iift.ac.in/FAQ/english/TRIPS.pdf>.

<sup>365</sup> The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, No. 54.

<sup>366</sup> Companies Act, 2013, No. 18.

<sup>367</sup> The Copyright Act, 1957, No. 14.

<sup>368</sup> The Indian Patents Act, 1970, No. 39.

<sup>369</sup> The Design Act, 2000, No. 16.

- **Trademark Act, 1999**<sup>370</sup> - Section 38 and section 39 of The Trademark Act, 1999 allows assignability and transmissibility of registered and unregistered trademarks respectively.

Still using IP as collateral is difficult in India owing to lack of a proper mechanism. As aforementioned laws related to IP and those governing the securitization of IP are uncertain.<sup>371</sup> The initial and most important step to pledge IP as collateral is to do a ‘proper evaluation’.<sup>372</sup> Further, Intellectual property can be transferred to the lender through a contract, that is, a written agreement is mandatory for the owner to transfer rights vested in IP to the lender. Registration of the transfer is a prerequisite for claiming the title in IP. A mortgagee or a licensee whosoever it is needs to inform the registrar or the controller in a prescribed manner about the transaction. The controller or the registrar on the biases of proof and the receipt of such application will register the title; however, the Copyright Act is silent on registration of the transfer of title.<sup>373</sup>

There is a certain process that needs to be followed to create security over an IP, as described below –

- Stamp Duty – According to the stamp Act, a charge has to be paid on documents which differ from state to state.
- As mentioned above the debtor needs to inform the Registrar of the company through filing a form for the purpose to record the security created with the certificate of the charge.
- A charge must be filed under CERSAI (Central Registry of Securitization Asset Reconstruction and Security Interest of India) over the IP. The person/entity in whose account the security interest has been formed must complete the registration.
- Filing with the IPR office – The security creation and the assignments of IP need to be compulsorily filed and registered respectively, at the concerned IP office. This process does not apply to copyrights.

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<sup>370</sup> Trademark Act, 1999, No. 47.

<sup>371</sup> *Rachi Gupta, India: Intellectual Property as Security*, MONDAQ (July 8, 2020), <https://www.mondaq.com/india/trade-secrets/962878/intellectual-property-as-security>.

<sup>372</sup> *IP as Collateral*, IIPRD (Feb. 23, 2021, 5:24 PM), <https://www.iiprd.com/ip-as-collateral/>.

<sup>373</sup> Nandan Pendsey, Kirti Balasubramaniam, Aparajita Lath, *Security interest over Intellectual Property Rights*, LEXOLOGY (Feb. 26, 2018), <https://www.lexology.com/library/detail.aspx?g=835049a6-94ea-4832-a68d-366b86c40440>.



- Release Deeds: After the loan has been successfully repaid, release deeds must be performed. To terminate the security interest formed over the IP, the release deeds must be submitted to the concerned IP office.<sup>374</sup>

The Federation of Indian Chambers of Commerce and Industry (FICCI) and the Federation of Micro, Small and Medium Enterprises (FISME) have been the major drivers of commercial activities interface with IP. Both organizations have started numerous IP programs with assistance from the Ministry of MSME. They have also established IP facilitation centres in major cities such as Delhi, Hyderabad, and Bangalore. Their main objectives are to create an IP valuation to realize the worth of IP and to establish a mechanism to sell it. British High commission through prosperity fund is assisting this organization to create an experimental site for IP marketplace (IP Exchange) at [www.IPRexchange.in](http://www.IPRexchange.in). Also, the ministry of science and technology's attempt to establish an IP Exchange in India, similar to those in Hong Kong and the United Kingdom, is remarkable.<sup>375</sup>

India is continuously striving to make a robust IPR system that can provide impetus to commercialize the IPRs. Efforts are evident through schemes such as digital India, Make in India, Start-up India. Through which the government tries to help MSMEs and start-ups by expediting reviews for patent filing, reducing filing fees and technical assistance.<sup>376</sup> Amazon- an e-commerce company recently unveiled its IP accelerator program in India which will offer protection to IP of several sellers all over the country by granting legal services and by preventing infringement which is otherwise not affordable. This initiative is aimed at protecting IPs of MSMEs else ways they may have a hard time surviving in the market.<sup>377</sup>

#### IV. COLLATERALIZATION OF IP- AN APT WAY TO RAISE FUNDS

Genesis of intellectual property or expansion of business and collateralization of IP goes hand in hand. Firms continuously strive for innovation, like creating intellectual property. MSMEs

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<sup>374</sup>*IP as Collateral*, IIPRD (Feb. 23, 2021, 5:24 PM), <https://www.iiprd.com/ip-as-collateral/>.

<sup>375</sup>Shrimant Singh, *India: Coming Soon: Intellectual Property Exchange in India*, MONDAQ (Aug. 3, 2017), <https://www.mondaq.com/india/trademark/616424/coming-soon-intellectual-property-exchange-in-india>.

<sup>376</sup>Ruchika Chitravanshi, National policy suggests use of intellectual property rights as collateral to raise funds, THE ECONOMIC TIMES (Dec. 16, 2015), <https://economictimes.indiatimes.com/news/economy/policy/national-policy-suggests-use-of-intellectual-property-rights-as-collateral-to-raise-funds/articleshow/50194124.cms>.

<sup>377</sup>Animesh Singh, Amazon Offers Intellectual Property Protection for Businesses in India, NDTV PROFIT (July 4, 2021), <https://www.ndtv.com/business/amazon-launches-intellectual-property-protection-for-businesses-in-india-2479020>.

look forward to expanding their business. Leveraging such innovations brings funds to companies that will again be invested in Research and development, leading to the formation of new IPs and in the same way, helps small businesses to grow. This provides a competitive edge in the market and helps companies raise a lot of capital.<sup>378</sup>

In the case of a well-run business, there is always the possibility of increasing the value of IP assets over time and a reduction in the value of tangible products. IP assets allow lenders to lend on the biases of performance of IP rather than the creditworthiness of borrowers. This further enables more lending at certain times especially when existing good customers want to borrow more than established asset-lending ratios will allow. The value of IP may allow lenders to lend more than the fixed ratio, with security.<sup>379</sup>

IP collateralization is an essential tool for reducing credit rationing (the situation where the lender limits the credit to borrowers)<sup>380</sup>. MSMEs are most likely to be eliminated by the bankers when extending loans due to rationing. The major reason behind this is the common perception about MSMEs; “A common problem in MSMEs is that the proportion of fixed assets to total assets is too low. The core competitiveness of MSMEs is often manifested in intangible assets such as intellectual property right-sand brand value, thus lack of valid and collateralizable fixed assets”<sup>381</sup> collateralizing such manifestation of intangible assets will directly counter the problem of lack of collateralizable fixed assets. The credit rationing problem is most often faced by technology-based firms as all their investments are turned into IP, but a risk-proof model for collateralizing IP is needed to curb the problem.<sup>382</sup>

Most IP assets do not demand regular expenditure, unlike tangible assets that contribute to leverage enhancement, which not only raise funds and credit rating, but also the firm's ability to develop and thrive.<sup>383</sup>

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<sup>378</sup> Amit Aggarwal, *Relevance of intellectual property for business*, THE ECONOMIC TIMES (Oct. 28, 2015), <https://economictimes.indiatimes.com/small-biz/legal/relevance-of-intellectual-property-for-business/articleshow/49563911.cms>.

<sup>379</sup> K.R. Pradeep, *INTELLECTUAL PROPERTY RIGHTS: A CASE FOR MONETIZATION*, CIIPR, 1, 7 (2019), <https://ciiipr.in/pdf/CII-Singh-&-Singh-Report-IPR-A-Case-for-Monetization-2019.pdf>.

<sup>380</sup> Definition of 'Rationing', THE ECONOMIC TIMES (JUL. 20, 2021), <https://economictimes.indiatimes.com/definition/rationing>.

<sup>381</sup> Yuhuan Jin, Zhang Sheng, *Credit Rationing in Small and Micro Enterprises: A Theoretical Analysis*, RESEARCHGATE, 1, 4 (2019), [https://www.researchgate.net/publication/331500504\\_Credit\\_Rationing\\_in\\_Small\\_and\\_Micro\\_Enterprises\\_A\\_Theoretical\\_Analysis](https://www.researchgate.net/publication/331500504_Credit_Rationing_in_Small_and_Micro_Enterprises_A_Theoretical_Analysis).

<sup>382</sup> *Id.*

<sup>383</sup> John P Ogier, *Intellectual property, finance and economic development*, WIPO (Feb., 2016), [https://www.wipo.int/wipo\\_magazine/en/2016/01/article\\_0002.html](https://www.wipo.int/wipo_magazine/en/2016/01/article_0002.html).

When compared to standard tangible asset securitization, the interest rate on IP securitization is significantly cheaper in the sense that interest rates are low. It aids the originator in raising cash at a lower cost than tangible assets. Notwithstanding the interest rates that lenders demand on the securities are determined by the IP asset's quality and credit rating.<sup>384</sup>

IP collateralization enables the lenders in risk diversification and risk-sharing. This facility is generally not available for conventional forms of loans. There is a whole setup of risk-sharing tools and techniques (discussed at the later stage) which not only protects lenders from the risk of turning loans into non-performing assets but also takes away the burden to liquidate the collateral in case of default.

Defining IP assets as part of a lending agreement helps the bank to safeguard its interest by putting them in a much stronger position with an administrator or insolvency practitioner. Most importantly it is exempted from the bankruptcy proceedings since the IP asset is transferred from the originator to lender.<sup>385</sup>

In the leading case of *Canara Bank v. N.G. Subbaraya Setty and Ors*<sup>386</sup> the Canara Bank extended loan to N.G. Subbaraya Setty, owner of the trademark 'EENADU'. An assignment deed was executed through which the bank used the trademark EENADU for the repayment of loan, but only for several months, after which they annulled the deed citing the reason that the bank could not engage in any activity other than banking and could not be an assignee of a trademark, as per the Banking regulation Act, 1949<sup>387</sup>. Herein Setty claimed for reimbursement, but the bank contended that the deed was void. The court adjudicated that, Setty had not pledged his trademark, EENADU, while seeking loan from the bank, and so the trademark could not be considered a security held by the bank within the meaning of Section 6 of the Banking Regulation Act, 1949. This depicts the importance of defining IP assets in the lending agreement as collateral, which is beneficial for not only lenders but also for borrowers.

IP can attract loans even in times of recession. It is true that recession hits hard to all sectors of the economy and IP is no exception, no matter which part of the hull is holed the whole ship sinks but IP is the last part of the ship to get submerged. This buoyancy of IP is because it is

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<sup>384</sup> William J. Kramer, Chirag B. Patel, *Securisation of intellectual property assets in the US market*, IPO, 1, 4 (2006), [https://ipo.org/wp-content/uploads/2013/04/Securisation\\_of\\_IP\\_in\\_the\\_US.pdf](https://ipo.org/wp-content/uploads/2013/04/Securisation_of_IP_in_the_US.pdf).

<sup>385</sup> K.R. Pradeep, *supra* note. 31.

<sup>386</sup> *Canara Bank v. N.G. Subbaraya Setty and Ors*, AIR 2018 SC 3395.

<sup>387</sup> Banking regulation Act, 1949, No. 10.

long-lived and potentially perpetual as it is one of its kind, for instance take trademarks, they hold some value and it is still maintained and protected by the laws even at tough times.<sup>388</sup>

## V. IMPEDIMENTS AND CHALLENGES IN STRUCTURING COLLATERALIZATION OF IP

Using IP as an asset is a recent phenomenon and is still in its developing stage. Though there are an elaborate set of rules for governing collateralization of IP, yet there exist some downsides and loopholes in the structure.

As the ownership of the IP is fractionalized it gives rise to competing claimants. Ensuring that the lender gets the top priority among all claimants and can use collateral to recover the loan is a hectic task and needs due diligence.<sup>389</sup> At times the licensor retains the right to cancel the license, in such cases; it becomes difficult for the lender to use royalty as collateral. The debtor licensee also needs to pay the part of royalty to the licensor which undermines the use of IP as collateral.<sup>390</sup>

The foremost stumbling block for the collateralization of IP is the valuation of IP. Many factors of dynamic nature are engaged in determining the value of IP, besides there is no specific method to do the same. Moreover, determining the current value is still possible but whether its value will remain constant in the near future is variable.<sup>391</sup> In the year 1997 David Bowie securitized 25 albums to raise \$55 million<sup>392</sup>. Later Nickolas Ashford and Valerie Simpson raised \$25 million against the copyright of 247 songs. But later with the advent of online music sharing services, the value of recordings diminished. The authorized but unconditional sale of IP, especially in the case of physical embodiments makes it impossible for rights holders to

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<sup>388</sup> Brian W. Jacobs, *Using Intellectual Property to Secure Financing after the Worst Financial Crisis since the Great Depression*, 15 Marq. IP L. Rev. 450, 461 (2013), <https://scholarship.law.marquette.edu/cgi/viewcontent.cgi?article=1178&context=iplr>.

<sup>389</sup> Dashpuntsag Erdenechimeg, *Using Intellectual Property as Collateral: An International Experience and a Mongolian Perspective*, 1, 6 (2016), <https://www.itcilo.org/sites/default/files/inline-files/Erdenechimeg.pdf>.

<sup>390</sup> *Sample Licensing Clauses*, GOVERNMENT OF CANADA (May 1, 2019), <https://www.canada.ca/en/heritage-information-network/services/intellectual-property-copyright/guide-developing-digital-licensing-agreement-strategy/sample-licensing-clauses.html>.

<sup>391</sup> Dashpuntsag Erdenechimeg, *Using Intellectual Property as Collateral: An International Experience and a Mongolian Perspective*, ITCILO, 1, 11 (2016), <https://www.itcilo.org/sites/default/files/inline-files/Erdenechimeg.pdf>.

<sup>392</sup> Ethan Wolff-Mann, *Bowie Bonds: How David Bowie Securitized His Royalties and Predicted the Future*, MONEY (Jan. 11, 2016), <https://money.com/david-bowie-bond-royalties-securitized/>.

control the later uses; this is known as exhaustion, which is consequential to intangibility of IP<sup>393</sup>, which thereby reduces the value of IP to nil.

Another example of collateral (IP) with zero value is a company owned by the king of good times. Vijay Mallya offered the trademark of kingfisher airline as collateral to SBI for a loan of 2000 crore.<sup>394</sup> Owing to default, the bank arranged an auction to liquidate the collateral, but it was unsuccessful due to its bad reputation. A Fitch rating on Toys R Company shows that the part of loan secured by real estate was 90% recoverable whereas part of loan secured by IP was 10 percent recoverable all because of the advent of online shopping sites<sup>395</sup>.

It is very easy to calculate the value of the real estate and its prospects, the reason being the availability of secondary market, the availability of buyers and sellers easily determines the value of the product but as there is no such market for IP, it gives rise to all other problems such as valuation of IP, liquidating the IP, regulating its use. The unavailability of a formalized market gives rise to uncertainty; this makes liquidating IP a chaotic and time-consuming task.<sup>396</sup>

It is not only the lender who is vulnerable but it may also sometimes lead the owner to losses, for instance, securitization of IP may lead to its exploitation, investors/lenders may try to extract as much as possible in a given time. This is largely attributed to the higher risks like infringement, technological obsolescence, and unauthorized use of intangible assets over tangible assets. Also, bilateral transactions relating to IP are costly as it needs due diligence of the lender and fees of hiring an attorney.<sup>397</sup>

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<sup>393</sup> *Interface BETWEEN Exhaustion of Intellectual Property Rights and Competition Law*, WIPO, 1, 3 (2011), [https://www.wipo.int/edocs/mdocs/mdocs/en/cdip\\_8/cdip\\_8\\_inf\\_5\\_rev.doc](https://www.wipo.int/edocs/mdocs/mdocs/en/cdip_8/cdip_8_inf_5_rev.doc).

<sup>394</sup> Pritha Mitra Dasgupta, Maulik Vyas, Kingfisher Trademark High on Brand Recall but Low on Brand Valuation, *The Economic Times* (Mar. 12, 2016), <https://economictimes.indiatimes.com/news/company/corporate-trends/kingfisher-trademark-high-on-brand-recall-but-low-on-brand-valuation/articleshow/51366949.cms?from=mdr>.

<sup>395</sup> *Fitch Downgrades Toys 'R' Us' IDR to 'D'*, FITCHRATINGS (Sep., 2017, 05:49 PM), <https://www.fitchratings.com/research/corporate-finance/fitch-downgrades-toys-r-us-idr-to-d-19-09-2017>.

<sup>396</sup> *Final Report from the Expert Group on Intellectual Property Valuation Publications Office of the European Union*, EUROPEAN COMMISSION (2014), [http://ec.europa.eu/research/innovationunion/pdf/Expert\\_Group\\_Report\\_on\\_Intellectual\\_Property\\_Valuation\\_IP\\_web\\_2.pdf](http://ec.europa.eu/research/innovationunion/pdf/Expert_Group_Report_on_Intellectual_Property_Valuation_IP_web_2.pdf).

<sup>397</sup> Abhishek Kumar, *Intellectual Property as Collateral*, *ECONOMICS AND POLITICAL WEEKLY* (Aug. 1 2020) <https://www.epw.in/journal/2020/31/commentary/intellectual-property-collateral.html>.

## **VI. RECOMMENDATIONS- BUILDING A RISK-PROOF MODEL**

Facilitating the collateralization process needs to be done along three policy guidelines, them being: set up and support an IP market, sharing risk in the process and outspread awareness and trust. This could be done by three key players of the process. First is the Government, second are lenders and third are IP holders. If these players play their roles well it will automatically create an environment of using IP for extracting credit, and will curb a lot of problems such as information asymmetry.<sup>398</sup>

## **VII. PLAN OF ACTION FOR THE GOVERNMENT**

Major drawbacks in collateralization of IP, such as no standard way of valuation, costly transactions is because of absence of a secondary market, hence it is recommended to form an IP exchange. IP exchange is like a financial exchange developed through laboratory IP owners, corporate, and universities. IP Exchange will convert patent rights into standardized instruments called Unit License Rights (ULR). Then these ULR can be bought and sold on stock exchange but ULR grants one time right to use in a single product facing or certain number of units, for instance a patent contract on an IP exchange for wireless alarm system in cars may have ULR of 50,000 units, that means purchaser of the contract will be allowed to use such a system for 50,000 cars and not more. This will facilitate trade in IP in a much-regulated manner and it will prevent fraud. IP exchange will solve almost all the problems relating to transactions of IPs. India has exactly such an IP exchange which is known to be user friendly and multitasking.<sup>399</sup>

In 2007, the Danish Patent and Trademark Office launched the “IP Marketplace” ([www.ipmarketplace.org](http://www.ipmarketplace.org)) as an “online display window” for IPR holders to openly list their assets for sale or out-licensing.<sup>400</sup>

Conjointly there need to be some policy intervention when it comes to valuation of IP. As this forms the base for the lender's decision to lend. We have two exemplary works which could solve this problem. The EU proposes to form a centralized organization of experts which will engage in valuation of IP. This will not only standardize the valuation model but also reduce

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<sup>398</sup> *ENQUIRIES INTO INTELLECTUAL PROPERTY'S ECONOMIC IMPACT*, 457, 459 (2015), <https://www.oecd.org/sti/ieconomy/Chapter9-KBC2-IP.pdf>.

<sup>399</sup> Varun Gupta, *supra* note 8.

<sup>400</sup> *Driving Growth and Development for Companies*, DANISH PATENT AND TRADEMARK OFFICE, <http://old2.dkpto.org/ip-law--policy/national-ip-policy/ip-marketplace.aspx>.

the cost such as that of lawyers or accountants, technology etc., and will become a one stop destination for valuation.<sup>401</sup> Singapore has also set up a centre with an accreditation centre.<sup>402</sup> Then we have a few countries such as Malaysia, Germany, and Italy which have official guidelines for valuation models. This is an economical idea for standardizing the IP valuation model. This will reduce mistrust and will spread awareness in the market.<sup>403</sup>

Also it is needed that we have a comprehensive glossary of terminologies that defines all the commercial activities pertaining to IPR. This is because the term “assignment” is used to cover all types of transactions and does not distinguish between retention of title claim, providing license or different type of economic right. Assignment being an umbrella word includes all. Further, there is no term for intellectual property embodiments. All types of transactions of IPR if named systematically it will become easy for lenders to perform due diligence.<sup>404</sup>

Further, raising the quality of IP will help to curb uncertainty which directly attacks the IP market. For instance if the patent rights are granted for a product where technological boundaries are broad it may overlap with other patents, in such a case lenders will fear loaning, as in case of default they may not be able to recover the amount from the collateralized IP.<sup>405</sup> The USA is working on similar lines. The USPTO wants to adopt crowdsourcing of prior intellectual property, wherewith it will assemble up-to-date knowledge on any technical topic directly from the experts.<sup>406</sup>

While the countries are focusing on building efficient IP markets for their domestic use, Singapore is one step ahead and is aiming to make its market a global hub for IPs. Its global IP

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<sup>401</sup> *Final Report from the Expert Group on Intellectual Property Valuation Publications Office of the European Union*, EUROPEAN COMMISSION (2014), [http://ec.europa.eu/research/innovationunion/pdf/Expert\\_Group\\_Report\\_on\\_Intellectual\\_Property\\_Valuation\\_IP\\_web\\_2.pdf](http://ec.europa.eu/research/innovationunion/pdf/Expert_Group_Report_on_Intellectual_Property_Valuation_IP_web_2.pdf).

<sup>402</sup> *Update to The Intellectual Property Hub Master Plan*, IPOS, 1, 16 (2017), [https://www.ipos.gov.sg/docs/default-source/about-ipos-doc/full-report\\_update-to-ip-hub-master-plan\\_final.pdf](https://www.ipos.gov.sg/docs/default-source/about-ipos-doc/full-report_update-to-ip-hub-master-plan_final.pdf).

<sup>403</sup> *Enquiries into Intellectual Property's Economic Impact*, OECD, 457, 470 (2015), <https://www.oecd.org/sti/ieconomy/Chapter9-KBC2-IP.pdf>.

<sup>404</sup> *Intellectual Property Rights-laws and Practices*, THE INSTITUTE OF COMPANIES SECRETARIES INDIA 1, 411 (2020), [https://www.icsi.edu/media/webmodules/FINAL\\_IPR&LP\\_BOOK\\_10022020.pdf](https://www.icsi.edu/media/webmodules/FINAL_IPR&LP_BOOK_10022020.pdf).

<sup>405</sup> Harhoff, Dietmar, *The role of patents and licenses in securing external finance for innovation*, 14 EIB Papers, 74, 81 (2009), <https://www.econstor.eu/bitstream/10419/44908/1/618784969.pdf>.

<sup>406</sup> *USPTO-led Executive Actions on High Tech Patent Issues*, USPTO (June, 2013), <https://www.uspto.gov/patents/initiatives/uspto-led-executive-actions-high-tech-patent-issues>.

hub plan inter alia includes auction of IP assets. Such a set up inculcates confidence in lenders that IP can easily be liquidated in case of default.<sup>407</sup>

Government forms a chief constituent of the risk sharing instrument. Through its various schemes it can assure lenders to share the loss at pre decided percentage, and help lenders in paying loans. The UK's government EFG scheme is one such paradigm. Wherein the lender is provided government backed guarantee for 75% of borrowed amount, even so small businesses are required to pay 2% of the amount as premium. EFG comes into picture only when lenders do not extend loans based on the IP or if they feel that there is no adequate security. Such schemes can conveniently be moulded and applied, since the scheme itself becomes a security that lenders feel safe. Although lenders will have to bear the loss of 25%, if SMEs are allowed to keep their IP as collateral and in the worst case scenario IP is not able to recover the amount the government will stand as a risk sharer. This will catalyse the process of collateralizing IP and extracting credit. Of Course this will put additional burden on the government but could be continued till the market adapts such a practice.<sup>408</sup>

The elementary form of aid by the government to this process will be allowing developmental banks to take IP as collateral. This is the widely accepted practice all over the world. Thais SME Bank, Brazilian bank that of China and Japan all developmental banks allowed IP based banking. Well the Brazilian banks practice IP audits before they lend to them.<sup>409</sup>

## VIII. SAFEGUARDING BANKERS INTERESTS

The dyed-in -the-wool tool for sharing the risk is insurance. So why not use it in this case as well? Insurance for IP is only given so as to mitigate the litigation cost in case of infringement, which is of no use to lenders.<sup>410</sup> So the idea of protecting lenders through insurance is to make such an arrangement which does not burden IP holders financially and at the same time secures

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<sup>407</sup>*Update to The Intellectual Property Hub Master Plan*, 1, 40 (2017), [https://www.ipos.gov.sg/docs/default-source/about-ipos-doc/full-report\\_update-to-ip-hub-master-plan\\_final.pdf](https://www.ipos.gov.sg/docs/default-source/about-ipos-doc/full-report_update-to-ip-hub-master-plan_final.pdf).

<sup>408</sup>Martin Brassell, Kelvin King, *The role of intellectual property and intangible assets in facilitating business finance*, INTELLACTUAL PROPERTY OFFICE,UK.1, 36 (2013), [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/312008/ipresearch-bankingip.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/312008/ipresearch-bankingip.pdf).

<sup>409</sup>*ENQUIRIES INTO INTELLECTUAL PROPERTY'S ECONOMIC IMPACT*, 457, 468 (2015), <https://www.oecd.org/sti/ieconomy/Chapter9-KBC2-IP.pdf>.

<sup>410</sup>Bethan Moorcraft, *Intellectual property insurance – an introductory guide*, INSURANCE BUSINESS ASIA (Sep. 10, 2019), <https://www.insurancebusinessmag.com/asia/guides/intellectual-property-insurance--an-introductory-guide-177405.aspx>.



the interest of lenders. Several companies have come up with different ideas to secure lenders through insurance.

Aon- an insurance company structured it by giving prevalent practice a little twist. Herein the role of an insurance company is to guarantee the lender to pay the pre-decided percent of debt in case of default, title of the IP will be passed to the insurer to recover the amount and if this fails the burden of loss will be on the insurer. Since the lender is insured from the risk, he will be liable to pay the premium.<sup>411</sup> Next in line is MCAM (Mitsubishi Chemical Advanced Materials), the process is similar as that of previous one, but MCAM also specializes in underwriting the value of IP and if it does not come out to be accurate the loss will be borne by itself. MCAM says that most of the companies that take advantage of their services are medium sized.<sup>412</sup> Another company known as BlueIron specializes in collateralizing patents, by securing itself through insurance.<sup>413</sup> Therefore this idea of risk sharing through insurance cover is a win-win situation for all the players in the game.

Due diligence by the lender can only protect the lender's interest. Not only is the owner of the IP but also the licensee entitled to keep IP as collateral. Due diligence of the lender includes ensuring that the borrower has the title and controls the collateral, determining the chain of title and all the conditions and terms of the license as it is often subjected to limitations. For instance, A is the owner of the movie and grants copyright to B with the proviso that he could only broadcast the movie in Indian Territory. If B seeks a loan against the movie and if he defaults, the lender will be able to use the collateral but subjected to the same obligations as B. Further, the lender must send notice to a third party informing them that the IP used by them is kept as collateral; only then will the lender priorities competing claimants as a secured creditor.<sup>414</sup> 0

Metis Partners performed (UK based commercial intellectual property consulting firm) IP due diligence on behalf of Clydesdale Bank Growth Finance (UK) as part of the fundraising process to ensure that DisplayLink's IP ( semiconductor and software technology company) portfolio firmly anchored the company's revenue streams. As a result, Clydesdale Bank believed that IP

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<sup>411</sup>*How Aon is redefining the value of intellectual property*, INSIDER (Apr. 26, 2021, 8:53 PM), <https://www.businessinsider.com/sc/aon-is-redefining-the-value-of-intellectual-property-2021-4?IR=T>.

<sup>412</sup> Martin, *supra*, 60, at.160.

<sup>413</sup>*Use Your Patents to Grow Your Company*, BLUEIRON (Dec. 15, 2012), <https://blueironip.com/loans-using-patents-as-collateral/>.

<sup>414</sup> *Security interests Draft legislative guide on secured transactions*, UNITED NATIONS COMMISSION ON INTERNATIONAL TRADE LAW 1, 3 (2007), <https://undocs.org/pdf?symbol=en/A/CN.9/631/Add.4>.

was a vital asset contributing to the business's economic value therefore accepted IP as a security for the loan extended to DisplayLink. This proves that an accurate due diligence can itself protect lenders to a larger extent.<sup>415</sup>

Negative pledge clauses are the most efficient way for lenders to prevent dispute in case of transfer of title after the default. It is a negative covenant, which automatically prevents the borrower from acting against the interest of lenders. Existence of a negative pledge clause will simply mean that the borrower is no longer entitled to gain more debt backed by already collateralized assets that could compromise its ability to repay existing loans. Secondly, it also takes away the right of the borrower to dispose of the assets by any means without lender's consent.<sup>416</sup>

## **IX. RESPONSIBILITIES OF IP HOLDERS**

When it comes to building trust, the burden is largely on IP holders, to convince them that their IP is capable of extracting the said amount in one go. Despite any safeguard to lenders, they won't lend unless they trust the quality of IP and its ability to bring back the amount lent. Hence it is important for the MSMEs to build up a narrative which clearly depicts the potential and risks associated with IP. This could be done by means of corporate financial reporting. The mechanism that generates a company's financial reports is known as corporate financial reporting. A corporate financial report not only displays a company's financial statements, but it also strives to emphasize important financial facts and demonstrate the implementation of financial policies.<sup>417</sup> Major worry in this situation is that IP is not included in the balance sheet of the company as an asset. This could be better understood if we compare it with the reporting of the acquired IP. Acquired IP is entered into the balance sheet in the form of transaction and is valued equal to its acquisition cost. Internally generated IP and cost of R & D is treated as immediate expense. Although it requires a lot of time, brainstorming and regular consumption of money, it is taken as one time cost which leads to the presentation of distorted information in the corporate financial report. The result is financial institutions perceive this as internally generated IP is not that worthy. Even if the IP holder sells, or licenses the IP it seems like profit is generated out of nowhere, as the balance sheet is not depicting credentials of IP

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<sup>415</sup>Martin, *supra* note 60, at.136.

<sup>416</sup>Marshall Hargrave, *Negative Pledge Clause*, INVESTOPEDIA (May 13, 2020), <https://www.investopedia.com/terms/n/negativepledgeclause.asp>.

<sup>417</sup>*Financial Reporting*, ACCOUNTING EDUCATION (Aug. 2011), <http://www.svtuition.org/2011/08/corporate-financial-reporting.html#comments>.

and this also hinders the valuation process. The simple solution is to report IP as an asset with its features, and if possible the valuation in the corporate financial report which shall be comprehensible to the banks.<sup>418</sup>

Since the market is at nascent stage, in countries like India, governments can issue official guidelines on corporate financial reporting and can even coach the MSMEs on how to report their IP.

It has often been claimed that maintaining the quality of intellectual property requires maintaining its security. The safest way to keep an IP secure is to get insurance. Insuring IP will not only strengthen the IP of the company but also win the trust of lenders if the company is in need of funding.

In the Indian economy, the concepts of intellectual property and insurance are relatively new. The whole scope of the insurance idea is generally connected to legal fees and charges. Because of the lengthy registration procedure and the unpredictable nature of IP, the IP holder usually has little choice but to cover the expenses of legal actions.

Most common type of insurance for IP is patent insurance. Patent insurance often includes liability insurance for patent infringement, as well as the costs associated with it, and protects them from all variety of losses.

IP insurance may be divided into two categories:

1. Infringement defence - The most common form of IP insurance is infringement defence. It provides coverage for policyholders against infringement claims. It only covers the legal cost when the policyholder has been sued.
2. Abatement enforcement coverage — this coverage provides the financial resources for IP owners to enforce their IP rights and prosecute infringement claims. It not only covers the legal cost of the policyholder when sued but also when the

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<sup>418</sup> *Supporting Investment in Knowledge Capital, Growth and Innovation*, OECDILIBRARY (Oct. 10, 2013), [https://www.oecd-ilibrary.org/industry-and-services/supporting-investment-in-knowledge-capital-growth-and-innovation\\_9789264193307-en](https://www.oecd-ilibrary.org/industry-and-services/supporting-investment-in-knowledge-capital-growth-and-innovation_9789264193307-en).

policyholder wants to prosecute a claim against another party to enforce their IP rights.<sup>419</sup>

## X. CONCLUSION

When in need of money a farmer mortgages his land to raise funds so that he can cultivate crops in the next season, he does not sell off the land, as it is the only source of income. In the same manner MSMEs and start-ups have only few assets and mostly in the form of intellectual property when in need of money doing away with it is never an option. Hence the paper insists on creating an environment where IP backed loans are a hop, skip and a jump away. Surprisingly none of the ends are willing to enter into such a contract that is neither the bankers nor the IP holder's reason being lack of effective communication and lack of government interventions and policies which create a lot of uncertainty in the market.

An IP-friendly environment is essential for any economy wishing to compete in the twenty-first century. The mature economies that priorities innovation in their economic policies has made visible steps to eliminate IP uncertainty and establish an IP commercial framework. Developing risk-proof model for collateralization of IP is like one time investment that will benefit economy for time immemorial. One should take lessons from IP friendly countries, frame a structure, implement policies, educate investors such as banks, MSMEs, IP holders on how the process of collateralizations of IP works and how it can benefit them, while keeping in mind that that the procedure is cost effective and user friendly.

After going through the research one could easily point out that although IP backed loans and other investments are hightailed but banks and investors exclusively dealing in IP are only ones interested in extending IP- Backed loans, consequently only corporate giants could afford their services. Hence it is high time for the countries such as India to make this service available for MSMEs and start-ups.

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<sup>419</sup>Bethan Moorcraft, *Intellectual property insurance – an introductory guide*, INSURANCE BUSINESS ASIA (Sep. 10, 2019), <https://www.insurancebusinessmag.com/asia/guides/intellectual-property-insurance--an-introductory-guide-177405.aspx>.



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**“MEDIATING INTELLECTUAL PROPERTY DISPUTES IN INDIA – A STUDY OF  
SAMADHAN STORIES (DELHI HIGH COURT MEDIATION AND CONCILIATION  
CENTRE)”**

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*Abstract*

*Intellectual Property Rights are only as solid as the means to implement them. The flexibility and universality of the current markets has led to an explosion in business conflicts. The arbitration of these conflicts, requires a lot of technical knowledge for adjudication, aside from the intricate jurisdictional concerns. And there is no doubt when it comes to long delays in resolving patent infringement suits. Hence, one way to address these issues in a flexible and a speedy manner, is Mediation. Due to a continued focus on conventional litigation system, the growing importance and capabilities of Mediation, to avoid and resolve IPR issues, is yet to be fully achieved. Though as a result of a series of connected occurrences, views have begun to shift in the past several years. The article begins with briefly explaining the concept of mediation as well as Intellectual Property Rights, importance of mediation in solving IPR disputes, and the efficacy in contrast to litigation proceedings and its convenience for the parties ranging from valuing confidentiality to seeking to maintain control over the dispute settlement process. The article then moves forward with discussing various stories of Samadhan (Delhi High Court Mediation and Conciliation Centre) so as to provide a better understanding, thus justifying the originality of the article. Though it has always been contented that in India, mediation has to function in the shadow of a formal law, but in such areas, jurisprudence is yet to be developed, for instance pharmaceutical patent disputes. Therefore, solutions and recommendations has also been provided in order to make the mediation (ADR) process holistic with the changing needs and also the demand of incorporating it in the existing legislations in India.*

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**KEYWORDS**

Mediation, IPR Disputes, Alternate Dispute Resolution, PIMS, Settlement, Copyright, Trademark.

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## I. INTRODUCTION

Intellectual Property, in general, comprises of patents, trademarks, copyright, designs, geographical indications, and varieties of plant, semiconductor layouts, and much more. Legislation on intellectual property safeguards immaterial or intangible property, i.e., product of the mental production (created by one's mind). One significant characteristic of intellectual property species is that, in return for exclusive rights in the field of intellectual property, the intellectual property owner communicates them to the public at a particular period. The exclusive rights constitute the right to assign or license the right to another individual. When the exclusive right ends, the property can be opened to the public at large. Certainly, few of the types of intellectual property does not match with some certain or most of these features. Some are not only creations of mind but undergoes other important functions, such as brand identifications, quality identifiers etc., and require state security since they are valuable to the public at large.

With the onset of globalization, liberalization and privatization in 1991, trade and commerce has been dramatically stimulated. India experienced a major rise in 2019 from 44th place to 36th place, the greatest surge of all the indexed countries, on the International Intellectual Property Index.<sup>420</sup> This means that Indian authorities have taken important measures to establish a climate favourable to both Indian and international businesses. This clearly means that Intellectual Property Rights have become the need of the hour in India, and there is a huge increase in the number of transactions, not only cross-border (worldwide) but between people belonging to different states in India. This growth is parallel with the increase in disputes. This means that there arises a far greater need for the cases to be dealt with quickly. Unless this is done, a lot of difficulties are bound to arise, such as excessive lawsuit costs, ineffective resource optimization, damaged relationships, detrimental brand effects, etc.

Coming to courts system in India, the establishment of the Indian legal system in form of courts has benefitted the society in different ways, but it does carry certain demerits. For instance, in number of Intellectual Property disputes, the courts have led the parties waiting for several years for justice. Parties have paid high sums to their litigant and courtroom

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<sup>420</sup> Global Innovation Policy Centre, Inspiring Tomorrow: US Chamber International IP Index (7<sup>th</sup> ed, 2019), 9.

respectively. To begin with, Section 89 of the Code of Civil procedure<sup>421</sup> was introduced with the purpose of amicable, peaceful and mutual settlement between the parties without the intervention of the court. Coming to evaluate the performance of courts system in cases, it becomes rather significant to highlight the case of *Shree Vardhman Rice & Gen Mills v. Amar Singh Chawalwala*,<sup>422</sup> wherein the hon'ble Supreme Court held that the matters relating to Intellectual Property disputes should be decided by Trial Court instead of merely granting or refusing to grant injunction. Because in such matter suit goes on for years and is hardly decided, which is not proper. And therefore, in such matters, the provision to Order XVII Rule 1(2) C.P.C.,<sup>423</sup> should be strictly complied with by Courts and there should be speedy disposal of cases. Following this, in *Bajaj Auto Ltd. Case*<sup>424</sup> the Court held that experience says such suits in India stay pending for many years and litigation is mainly fought between the parties over temporary injunction. And therefore, repeating the judgement of *Shree Vardhman Rice* be carried out by all the courts and tribunals in order to serve justice in a punctual and faithful manner. Hence, it is noticeable that the parties involved are opting for Alternative Dispute Resolution mechanisms to expand Intellectual Property rights in India because of an unjustified delay in the disposition of cases and costly proceedings, which could prolong the protection provided for the work instead of supporting the progress of intellectually protected work. In addition, this approach is necessitated by the commercial essence of transactions concerned in the majority of the disputes. Needless to say, advantages of Alternate Dispute Resolution have been increasingly recognized.

## II. WHY MEDIATION?

Methods for Alternative Dispute Resolution are much less time-consuming, effective and offers additional freedom to the right holder. It should be noted that the option of Alternative Dispute Resolution has now proven to be a consensus over the traditional litigation methods in almost all the business transactions. Contracts relating to Intellectual Property transfers currently primarily features the “arbitration-mediation” provision. Talking about Arbitration, it is often viewed that Arbitration also plays no good role in Intellectual Property Disputes, since the matter is too intricate and should best be handled by the parties in presence of a neutral person. Also, without an institution to keep an eye on its timeframe, arbitrators are likely to

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<sup>421</sup> The Code of Civil Procedure, 1908, § 89, No. 5, Acts of Parliament, 1908 (India).

<sup>422</sup> (2009) 10 SCC 257.

<sup>423</sup> The Code of Civil Procedure, 1908, Order XVII Rule 1 (2), No. 5, Acts of Parliament, 1908 (India).

<sup>424</sup> *Bajaj Auto Ltd. v. TVS Motor Company Ltd.*, (2009) 77 ALR 687.



dominate themselves, resulting to no meaningful solution. The Arbitration and Conciliation Act<sup>425</sup> did not aid much, as the hon'ble Supreme Court by rolling back limited grounds for appeal, gave up a larger perspective to the word "public policy," one of the few reasons of challenging the award, pursuant to this Act.

Coming to why mediation, it is necessary to first give a brief about the concept of mediation. With this, it is also important to talk about the efficacy of mediation in solving Intellectual Property disputes which will therefore help in providing a better understanding to the highlighted question. The landmark case of *Salem Advocate Bar Association v. Union of India*,<sup>426</sup> gave the meaning and extent of mediation. It also led to the formulation of the Model Civil Procedure Mediation Rules and such rules were to be framed by the High Courts. Later in another landmark judgment of *Afcons Infrastructure*,<sup>427</sup> the Court clarified the concept of mediation in detail.

Mediation has achieved significant rise in recent years. The mediators are expected to function as neutrals while both sides shall sit on the mediation table prior to arbitration or litigation is conducted. 'Lis inter partes' is a conflict and a solution to adversarial litigation has been identified in the form of mediation, by the judicial dispensation system. In numerous instances, the hon'ble Supreme Court has underlined the notion that there are vast number of cases to be handled and that they must only be addressed following the exhaustion of all other possibilities. Now one of the best advantages of mediation is that given the parties are coming face to face, finding an agreeable settlement appears a realistic outcome. And in between if the parties feel a need to express anything privately, they could always just turn to a caucus and this is the explanation why mediation may be regarded as a non-stereotypical as well as progressive technique.

Further understanding the use of mediation in Intellectual Property disputes, widely this area consists of disputes mainly of technical nature and this is the reason why it has taken time for mediation to reach here. It should be emphasized that mediation can play a central role in many undiscovered ways, for example the integrated securitization and administration of various sorts of Intellectual Property assets. Although numerous components are new to India, tremendous growth has already been attained by these in other nations, as well as India will

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<sup>425</sup> The Arbitration and Conciliation Act, 1996, No. 26, Acts of Parliament, 1996 (India).

<sup>426</sup> AIR 2003 SC 189.

<sup>427</sup> *Afcons Infrastructure Limited and Another v. Cherian Varkey Construction Company Private Limited and Others*, (2010) 8 SCC 24.

soon adapt to it.<sup>428</sup> So mediation may be either obligatory as defined under r. 5 (f) (iii) of the Civil Procedure Mediation Rules 2003,<sup>429</sup> or may be ordered by a court if the courts believe that a consensual accord is possible. Private mediation is also a form where private entities may be used to advance and engage on a monetary basis. Broadly the cases that should be eligible for settlement through Alternative Dispute Resolution are – all cases relating to trade, commerce and contracts, including disputes arising out of contracts (including all money claims), all cases arising from strained or soured relationships, all cases where there is a need for continuation of the pre-existing relationship in spite of the disputes, including disputes between neighbours (relating to easementary rights, encroachments, nuisance etc.); keen to maintain his business/ professional reputation and credibility or ‘product popularity’, all cases relating to tortious liability, as well as all consumer disputes. Though the Court also said that enumeration of suitable categorization of cases is not intended to be exhaustive or rigid.<sup>430</sup>

Therefore, it is evident to say that mediation as an alternative has evolved and gained interest in the field of Intellectual Property Rights. Here, it becomes important to highlight what few researchers have also mentioned before. The Controller General of Patent Designs and Trade Marks joined forces with the Delhi Legal Services Authority (DLSA), through mediation, to settle the questions related to rising backlog and its resolution in the research area of the Intellectual Property Rights to refer at about 500 pending rectifications and oppositions to mediation and conciliation via a public notice to the Trade Marks Registry (TMR), Delhi.<sup>431</sup> In addition, DLSA also issued on 13 May 2016, a Standard Operational Protocol to introduce uniformity in TMR Delhi, for similar mediation proceedings. Additionally, Section 12A of the Commercial Courts Act, 2015<sup>432</sup> has been inserted in Chapter IIIA of the Commercial Courts, Commercial Division and the Commercial Appellate Division of High Courts (Amendment) Ordinance, 2018 which has made obligatory the idea of pre-institutional mediation and settlement in cases where it is necessary to resolve Intellectual Property disputes and no relief has been granted. (The 'commercial disputes' are inclusive to the conflicts concerning intellectual property rights, as referred to in Section 2(c) of the Act).<sup>433</sup> The

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<sup>428</sup> Prakhil Agarwal & Uditanshu Mishra, *Mediation in IPR Disputes*, THE IMW POST (August 20, 2021, 5:00 PM), <https://imwpost.com/mediation-in-ipr-disputes>.

<sup>429</sup> The Civil Procedure Mediation Rules, 2003, contains provision for mandatory mediation under r. 5 (f) (iii). As per this rule, even if the parties are not ready for reference for mediation or conciliation, the court finds that there is an element of settlement and the relationship of the parties has to be preserved may refer the case for mediation to see the chance for settlement.

<sup>430</sup> *Supra* note 8.

<sup>431</sup> PUBLIC - NOTICE, NO. CG/TMR Del/DSL/SA/ Dated 31.03.2016.

<sup>432</sup> The Commercial Courts Act, 2015, § 12A, No. 4, Acts of Parliament, 2016 (India).

<sup>433</sup> The Commercial Courts Act, 2015, § 2 (c), No. 4, Acts of Parliament, 2016 (India).

mediation procedure may very well be carried out by authorities established in accordance with Legal Services Authority Act, 1987. It must be decided within three months and a two-month supplementary time may be provided. An arbitral award and a settled agreement between the parties under the Arbitration and Conciliation Act, 1996 are now said to have the same significance. On 3rd July 2018 notified Commercial Courts (Pre-Institution Mediation and Settlement) Rules, 2018 was introduced by the Centre with the intent of standardizing such mediation processes. These guidelines are in accordance with the parent law, which intends to reduce the backlog in proceedings. This would encourage the parties to choose mediation.

The introduction of Pre-Institution Mediation and Settlement (here referred as PIMS) can be observed as a step closer towards popularizing the usage of mediation. And therefore, PIMS was made mandatory for all kinds of commercial disputes which amounted to Rs 3 Lakhs or more and where there is no urgent interim relief sought by the petitioner. But it has been observed that there are certain negative outcomes of the Rules under PIMS,<sup>434</sup> and will be dealt in the recommendations part of this article. So, the advantages the researcher talks about would mainly pertain to court referred mediation, here.

Therefore, mediation in Intellectual Property disputes may become an advantage, particularly because of the technological aspects and complexity of legislation being taken into account. The parties might adopt the mediation process as there is always a room for flexibility and adjustment in the procedures midway. The flexibility factor included in the mediation procedure is beneficial as some of the Intellectual Property disputes across the national boundaries and judicial proceedings are not capable of including the same.

For instance, Patent disputes involve various technical issues like infringement, conception, inventorship, doctrine of equivalents, etc. and these are righteously capable of being mediated where parties themselves can arrive at a solution because they are in a better position of discussing the technical and complex nature of the issue involved, rather than in a courtroom litigation method. Or if we talk about Copyright or Trade secrets, these issues respectively involve work made for hire, joint authorship, fair use and confusion as well as fame of mark. Mediation can also be helpful in these situations by licensing agreements and by preserving the

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<sup>434</sup> Aniruddha AS & Akshita Bohra, Pre-Institution mediation and settlement: Messiah or Chimera? BAR AND BENCH (August 27, 2021, 3:29 PM) <https://www.barandbench.com/columns/pre-institution-mediation-and-settlement-messiah-or-chimera>.

relationship between the parties which adds to another advantage of mediation parties prefer to.

Now secondly, the quite known advantage of mediation is that the process can turn to be cost efficient. Now this would work well in cases where mediator possesses specialized knowledge as a pre-requisite. Let us say there is a patent dispute case which involves with it numerous claims, a mediator having required knowledge may help by narrowing down the issues and also reducing the number of sessions normally required, like here, patentee may decide to go for litigation in only one of the claims after a session of mediation.

Another major addition to why mediation is that, in such cases the confidential nature of the dispute is respected enough and is not risked like in litigation. As parties can opt for caucus session in the middle of the mediation process, and the information shared between one party and the mediator is kept confidential. Therefore, the explained answer to why mediation in Intellectual Property disputes is that it is a global solution to the needs of the parties involved, which is explained above keeping in view the importance of three elements – nature of disputes, interest of the parties and the expedition in dispute resolution.

### **III.SAMADHAN (DELHI HIGH COURT MEDIATION AND CONCILIATION CENTRE)**

Samadhan was established in May 2006. This was the outcome of a combined endeavour by the Bench and the Bar of Delhi High Court who have undertaken mediation as a suitable way of resolving alternate disputes. It is administered by the bar and coordinated by a secretary of the organization. The activity of this Centre is supervised by a team of judges and lawyers. The Centre possess highly skilled, highly experienced and highly qualified mediators. The list is compiled by qualified mediators of members of the bar. Below are few stories of Samadhan which were mediated regarding Intellectual Property Disputes.

When mediation has just started to pick pace in India, there was a trademark dispute before the aforesaid Centre, herein to reach out to an amicable solution three-four sessions of mediation were held. The dispute was that both the parties were carrying out their business in the same territory and not only this they were selling almost the same products and with that both the parties were doing well in their respective businesses. The party who was alleged for infringing the trademark and copyright showed reluctance in bringing about any change to their products, therefore private sessions took place where the mediator explained the consequences of not

arriving at a settlement and was followed by lengthy discussions where possible changes were discussed. Also, as a result of arriving at an acceptable settlement, plaintiff did not insist upon the monetary compensation.<sup>435</sup>

Further, there was a dispute between two brothers. The facts of this case are such that brother 'A' was living abroad and he started a business in India which was looked after by brother 'B' and his sons who were living in India. Now consequent to this 'B' started a business of his own by the same name and style for his own benefit. Following this 'A' filed a suit against 'B' living in India for injunction and for claiming damages for Rs. 1 crore through his attorney. The matter was referred to Samadhan by the Delhi High Court. The fact that both the brothers were living in different countries and therefore to establish a proper communication channel was challenging throughout the process. Brother 'A' initially appeared to be non-cooperative and wanted to take the matter to the Court. The Mediator here played a very important role and even held long calls over the telephone between the two brothers, but the absence of face-to-face conversation many a times led to the parties telling the mediator to end the process and refer it back to the Court. Somehow through the direct communication channel mediator was able to get hold of the mediation proceedings and proceed to the stage of settlement. And finally, the matter got settled and 'B' agreed to pay Rs. 65 lakhs to 'A' (in instalments), and with this it was also agreed that 'A' will perhaps give a new identity to his own business. As a result, both the parties also agreed to withdraw pending litigations between them.<sup>436</sup>

Here, not only the importance of mediation in Intellectual Property disputes is significant to acknowledge, but also the role of a Mediator, particularly the two important skills of a mediator- patience and focus. The morality standard of the mediator incorporates the mediator's professional skills. A mediator must use the instruments of mediation and hone his abilities to make the parties more open to each other in order to explore all viable approaches with the greatest possible flexibility. The particular competency of a mediator consists in remaining patient, encouraging the parties to focus on conflict resolution and examining options to a fair conclusion. In doing so, he must be able to assess whether the parties can explore all the alternatives at any point, without his view.<sup>437</sup>

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<sup>435</sup> Samadhan Story, SAMADHAN REFLECTIONS, 76 (2006-2010).

<sup>436</sup> Samadhan Story, SAMADHAN REFLECTIONS, 77 (2006-2010).

<sup>437</sup> Justice Hima Kohli, *Mantle of the Mediator: Ethics, Confidentiality and Impartiality*, SAMADHAN – REFLECTIONS 2, 48 (2010-12).

There was a case where a suit was filed for permanent injunction by a well-known company against another company stating that the later one was using the trademark for the purpose of exporting the garments to countries abroad. The issue involved was that the later company was using the trademark of the former company and while doing so was earning huge revenue and showcasing it as their own. The defendants argued that the word used as trademark was conjoint, and an interim injunction was granted by the court following which the suit was put on trial. Meanwhile the suit got referred for mediation. It was seen that in the beginning parties stood stubborn but gradually softened up as the process progressed. Both the parties discussed their view points in the presence of the mediator and decided that the former company would not object to use of concerned word by the later company only on the condition that it be used only for the export of garments, and should not be directly or indirectly used for the sale in the Indian market. Another interesting point to note here was that the former company also gave its claims for damages against the later one. The parties also accepted that they were willing to protect and respect the rights of each other and the freedom to carry out their business without harming the other.<sup>438</sup>

Recently, GrabOn a Hyderabad based start-up filed a suit for trademark infringement against GrabOnRent a Bengaluru start-up before the Delhi High Court. The matter was referred to Samadhan. Both being an online marketplace, GrabOn offered coupons and deals and GrabOnRent offered furniture on rent. The issue involved was that the later was misusing the goodwill of the former's business and also the degree of similarity between the names of the two ventures created confusion for the consumers. So now though the customers were providing negative reviews to GrabOnRent, consumers at large started associating the same reviews with GrabOn. After discussing the matter between the parties through mediation process, terms of settlement were reached at. The agreed terms were that GrabOnRent will explicitly mention on all his platforms that they have no affiliation with GrabOn and will also destroy all previous documents holding the similar mark to GrabOn.<sup>439</sup>

Similarly in the case of *The British Broadcasting Corporation*,<sup>440</sup> the issue over trademark infringement was resolved by a settlement reached out through mediation. The suit was then decreed as per the settlement. Therefore, it is evidently clear how mediation as a process can resolve Intellectual Property disputes outside the Courts, in an efficient manner, without

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<sup>438</sup> Samadhan Story, SAMADHAN – REFLECTIONS 2, 110-111 (2010-2012).

<sup>439</sup> PTI, GrabOn Wins Trademark Infringement Case over GrabOnRent in a Delhi High Court Decree, THEWEEK (April 3, 2020, 22:01 IST), <https://www.theweek.in/wire-updates/business/2019/09/17/pwr19--grabon.html>.

<sup>440</sup> *The British Broadcasting Corporation v. Kuldeep Singh Kalra & Ors.* (2017).

hampering the existing relations between the parties and reaching out to a settlement which is willingly acceptable by the parties.

#### **IV. RECOMMENDATIONS**

As advantageous Mediation as an alternative it, is also has certain limitations. Meaning mediation may not be a suitable tool in solving each and every Intellectual Property disputes. Firstly, it is impossible to establish a public legal precedent through mediation process. That is to say the decision through mediation is binding only on the parties. In addition, even after various mediation sessions has been held the parties could still be unable to arrive at a settlement and find out they have better solution through litigation. Meaning it is not necessary that mediation in each case shall lead to a settlement. Further, it has been noticed that in mediation, there is a lack of procedural and constitutional protection given to the parties. Lastly, it can be said that parties are only supposes to rely on each other's good faith because there is no criterial of discovery, because no party can be compelled for a disclosure of information.

Coming to PIMS, mainly two limitations have been identified. Starting with, mediation could be a non-starter. Meaning, parties have made no attempt to resolve their dispute through mediation even after the application has been submitted for PIMS process. This particularly can be troublesome. Moving forward, the enforceability of a successful settlement outcome, this is because settlement arrived at through PIMS has been granted a status of an arbitral award, and as a result since there is no material difference as to execution, but there is not element of finality in PIMS process, but exists in a court referred mediation.

It is therefore recommended that judicial supervision is required to ensure that mediators comply with mediation ethics. A mediation Centre for many courts remains necessary, till date and should be established. There should also be an Intellectual Property disputes Centre or panel where mediators can be trained as per the skills and knowledge required in dealing with these matters. Patent infringements and Intellectual Property in general entail, for example, unprofessional behaviour, problems of voluntary infringement, legality and injunctive relief. The parties will not proceed towards mediation unless their strength and vulnerabilities are best equipped. The complex nature of the cases also requires mediators who are specialized in this field, because then only mediation will serve an advantage to the parties, because the mediator would be in better position to understand the issues and guide them throughout.

Recommendations as to PIMS could be, that there should be some sort of penalty imposed on the refusal or non-participants, which should generally be higher than the fees which is payable at commencement of mediation, which will ensure greater number of participations. And amendments should be made to the status of PIMS settlement because the process has a tremendous potential if exercised properly in India.

## V. CONCLUSION

Foremost, Mediation is not only viewed as an alternative to litigation but also as an expansion of access to justice. Mediation can also be very valuable to establish early legal certainty on a global scale, and takes all legal and economic interests of the parties into due account. In the case of Intellectual Property disputes, they are complex and expensive because of the intangibility factor and the emergence of new technologies regularly makes it hard for people at large to maintain a track. For instance, trademarks are used daily either for advertising products or services, so an infringement or injunction may lead to having material impacts on the financial position of the company. Mediation is a better option because it has been observed that comparatively in such cases mediation takes less time and it also helps the parties in arriving at an innovative solution, and the information is also kept confidential.

The key advantages of mediation that have been discussed above are – the process maintains confidentiality, is consent based (mutual), is time effective and efficient, finality, and court fees can be refunded if the parties want in cases of settlement. Though it has been observed that not all cases can be best resolved through mediation and the process encounters certain limitations, the possible recommendations might help in the future. To conclude with, mediation with number of advantages continues to evolve as a powerful alternative to be used by the parties as well as lawyers.

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### IS INDIA ON THE RIGHT TRACK OF BECOMING AN ACADEMIC RESEARCH INNOVATION HUB?

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#### Abstract

*The pace and the quality of technological advancement is an important marker of a country's economic welfare and overall development. Reaching the heights of technological advancement is one of the DPSPs and a permanent fixture on most political parties' manifesto. A country like India with its huge youth population and a knack for 'jugaad' is in a great position to achieve the same. However, lack of infrastructural support and capital often results in innovators, especially student innovators to shelve their ideas even before they begin. In this paper, the authors have made an attempt at explaining how the practice of technology transfer and diffusion of innovation by these innovators, via their alma mater in collaboration with industrial firms, can help provide these innovators successfully transform their ideas into a marketable service/ product and commercialize the same with ease. The existing literature on the subject in Indian context is albeit limited, compared to other nations, therefore the authors have made an attempt at contributing to the literature in the Indian context – though this attempt will be one among many continuing efforts that need to be made to truly encompass the subject matter.*

*Keywords: student, innovation, technology transfer, diffusion of innovation, university-industry collaboration*

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## I. INTRODUCTION

Technology and innovation have become another source of economic health for nations. Businesses' ability to innovate and to commercialize these scientific and technological breakthroughs is important to stay relevant. Intellectual Property Rights [IPRs], such as patents and trademarks, are the legal instruments which have been used to promote industrial development and economic growth by giving the creator of an innovation exclusive monopoly over the use of and the revenue generated from the innovation unless transferred or infringed by a third party.<sup>441</sup> This cuts down on rapid imitation which could eat into the innovator's profits or decrease the incentive to innovate. However, this in turn restricts the availability of the technology by increasing its cost. This further acts as a barrier – companies are prevented from developing the original innovation or create newer technology by using the older innovation, since most of the times any developments or iterations to an existing IP are also granted protected.<sup>442</sup> The productivity enhancing utility is also lost in lieu of protecting the monopoly of the original innovator. Hence, IPR is an embodiment of policy conflict - conflict between the objective to encourage technological innovation by providing substantial perks and the need for rapid spread and diffusion of new technology to make newer and improved technological knowledge to become more accessible to the relevant market.<sup>443</sup> The people for whom this innovation was meant to act a solution are the biggest losers due to the aforesaid approach of in the existing IPR regime.

With science and technology evolving at an exponential rate across a plethora of subject matters, it is creating immense pressure on IP regimes across the globe. The intensive research and development [R&D] activities are resulting in a major hike in the cost of innovation and therefore, need substantial investment and protection.<sup>444</sup> Simultaneously, the innovation life cycle is shrinking at an equally short rate in IPR sensitive industries. This time crunch puts a heavy toll on rapid protection and commercialization of the innovation.<sup>445</sup> More often than not, innovations have gone beyond the old categories of protectable subject matter, which makes innovation a risky investment. This often leads to innovators abandoning their work – due to

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<sup>441</sup> National Research Council. 1993. *Global Dimensions of Intellectual Property Rights in Science and Technology*. Washington, DC: The National Academies Press. <https://doi.org/10.17226/2054>

<sup>442</sup> *Id*

<sup>443</sup> *Id at 1*

<sup>444</sup> Ritesh Kumar Singh, *Innovate in India: The country cannot afford to wait any longer for a robust intellectual property rights regime*, Firstpost, May 03, 2018 *Innovate in India: The country cannot afford to wait any longer for a robust intellectual property rights regime*-Business News, Firstpost

<sup>445</sup> *Id*

lack of capital or tedious laws which make the innovation go obsolete even before it can be registered much before its actual commercialization.

An example of a country that falls prey to above mentioned issues is India – patent productivity in the country is considerably low compared to that of Japan, USA, China and South Korea. Though the number of patent filings in India have gained substantially owing to the programs like Startup India, however the quality of the patents have generally deteriorated. The relatively fragile IPR regime in our country coupled with under-staffed offices of IPR regulators results in long duration for an application to be accepted or rejected, sometimes long enough to make the innovation go obsolete. This runs against the objective of making India the hub for technology and innovation and the startup India campaign has in reality worsen the situation.

Every year numerous Indian students and researchers come up with innovations, however most take ages to get registered or come into use either due to lack of capital or because of lack of minimum infrastructure and effective ecosystem. Entrepreneurship is a process of developing, organizing and then [hopefully] earn profits from this organized development. Harnessing the power of imagination and innovation to reach the final result – a product, a company or a social movement – is at the core of entrepreneurial manifestation. However, more often than not, students and researchers have the ideas and but no infrastructure viz. funding, manufacturing facility, marketing, sales, etc. to support the transformation of this idea into the final reality. Across countries commercializing student innovations has been on the rise and is gaining attention from universities, politicians and industrialists alike. This idea of monetizing innovation produced by students is being embraced by most advanced economies of the world. So instead of struggling with such incapacities, University innovation particularly can instead be fast-tracked through a process called technology diffusion.

Through the course of this article the authors are going to discuss; i) what is technology diffusion; ii) how technology diffusion is used by countries successfully to increase the pace and quality of innovation; and iii) propose a model to be implemented in India and discuss how the same can save the untimely death of numerous innovations owing to the current approach. Universities, Governments and Industry are the primary stakeholders in this regard and if they endeavour to provide genuine and significant support to innovation, research and development and effectively allocate their resources then the chances of success of an innovation become manifold. A dynamic intellectual property-based strategy needs to be formulated where the original innovator is rewarded on *pro rata* basis based on the stage of the innovation or product

development. The fundamental objective in this has to be the safeguard of the innovation in a manner that its development and market entry is expedited through industry participation so that the innovation is able to reach the desired customer base on time.

In fact, as per Forbes report, out of the 2.1 million active US patents hardly 5% have reached the market. About 90% of the patents fail to be commercialized or find angel investors or licensees. These unlicensed patents include over 50,000 high-quality patented inventions belonging to universities. Similarly, in India, no more than 5% of patents reach the market.<sup>446</sup> There are several factors and variables for this dismal numbers but I have limited my focus on how an effective IP strategy at the ideation stage can help to avoid the Valley of Death thereby reducing the chance of failure and increasing the change of commercialization.

Whether an innovation should be developed in-house or with partners, or whether it will be licensed out. Essentially, it is a question of governance form dealing with ownership of innovation with three options: development and commercialization being in-house, commercializing the innovation with others either through an alliance or via licensing, or selling it to others for them to commercialize.<sup>447</sup> In other words, when a technological innovation has an estimated potential to earn high returns, but the firm does not have the capabilities to develop the assets necessary for bringing the innovation to market, the available options are to develop the innovation with partners or license it out.<sup>448</sup> This would be the best strategy for most technological innovations by students and researchers at University level owing to their lack of experience post product development stage. The timely decision in this regard can provide value to the invention through commercialization and prevent it from being a trophy in a laboratory.

## II. TECHNOLOGY DIFFUSION – THE WHAT AND THE WHY

Adoption of new technology and innovation- whether costly R&D or opportune discovery- is a necessary ingredient for achieving sustainable long-term growth.<sup>449</sup> Steady innovation derives its importance from the fact that technology is used in a diverse manner across a spectrum of users, regions and purposes. Therefore, diffusion of technology across domestic

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<sup>446</sup> DPS Parmar, *Commercializing patents: Methods and challenges*, LexOrbis, <https://www.vantageasia.com/commercializing-patents-methods-challenges/>

<sup>447</sup> (Zahra, 1996)

<sup>448</sup> (Friedman, 2006).

<sup>449</sup> TECHNOLOGY DIFFUSION Nancy Stokey Working Paper 27466 <http://www.nber.org/papers/w27466> july 2020

and international borders is as critical as upgrading technology for long run growth. Diffusion in most cases is the opposite of protection and is an innovative approach to reach out commercialization. Technology diffusion encourages multiple firms to promote and distribute the technology and thereby, accelerate its development. Diffusion of technology is the process by which evolving technology is spread and used by the masses.<sup>450</sup> The rate of diffusion depends on several factors such as nature and quality of the development, the means of communicating the information and the demographics of the population in which the technology is introduced.<sup>451</sup> It is important to understand the process of diffusion to use it to commercialize IP to maximum extent without sacrificing much of the perks associated with protecting one's IP.

### **1. What is diffusion of innovation and technology transfer?**

According to the 'Diffusion theory' by Everett M Rogers there are four elements that affect the diffusion process – innovation, communication channels, social system and time.<sup>452</sup>

Innovation- an innovation's characteristics influence the pace at which it will get adopted. The complexity, adaptability, compatibility and its visibility determine whether or not the innovation will be adopted and by what percentage of the population.<sup>453</sup>

Communication Channel – these channels are the means by which word reaches the masses. Greater the concentration of news and prolificity of the channel, greater will be the pace and rate at which the innovation will be adopted.<sup>454</sup>

Social System – Rogers defined social system as a set of inter-related units. A unit may be an individual, a group or organization. The cooperation in a social system can impede or facilitate adoption, a development's compatibility with the societal structure adds to the probability of its adoption. Human capital is necessary to make any innovation successful.<sup>455</sup>

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<sup>450</sup>[https://sphweb.bumc.bu.edu/otlt/MPH-Modules/HPM/AmericanHealthCare\\_Technology-Drugs/AmericanHealthCare\\_Technology-Drugs2.html](https://sphweb.bumc.bu.edu/otlt/MPH-Modules/HPM/AmericanHealthCare_Technology-Drugs/AmericanHealthCare_Technology-Drugs2.html)

<sup>451</sup>[https://sphweb.bumc.bu.edu/otlt/MPH-Modules/HPM/AmericanHealthCare\\_Technology-Drugs/AmericanHealthCare\\_Technology-Drugs2.html](https://sphweb.bumc.bu.edu/otlt/MPH-Modules/HPM/AmericanHealthCare_Technology-Drugs/AmericanHealthCare_Technology-Drugs2.html)

<sup>452</sup> <https://crm.org/articles/diffusion-of-innovations>

<sup>453</sup> <https://crm.org/articles/diffusion-of-innovations>

<sup>454</sup> <https://crm.org/articles/diffusion-of-innovations>

<sup>455</sup> <https://crm.org/articles/diffusion-of-innovations>

Time – time is an important variable in the study of diffusion, the interval between first knowledge and opinion formation to final confirmation or rejection of the innovation affects the frequency of adoption.<sup>456</sup>

The Diffusion of Innovation has proved to be beneficial across various sectors. The most appropriate example to showcase that diffusion leads to development of the society as well, *inter alia*, is the technology used in X-ray scanning. Developing this kind of technology in the 1890s was no short of magic since it enabled non-invasive method of viewing what is inside the human body – providing the requisite ‘relative advantage’ that would make the society adopt this technology as soon as possible. The innovation was certainly not devoid of cons – the negative effects of radiation on health were evident. However, this didn’t deter the social system since the technology had trialability and observability to its benefit. It was easy to try put an X-ray machine and see instant, tangible results which bulwarked its utility. These all factors combined to help X-ray technology get diffused rapidly across the globe and make it the biggest revenue generator in all of healthcare history.<sup>457</sup>

By defusing its innovation, the innovator can ensure that its version of the technology becomes the mainstream design, thereby assuring a competitive advantage for itself.<sup>458</sup> Microsoft hasn’t always been the leader when it comes to web browsers. In 1995 Netscape Navigator had almost 80% of the market in its kitty. When finally, Microsoft created the Internet Explorer 1.0 and diffused its technology to PC and laptop manufacturers such as DELL, IMB, Toshiba, HP, etc. As per their agreement, these companies were to provide the Internet Explorer as the default browser in the Windows OS – which was also a Microsoft product. This put Microsoft in a dominant position in the market for web browsers with Internet Explorer capturing 96% of the usage share in 2001.<sup>459</sup>

Therefore, it is prudent that technology transfer through diffusion is promoted in economies to add to an economy’s development. Research shows that universities are an important means of harnessing all possible sources of innovation, especially human capital.<sup>460</sup> Universities help

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<sup>456</sup> <https://crm.org/articles/diffusion-of-innovations>

<sup>457</sup> <https://crm.org/articles/diffusion-of-innovations>

<sup>458</sup> Esteban Fernández, Sandra Valle, Battle for dominant design: A decision-making model, European Research on Management and Business Economics, Volume 25, Issue 2, 2019, Pages 72-78, ISSN 2444-8834, <https://doi.org/10.1016/j.iedeen.2019.01.002>.

<sup>459</sup> Esteban Fernández, Sandra Valle, Battle for dominant design: A decision-making model, European Research on Management and Business Economics, Volume 25, Issue 2, 2019, Pages 72-78, ISSN 2444-8834, <https://doi.org/10.1016/j.iedeen.2019.01.002>.

<sup>460</sup> W.F. Boh, U. De-Haan, R. Strom, University technology transfer through entrepreneurship: faculty and students in spinoffs, J Technol Transf (2015) doi: 10.2139/ssrn.2125203.

leverage their assets, bridge the gap between funding for basic research, applied research and can provide the initial effort in commercializing this research.<sup>461</sup> Since technology is evolving at a rapid pace, universities have become a key stakeholder in the process of invention, innovation and commercialization.<sup>462</sup> From the time Industrial Revolution set in, economic growth has been largely driven by the zeal for scientific understanding, application of solutions and continuous innovation.<sup>463</sup> For a profitable setting, the university setup should support all the steps of the process – from developing the idea to making sure the idea becomes a reality.<sup>464</sup>

A splendid example for proving the instrumentality of universities in the diffusion and technology transfer process would be the development of the process of irradiation. It is the process of infusing vitamin D in food and drugs. The developer of this process was speculative of the fact that his invention might be misused by unqualified individuals or organisations if not patented. He went on to create a university [of Wisconsin] affiliated entity that would accept patents and help license those and allocate the revenues to the innovator and the university without making them susceptible to any potential financial or legal liability. And thus 1924 witnessed the creation of one of the oldest technology transfer organization [TTO], the Wisconsin Alumni Research Foundation (WARF)<sup>465</sup>. Thereafter it took another five decades, changing laws, trends in R&D investment, emergence of knowledge-intensive industries prioritization of technological innovation as a means of economic development, *inter alia*, to make TTO a stable system.<sup>466</sup> Technology transfer and diffusion of technology by universities help the industry to associate with potential innovators who in turn help them to connect to the market.<sup>467</sup> Industrialists and universities help students to develop the requisite entrepreneurial skills associated with maximizing commercial benefits the innovation can produce.<sup>468</sup> Through this collaboration, the industry based stakeholders help the student innovators navigate through the risks that emerge from the complex business ventures, while the university helps provide

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<sup>461</sup> W.F. Boh, U. De-Haan, R. Strom, University technology transfer through entrepreneurship: faculty and students in spinoffs, J Technol Transf (2015) doi: 10.2139/ssrn.2125203.

<sup>462</sup> Commercializing University Innovations: A Better Way, Robert E. Litan, Lesa Mitchell, E.J. Reedy, AEI-BROOKINGS JOINT CENTER FOR REGULATORY STUDIES, May 2007 [https://immagic.com/eLibrary/ARCHIVES/GENERAL/AEI\\_US/A070501L.pdf](https://immagic.com/eLibrary/ARCHIVES/GENERAL/AEI_US/A070501L.pdf)

<sup>463</sup> National Academy of Sciences and National Academy of Engineering 2006

<sup>464</sup> National Academy of Sciences and National Academy of Engineering 2006

<sup>465</sup> Sampat, Bhaven N. "Patenting and US Academic Research in the 20th Century: The World before and After Bayh-Dole." Research Policy 35, no. 6 (2006): 772-789.

<sup>466</sup> Id

<sup>467</sup> Kenney, M., & Mowery, D. C. (2014). Public universities and regional growth: Insights from the University of California. Stanford, CA: Stanford University Press.

<sup>468</sup> D'Este, P., Mahdi, S. Neely, A., & Rentocchini, F. (2012). Inventors and entrepreneurs in academia: What types of skills and experience matter? Technovation, 32(5), 293–303



wider range of scientific skills and build the proper portfolio to engage in successful technological ventures.<sup>469</sup> Additionally, the increased data pool helps connect each student to a wide number of suitable avenues.

## **2. Why do the stakeholders collaborate?**

Companies getting involved with academic research has yielded concrete benefits, such as greater access to new ideas.<sup>470</sup> When a student innovates, the company is often the first entity to patent the same with the prospect of becoming a dominant entity in the industry. This collaboration bolsters the production of profitable ventures for innovations and increase the demand for external knowledge.<sup>471</sup> Universities seek collaborations with the industry to obtain funds and in return provide the years' worth of foundational research and work and tangible profits to these firms.<sup>472</sup> Research has found these collaborations help the industry stakeholders to stay ahead of the competition<sup>473</sup> and benefit their reputation.<sup>474</sup> Collaboration are an important component of technology transfer results for the industry.<sup>475</sup> Diffusion of innovation has had a positive impact on the society as well – these include development of energy efficient technology, improved medical applications and techniques, important electronic inventions like the computer, and several more. University-industry engagement leads to the creation of new firms, leading to industrial expansion and employment generation. Literature reveals university and student researchers engaging with companies have greater research performance.<sup>476</sup> Companies are at a better position to monitor societal needs and hence at a better position to channelize innovations to yield higher social impact.<sup>477</sup> On the other hand, the Universities are better suited for academic research and laboratory analysis. Comprehensive technology transfer results in a faster rate of diffusion which in turn leads to increased patenting.<sup>478</sup> Given the economic importance of intellectual property, the positive impact of technology transfer on diffusion of innovation and commercialization is evident.

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<sup>469</sup> Rasmussen, E., Mosey, S., & Wright, M.. (2014). The influence of university departments on the evolution of entrepreneurial competencies in spin-off ventures. *Research Policy*, 43(1), 92-106

<sup>470</sup> Federica, Rosli and Yip 2014: 7

<sup>471</sup> Wunsch-Vincent (2012: 97)

<sup>472</sup> Chaguturu 2014: 8

<sup>473</sup> Datta 2011: 12

<sup>474</sup> Welsh et al. (2008: 8)

<sup>475</sup> 2012: 61

<sup>476</sup> Fabrizio and Di Minin 2008: 929

<sup>477</sup> Datta (2011: 13)

<sup>478</sup> Welsh et al. 2008: 1861

### III. GLOBAL SCENARIO

The authors believe that technology transfer and innovation diffusion are some of the most efficient ways of encouraging innovation and ensuring it earns its requisite monetary worth. We have discussed how beneficial the collaboration between universities and the industry for all the stakeholders involved – the student innovator, the university, the company facilitating the technology diffusion and the society [or economy]. In this section the authors will be highlighting some of the most successful and prominent TTOs that account for a major portion of patents registered in their respective country. The IP and TTO regime of some countries has been discussed below:

1. The iVenture Accelerator instated at the University of Illinois is a year-long program wherein on-campus entrepreneurship units collaborate to provide expertise, facility to student innovators and connections to support promising ventures. The TTO has successfully contributed to the origination of more than a dozen of successful start-ups.
2. The Triton technology fund is a curative venture capital fund created specifically for supporting the students, staff, and alumni of the UC of San Diego who have created a licenced technology in the aegis of the university.<sup>479</sup>
3. Jacobs School of Engineering provides for a conducive system for university innovators through the von Liebig Entrepreneurism Centre wherein ideas are brought to the industry through training, mentorship, and funding. This TTO has helped establish more than 50 companies and supported over 200 start-ups.<sup>480</sup>
4. SPEAKall! is an enabling technology designed by Purdue University which is currently undergoing a licence-seeking process wherein the most efficient means of defusing the technology is being searched for. The technology is meant for helping autistic children communicate through speech therapy and remote learning. Students of Cornell University have devised the Combplex in collaboration with a start-up to help protect bees from the menace of Varroa mites. Geopipe is an AI based technology that creates immersive 3D models, created in furtherance of the NYU Summer Launchpad programme this technology is meant to be used to create 3D structures and models to be employed in medical and engineering processes.<sup>481</sup>

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<sup>479</sup> <https://jacobsschool.ucsd.edu/vonliebig/ttf/>

<sup>480</sup> [https://ucsdnews.ucsd.edu/feature/supporting\\_student\\_innovation](https://ucsdnews.ucsd.edu/feature/supporting_student_innovation)

<sup>481</sup> <https://ip.com/blog/what-is-technology-transfer-with-examples/>

5. South Africa established the Technology Innovation Agency in 2008 with the aim of nurturing and increasing innovation to improve the standard of living in the country by commercializing novel technological developments. Various provincial offices were set up to facilitate the technology-entrepreneurs across the country by helping create proficiency focused markets for these entrepreneurs.<sup>482</sup>
6. The University of Tokyo has Japan's biggest TTO which acts as a bridge between the university and the industry to diffuse innovation and acts as a one stop service provider for all IP based services needed by those associated with the University of Tokyo.
7. In Australia both university students and the staff can claim ownership of an innovation that has been created from publicly funded research subject to certain conditions. Students especially are entitled to claim ownership of any innovation created by them during the course of their education at the varsity – they are encouraged to make use of the university faculties which assist in commercialization of the innovation. The Australian IP regime gives an option to the students to hand over the rights of their intellectual property to the university in exchange of a portion of the revenue generated when the said innovation hits the markets.<sup>483</sup>
8. Universities in Canada increasingly indulge in collaboration with the industry for support and funds for research. The IP regime of the country is not standardized therefore universities adopt different methods or models of collaboration which in turn goes to determine the willingness on the part of the student innovators to push for commercializing their innovation.<sup>484</sup>

Countries have fine-tuned their IP regime as per their developmental approach accordingly universities have devised their action plan for operating technology diffusion processes. However, the exercise of harmonizing and strengthening IPR protection is dynamic in nature.<sup>485</sup>

### **HOW WILL DIFFUSION HELP INDIA?**

Education, especially higher education, has been an important part of India's socio-economic setup mainly due to its sheer population. Each year several students engage in innovation and technology based trades. Engaging universities in the reaping process for picking out the

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<sup>482</sup> [https://openscholar.dut.ac.za/bitstream/10321/1485/1/BANSI\\_2016.pdf](https://openscholar.dut.ac.za/bitstream/10321/1485/1/BANSI_2016.pdf)

<sup>483</sup> Christie et al. (2012: 18)

<sup>484</sup> (Kenney and Patton 2011: 112

<sup>485</sup> Breitwieser and Foster 2012: 51

potential projects that can yield technological advancement can be the easiest way to tap into India's full potential. Historically, universities and educational institutions across the world have generated a range of innovations that have found their way to be commercialized.<sup>486</sup> University faculty not only have vast influence on the various aspects of the innovation and monetization, but also form the vital actors managing the knowledge transfer.<sup>487</sup> Several of these innovations are licensed by universities in their nascent stage of their development due to which a major chunk of the potential value of such developments lies in the tacit knowledge of the innovators and their alma mater.<sup>488</sup> University personnel are in a better position to gauge the potential of a research over time. Repeated engagement with consultation, advisory board service, industry sponsored research and commercialization process allows faculty members to have a mental vision board ready for each project – helping them confidently steer projects on the path of assured licensing and footing in the designated commercial market.<sup>489</sup> For India, technology transfer is mostly done by research organizations [mostly industry-based] that either have a designated cell or a cooperation with the industry<sup>490</sup> –

1. Technology Licensing Cell of Bhaba Atomic Research Centre<sup>491</sup>
2. Antrix of Indian Space Research Organisation<sup>492</sup>
3. Sponsored Research and Industrial Consultancy [SRIC] cell of IIT Kharagpur.<sup>493</sup>
4. C-Tech wing of the Defence Research and Development Organisation<sup>494</sup>
5. Foundation for Innovation and Technology Transfer [FITT] of IIT Delhi.<sup>495</sup>
6. Industrial Research and Consultancy Centre [IRCC] by IIT Bombay.<sup>496</sup>
7. Centre for Scientific and Industrial Consultancy [CSIC] at IISc Bangalore.<sup>497</sup>

These are the handful of the TTOs that are currently working in the country, however, these too help in research publications or obtaining a patent for an innovation, the part of marketing and commercializing is not done by these centres. More TTOs need to be set up in the country that will help cut down on the transactional costs associated with diffusing the scientific

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<sup>486</sup> (Association of American Universities 1998 Bercovitz and Feldman 2006

<sup>487</sup> Markman et al. 2005a

<sup>488</sup> (Jensen and Thursby 2001).

<sup>489</sup> Mansfield 1995

<sup>490</sup> <https://www.nistads.res.in/all-html/Technology%20Transfer.html>

<sup>491</sup> <http://www.barc.gov.in/technologies/index.html>

<sup>492</sup> <https://www.isro.gov.in/about-isro/antrix-corporation-limited>

<sup>493</sup> <http://www.iitkgp.ac.in/sric/>

<sup>494</sup> <https://www.drdo.gov.in/technical-clusters>

<sup>495</sup> <http://www.fitt-iitd.org/>

<sup>496</sup> <https://www.ircc.iitb.ac.in/IRCC-Webpage/rnd/>

<sup>497</sup> <http://csic.iisc.ac.in/>

innovation into the market rapidly. Some of these transactional costs correspond to the tangible and intangible expenses linked with identification, protection, and modification of innovation and commercialization, as well as the administrative expenses and the opportunity costs for the time that would be required by researchers.<sup>498</sup> India has the advantage of having youth as the major portion of its population in terms of demographics. Adding to that is the Indians' knack for upgrading or coming up with quick fixes for problems [i.e. *jugaad*]. Keeping this in view there is an urgent need for creating more such institutions that will help diffuse technology and cater to the teeming number of inventive individuals in the country. Implementing a model that encourages universities to dis-unit its functions and assign them to specialists is seen as one of the most ideal models for any economy which intends to invest in TTOs and innovation diffusion.<sup>499</sup> IP Protection and its consequential commercialization is the traditional approach – this needs to be changed to bring in a legitimate change in the country and to make India a true hub for science and technology.

#### IV. The Possible Business Models

There are several arrangements available that can be adopted for commercialising student innovations. The various options available have been discussed as under:

1. Direct Sale: when an innovation, product or service is offered by the university without incurring high capital costs and such a sale is guided by each institution's individual policy, it is known as direct sale. Herein, the product liability is a risk that is associated with the university and not the company/firm buying the said product or service.
2. -Technology Transfer Broker: this is a convenient route for bringing the innovation to market. An agreement exists between the IPR owner [and innovator] and a broker for a royalty sharing model. The broker ensures that it will bear the costs of commercialisation in return for a share of the revenue generated by the said technology. Usually such a broker has an extensive network of potential patentees and expertise in the field of technology licensing.<sup>500</sup>
3. Research Collaboration: In this system, the research for innovation is collectively undertaken by the student innovator and the industrial firm that will finally help the innovation being developed into a product and then get commercialized.– Specific

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<sup>498</sup> Phan and Siegel 2006

<sup>499</sup> Phan and Siegel 2006

<sup>500</sup> Hedge 2010: 11

intellectual property is exchanged for a research grant and a royalty-free licence is granted to the company. Student innovators become privy to share non-monetary benefits that emerge from the innovation which is decided by the stakeholders of the transfer process.<sup>501</sup>

4. Open Source Route: this route puts in place a source code or a formula in public that can be used to for further innovation. The license for such open source codes is provided without any royalty, however an agreement is put in place between the owner of the source code and the person adapting providing for a revenue sharing system. This technique is widely used where an old technology has potential for development and this potential is monetised upon. Manuals and training is also provided by the creator of the older technology to quicken the pace at which this older technology can be built upon and commercialized. Usually, software based technology is diffused by using this method.<sup>502</sup>
5. Licensing: a licence agreement authorises a person to use the intellectual property created by its owner in exchange of an agreed amount of royalty fee. Such agreements help universities generate income from a company in exchange of the right to use the IP. The proceeds can be either in the form of an upfront fee charged at the time of agreement or be an annual royalty payment subject to the revenue or profit derived from its commercialization.<sup>503</sup> This model allows the innovator and the company to capitalize on the technology while simultaneously letting the innovator take care of potential business issues since the innovator retains the rights to his intellectual property.<sup>504</sup>

## **The Expected Result**

Researchers in India are motivated by publication of their research and grant of patents rather than its commercialization.<sup>505</sup> Due to infrastructural and legal ‘hazards’ in the country the already risk averse society further cocoons in the comfort seeking satisfaction of journal publications as against proceeding to generate ideas and transform those to commercially viable products or services.<sup>506</sup> The Science, Technology and Innovation Policy was brought in 2013 to encourage innovation and research, transfer of technology and licensing but currently

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<sup>501</sup> [https://immagic.com/eLibrary/ARCHIVES/GENERAL/AEI\\_US/A070501L.pdf](https://immagic.com/eLibrary/ARCHIVES/GENERAL/AEI_US/A070501L.pdf)

<sup>502</sup> (Southern African Research and Innovation Management Association 2013: 23

<sup>503</sup> Feldman et al. 2002: 113

<sup>504</sup> Lockett et al. 2005: 988

<sup>505</sup> Nandagopal (2013: 181),

<sup>506</sup> Sharma (2012: 2)

only a few institutions are funding research, and this too ends up in scientific journals.<sup>507</sup> Apart from filing and seeking IPR protection, the associated practices of IPR management [such as promotion] are equally necessary for an innovation's success and to increase the associated firm's value and decrease the connected costs in the long run.<sup>508</sup> Universities and TTOs can play this crucial role of IP management for its student innovators which can help prevent any future IP related disputes [such as infringement and the subsequent litigation costs].<sup>509</sup> A conducive ecosystem for technological advancement not only consists of the legal regime of the country but also requires an infrastructure that will bolster the development by providing an institutional set up for business growth and collaboration.<sup>510</sup> The authors have explained through the scheme of this paper how university collaboration with industry leaders for diffusing of technology is the need of the hour. Therefore, it's high time that universities and industries push forth for and seek collaborations on their own accord to prevent losing any more disruptive innovations created by university students in light of lack of funds or infrastructural support.

## V. CONCLUSION

The Indian IP regime has undergone significant developments over the years to encourage innovation and promulgate its protection and to ensure that innovations get produced on a commercial scale without undue delay. To be able to stand up in a global environment and to promote transformative ideas that lead into tangible development, India needs to realize that both protection and supporting the creation of IP is required.<sup>511</sup> Converting research from students into marketable forms need considerable and sustained efforts.<sup>512</sup> Dedicated TTOs and supportive infrastructure coupled with flexible commercial models with various industry-based partners is what can help further the nation's technology and scientific development goals.<sup>513</sup> There is an urgent need for improvement of systems and establishment of models that will help monetize the innovation created by students.<sup>514</sup>

This extent and scope of IPR in innovations is not only alien to most entrepreneurs but also to global universities and research institutes. The current IP ecosystem is overly infatuated with

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<sup>507</sup> Sharma 2012: 7

<sup>508</sup> Graham et al., 2008

<sup>509</sup> Jain, Akriti & Sodhi, Garima. (2019). Technology startups and IPR protection in India.

<sup>510</sup> Jain, Akriti & Sodhi, Garima. (2019). Technology startups and IPR protection in India.

<sup>511</sup> Verma 2011: 1

<sup>512</sup> Nandagopal (2013: 183)

<sup>513</sup> Chakraborti 2011: 93

<sup>514</sup> Sharma (2010: 257)

Patents and is further restricted to its commercialization only after the development stage. However, obtaining a patent is no guarantee of success. A majority of investors believe that patents are paper tigers and may turn out to be hollow after laboratory results are delivered. This is what happened to Theranos Inc., an American Unicorn which was once regarded as a revolutionary tech-startup and held as many as 2,700 patents from 2013 to 2018 before it was declared bankrupt.<sup>515</sup> This fall of a Unicorn startup from an IP point of view can be a learning curve for the mushrooming health-tech startups in India. Though the Indian government has introduced several capacity building and enforcement programmes for encouraging technology and innovation in the country, it still falls short due to lack of a conducive environment and limited number of resources. Therefore, increasing the number of efficient TTOs with substantial industrial and governmental support can help innovators counter the several roadblocks they face in their endeavour to create and maintain an innovation. This concept is not new; however, this is yet to be explored and implemented in India to the extent it is being done in other countries. Therefore, the exact results of the model cannot be predicted in the current piece – there is a necessity for a consistent research and the authors have made an attempt at the same.

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<sup>515</sup> (Parmar 2019)





## **E- Journal of Academic Innovation and Research in Intellectual Property Assets (E-JAIRIPA)**

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### **MEMES, COPYRIGHT, AND INTERMEDIARY'S LIABILITY: WHAT NEEDS CLARITY IN INDIA'S COPYRIGHT LAW**

Shubhank Suman\* & Kanchan Barna\*\*

#### *Abstract*

*Does the clause of Fair dealing mentioned under section 52 of the copyright act 1957 serve as an invitation for infringing someone's copyright under the pretence of trolling? A meme that basically contains images or videos for humorous manifestation is now not only limited to the promotion of ideas. Memes in present days are being extensively used for commercial purposes. This evolution of meme Vis-a-Vis with commercial purposes requires legal dissection in the light of copyright protection. However, one of the major arguments against the regulation of memes under the copyright act is memes constitute fair dealing and therefore exempted from the liabilities of copyright Infringement. Through this paper, we try to examine whether a meme can avail the defence of Fair dealing or not. If, it does not then who can be made responsible for such infringement? In light of this, we examine the liabilities of intermediaries that provide a virtual place for copyright infringement. These are the places where memes containing infringing content are uploaded, watched, and shared. However, In order to maintain the availability of the copyrighted work in the general interest of society, liabilities of intermediaries have not been fixed yet and are open to circumstances of a case. Inadequacy of intermediaries to regulate all the contents uploaded on their platform is also one of the factors that contributed to its ambiguities. Also, Protection of safe harbour though exempt these intermediaries for third party infringement, there are still certain grey areas like liabilities of intermediaries for making monetary gain from infringing contents are still unaddressed and require reconsideration. This paper is an attempt to clear all the ambiguities related to the position of copyright law and safe harbour protection for copyright infringement through a meme.*

**KEY TERMS** – Meme, Fair Dealing, Commercial Use, Intermediaries, Safe Harbour

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## I. INTRODUCTION

The terminology of Meme was first propounded by evolutionary biologist Richard Dawkins in his book *The Selfish Gene*. He described the term meme as "*a noun that conveys the idea of a unit of cultural transmission, or a unit of imitation.*"<sup>516</sup> He conceptualized memes as "*the cultural parallel to biological genes, carrying information, being replicated and transmitted from one person to another through a form of Darwinian selection, and having the ability to evolve through random mutation, regardless of human fitness or survival.*" However, In the internet world, memes have been defined as an "*idea, behaviour, style, or usage that spreads from person to person within a culture,*"<sup>517</sup> which often go viral in social media where the owner is not known or the person who started the trend is anonymous, where there is no publishing or self-regulation but only broad, insufficient community standards. Because of this anonymity or absence of any regulatory bodies or any person, most people consider the internet as a forum or a space that provides them a free pass to ride over someone else's intellectual labour and make it the source of their income.<sup>518</sup> We have seen several examples where a memmer without authorisation used the contents of the actual author without giving any credit to him. This vast usage and virility have raised a question about the applicability of memes in India's existing copyright regime.

## II. APPLICABILITY OF MEMES UNDER INDIA'S COPYRIGHT REGIME

Copyright is a legal right of an author to control the use of their work. The underlying principle behind granting this protection is to protect the interest of the creator or author who put their intellectual labour to create something. If copyright is not granted then any person may copy such hard-earned work and rides over somebody else's intellectual labour which in result prevent the actual author or creator from getting recognition as well as monetary compensations.

As per the Indian Copyright Act, 1957, Section 14 talks about the economic rights of the author that says "*copyright means the exclusive right subject to the provisions of this Act, to do or authorize the doing of any of the following acts in respect of a work or any substantial part*

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<sup>516</sup> Richard Dawkins, *The Selfish Gene* 192 (1976).

<sup>517</sup> Thomas F. Cotter, *Memes and Copyright*, 80 *Tulane Law Rev.* 331–410 (2005), <https://heinonline.org/HOL/P?h=hein.journals/tulr80&i=351> (last visited Aug 30, 2021).

<sup>518</sup> Paul Gil, *Why Would You Ever Createan Internet Meme?* *LIFEWIRE*, <https://www.liveabout.com/why-would-you-ever-create-an-intemet-meme-2483710> (last visited Aug 30, 2021).

thereof”<sup>519</sup>, While, section 57 talks about the moral rights.<sup>520</sup> As per section 57, authors of a Copyrightable work have two types of moral rights. The first one is the right to paternity which entitled them to get acknowledged as an author and the second one is the right to integrity which entitled them to protect their work from any tampering or distortion.<sup>521</sup>

Memes have now become one of the prominent channels for the infringement of copyright. Memes that consist of artistic, musical, cinematographic, and literary works are being extensively used to run over the intellectual labours of others and promote copyright infringement.<sup>522</sup> Upon examining the memes on economic rights, we find most of the memers without authorisation add songs, clips, images of movies to their memes without taking any prior consent and giving any due royalties to the author. Such kind of unauthorized usage affects the author’s exclusive rights to use the work and also prevents them to earn revenue over it. Similarly, if we examine moral rights, most of the memers also do not give any credit to the actual author. Sometimes they even distort the work and portrayed themselves as the real author. These kinds of practices again affect the author’s rights to protect their work and get themselves acknowledged as the author. Sometimes, memers deliberately distort a song or video to bring shame to the actual author. For an instance, we can take the example of Tony Kakkar’s song which was deliberately distorted by some of the meme channels to malign his image in public. In light of the above discussion, we can say memes directly contribute to copyright infringement and it’s high time to regulate it. However, copyright protection is not absolute. One of the major arguments against the regulation of memes under the copyright act is memes constitute fair dealing under section 52(1) of the Copyright Act 1957 and therefore exempted from any liabilities of copyright Infringement.<sup>523</sup>

A meme that basically contains images or videos for humorous manifestation is now not only limited to the promotion of ideas. Memes in present days are being extensively used for commercial purposes. This evolution of meme vis a vis with commercial purposes requires legal dissection in the light of copyright protection.

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<sup>519</sup> Copyright Act 1957, Section 14.

<sup>520</sup> Copyright Act 1957, Section 57.

<sup>521</sup> *Id.*

<sup>522</sup> Elena Elmerinda Scialabba, *A Copy of a Copy of a Copy: Internet Mimesis and the Copyrightability of Memes*, 18 Duke Law Technol. Rev. 332–352 (2020), <https://heinonline.org/HOL/P?h=hein.journals/dltr18&i=84> (last visited Aug 30, 2021).

<sup>523</sup> Ronak Patel, *First World Problems: A Fair Use Analysis of Internet Memes*, 20 UCLA Entertain. Law Rev. 235–256 (2013), <https://heinonline.org/HOL/P?h=hein.journals/uclaetrlr20&i=247> (last visited Aug 30, 2021).

Memers generally use songs and scenes from movies to make their memes more humorous and funny. Sometimes literary works like poems, stories are also added as a content to increase their reach. Here the question arises, are they entitled to use such copyrighted works? Most people argue that memers are entitled to use such work because they are using it under the concept of Fair dealing.

### III. FAIR DEALING AS DEFENCE

Fair dealing is one of the holy debatable topics and a widely used defence in the field of copyright. However, it is yet to be discovered when it comes to memes. Fair dealing is basically a statutory protection that provides certain defences to otherwise infringing activities. Section 52<sup>524</sup> of the Indian copyright act elucidates certain acts that shall not constitute copyright infringement.

The basic intent behind granting these exceptions is to make the work accessible to the public so that it can be used for the benefit of society. However, granting these exceptions should not be confused with a license to infringe the copyright. Good faith and non-commercial use are the two essentials components of fair dealing that ensure no work is used to pass off the intellectual labour of the actual author. The principle of fair dealing ensures that the objectives of any usage are within the statutorily defined purposes of private use, research, criticism, and review.<sup>525</sup>

The concept of fair dealing is not specifically defined anywhere and derives its notion from the principle of equity.<sup>526</sup> As we refer to the observations of lord denning in the case of **Hubbard v. Vosper**, He observed, “*It is impossible to define what is fair dealing. It must be a question of degree. You must consider first the number and extent of the quotations and extracts. Are they altogether too many and too long to be fair?*”<sup>527</sup> Therefore, there is no straight-jacket formula to interpret the doctrine of fair dealing and it is widely open to the facts and circumstances of each case. However, Upon analysing the concept of fair use which is a counterpart of fair dealing under US copyright laws, Section 107 of the United States Copyright

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<sup>524</sup> Copyright Act 1957, Section 52.

<sup>525</sup> Latha R. Nair, *How Fair Are the Fair Dealing Exceptions under Indian Copyright Law*, 2 Indian J. Intellect. Prop. Law 171–179 (2009), <https://heinonline.org/HOL/P?h=hein.journals/ijipl2&i=190> (last visited Aug 30, 2021).

<sup>526</sup> *Id.*

<sup>527</sup> *Hubbard v. Vosper*, (1972) 2 Q.B. 84.

Act, 1976 lists out four-factor tests to draw a line between bonafide and malafide use of a work. The four-factor tests are:

- *“The purpose and character of the use, including whether such use is of a commercial nature or is for non-profit educational purposes;*
- *The nature of the copyrighted work;*
- *The amount and substantiality of the portion used in comparison to the copyrighted work as a whole (de minimus non curat lex); and*
- *The effect of the use upon the potential market value of the copyrighted work.”*<sup>528</sup>

### **HOW FAR DOES MEME STAND ON THE FOUR FACTORS TEST OF FAIR DEALING?**

In light of the above discussion, it is clear that the concept of fair dealing does not give license to violate an exclusive right of the copyright owner. One cannot simply copy other's work and claim refuge under the garb of Fair dealing.

Let us examine the above criteria in terms of memes to find out whether the defence of fair dealing is available to memes or not. First, if we consider the four-factor test.

**Purpose of infringing use-** The purpose behind infringement serves as one of the important considerations under the concept of fair dealing. The objective behind this factor is to identify the malafide purpose of the infringer to simply cash on the intellectual labour of an author from the fair bonafide use. This factor basically demarcates a line between commercial and non-commercial use of work. As per this factor if any copyrightable work is used on a non-profit basis for personal use or for the benefits of society then that will come under the defence of fair dealing. However, such defence is not available when work is used for commercial purposes.<sup>529</sup>

Upon applying this factor to the meme, it is easy to understand, a meme in recent days is not only limited to criticism, review, or joke rather it becomes one of the important tools of commercial advertisements. Everybody is aware about the influence of memes on consumer behaviours. Memes in recent days plays a great role in shaping consumer's minds towards particular products or services. Memers started exploiting this aspect of meme to earn monetary advantages. Nowadays memers started using copyrighted work in memes to promote or

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<sup>528</sup> U.S Copyright Act 1976, Section 107.

<sup>529</sup> Patel, *supra* note 8.

advertise one particular product or service.<sup>530</sup> Recently, a meme surfaced into the market where memers used Divine's song "*Meme bana diya*" as content to promote some grooming products like beard oil, cream, etc. Considering such a great influence of memes in the commercial market, corporates also started using memes as a tool for non-competitive practices. They started using memes to defame their competitor's product. Sometimes they also used memes for product disparagement and comparative advertisements.<sup>531</sup> We all have witnessed several memes where KTM's Duke Bike was portrayed less manly than Royal Enfield's Bullet.

Memers at present times do not make such memes only to attract comments or criticism rather they are involved in 'reach war' where they are in a race to add more and more such contents to increase their followers which in turn helps them to commercialize their pages and make them earn through advertisements.<sup>532</sup> Hereby, considering above discussion, it is evident that the first factor of fair dealing is not applicable to memes.

**Nature of copyrighted work-** The nature of copyrighted work is also one of the important factors of fair dealing. It helps to determine what kind of work is copyrighted as society responds differently to the infringement of different kinds of works. For instance, if we refer to the work of current happenings like news or cricket scores. The nature of work informing current happenings to the public would provide a stronger reason to include it under the concept of fair dealing. On the other hand, the Infringement of creative work, such as a photograph, would be less likely to be excused by the courts. The reasoning behind this concept is to protect the dissemination of work which is in the interest of society. This is the reason, there are no copyright subsists in news. However, if we examine meme on this factor, contents are not used in the meme to serve the interest of society. The contents used are driven only by the purpose of entertainment. Hence, discontinuance of any such usage of work in meme would not cause any specific loss to society.

**The amount and substantiality of the portion-** This factor of fair dealing helps to compare the amount of work copied and the actual work to find out substantial similarities. However, it

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<sup>530</sup> Aidan Cole, *Council Post: More Than A Trend: Meme Marketing Is Here To Stay*, Forbes <https://www.forbes.com/sites/forbesagencycouncil/2018/07/19/more-than-a-trend-meme-marketing-is-here-to-stay/> (last visited Aug 30, 2021).

<sup>531</sup> The good, bad and ugly truth: When ads become memes, Marketing & Advertising News, ET BrandEquity, <https://brandequity.economictimes.indiatimes.com/news/advertising/the-good-bad-and-ugly-truth-when-ads-become-memes/81177476> (last visited Aug 30, 2021).

<sup>532</sup> The Copyright Conundrum of Memes in Social Advertising, Social Media Today <https://www.socialmediatoday.com/content/copyright-conundrum-memes-social-advertising> (last visited Aug 30, 2021).

is not the only size alone that matters, but also the substantive context of the excised portion of the copyrighted work.<sup>533</sup>

As per this factor, if there are no substantial similarities between the works or there are more dissimilarities between the works or the use of the work is incidental in nature then it would come under the concept of fair dealing. However, it is noteworthy to mention here, this defence will be applicable when due credit is given to the author. For an instance, we can say the use of one or two lines of a poem will not constitute infringement. However, irrespective of the amount of work copied, the person who uses that work is bound to protect the moral rights of the author. Defence of fair dealing would only apply when due credit is given to the actual author.<sup>534</sup> Upon examining meme on this factor, it can be found that there are lots of memes that directly contain a substantial part of musical, artistic, cinematographic, and literary works without giving any credit to the actual authors of such work. Sometimes memers even copy other's work and portray themselves as real authors. There are lots of meme pages that post poems, shayaris of renowned authors under their own names and earn profit over it.

**Effect of the use-** The fourth factor deals with the effect of the use of copyrightable work in society. The work which is used solely for the purpose of personal use or the benefits of the society, less likely to affect the marketability and value of the original work in the market and hence prevail under the defence of fair dealing. Whereas, the work which has been used for commercial purposes, affects the value and marketability of actual work and hence, is less likely to survive the test of fair dealing. In simple terms, when the use of such work poses threat to the actual author in terms of competition then such work cannot constitute fair dealing. Upon applying this factor to memes, most of the memes have been directly copied to use as a substitute for actual work. It is common practice in the meme world to copy the content of other authors and portray it as their own work. Most of the memers also directly share content or meme of one creator without making any substantial change in it. Hereby, it can be said, as long as copyrightable work is used for derivative purposes without being detrimental to the actual work, constitutes fair dealing. Otherwise, it may constitute infringement.<sup>535</sup>

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<sup>533</sup> Timothy C Smith, *Towards A Consistent Test for Substantial Similarity Regarding Infringement of Copyrighted Aspects of Computer Programs*, 22 24 (1992).

<sup>534</sup> Moral rights: can authors waive their special rights? Lexology (2019), <https://www.lexology.com/commentary/intellectual-property/india/saikrishna-associates/moral-rights-can-authors-waive-their-special-rights> (last visited Aug 30, 2021).

<sup>535</sup> Carole A Ellingson, *The Copyright Exception for Derivative Works and the Scope of Utilization*, 56 *indiana law j.* 43.



#### IV. INDIAN FAIR DEALING JURISPRUDENCE AND MEMES

In Indian copyright law, the doctrine of fair dealing is mentioned under sec 52 of the copyright act 1957 which is not completely defined and constitutes only the circumstances or the acts where the concept of fair dealing would apply. Since the concept of fair dealing is not clearly defined, it is difficult to identify under which act use of work for meme would constitute fair dealing. One of the schools of thought says since meme usually contains the work for non-commercial purposes like criticism and review, it comes under section 52(1) of the copyright act 1957. The act elucidates “fair dealing with a literary, dramatic, musical or artistic work not being a computer program for the purposes of-

- 1) *private or personal use, including research;*
- 2) *criticism or review, whether of that work or of any other work;*
- 3) *the reporting of current events and current affairs, including the reporting of a lecture delivered in public”.*<sup>536</sup>

However, an analysis of the above section indicates that the provisions would apply only to the memes that use the work only for non-commercial purposes. Memes are nowadays not only limited to non-commercial use and are engaged extensively for commercial purposes. As we have discussed earlier, it becomes an important tool of corporates for promotions and advertisements of products and services. Indian copyright act is silent on this aspect of a meme. It is not clear whether the concept of fair dealing would apply if the work is used for criticism or review but for commercial purposes. Also, section 57 of the copyright act bestowed author with moral rights, which cannot be waived off.<sup>537</sup> Even if the work is used under the concept of fair dealing, the user is liable to protect the moral rights of an author. No defence of fair dealing would apply if the moral rights of the author are infringed.

However, as we have discussed earlier, most of the memers use the content without giving any credit to the actual author. Sometimes even portray themselves as the real author. These aspects of fair dealing are unclear and require legal dissection.

In order to further refined the concept of fair use, the court in the case of **Civic Chandran v. Ammini Amma**, observed that “*section 52(1)(a) and (b) specifically refers to fair dealing of the work and not to the reproduction of the work. Accordingly, it may be reasonable to hold*

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<sup>536</sup> Copyright Act 1957, Section 52(1).

<sup>537</sup> Moral rights, *supra* note 19.

*that the re-production of the whole or a substantial portion of it as such will not normally be permitted and only extracts or quotations from the work will alone be permitted even as fair dealing.*”<sup>538</sup> Further, the court framed criteria which a court has to take into consideration in such cases.

- “the quantum and value of the matter taken in relation to the comments or criticism;
- the purpose for which it is taken; and
- the likelihood of competition between the two works”<sup>539</sup> ;

similarly, The second case was ***Blackwood & Sons Ltd. v. A.N. Parasuraman***, where the court held that: “*In order to constitute a fair dealing, there must be no intention on the part of the alleged infringer, to compete with the copyright holder of the work and to derive profits from such competition and also, the motive of the alleged infringer in dealing with the work must not be improper.*”<sup>540</sup>

Upon analysing the meme as per the fair use criteria promulgated in *Civic Chandran v. Ammini Amma* case, quantum and value of content are one of the essential factors. The court is concerned with whether the amount copied is substantial part or incidental in nature. In memes, most of the content is substantially copied from the work without making any further changes. Sometimes memers identically copied the work to portray it as their own work and try to cash on the goodwill of the actual author. We can refer to an instance, where memers use substantial parts of songs without giving any credit to actual authors. As we have discussed earlier as well, no matter what amount of work is copied, the person which is copying the work is liable to give credit to actual authors. Under no circumstance, author of copyrighted work shall be devoid of their moral rights in work. The other major factor discussed in this case is the purpose behind such use. As we discussed in the four-factor test as well, when the work is used for the private purpose or for the benefits of society then it would constitute fair dealing. However when work is used solely for commercial purposes to cash on the goodwill and intellectual labour of copyright holder then such defence would not apply. The last factor which was also asserted in the case of *Blackwood & Sons Ltd. v. A.N. Parasuraman* is the likelihood of competition between the copied work and the actual work. The Court says when the work is copied with the intent to compete with the work of actual authors or causing detrimental effects

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<sup>538</sup> *Civic Chandran v. Ammini Amma*, 1996(1) K.L.T. 608.

<sup>539</sup> *Id.*

<sup>540</sup> *Blackwood & Sons Ltd. v. A.N. Parasuraman*, AIR 1959 Mad 410.

on the market of actual work, defence of fair dealing would not apply.<sup>541</sup> Since most of the memers directly share content or meme of one and other creators without making any substantial change in it to engage in reach war, it would also not apply to memes

From the above legal propositions, it can be deduced that Indian jurisprudence of fair use laid more emphasis on the amount of content copied and the intent behind such copying. Unlike the four-factor test, Indian fair dealing jurisprudence is not concerned with the nature of copyrighted work. However, in respect of other factors, it is in the alignment of the four-factor test.

## V. COMMERCIAL AND NON-COMMERCIAL MEMES

Considering factor analysis of both the tests, it is clear that the doctrine of fair dealing is not applicable to all the memes available on social media. Memes that are not giving credit to real authors or using the content of others for commercial purposes are not protected under this concept. However, there are certain memes as well which are being used solely for non-commercial purposes. Therefore restricting the whole memes for copyright violations would vitiate the basic purpose of the principle of fair use and also violates the individual's fundamental rights to freedom of speech and expression. Article 19(1)(a) of the Indian constitution says every person has the right to express "*one's own convictions and opinions freely by words of mouth, writing, printing, pictures or any other mode*".<sup>542</sup> Hence, there is need to form a set of guidelines or criteria that demarcates a line between commercial and non-commercial memes. Usually, when we talk about memes, we refer to non-commercial memes that consist of reviews, criticism, and joke. But, from the past years, the trajectory of memes has been changed and it is now being used for creating marketing buzz in society which directly or indirectly gives monetary advantages to the meme maker. We have to tap on such memes and meme-makers that are making monetary gains by using the content of others but still devoid them of their economical and moral rights. Recently, we have seen the owner of the Grumpy Cat meme filed a lawsuit against the founders of Grenade, a coffee chain based in the United States, for merchandising the meme. The Grumpy Cat limited was awarded \$710,000 as damages for copyright infringement.<sup>543</sup> In light of this, it is the need of the hour to analyse the liabilities of the intermediaries where most of such infringement takes place.

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<sup>541</sup> *Id.*

<sup>542</sup> Constitution of India 1950, Article 19(1) (a).

<sup>543</sup> Grumpy Cat wins \$710,000 pay out in copyright lawsuit, BBC News, January 24, 2018, <https://www.bbc.com/news/world-us-canada-42808521> (last visited Aug 30, 2021).

## **VI. WHETHER INTERMEDIARIES ARE LIABLE FOR COPYRIGHT INFRINGEMENT THROUGH COMMERCIAL MEMES?**

An intermediary is defined as one "*which primarily or solely enables online interaction between two or more users and allows them to create, upload, share, disseminate, modify or access information using its services*".<sup>544</sup> This implies social media platforms like Facebook, Instagram, etc. will come under this wide ambit of definition as these channels provide a platform to enable interaction between viewers and creators through memes and also allows them to disseminate the contents to a wide public. In recent days these intermediaries have become a prominent platform to facilitate infringement of copyrights. These are the places where memes containing infringing content are uploaded, watched, and shared. However, In order to maintain the availability of the copyrighted work in the general interest of society, liabilities of intermediaries have not been fixed yet and are open to circumstances of a case. Inadequacy of intermediaries to regulate all the contents uploaded on their platform is also one of the factors that contributed to its ambiguities. Therefore, liabilities of intermediaries require legal dissections in light of commercial memes infringing copyrights.

### **1. TUSSLE BETWEEN COPYRIGHT ACT AND INFORMATION TECHNOLOGY ACT**

As per the Indian copyright act 1957, section 51 defines copyright infringement. The provision elucidates "*when any person, without a license granted by the owner of the copyright or the Registrar of Copyrights under this Act or in contravention of the conditions of a license so granted or of any condition imposed by a competent authority under this Act permits for profit any place to be used for the communication of the work to the public where such communication constitutes an infringement of the copyright in the work unless he was not aware and had no reasonable ground for believing that such communication to the public would be an infringement of copyright;*".<sup>545</sup> Upon analysing the definition, any place which has been used for the communication of infringing work to earn profit will also be liable for copyright infringement. Therefore, intermediaries like Facebook, Instagram that provide a virtual place for the communication of infringing memes to earn profit can also be made liable for copyright infringement. However, knowledge of such infringement to intermediaries is an essential factor of such liabilities. If an intermediary has prior knowledge of such infringing

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<sup>544</sup> The Social Media Furore - Media, Telecoms, IT, Entertainment - India, , <https://www.mondaq.com/india/social-media/1075986/the-social-media-furore> (last visited Aug 30, 2021).

<sup>545</sup> Copyright Act 1957, Sec 51.

content or had reasonable grounds of believing such content to be infringing, in such case only the intermediary will be liable for copyright infringement otherwise it is not. Just like the copyright act, there are certain other acts as well where knowledge is considered as an essential factor to make intermediaries liable for any illegal act. However, the court had been inconsistent in adopting the criteria of knowledge as a factor to determine the liabilities of intermediaries. When an MMS film of two students in sexual postures was posted on the website, the CEO of baazee.com (now eBay. in) had to face the brunt of it. The CEO was imprisoned as a result of this, despite the fact that he had no knowledge of such content being posted on the website.<sup>546</sup> This created a very hostile market situation for the intermediaries since it made them responsible even when they don't have any knowledge and forced them to check each and every content that is uploaded on their platform. This kind of incidents opened the doors of safe harbour protection.

Section 79 of the IT Act creates a relevant safe harbour for the intermediaries.<sup>547</sup> As per this section, intermediaries shall not be liable for any third party information, data, or communication link made available or hosted by him that is in contradiction to the provisions of the IT Act. This is on somewhat similar lines to the safe harbour provisions of Section 512 of Digital Millennium Copyright Act as followed by the US.<sup>548</sup> But, such safe harbour has its own chinks in the armour Section 81, states that "*provisions of IT override all other acts except the rights under Copyright Act, 1957 and Patent Act, 1970.*"<sup>549</sup> Hence, such safe harbour protection will not be provided to the intermediaries in cases of infringement of copyright or patent act. This makes the provision of safe harbour quite de facto instead of de jure for Indian intermediaries.<sup>550</sup>

The second point of contention is the magnitude and scope of knowledge required under sections 79 and 81. While copyright law imposes a secondary liability for copyright infringement under section 51(a) (ii) and section 63, the IT act discusses actual knowledge. The phrase "knowingly infringes or aids in the infringement of" is used in section 63.<sup>551</sup> At the

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<sup>546</sup> Bajaj: EBay's India CEO Wins Bail In Obscenity Case, Forbes , <https://www.forbes.com/2004/12/21/1221autofacescan01.html> (last visited Aug 30, 2021).

<sup>547</sup> Information Technology Act 2000, Sec 79.

<sup>548</sup> Copyright Act of India 1957, Sec 51.

<sup>549</sup> Information Technology Act 2000, Sec 81.

<sup>550</sup> Vishal Vatsalya & Aditya Sharma, *Into the crosshairs - the liability of online intermediaries in case of copyright infringement*, 6 Nirma Univ. Law J. (2018), <https://nulj.in/index.php/nulj/article/view/88> (last visited Aug 30, 2021).

<sup>551</sup> Copyright Act 1957, Sec 63.

same time, the phrase "actual knowledge" is used in section 79 (3) of the IT Act. By demonstrating that the intermediary had "reasonable grounds for believing" or was "having knowledge"<sup>552</sup> under the Copyright Act, the exception to section 79 (1) would be established. since the section 79(3) i.e. exception to section 79(1) has been proved, the question of whether section 81 can prevail over section 79 is irrelevant, that is to say, whether the Copyright Act's rights would be rendered ineffective in the instance of an intermediary, as the safe harbour exception would not be available to the intermediary in any scenario, in view of section 79(3).

To put it another way, both sections establish a different level of knowledge to hold an intermediary accountable. Section 81 of the IT act entails exceptions in the safe harbour for intermediaries. On one hand, the Copyright act provides for a relatively lower quantum of knowledge with the phrase "knowingly infringes or abets the infringement of". On the other hand, the IT act requires a much higher standard of knowledge as specified in the definition of "actual knowledge" to ascertain liability under section 79 (3). This clash of legislation makes it difficult to decide which standard to apply when establishing the level of knowledge of intermediaries.

Section 3 of the legislation also specifies that, upon receiving knowledge or information of infringement, intermediaries have to expeditiously remove any such content from their platform. This section bestows judicial function to intermediaries to decide about the validity of content upon the criteria of copyright. Nevertheless, there are certain instances happened where even valid content is removed from the platform due to the inadequacy of intermediaries. Intermediaries are non-judicial bodies therefore do not have enough competency to decide which content comes under copyright infringement and which content comes under fair use or fair dealing. Consequently, they also remove contents that are protected under section 52 of the copyright act 1967.

## **2. DOES PROTECTION OF SAFE HARBOUR REQUIRE RECONSIDERATION IN LIGHT OF LIABILITIES OF INTERMEDIARY?**

From the above legal propositions, it is clear that intermediaries that provide virtual space to the memes are exempted from the liability of copyright infringement under the concept of safe harbour. However, there are certain arguments that advocate intermediaries facilitating copyright infringement are not entitled to use the concept of the safe harbour as a shield.

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<sup>552</sup> Information Technology Act 2000, Sec 79(3).

The first argument is these intermediaries are not functioning only as a channel of dissemination and have control over the contents uploaded on their platform. The argument is based on the intermediary's abilities to categorize the content, providing advertisements to content, and monitoring the contents.<sup>553</sup> It is also argued that intermediaries are not completely unaware of the knowledge of an infringement, they have reasonable grounds to believe that some of the content uploaded on their platform might be infringing of copyright. The third major argument is intermediaries are making monetary gains from infringing content through advertisements and the amount of data that people expend watching those infringing contents. The fourth issue is regarding the provision of Due Diligence as per sub-section 2(c) of Section 79 of the IT Act 2000. The section states, “*the provisions of sub-section (1) shall apply if the intermediary observes due diligence while discharging his duties under this Act.*”<sup>554</sup> However, what could amount to due diligence under this section is not completely defined. It is argued that most of the time, infringer’s claim that they have taken due diligence but such due diligence is not enough to stop infringement.<sup>555</sup>

The Delhi High Court in the case of *Myspace Inc. vs. Super Cassettes Industries Ltd.* has attempted to answer all the major arguments. It was the case where the defendant’s website stream contents that are infringing to the plaintiff’s content. The court in this case analysed the liability of intermediaries for copyright infringement and observed certain points that are:

- “*When the insertion of advertisements and modifications to any content is carried out by Myspace through automated systems, it cannot be said that Myspace had knowledge of infringement. It is not enough that there is suspicion of knowledge of infringement but should be actual knowledge*
- *The infringing content should be removed within 36 hours of receiving the said notice by intermediaries*
- *It cannot be said that Myspace had knowledge of the infringement as it is technically not feasible to identify streaming content that infringes.*
- *Section 79 of The Information Technology Act read along with the Information Technology (Intermediary Guidelines) Rules, 2011, provided an affirmative defence to*

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<sup>553</sup> Aditi Verma Thakur & Anju Srinivasan, *safe harbour immunity for internet intermediaries and ip violations: where we stand today and the way forward?* 13.

<sup>554</sup> Information Technology Act 2000, Sec 79(2)(c).

<sup>555</sup> *Id.*

*the intermediary if the associated conditions of due diligence under Section 79 are followed*

- *Section 79, Section 81 of the Information Technology Act has to be read harmoniously with Section 51 (a) (ii) of Copyright Act, 1957.”*<sup>556</sup>

Further the court observed, “Sections 79 and 81 of the IT Act and Section 51(a)(ii) of the Copyright Act have to be read harmoniously and it was held that Section 81 does not preclude the affirmative defence of safe harbour for an intermediary in case of copyright infringement actions. In the case of internet intermediaries Section 51(a)(ii) of the Copyright Act contemplates actual knowledge and not general awareness. Additionally, to impose liability on an intermediary, conditions under Section 79 of the IT Act have to be fulfilled”.<sup>557</sup> Similarly in the recent case of **Kent RO Systems Ltd. vs. Amit Kotak & eBay India Pvt. Ltd.**, the Delhi High Court reiterated “*the position that the intermediary is not required to make a self-determination of infringing products sold on its website but is required to take down the same only after receipt of a complaint.*” The Court further observed that “*an intermediary will not be possessed with prowess to detect each case of infringement unless their attention is drawn to a particular instance.*”<sup>558</sup>

### 3. TIME TO SAIL BEYOND THE ‘SAFE HARBOUR’?

From the above legal propositions, it is clear that there are certain criteria that are required to be fulfilled by intermediaries to take the defence of the safe harbour. The criteria are:

- The function of the intermediary is limited only to providing access to communication and must not actively control the contents.
- The intermediary should observe basic due diligence while discharging his duties.
- The intermediary must not abet, induce or aid any such infringement.
- The intermediary must remove the infringing content upon receiving information.

Nevertheless, in actual practices, most of these criteria are not being followed. Let’s examine the copyright policies of the three major intermediaries i.e. Instagram, Facebook, and telegram where copyright infringement through memes takes place majorly.

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<sup>556</sup> Myspace Inc.vs. Super Cassettes Industries ltd., 2011 SCC OnLine Del 3131.

<sup>557</sup> *Id.*

<sup>558</sup> Kent RO Systems Ltd. vs. Amit Kotak & eBay India Pvt. Ltd, 2017 (69) PTC 551 (Del).



Upon analysing the copyright policies of Instagram and Facebook, they provide a form to fill out for taking action against infringing content. However, they don't provide the time duration to remove the infringing content from the platform upon receiving knowledge which is contrary to the criteria of taking down the content within 36 hours from the receipt of knowledge, promulgated in My Space Case.<sup>559</sup> Similarly, the copyright policy of Instagram only allowed copyright owner or their authorized representative to file a takedown notice. However, if we analyse the definition of S.79 (3) (b) of the I.T Act, it contains “*upon receiving actual knowledge*” without specifying the source of knowledge which indicates knowledge can come from any source i.e. any person. Otherwise, legislators would have directly mentioned the term upon receiving actual knowledge from the copyright owner or his authorized agent. Apart from this, these intermediaries also provide their validation *Blue Tick* mark to some of the infringing commercial meme channels. This validation mark enhances the credibility of meme channels and helps them to gain more followers, which may amount to aiding the meme channels. Similarly, these intermediaries also facilitate the option to share the content and therefore play an important role in inducing copyright infringement.

The telegram that provides a platform to anonymously upload contents, does not even have the specific copyright policies with respect to the Indian copyright act and examines the contents upon the DMCA act only. Most of the time, It also fails to discharge basic due diligence and does not remove infringing contents even after getting specific knowledge.<sup>560</sup> Along with this just like Instagram and Facebook, it is also not following the takedown criteria promulgated in the Myspace case.

From the above analysis, it is clear that the copyright policies of these intermediaries have raised numerous concerns worldwide, which are contentious and multifaceted. These intermediaries become very diverse in terms of business models, operations, services, capacity, and income. Not only do they allow their users to post and view content and search for information on platforms, but they also retain huge amounts of data and monitor the behaviour of their users. The perplexities are exacerbated further by the fact that they even make a profit from the illegal content. Some networks go even further and encourage users to violate

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<sup>559</sup> My Space, *Supra* note 39.

<sup>560</sup> Instagram and Copyright — What Are the Terms of Use?, Copyrightlaws.com: Copyright courses and education in plain English (2021), <https://www.copyrightlaws.com/instagram-and-copyright/> (last visited Aug 30, 2021).

copyrights, while others publish infringing content directly.<sup>561</sup> Because of these practices, It becomes evident that a "one-size-fits-all" strait-jacket solution is not possible for intermediary's liability. To deal with the issue of liability, several jurisdictions have developed different methods. While Indian law has attempted to accommodate all these differences, the position of liabilities of intermediaries continues to be riddled with ambiguities and inconsistencies.

In so far now, intermediaries under the Indian legal system are penalized only with the Injunction for copyright infringement. No question has been asked for the commercial gains that these intermediaries are making from user-generated content like copyright infringement.<sup>562</sup> Big giants like Facebook and Instagram are earning in crores by monetizing the infringing content. So, here the question arises if these intermediaries are making gains from infringing content, should not they be made liable to pay compensation in the event of infringement?

Similarly, if these intermediaries can filter, monitor, and categorize content like they do to regulate pornographic and obscene content, it's also possible for them to do basic due diligence for copyright infringement before allowing any users to upload content on their platform. What they can do is they can make the provision of a freezing period of two days to examine the content before uploading it on their platform. A software requiring people to check the content through their application having artificial intelligence of distinguishing infringing content from the work of fair dealing would also work.

In the other countries as well demands of an active role of intermediaries to cater to infringing content have arisen. The European Parliament has passed a bill requiring internet platforms to install an "upload filter" and holding huge commercial entities like Facebook accountable for copyright infringement by their users.<sup>563</sup> In a similar development, the Austrian Commercial Court has ruled YouTube accountable for substantial copyright infringement. It refused to

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<sup>561</sup> Sowmya Ramasubramanian, *Instagram, Facebook, and LinkedIn share over 50% user data with third party firms, study says*, The Hindu, March 24, 2021, <https://www.thehindu.com/sci-tech/technology/internet/instagram-facebook-and-linkedin-share-over-50-user-data/article34149150.ece> (last visited Aug 30, 2021).

<sup>562</sup> Graham JH Smith & Bird & Bird, *Internet Law and Regulation 2* (2002).

<sup>563</sup> Christopher M. Swartout, *Toward a Regulatory Model of Internet Intermediary Liability*, 31 Nw. J. Int'l L. & Bus. 499 (2011).

provide immunity to the platform, citing the company's ability to monitor, filter, and categorize the content.<sup>564</sup>

## VII. CONCLUSION

Hence in light of the above discussion, it is high time for the government to come up with necessary guidelines to demarcate a line between commercial and non-commercial memes to regulate copyright infringing activity through memes over social media platforms. Intermediaries have to be made responsible to check or verify the content uploaded by members before making it available to the general public. Since a lot of hard work is needed to shoot a picture or make graffiti but it takes a few minutes for someone to make a meme and portray it as their original piece of work. Little due diligence by these intermediaries can prevent lakhs of such copyright infringement. The legislators have to completely overhaul the position of liability of intermediaries in India. The intermediaries played an important role in the internet revolution, and are becoming diverse in their services, business models, and operations extensively. As a result, no straight jacket formula for determining the liability of these intermediaries would work. In the past as well, Indian law has attempted to account for these challenges by establishing certain conditions that must be met. For example, ISPs fall under 79(2) (a), while search engines are under 79(2)(b). However, these efforts are proved to be insufficient in catering all the challenges.

As a result, in line with the trend in the EU and the other countries, the framework of liability of intermediaries in India also requires several reforms. In addition to clarifying the above discussed ambiguities, India also needs to divide intermediaries into several groups and assign various obligations to each. The liabilities of intermediaries must be based on a variety of factors, including editorial control, business operations, and money earned from infringing content. Infringing User-generated content brings in a lot of money for big businesses, either directly or indirectly. They must be made to invest greater resources to preventing infringement and safeguarding the interest of small artists from exploitation, regardless of actual knowledge. While this proposal may result in fewer ambiguities in the law, greater clarity, and speedier dispute resolution. However, a comprehensive model are needs to be developed as well that

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<sup>564</sup> Jane C. Ginsburg, *User-Generated Content Sites and Section 512 of the US Copyright Act*, in Copyright Enforcement and the Internet 183, 183 [Irina A. Stamatoudi (Ed.), (2010).

would ensure greater responsibilities on part of intermediaries does not result in curtailment of freedom of speech and expression.

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## **COPYRIGHT PROTECTION OF INDIGENOUS CULTURAL EXPRESSIONS OF MUSIC IN INDIA: NEED FOR AN ACCESS AND BENEFIT SHARING SYSTEM**

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### *Abstract*

*The expansion of the domain of intellectual property has given rise to many different classifications, one of which constitutes traditional knowledge and cultural expressions. A separate subset designed to accommodate the skills and findings of indigenous communities of a region, it includes a plethora of artistic works passed on from the founding generation to the next. Such indigenous knowledge, however, is severely mismanaged and is subject to various kinds of infringement and intellectual trespassing. With advancements in music, dance, medicine, etc., various instances of misappropriation of traditional knowledge have been reported. Thus, a need to enforce a robust and accommodative veil of protection for these indigenous inventions becomes a necessity in order to strengthen the realm of intellectual property in its entirety. Such protection will also need to ensure the sustained innovation of such cultural expressions by ensuring the safety of ownership and accruing benefits thereof to the rightful indigenous creators. The Indian legal framework is in special and swift need of such a system as it is currently in an unappreciated war with biopiracy. A few controversies around the unauthorized acquisition of patents over TK such as turmeric, basmati rice, neem, etc. can be cited to highlight the impact of the absence of such a protective system.*

*The authors have therefore formulated the creation of a separate body established to administer all problems concerning indigenous expressions, which shall be titled the Board for Indigenous*

*Cultural Expressions (BICE). The proposal for the setup of BICE is targeted towards the primary function of monitoring the warranted use of cultural musical expressions and the redressal of any infringement in favour of the aggrieved community. The framework has been devised in a manner that accounts for the social, cultural and economic interests of its*

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*benefactors. The principal mode of redressal is potentially designed at the obtaining and allocation of royalties in favour of the indigenous community, thereby ensuring the accomplishment of its primary purpose.*

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## I. INTRODUCTION

In recent years, two broad categories of indigenous knowledge have evolved: traditional knowledge and traditional cultural expressions. Traditional knowledge (TK) includes knowledge, innovation, and skills of the indigenous and local communities, which are associated with the patent law system. Traditional cultural expressions, on the other hand, include the artistic works, music, and performances that have been produced collectively and handed down from one generation to another. Due to rapid globalization and increasing demand for commercialization of traditional knowledge, the expressions of culture, sustainable management of natural resources, land-use practices, and medicinal properties of local species of the indigenous society is being infringed upon.<sup>565</sup> There have been serious concerns about the misappropriation of such traditional cultural expressions and calls for their preservation as well as the protection of the rights of such people. The principal argument revolves around recognizing the property rights over such indigenous knowledge by creating a regulatory framework based on the notion of collective property rights. The protection of such TK can be realized in two ways. Firstly, by adopting a defensive protection theory to restrict outsiders from acquiring rights over the TK of a particular community.<sup>566</sup> Secondly, positive protection theory which allows the TK holders to exercise their rights to promote and benefit from such commercial exploitation.<sup>567</sup>

An efficient system of intellectual property for the protection of TK is crucial to promote innovation of such knowledge. Although the Constitution of India, under Articles 48A and 51A(g), imposes a mandatory obligation on the States and a duty on the citizens respectively, to promote and enrich the natural environment and safeguard forests and wildlife, this does not directly address the issue of protection of TK. It also recognizes the fundamental right of the citizens of India to conserve their language, script, and culture.<sup>568</sup> One of the primary issues of such indigenous knowledge is its vulnerability to biopiracy. India has faced many struggles in trying to protect her traditional knowledge. There have been serious controversies around the unauthorized acquisition of patents over TK such as turmeric, basmati rice, neem, etc. Such TK has translated itself to prove beneficial to mankind through various commercial uses with

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<sup>565</sup> Charles Lawson, *WIPO, Genetic Resources and TK: The Evolution of a Formal Intellectual Property Agreement Protecting TK Associated with Genetic Resources*, in GENETIC RESOURCES AND TRADITIONAL KNOWLEDGE, 31, 48 (Tania Bubela & E. Richard Gold et al. eds., 2012).

<sup>566</sup> WIPO Media Center, *Background Brief on Traditional Knowledge and Intellectual Property*, [https://www.wipo.int/pressroom/en/briefs/tk\\_ip.html](https://www.wipo.int/pressroom/en/briefs/tk_ip.html) (last visited Feb 28, 2020).

<sup>567</sup> *Id.*

<sup>568</sup> INDIA CONST. art 29, cl.1.

an insignificant amount of investment in time, money, and research. If such knowledge is overprotected, it will hinder future innovation and discoveries as indigenous people do not have the means to conduct such research. But, if it is unprotected, it would lead to overexploitation and deprive the holders of such knowledge from receiving their due share of compensation. Hence, it is indispensable that the intellectual property rights of these native people must be protected, and just compensation should be guaranteed to curb the mining of the riches of such indigenous knowledge.

## II. THE GENESIS OF A TRADITIONAL EXPRESSION

The terminology ‘traditional expression’ has been coined to denote the work of any collection of individuals hailing from a particular community differentiable either on grounds of ethnicity, language, etc. However, it is imperative to understand the process through which a traditional cultural expression originates. Can the simple reason that the creator of a work belongs to an indigenous community suffice to classify an artistic work as traditional knowledge? Unfortunately, a conclusion cannot be drawn on such simple grounds. Various factors such as the period of time, the contribution by the community and the unique nature of the work play a key role in deciding as to the qualification of a work as traditional cultural expression. In order to attain a better interpretation of the subject, one can view traditional expressions as a matter of ‘commons’, similar to that of the tales told by a wandering storyteller<sup>569</sup>. It must subsist in the form of a work originating from a community for the use of a community itself. The absence of individuality provides a distinction between a normal artistic work and a cultural expression. The existence of such a condition must not lead to the notion that tradition as such is the property of all<sup>570</sup>. While they contribute to the heritage of a state of nation, no party can step forward and claim free use of that work if it can be identified that a certain community has invested work and resources into its creation or if such work stems from the efforts of their predecessors. In the seminal discussions of Roman Jakobson and Petr Bogatyrev<sup>571</sup>, the aspect of balance of creator and communal rights has been discussed wherein they state that while an individual might create the folkloric work, it exists only insofar as a particular accepted it and made it its own<sup>572</sup>. Unlike a written work, neither an individual nor a

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<sup>569</sup> Diarmuid Ó Giolláin, *Who Owns Folklore? From Collective Creation to Collective Ownership*, 79 *Béalóideas* 44, 45 (2011).

<sup>570</sup> Giolláin, *Supra* at 46.

<sup>571</sup> Jakobson, R. and Bogatyrev, P., *Le Folklore: Forme Spécifique De Création*, Questions de poétique, Paris (1973).

<sup>572</sup> *Id.*



community would be capable of creating a folklore in isolation<sup>573</sup>. The next factor to be taken into consideration would be the period of time taken for it to be considered an ‘expression of tradition’. An indigenous cultural expression cannot stem within a night. Rather, it must be attributable to the conscious effort of one or more generations of a community as a means of establishing its existence as a timeless piece. A traditional expression must obtain a distinct character of identification, prevalent to such a level wherein it is commonly identifiable by a layman as to its origin or style dwelling from a particular community’s work. Such a mark of identification can only be obtained through a reasonable passage of time and the existence of that work during said efflux. The final ingredient required to denote a work as a traditional expression would be the unique element or flavour provided by the community to highlight a distinction in their work, thereby separating it from other similar music forms. Instances of many existing works and its highlights can be taken to elucidate upon the matter. Beats originating from indigenous groups of Tamil Nadu make use of a severely bass-oriented beat in their musical works, thereby attributing a uniqueness to the sounds apart from the type of instrumentation employed. Similarly, Kerala folk music makes use of a tempered mid-treble sound in its beats to mark its point of distinction. Punjabi music relies on its line-up of instruments to produce a distinct style of music altogether by way of producing elements through the Dhol, Ektara and the Dilruba. Examples of International traditional expressions include the African vocal choir and the unique instruments used by the African tribes such as the Djembe and the Kalimba. The sound production must either be so distinct or unique that one can easily attribute the style to a certain indigenous community through means of audial perception alone.

### **III. CURRENT INTERNATIONAL FRAMEWORK ON THE PROTECTION OF RIGHTS OF THE INDIGENOUS COMMUNITY**

The primary purpose of any law is to direct its efforts to satisfy the existing needs of TK holders, which includes the promotion and preservation of TK, as well as the sustained development and usage of TK systems. Assuming the existence of an entitlement to TK by a given group, that entitlement may be protected through any of the following four mechanisms.<sup>574</sup> Firstly, a property regime which makes it mandatory to obtain consent for the use of TK. Secondly, a liability regime requiring no form of permission or sanction but

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<sup>573</sup> Diarmuid Ó Giolláin, *Who Owns Folklore? From Collective Creation to Collective Ownership*, 79 *Béaloides* 44, 47 (2011).

<sup>574</sup> Guido Calabresi & A. Douglas Melamed, *Property Rules, Liability Rules and Inalienability: One view of the Cathedral*, 85 *Harv. L. Rev.* 1089, 1090 (1972).

inclusive of compensation payable to the indigenous right holders. Thirdly, an inalienability regime barring the ‘transferable’ component of TK. Fourthly, a combination of any of the above systems. The protection of the rights of indigenous communities in some international instruments is as follows:

- a) Article 27 of the Universal Declaration of Human Rights;<sup>575</sup>
- b) Article 27 of the International Covenant on Civil and Political Rights;<sup>576</sup>
- c) Article 15(1)(c) of the International Covenant on Economic, Social and Civil Rights;<sup>577</sup>
- d) Article 8(j) of the Convention on Biological Diversity;<sup>578</sup>
- e) Articles 13, 15 and 23 of the International Labour Organization Convention (No 169) concerning Indigenous and Tribal Peoples in Independent Countries;<sup>579</sup>
- f) Berne Convention for the Protection of Literary and Artistic Works;<sup>580</sup>
- g) Agreement on Trade-Related Aspects of Intellectual Property Rights;<sup>581</sup>
- h) Principle 22 of the Rio Declaration on Environment and Development;<sup>582</sup> and
- i) Articles 11 and 31 of the Declaration on the Rights of Indigenous Peoples.<sup>583</sup>

Demands for the protection of folklore was first made at WIPO and UNESCO in the 1960s.<sup>584</sup> The failure of the Berne Convention in ensuring adequate protection to traditional cultural expressions led to the commencement of several discussions by the WIPO Governing Bodies in 1978, thereby convening the meetings of the Committee of Governmental Experts. In the mid-1990s, there was a renewed interest in the international protection of folklore. This led to the adoption of the Model Provisions for National Laws<sup>585</sup> to protect and maintain expressions of folklore against unauthorized exploitation. The Plan of Action Committee of the World Forum on Protection of Folklore<sup>586</sup> suggested the drafting of an agreement on the *sui generis*

<sup>575</sup> G.A Res. 217 (III) A, Universal Declaration of Human Rights, art 27(2), (Dec.10, 1948).

<sup>576</sup> International Covenant on Civil and Political Rights, art. 27, 999 U.N.T.S 171,

<sup>577</sup> International Covenant on Economic, Social and Civil Rights, art. 15(1) (c), 993 U.N.T.S 3, (1996).

<sup>578</sup> Convention on Biological Diversity, art. 8(j), 1760 U.N.T.S 69 (1992)...

<sup>579</sup> International Labour Organization Convention (No 169) concerning Indigenous and Tribal Peoples in Independent Countries, 1650 U.N.T.S 383, (1989).

<sup>580</sup> Berne Convention for the Protection of Literary and Artistic Works, 828 U.N.T.S 221, (1886).

<sup>581</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights, 1869 U.N.T.S 299, (1994).

<sup>582</sup> Rio Declaration on Environment and Development, UN Doc. A/CONF.151/26 (vol. I), 31 ILM 874, (1992).

<sup>583</sup> United Nations Declaration on the Rights of Indigenous Peoples, A/RES/61/295, (2007).

<sup>584</sup> Ahmed Abdel-Latif, *Revisiting the Creation of the IGC: the limits of constructive ambiguity?* In PROTECTING TRADITIONAL KNOWLEDGE: THE WIPO INTERGOVERNMENTAL COMMITTEE ON INTELLECTUAL PROPERTY AND GENETIC RESOURCES, TRADITIONAL KNOWLEDGE AND FOLKLORE, 10, 11 (Daniel F. Robinson, Ahmed Abdel-Latif and Pedro Roffe et al. eds., 2017).

<sup>585</sup> MODEL PROVISIONS FOR NATIONAL LAWS ON THE PROTECTION OF EXPRESSIONS OF FOLKLORE AGAINST ILLICIT EXPLOITATION AND OTHER PREJUDICIAL ACTIONS (WIPO 1983).

<sup>586</sup> WORLD FORUM ON THE PROTECTION OF FOLKLORE, Apr. 1997, UNESCO-WIPO/FOLK/PKT/97.

protection of folklore as the current copyright regime was not adequate to ensure such protection.

The growing concerns of ‘biopiracy’ led to the increased international interests in the relationship between intellectual property, traditional knowledge and genetic resources which acquired the form of the Convention of Biological Diversity.<sup>587</sup> Pursuant to these recommendations, the WIPO General Assembly established the Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (IGC) in 2000. The Fact Finding Mission (FFM)<sup>588</sup> cemented the bleak hopes of the indigenous community that their concerns about the rapacious exploitation of their knowledge and natural resources would be controlled through the IGC process and their rights recognized and traditional knowledge protected. However, even after the passage of 19 years, there has not been any substantial fulfilment of the aims of these indigenous communities. It was much later in 2007, that the UN General Assembly passed the Declaration on the Rights of Indigenous Peoples. The States under this Declaration “*shall consult and cooperate in good faith... to obtain their free, prior and informed consent before adopting and implementing legislative or administrative measures that may affect them*”<sup>589</sup> Article 31 grants the right to ‘maintain, control, protect and develop their intellectual property’<sup>590</sup> over traditional knowledge and traditional cultural expressions to the indigenous people.

The WIPO-UNESCO Model Provisions for National Laws on the Protection of Expressions of Folklore Against Illicit Exploitation and other Prejudicial Actions, 1982 (Model Provisions) were incorporated to prevent ‘illicit exploitation’ which can be detrimental to the interests linked with the use of expressions of folklore. They recognize mainly, four forms of expressions of folklore, i.e., verbal, musical, tangible expressions and expressions by actions.<sup>591</sup> Section 10 provides for the setting up of a competent authority to grant authorizations for certain kinds of utilizations of expressions of folklore, to receive applications for authorization of such utilizations, to decide on such applications and, where authorization is granted, to fix and collect a fee—if required by law.<sup>592</sup> It makes it mandatory to comply with

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<sup>587</sup> LAWSON, *supra* note 1, at 40.

<sup>588</sup>WIPO FACT FINDING MISSIONS ON TRADITIONAL KNOWLEDGE, INNOVATIONS AND PRACTICES OF INDIGENOUS AND LOCAL COMMUNITIES: PROGRESS REPORT, May 3, 1999.

<sup>589</sup> United Nations Declaration on the Rights of Indigenous Peoples, *supra* note 14, art.19, at 6.

<sup>590</sup> *Id.* at 9.

<sup>591</sup> *Supra* note 21, § 2.

<sup>592</sup> *Supra* note 21, § 10.

the requirement of acknowledgement of the source in printed publications and treats any unwarranted utilization of an expression of folklore where authorization is required, as an offence. These provisions brought in place a *sui generis* type of law in order to protect the indigenous community against illicit exploitation.

#### IV. CURRENT FRAMEWORK ON ACCESS AND BENEFIT SHARING

The global framework for access and benefit sharing (ABS) is set up by the Convention on Biological Diversity (CBD) and the Nagoya Protocol. The CBD was one of the multilateral treaties signed at the Rio Earth Summit in 1992 which aims at conservation of bio-diversity as well as the fair and equitable sharing of the benefits resulting from the utilization of genetic resources.<sup>593</sup> Such a system of ABS rests on the principle of prior informed consent (PIC) which is granted by a provider to the user and deliberations between the parties to develop mutually agreed terms (MAT). Article 8(j) states that “*Each Contracting Party shall...Subject to its national legislation, respect, preserve and maintain knowledge, innovations and practices of indigenous and local communities.... and promote their wider application with the approval and involvement of the holders of such knowledge, innovations and practices and encourage the equitable sharing of the benefits arising therefrom.*”<sup>594</sup> Article 15 deals with access to genetic resources, while Article 16 recognizes the impact of intellectual property on access and benefit sharing.

The Nagoya Protocol, adopted under the CBD lays down the mechanism for access to genetic resources and associated TK, thereby encouraging the fair and equitable sharing of benefits. It institutes the setting up of the compliance mechanism for the ABS System by allowing the access to genetic resources based on the PIC and MAT of the country of origin or the indigenous local communities. It also provides for the setting up of a national competent authority to register ABS agreements, grant permits for access and also to investigate claims where ABS regulations have not been followed. India ratified the CBD in the year 1994 and further went on to enact the Biological Diversity Act (BDA) in order to take cognizance of the provisions of the CBD. The ABS mechanism under the BDA is implemented through the

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<sup>593</sup>THE CONVENTION ON BIOLOGICAL DIVERSITY AND NAGOYA PROTOCOL: INTELLECTUAL PROPERTY IMPLICATIONS, UNCTAD/DIAE/PCB/2014/3, (2014).

<sup>594</sup> *Supra* note 14, at 8.

National Biodiversity Authority, who shall regulate activities of commercial utilization, research, bio-survey and bio-utilization of biological resources in India.<sup>595</sup>

In pursuance of the provisions of the Nagoya Protocol, the Ministry of Environment, Forest and Climate Change notified the ‘Guidelines on Access to Biological Resources and Associated Knowledge and Benefit Sharing Regulations’ (“ABS Regulations”) in 2014. They were issued in order to curb the drawbacks of the ABS system under the BDA and to protect Indian genetic resources from exploitation. It lays down the process for access to biological resources and the mode of benefit sharing in cases of commercial utilization, research or bio-survey. It also permits the granting of intellectual property rights for inventions which are based on such biological resources.

## V. THE BASIS OF PROTECTION AND INFRINGEMENT OF MUSICAL WORKS

The dominion of music and its commensurate copyright mechanism has posed various challenges to the legal machinery with regard to adjudicating upon cases of potential infringement. The theoretical foundation of music, coupled with its audial perception and rhythmic progression provides for a complex bundle of sounds that make it difficult to ascertain as to whether a certain part of a tune has been inspired or blatantly ripped from another protected source. While the twelve notes of a musical scale can be arranged in potentially infinite ways, only some of them may sound pleasant enough to pass off as a work of art<sup>596</sup>. Moreover, the efflux of time has led to the exhaustion of a major segment of creativity and originality in the field of music. A large number of upcoming works can have their roots traced back to certain classical pieces<sup>597</sup>. Judge Irving Goldberg also held that the mere placement of two works side-by-side would not suffice to test for infringement if they can be traced back to a work of Bach<sup>598</sup>. The tools of originality in musical composition comprises of three elements – rhythm, melody and harmony<sup>599</sup>. It is essential for a musical work to be unique or originally expressed in all these forms to constitute an original work. It is however, not the sole grounds for adding flavours of uniqueness and variance. Musicians can also choose to diversify or increase the range of instrumentation used in their works to bring about originality in their

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<sup>595</sup>ABS Mechanism under the Biological Diversity Act, 2002: Guidance Manual, <http://nbaindia.org/unep-gef/pub1/Guidance.pdf> (last visited Feb 28, 2020).

<sup>596</sup> 2 Paul Goldstein, *Goldstein on Copyright* 10:41 (3rd ed. 2008).

<sup>597</sup> Jose Bellido, *Popular Music and Copyright Law in the Sixties*, 40 *Journal of Law and Society* 570, 573 (2013).

<sup>598</sup> *Ferguson v. National Broad Co.*, 584 F.2d 111, 114 (1978).

<sup>599</sup> Goldstein, *Supra*.

tune<sup>600</sup>. The protection granted under copyright law for works of music may not be accurate or true at all times, as it would be impossible for any authority to scourge through a vast repository of musical works to ensure originality of expression. Barring classical works, other works are subject to absolute constraints in order to ensure that two musical pieces do not share any form of major similarity with one another. It is vital for both composers and the copyright society to impose upon themselves a duty of care and responsibility to ensure that the work in question is true in its form and has not been substantially ripped off of another source. While certain relaxations can be provided through means of sampling and use of royalty-free sounds, the scope for error is still highly minimal due to the limited vocabulary provided by the element of music<sup>601</sup>.

In order to constitute an act of ‘copying’, there must be substantial proof of striking similarities between two works coupled with the access by one party to the work of another. The existence of these two criteria is imperative in order to adjudge the situation and frame solutions for it. However, a suit for infringement cannot be brought before the court where the claim lies with one work being a common or unprotected source. While the composer would still be considered to have ‘copied’ the track, it will be warranted by the legal provisions of that open source. The most prominent precedent for the deduction of an act of copying is the case of *Selle v. Gibb*<sup>602</sup>, where the court held the act to be an infringement on the grounds that the two songs had “such striking similarities that they could not have been written independent of one another”<sup>603</sup>. The use of an expert testimony was also present in this case, although it attracted criticism as only one expert testimony was produced wherein two or more could be obtained to strengthen the observations of the court. Modern precedents commonly make use of expert testimonies to decide on the matter of copying, but its admissibility has a divided view. While a court can accommodate for it, various instances of appellate courts have held that a lower court would not be in error only because it has refused to adopt such measures to adjudge the situation<sup>604</sup>.

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<sup>600</sup> 2 Paul Goldstein, *Goldstein on Copyright* 10:43 (3rd ed. 2008).

<sup>601</sup> Goldstein, *Supra* at 10:45.

<sup>602</sup> *Selle v. Gibb*, 741 F.2d 896, 223 (1984).

<sup>603</sup> *Id.*

<sup>604</sup> *Overman v. Loesser*, 205 F.2d 521, 524 (1953).

## VI. ACCESS AND BENEFIT SHARING SYSTEM IN INDIGENOUS EXPRESSIONS OF MUSIC

India is a citadel of rich and diverse cultures and religions.<sup>605</sup> Indigenous cultural expressions of music are “expressions of folklore” which consist of characteristic elements of the traditional artistic heritage developed and maintained by a community in the country or by individuals signifying the customary artistic expectations of such a community.<sup>606</sup> Folklore traditions in India consist of contributions made by the co-existence of tribal, non-tribal and even urban culture, which has evolved into a common culture. However, with modern developments in technology, there has been unauthorized reproduction and commercialization of such traditional cultural expressions without any sharing of benefits and have been exploited to the detriment of those to whom they belong. Traditional songs and music can be recorded, publicly performed and downloaded from any free music archives and stored as digital information that can then be transferred into other sound files and new compositions.<sup>607</sup>

In India, such traditional cultural expressions of music form the subject matter of copyright under the Copyright Act, 1957. It grants a special right to artists who engage in performances for a period of 25 years. Indigenous artists can be protected under this section as any sound recording or visual recording of their works requires their consent. Section 31-A makes provisions for compulsory licensing in the case of unpublished works or in cases where the author cannot be traced, by allowing the finder of any knowledge to apply for copyright. However, the system of protection would change majorly with regard to traditional cultural expression as it does not co-exist with any existing conventional Intellectual Property right. On the outset, one may argue that some of the characteristics of indigenous knowledge are incompatible with the basic requirements of copyright protection<sup>608</sup>. To counter this line of argument, it is first necessary to break down the veil of traditional knowledge itself and look into the true nature of the work in question. While the work may be a rendition of the efforts of various members of a community based on the knowledge and experience of their collectiveness, the ultimate nature of the work formed would still be an artistic work of sound or vision. Every cultural musical expression consists of a bunch of sounds that are unique in nature in either form, instrumentation or arrangement. Therefore, it would not be an outlandish

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<sup>605</sup> Natalie P Stoianoff and Evana Wright, *Fair Use and Traditional Cultural Expressions in MAKING COPYRIGHT WORK FOR THE ASIAN PACIFIC: JUXTAPOSING HARMONISATION WITH FLEXIBILITY* (Susan Corbett & Jessica A Lai et al. Eds.) ANU Press. (2018).

<sup>606</sup> *Supra* note 21, § 2.

<sup>607</sup> Anurag Dwivedi & Monika Saroha, *Copyright Laws as a Means of Extending Protection to Expressions of Folklore*, 10 J. OF INTELLECTUAL PROPERTY RIGHTS, 308,310 (2005).

<sup>608</sup> Jacob L. Simet, *Copyrighting Traditional Tolai Knowledge?* ANU Press 62, 63 (2013).

theory to try and include the element of traditional cultural expression within the realm of copyright protection. However, it is also vital to cautiously ensure that the entirety of copyright regulation is not made applicable to cultural musical expressions. Certain elements of copyright protection would be detrimental to the preservation of traditional musical expressions if made applicable to it. One such element would be the limitation of duration of a copyright that is granted to a person. It is common knowledge that a copyright holder has an absolute interest over his work for only a limited period of time, passing which such resource would be made available to the public as free access<sup>609</sup>. However, the implementation of a similar system would prove to be harmful to the interests of the local community that has actively worked over a period of time to create such an instance of art. The transfer of intellectual ownership of that work from the hands of their community would effectively hinder the interests of future generations that would be rendered unable to reap the benefits of the works of their ancestors. The very aspect of copyright is concerned with the creative output of people who enrich the cultural and intellectual dimensions of life<sup>610</sup>. The primary and unspoken purpose of a copyright system is to ensure that copyrighted works are created and disseminated as widely as possible, keeping in mind the benefits and interests of all parties concerned<sup>611</sup>.

The indigenous musical expressions are undeniably the creations of human intellect and hence require adequate protection under the intellectual property system in order to meet the needs of indigenous people and traditional communities. The best approach is to set up a copyright society under Section 33 of the Copyright Act, 1957 in order to collectively administer the work of protecting the copyrights of these indigenous communities. The composition of such a copyright society shall be open to individuals who are well-informed about the traditional and cultural heritage of India, individuals having adequate knowledge about music and representatives from various indigenous local communities across India. This society will undertake the task of issuing and granting licenses pertaining to the musical works of the indigenous communities in which copyright subsists or in respect of any other right given by the Copyright Act. It is essential that the term of copyright over the musical works of such communities shall not be restricted to a fixed period of time as this would defeat the purpose of providing such protection. Such works reflect the characteristic elements of the traditional artistic heritage developed and maintained by the community as a whole and hence, it is unfair

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<sup>609</sup> Copyright Act, § 22, 23 (1957).

<sup>610</sup> Denis De Freitas, *Copyright and Music*, 114 *Journal of the Royal Musical Association* 69, 69 (1989).

<sup>611</sup> *Id.*



to grant such protections to a particular individual and impose limitations regarding the term of protection.

Broadly, the mechanism for granting protection to such indigenous and local communities can be classified into two. Firstly, when such communities have already obtained a registration of their works from the Copyright society. Secondly, when such communities have not obtained any copyright protection over their works. The first category also recognizes those communities who have published their musical work in any form, i.e., they shall obtain copyright protection over their works through de-facto publication. Any composer or singer who wishes to use the works of such a community will have to obtain a license from the copyright society. It is of utmost importance that such communities receive a fair and equitable share in the benefits arising therefrom. This demands the setting up of the 'Board of Indigenous Cultural Expressions (BICE)' in order to facilitate the system of access and benefit sharing. Any producer or composer who obtains a license from the copyright society for the purpose of commercial utilization, shall be required to comply with the requirements of the BICE in order to operationalize fair and equitable sharing of benefits. Any producer who intends to acquire an intellectual property right for any musical composition involving the musical expression of the indigenous local communities will be required to pay such monetary benefit as agreed between the applicant and BICE. However, when there is no evidence which points the origin of any musical work to a certain indigenous community, any producer who uses any such traditional music will be required to deposit such amount to a common fund created under the BICE. The purpose of such fund would be to develop the Traditional Knowledge Digital Library (TKDL) in order to create a database for traditional and cultural expressions of music of the indigenous and local communities of various parts of India.

The composition of BICE shall be similar to that of the copyright society and it shall be vested with the powers to look into the infringement of the copyrights of the indigenous local communities and effective implementation of the ABS mechanism. It is therefore expedient to introduce such a mechanism under the aegis of the current copyright framework to ensure protection against biopiracy of their musical works.

The proposed system of Access-Benefit Sharing would ensure that the needs and interests of the traditional communities are secured at all points of time. In many cases, artists often take advantage of the resources provided by them due to their inability to legally challenge the infringement or their complete lack of knowledge of such infringement. The most popular case

of the 21<sup>st</sup> Century with regard to the infringement of traditional knowledge is the controversy that arose due to pop artist Shakira's *Waka Waka*. The song's hook was blatantly taken from a Cameroonian song recorded around 30 years before the creation of the female pop artist's song. The song was considered to be inspired from the 1986 global hit "*Zangalewa*" by the group Golden Sounds of Cameroon. The song features Zolani Mahola of the South African group 'Freshlyground' singing in Xhosa, one of the official languages of South Africa<sup>612</sup>. In this case, the artists were not able approach a forum of relief on their own account in the initial part of the legal battle. Such would be the case of many other local communities that would be left helpless in the case of any infringement by a third party. Therefore, there is an underlying need to place a *Suo moto* duty on the part of a dedicated institution to combat this lacuna. The law must accommodate for the setup of a body specialized in dealing with such issues of infringement in order to give effect to the propositions of the authors. The creators of traditional knowledge require a more complex and variegated system of norms for the protection of their interests as opposed to harmonized global IP regime<sup>613</sup>.

## VII. CONCLUSION

The realm of copyright and its intertwining with the aspect of traditional knowledge poses numerous challenges, the traversing of which are essential in order to ensure a proper mechanism for the preservation of the interests of local indigenous communities. The collection of traditional knowledge provided by various communities of India is extensive and numerous, thus subjecting the aspect of protection to various hardships. Moreover, various socio-cultural perceptions also serve as additional obstacles to the upholding of the rights and interests of indigenous communities. The consideration of indigenous knowledge as a sub-category of heritage as under the WIPO glossary<sup>614</sup> also opens the door of thought to consider it as a public resource as opposed to its existence as a community product. It is imperative that the legal provision for the countering of these problems is sound and equipped with the powers and functions required to effectively settle disputes and monitor the use of traditional knowledge resources. The proposal for the setup of a Board for Indigenous Cultural Expressions (BICE) is targeted towards the primary function of monitoring the warranted use of cultural musical

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<sup>612</sup> Shakira Used Cameroonian Pop Song for World Cup Anthem Without Asking, The Observers (May 13, 2010, 6:04 PM) <https://observers.france24.com/en/20100513-shakira-used-cameroon-pop-song-world-cup-anthem-without-asking>.

<sup>613</sup> William Fisher, *Two Thoughts about Traditional Knowledge*, 70 Law and Contemporary Problems 131, 132 (2007).

<sup>614</sup> Christoph Antons, *Asian Borderlands and the Legal Protection of Traditional Knowledge and Traditional Cultural Expressions*, 47 Modern Asian Studies 1403, 1407 (2013).

expressions and the redressal of any infringement in favour of the aggrieved community. The framework has been devised in a manner accommodating of the social, cultural and economic interests of its benefactors. The primary mode of redressal must be set towards the obtaining and allocation of royalties in favour of the indigenous community as it is the penultimate interest of the creators, owing to the numerous advantages that can be derived from such compensation. The setup of such a Board is also instrumental in redressing the inadequacies of the copyright societies as their purview does not extend to the protection and consideration of traditional knowledge sources. While the facet of the proposition may be a constraint on the existing legal machinery with respect to financial and redrafting grounds, its success or failure must not be based on short-term performance. The plethora of records of indigenous cultural expressions would make it exceedingly difficult for the Board to accurately identify a potential infringement in its early stage. Adequate temporal development must be allowed for the development of the TKDL repository to serve as a means of referencing for the Board to carry out its activities. In the long run, the interests of indigenous communities must be preserved with the synergies of copyright law and traditional knowledge dominion.

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**COPYRIGHT LAW AND SPORTS- AN INTERCONNECTION FROM BROADCASTING  
LIVE SPORTING EVENTS TO SIGNATURE SPORTS MOVES**

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*Abstract*

*The realm of sports is really no stranger to intellectual property law. The sporting world is no longer limited to a couple of passionate individuals on the field and has developed into a multibillion-dollar enterprise. Broadcasting sports coverage has now been transformed by breakthroughs in communications technology, allowing billions of people across the world to experience the spectacle and thrill of major sporting events. This paper analyses the interrelationship of broadcasting live sporting events and copyright law with the help of landmark cases. Amidst the coronavirus pandemic and the subsequent, the unauthorized sharing of copyrighted content of sporting events on social media has skyrocketed. This paper thus also looks at whether uploading sports clips on social media is considered copyright infringement or amounts to fair use under Indian copyright laws. Lastly, the paper analyses copyright in sports from an athlete's perspective. The lack of any original or inventive form of expression due to sports' rule-bound nature, the lack of certainty of a match's or tournaments final outcome, and the lack of a pre-planned narrative are all frequently cited explanations that have led courts and broadcasters to believe that sports moves and performances are not copyrightable. This paper thus also discusses if an athlete can copyright his or her signature sports move and whether they can claim copyright in their sporting performances or not from an international perspective.*

**KEYWORDS-** Copyright, Broadcasting, Live events, Sports moves, Athletes, Performance rights.

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## I. INTRODUCTION

The Indian sports sector has slowly developed to become one of the biggest sectors in the world, comprising entertainment, activities, culture, as well as financial transactions. Sports used to be merely activities that people played for fun or as a pastime in their free time, but in the past few decades, commercial participation in sports has grown, prompting the need for some sort of protection in order to attain the financial benefits.

Over the years, regulations and legislations have been developed as India has become an enormous setting for holding various national and international sporting events. Numerous issues pertaining to intellectual property have grown increasingly prominent as the sports industry gets more commercialized. All copyrightable subject-matter now includes the promotion and advertising of championships and sports events, the artistic designs of sports teams' and tournaments' symbols, the content included in in-game day programs provided to viewers and followers, merchandising, and digital technology and their game software.

Despite their enormous appeal, sports did not achieve general recognition until they began to be broadcast on various forms of media. In India, the Copyright Act safeguards broadcasting and performer's rights. Aside from that, the Indian Court has stepped in to assist in the development of sports law. However, courts have been reluctant to rule on issues concerning sports broadcasting as well as various subjects related to sports and copyright law.

There is no specific legislation in India that addresses problems relating to the sports industry. As a result, it is controlled by a variety of statutes. Copyright has become extremely pivotal for protection as a result of the monetization and exploitation of commercial aspects of sportsmen as well as sporting events. It is essential for the protection of many components of the game, such as logos, marketing, slogans, and images. All of these things are protected in India by the Copyright Act of 1957. It also protects broadcasting and performance rights as connected or neighbouring rights. The copyright law in India is fairly broad, enabling both authors and society to express themselves creatively. To retain high levels of interest, sports organisations depend on income from broadcasting as well as media rights to build stadiums, organize sporting events, and participate in community development. Major athletic events are now streamed or broadcast live across the world, allowing millions of fans to join in the thrill. Copyrights, along with neighbouring rights, protect unlicensed broadcasts and help to maintain the sports-television media connection. This paper not only discusses copyright in the broadcasting realm but also how it affects the upload of old sports clips on social media and

whether an athlete's signature move can be copyrighted while also giving an international perspective using landmark cases.

## **II. THE INTERRELATIONSHIP OF BROADCASTING SPORTING EVENTS & COPYRIGHT LAW**

The issue of marketing and broadcasting has emerged as the sports industry in India has grown. When any sport is broadcasted or screened, the broadcasting right becomes incredibly important. A unique set of rights is recognized by the Indian Copyright Act of 1957 when it comes to broadcasting. Without the authorization of a sporting league or corporation, no one has the power to broadcast or transmit copyrighted and licensed professional sporting events and tournaments. The broadcasting corporations control the broadcasting rights, which means they may rebroadcast and re-telecast it as often as they choose. As per the Indian Copyright Act, 1957, anyone who, without the consent of the actual owner, broadcasts or curates a work which has already been broadcasted or published, replicates the work without assignment, replicates the sound or reproduces the work by visual recording, distributes or employs to the public, or provides for such sale or hire, has infringed the broadcasting rights.<sup>615</sup> According to Section 51 of the 1957 Copyright Act, broadcasting without the owner's consent is deemed an infringement. Sporting events are now aired all around the world thanks to technological developments. Initially, the Copyright Act did not include a clause protecting broadcasters' and live performers' rights. Sections 37 and 38 of the Act were repealed in 1994, and a new section was introduced to include broadcasting reproduction rights as well as performer's rights.

All content rights owners must distribute broadcast signals of nationally important sporting events without advertisements with Prasar Bharti in order for them to rebroadcast them on their terrestrial and DTH networks, according to Section 3 of the Sports Broadcasting Signals (Mandatory Sharing with Prasar Bharti) Act, 2007. This law was enacted was designed to facilitate a large number of people to watch important national sporting events. The Act, on the other hand, is discriminatory in that it puts private businesses at a disadvantage by compelling them to invest billions of rupees in order to get exclusive broadcasting rights to events. The three major cases related to broadcasting of live sporting events involving copyright law have been discussed below.

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<sup>615</sup> India Copyright Act, 1957, Section 52.

## **ESPN STARS SPORTS V. GLOBAL BROADCAST NEWS LIMITED**

In this case<sup>616</sup>, the plaintiff, ESPN Stars Sports, decided to seek a permanent injunction against the defendants, Global Broadcast News Ltd. and Ors, to prevent and deter the defendant news channels from using Plaintiff's footage in the subsequent India vs Australia test series, T-20 series, and ODIs involving Sri Lanka, India, and Australia without prior authorization from the Plaintiff and thus was in violation of the terms and conditions set out by the plaintiff. This application was an appeal against a previous ruling in the defendant news networks' favour. The previous decision dismissing the lawsuit was centred on the Plaintiff Broadcasting Organization's failure to bring the owner of the broadcasting right to court, as prescribed under Section 61 of the Copyright Act, as the exclusive and only licensee of the disputed broadcast.

The appeal was centred on the premise that broadcasting organizations' rights are treated as "related rights" instead of copyrights as per the Copyright Act. Due to their unique location and nature, only Chapter VIII that is Sections 37-39A of the Copyright Act oversees these rights. As a consequence, because Section 61's application to broadcasting rights and infringement proceedings is not mentioned in Chapter VIII of the Act, it is not applicable to an infringement action initiated by an exclusive licensee of such a broadcasting organization.

Consequently, the Court of First Instance made an error in finding that Section 61 extends to infringement lawsuits brought by broadcasting corporations functioning as exclusive licensees. The plaintiff argued it entered into an exclusive licensing arrangement under which it was awarded exclusive rights to broadcast live, postponed as well as paid cricket feeds on terrestrial, cable and satellite television in India and many other selected countries. The defendants were accused of taking the material and turning it into a commercially exploitable programme. As a result, the plaintiff sought an injunction barring them from utilizing the plaintiff's material in the future. Since the case was ultimately rejected on technical grounds, the question of copyright in live sports broadcasts still remained somewhat unresolved.

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<sup>616</sup> ESPN Stars Sports v. Global Broadcast News Ltd. and Ors RFA (OS) No.25/2008



## **ESPN SOFTWARE INDIA PRIVATE LIMITED. VS. TUDU ENTERPRISE**

This case involves the unauthorized Transmission of an Event as defined under Section 37(3) of the Copyright Act of 1957. The defendants were broadcasting the plaintiff's networks streams and displaying events to their subscribers without the plaintiff's permission and without signing into contracts either with the distributor or the plaintiff. This was a violation of the plaintiff's broadcast reproduction right. The court had to assess whether the defendant's act of unauthorized transmitting the plaintiff's network channels was justifiable or not.

Additionally, the unauthorized transmission of the plaintiff's reproduction rights via unlawfully transmitted signals to India in the manner described above was illegal, unjust, and should be barred. The defendants in the case had not entered into any licensing agreements with the plaintiff's distributors and were not authorized to transmit channels via their cable operators, thus their transmission was not justifiable as per Section 37(3) of the Copyright Act, 1957. According to section 37(3) of Indian Copyright Act, 1957, rights to distribute live sports events are an infringement of the official broadcaster's copyright. However, when we understand the meaning and provisions of this Act, it is clear that there really is no statutory requirement related to copyright in live sports events.

## **STAR INDIA PRIVATE LIMITED & ANOTHER. V. HANEETH UJWAL & OTHERS**

The plaintiff in the case of Star India Pvt. Ltd. & Anr. V. Haneeth Ujjwal & Ors sought for Internet Service Providers to restrict and disable over a hundred websites and other similar websites that broadcast Star India Private Limited's material. The plaintiff claimed that blocking specific URLs containing pirated material would be inadequate since websites could always broadcast illegal content by changing one letter or character in the whole URL configuration. The defendants were alleged to be based all around the planet and to own, run, and govern the numerous websites named in the notice of parties. It was virtually hard to track down the proprietors of many of these websites since they were anonymous. The Delhi High Court issued a John Doe order preventing the defendants from hosting, uploading, transmitting, rebroadcasting, retransmission, displaying, making available for viewing and downloading files, gaining access to and communicating with the public along with its subscribers and users through telecommunication services owing to the complexity in trying to identify all of the defendants.

Specifically in regard to live cricket telecasts, the Delhi High Court held that instead of restricting a single URL, websites that predominantly provide pirated content should be blocked completely. Moreover, anybody who wilfully distributes, imports for distribution, telecasts, or transmits to the public, without authorisation, copies of any work or performance fully understanding that electronic rights management information has been removed or modified without authorisation is subject to a two-year prison term and a monetary fine under Section 65B of the Copyright Act of 1957.

### **III. DOES UPLOAD OF SPORTS CLIPS ON SOCIAL MEDIA COME WITHIN THE AMBIT OF COPYRIGHT?**

During the pandemic and the ensuing lockdown, there has been a spike in internet multimedia sharing. Unauthorized sharing of copyrighted content is also a component of this and the sharing of sporting clips is amongst the top shared. The majority of judicial decisions in India involving the upload of sports footage have dealt with broadcasting or sharing information about live events. In these instances, unlike when old footage are shared, copyright owners have additional issues about their capacity to monetise the material or broadcast. When it comes to old footage from a sporting event that the licensee is not monetising and potentially does not plan to monetise, the situation is different. For example, the BCCI or ICC owns the copyright on a number of highlights from previous cricket matches.

The section 52(1)(a) of India's Copyright Act, 1957 Act, which deals with the fair dealing exception to copyright infringement, is essential to understand. It entails the fulfilment of two requirements: "fair dealing" with any work and "fair dealing" for one of the objectives listed in the clause including for private or personal use, criticism or review, the reporting of current events and current affairs.

#### **1. ANALYSIS OF THE UPLOADING OF OLD SPORTS CLIPS WITH REEPECT TO FAIR DEALING**

In the case *India TV Independent News Service v. Yashraj Films*<sup>617</sup>, the term "fair dealing" was interpreted to include the four-factor test used in the United States:-

1. The purpose and nature of the usage, specifically whether it is for commercial or educational purposes.
2. The copyrighted work's nature.

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<sup>617</sup> *India TV Independent News Service v. Yashraj Films* 2013 (53) PTC 586 (Del).

3. In respect to the copyrighted work as a whole, the amount and significance of the piece copied.
4. The impact of the use on the copyrighted work's potential market or valuation.

The vast majority of sports video shared on social media are shared for non-commercial motives with no intention of monetizing them. In terms of the nature of the usage, even if it is just using a piece of the copyrighted work, it may be claimed that a significant amount of it is transformative. This is due to the value gained in the curation, categorization, and compilation of material, such as a player's wickets taken throughout several matches or a player's dismissals in a specific style across multiple matches when it comes to cricket. Exercising expertise and judgment in editing a player's or a team's performance in a given match or series, for example, transforms the new work. The nature of the work required is factual rather than artistic, bolstering the four-factor test's applicability. Furthermore, the majority of these clips are very short in length, economically negligible in comparison to the original work, and, in many cases, aesthetically insignificant in comparison to the original work. Finally, because the rights holders aren't selling these old snippets in any way, it has no effect on the prospective market for the works. Rather, they allow for an increase in the popularity of the sport, which increases the market for the rights holder's works.

## **2. DETERMINING WHETHER THE USE IS FOR ANY OF THE THREE PURPOSES MENTIONED IN THE SECTION.**

It would be difficult to consider the usage of sports video uploaded to social media to be completely private or personal. The third provision of the clause, which deals with current events, is likewise ruled out because the focus of this work is on old footage. The question is whether these clips are covered by the second provision of the clause which deals with criticism or review.

In this context, the decision in *Super Cassettes v. Hamar Television Network*<sup>618</sup> should be noted, in which the court summarized certain fair dealing principles when dealing with an injunction claim by T-Series against the defendant's broadcasts. The court noted that all courts should take a liberal approach in determining what constitutes "current events" reporting or what falls within the scope of "criticism" or "review." Also, in the *Narendra Publishing House*<sup>619</sup> case, the Delhi High Court interpreted the definition of the term "review" as given in

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<sup>618</sup> *Super Cassettes v. Hamar Television Network* (2011) 45 PTC 70 (Del).

<sup>619</sup> *The Chancellor Masters & Scholars v. Narendra Publishing House* 2008 (38) PTC 385 (Del).

the Shorter Oxford Dictionary, which defines it as "view, examine, or evaluate a second time or again..." and held that a handbook was a re-examination of a mathematical work, and thus a "review." Therefore, the court looked to be concentrating on the aspect of work examination.

Using the reasoning from both of the above cases, social media clips may be deemed "criticism" or "review" of the original work. This is because such a usage may be construed as a second look at a certain sporting event, with the goal of continuing a conversation or an examination of it. In such a situation the attention isn't on the event itself, but on the debate sparked by the review, or on a re-examination of the entire work via a new and different perspective.

Though, as per the preceding analysis, sharing clips of sporting events with opinions that create debate may come within the scope of "fair dealing," sufficient protection for individuals uploading sports clips to social media, much still remains to be desired. Even if it involves substantial curation efforts on the part of the uploader, a simple copy of such video without any comments may not be protected by this exemption, and so may be vulnerable to copyright infringement charges. This highlights the Indian regime's shortcomings in terms of "fair dealing."

#### **IV. SIGNATURE SPORTS MOVES AND COPYRIGHT LAW**

The integration of sports in the scope of intellectual property protection has been a source of contention for some time. Every trademark and iconic sports move ever developed, from the classic 'Cruyff Turn'<sup>620</sup> to the 'Jordan Fadeaway'<sup>621</sup> and 'MS Dhoni's Helicopter Shot'<sup>622</sup>, has an indisputable degree of inventiveness and technique that makes it distinct. These manoeuvres are seen to be exceptional in execution and vital to an athlete's accomplishments in their respective sports. The recognition of such sporting manoeuvres as a creative work has the potential to transform not just the way a sport is played, but also the life of star players.

Originality and expression of the idea or concept in a material form are the two main requirements that must be met for a work to be protected under the Indian Copyright Act, 1957. Therefore, it is the practical application of the idea in some tangible form that entitles a creator

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<sup>620</sup> Mark White, Simplicity matters: how did the Cruyff Turn become so iconic?, FourFourTwo, (June 19, 2020), <https://www.fourfourtwo.com/features/johan-cruyff-turn-anniversary-netherlands-skill-date-world-cup-sweden-defender>

<sup>621</sup> Scott Rafferty, One Play: The simplicity and effectiveness of Michael Jordan's iconic fadeaway, NBA, (February 17, 2021), <https://ca.nba.com/news/the-last-dance-chicago-bulls-one-play-the-simplicity-and-effectiveness-of-michael-jordans-iconic-fadeaway/hdcpjf6mjj3d1v5wvu0oki08z>

<sup>622</sup> Bastab Parida, The story behind MS Dhoni's helicopter shot, Sportscafe, (March 4, 2020), <https://www.deccanherald.com/sports/cricket/ms-dhoni-helicopter-shot-inspired-chocolates-to-hit-markets-soon-970960.html>

to a copyright, not necessarily the uniqueness of the idea. An original work must be the result of "an exercise of skill as well as judgement," with skill referring to "the use of one's knowledge, evolved ability, or practised ability in producing the work" and judgement referring to "the use of one's capability for distinction or ability to form an opinion or assessment by comparing different possible options in creating the work."<sup>623</sup> The US Supreme Court developed the doctrine of "modicum of creativity"<sup>624</sup>, which stipulates that a minimum level of inventiveness is necessary to determine that an author's work qualifies for protection. This doctrine has been largely adopted by Indian courts.<sup>625</sup> By definition, creative works are unique and original and are protected by copyright, but creativity is not essential to make a work original or unique.

A perfect example of a signature sports move is the Rafael Nadal Forehand<sup>626</sup>. It is a one-of-a-kind manoeuvre that has led to Rafael Nadal's multiple victories and trophies. It's distinguished by his racket being positioned underneath the ball, allowing him to brush the ball with his racket pointing upwards, resulting in a vicious spin. He pulls his legs off the ground at the same time, driving his body upwards and creating a strong topspin. As a consequence, his opponents are rendered helpless by a swirling, looping and spinning shot. This specific demonstrates creativity, dedication, and, most importantly, a certain skill set. Under copyright law, a work can be called "original" even if the author drew on common knowledge among himself and others or used previously existing content. This implies that just because the 'forehand' is a well-known technique doesn't mean the 'Nadal Forehand' can't be copyrightable.

When a sportsman creates a new sports move, he or she is drawing on his or her own unique experiences and abilities, and the result of his efforts is merely an expression of himself as an athlete. As per the Copyright Act of 1957, a sportsperson can also be deemed a "performer," as its term includes "any other person that makes a performance." A live visual or auditory presentation by one or more performers is referred to as a performance.<sup>627</sup> Almost every sport is now televised live, and it is hard to dispute their massive global viewership, which qualifies every sport as a performance. The inclusion of an athlete in the definition of performer is not out of the bounds of interpretation. Section 2(qq) of the Act establishes an inclusive class of

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<sup>623</sup> University of London Press Ltd v University Tutorial Press Ltd [1916] 2 Ch 601.

<sup>624</sup> Fiest Publications Incorporated v. Rural telephone Service Company 499 U.S. 340 (1991).

<sup>625</sup> Eastern Book Co. and Others v Modak and Another (2008) 1 SCC 1.

<sup>626</sup> Courtney Walsh, In a sport where the forehand is king, Rafael Nadal does it best, *The Australian*, (May 29, 2021), <https://www.theaustralian.com.au/sport/tennis/in-a-sport-where-the-forehand-is-king-rafael-nadal-does-it-best/news-story/514c5d547ca2063a9fdd90e4845e8577>

<sup>627</sup> India Copyright Act, 1957, Section 2(qq).

performers by using the concept of *eiusdem generis* as a technique of construction. It is quite fair to interpret generic words that follow a list of specific people to encompass people of a similar class. As a result, it is reasonable legally to infer that an athlete belongs to the same group or class as a performer.

## **V. INTERNATIONAL PERSPECTIVE- ARE SPORTING PERFORMANCES WITHIN THE AMBIT OF COPYRIGHT?**

The predicament of whether athletes can claim copyright in the sporting events in which they compete is an intriguing one, with important ramifications not just for the players and their teams, but also for the organizations that often hold exclusive claim to the rights to commercialize the events. The heart of this issue pertains to whether the athletes are performing or creating a qualifying 'work' in the context of their sporting event, as defined by copyright law. If that is the case, they would be entitled to exclusive rights to regulate the distribution of their 'work'.

Different laws and conventions have defined 'work' in copyright law. The term "artistic work" is defined under the Berne Convention for the Protection of Literary as any production or output in the artistic sphere, regardless of its method or form of expression.<sup>628</sup> The term "literary and artistic works" is used to refer to any unique work of authorship, regardless of literary or aesthetic qualities. The work's ideas do not have to be original, but the author must create the manner of expression themselves.<sup>629</sup> Whether sporting performances can be considered as work through some cases below.

In the joint cases of *Football Association Premier League Ltd v QC Leisure*<sup>630</sup> and *Murphy v Media Protection Services*<sup>631</sup>, the Premier League's governing body, FAPL (Football Association Premier League), promoted and distributed television rights to broadcast for the league games on the basis of geographic exclusivity. Instead of paying FAPL for broadcasting rights, certain companies in the United Kingdom resorted to using foreign decoding cards given by a Greek broadcaster to subscribers residing in Greece to access Premier League games. Such operations, according to the FAPL, devalued and endangered the value and exclusivity of their television broadcasting rights. The European Court of Justice held that since

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<sup>628</sup> WIPO Lex, Article 2(1), Berne Convention for the Protection of Literary and Artistic Works, <https://wipolex.wipo.int/en/text/283698>

<sup>629</sup> WIPO, Understanding Copyright and Related Rights, World Intellectual Property Organization, (2016), [https://www.wipo.int/edocs/pubdocs/en/wipo\\_pub\\_909\\_2016.pdf](https://www.wipo.int/edocs/pubdocs/en/wipo_pub_909_2016.pdf)

<sup>630</sup> *Football Association Premier League Ltd and Others v QC Leisure and Others* [2008] EWHC 1411 (Ch).

<sup>631</sup> *Karen Murphy v Media Protection Services Ltd* [2007] EWHC 3091 (Admin).

Premier League matches are not classified as works, FAPL could therefore not claim copyright on them. To be considered work, the subject matter must be unique in the sense that it is the author's intellectual invention or creation. It further stated that football matches are restricted to game rules and regulations allowing no space for creative licence for purposes of copyright. As a result, those events are not safeguarded by copyright.

The United States Court of Appeals for the Second Circuit asserted that the fundamental basketball games do not fall within the subject material of federal copyright protection since they do not comprise "original works of authorship" as per 17 U.S.C. Section 102<sup>632</sup> in the case of *NBA v. Motorola*<sup>633</sup> where the NBA claimed Motorola had infringed on the league's copyright on the game's broadcasting. The definition protects eight kinds of "works of authorship," including 'literary works', 'musical works' and 'dramatic works', according to Section 102(a). It also stated that any 'authorship' in a sporting event must be accessible to copying by competitors if spectators are to be drawn in.

To offer legal clarity on the issue, the rules and national legislations, in my opinion, should be simpler and clearer. Drawing a boundary between what is and is not a work of authorship is now a difficult process. It's worth noting that if football or hockey games were regarded 'works' of authorship and thus subject to copyright, then every athlete and team would be able to utilize the rights arising from their sporting accomplishments and performances. However, because the teams as well as athletes are playing in their leagues under their laws, the rights to commercialize the games are now owned by the league owners, promoters, or administrators, and it is the league owners that legally transmit these rights to other companies.

## VI. CONCLUSION

In the present era copyright in live sporting events is of critical importance and it is imperative that the problem be fully addressed. Live sports events have such a high economic value that they cannot be ignored or dealt with in a way that will lead to the extinction of the entire genre of events, because no one wants to invest in a sporting event if he is unsure of how much ownership he will be able to protect in the event of a copyright infringement. Until now, Indian courts have recognized copyright on live sporting events, although this is in stark contrast to the law in the United States on the same issue. It is necessary to examine the definition of cinematography films established by the Copyright Act, 1957, because there is no other

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<sup>632</sup> Subject matter of copyright: In general, Title 17, U.S. Code, Section 102.

<sup>633</sup> *National Basketball Association v. Motorola* 105 F.3d 841 (2d Cir. 1997).

provision in the Act that provides protection to live sporting events. If we differentiate according to the NBA case theory, we may grant copyright in sports events in a fixed form when they are recorded in any manner. As a consequence, it is imperative that the legislation in this area be explicit and consistent with international law.

When a fan consumes and distributes footage, their hunger for the live product grows.<sup>634</sup> As a result, a hard-line attitude by copyright holders like cricket boards, combined with an inadequate fair use environment, goes against not just the ideals of copyright law, but also the interests of those attempting to protect their rights. Instead, collaborating with these curators and allowing them to market these clips and engage into revenue sharing arrangements for such monetisation, like the NBA does<sup>635</sup>, could be a better strategy.

With respect to signature sports moves, minor changes to the Act, the Copyright Act of 1957 can accommodate this new paradigm of sports commercialization. What separates an amateur from a high-performance athlete is the right integration and combination of manoeuvres and moves. Furthermore, the performer's right can protect the athlete from being exploited by coaches and other organizations. Although it is generally assumed that the practical execution of this provision will impair the overall character of the game, there are solutions to avoid chaos while simultaneously providing the required protection. One option would be to require all sporting committees to acquire licenses for all protected sporting moves. This will guarantee a continuous match while also safeguarding the creator's interests. India should take a more comprehensive and progressive approach to copyright law and recognize the economic rewards that such benefits may bring to an athlete. Copyright protection for sport moves and performances will serve as a stimulus for the growth of both the sports sector as well as IPR legislation.

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<sup>634</sup> Sidharth Monga, Why cricket boards should be more liberal with archival footage, ESPN CricInfo, (June 19, 2020), <https://www.espncricinfo.com/story/why-cricket-boards-should-be-more-liberal-with-archival-footage-1225288>

<sup>635</sup> Adam Kilgore, How the NBA's embrace of social media might help it someday surpass the NFL, Washington Post, (June 8, 2017), <https://www.washingtonpost.com/news/sports/wp/2017/06/08/how-the-nbas-embrace-of-social-media-might-help-it-someday-surpass-the-nfl/>