April 2017

INDIA UNLEASHED

Dear Readers,

Close on the heels of its third anniversary, the NDA Government seems to be in no mood to slacken the pace of reforms. In the latter half of their term, most Governments tend to be restrained in their decisions and guarded about disturbing the status quo of sensitive matters. Lawmakers often shy away from non-populist experiments fearing reprisal from the electorate. But there is no stopping the incumbent Government.

Most promises have been kept and that too in a time-bound manner. Structural reforms in the shape of the new insolvency regime, the revolutionary Goods and Services Tax ("**GST**"), the bold demonetisation move, notification of cross-border merger provisions under Companies Act, 2013 and a string of other measures make a shining example of India in the otherwise listless global economic climate.

Most path breaking decisions witness teething problems and there will, of course, be some initial hiccups with operationalisation of the new insolvency regime and the implementation of the herculean GST framework. However, the Government has clearly demonstrated that it is prepared to take all issues head-on.

From plugging leakage in delivery of state welfare programmes and schemes through biometric identification to enhancing the maternity benefits, the Government is also addressing diverse constituencies. To the dismay of pundits and naysayers, the wider audience of the economic reforms and the general citizenry has bought in the idea of reforms and change. We hope the Government continues with this pace and direction of reforms.

Please feel free to share your feedback at indiaunleashed@khaitanlegal.com.

Warm Regards,

Sakate Khaitan,
Senior Partner

IN BRIEF

Combination Thresholds Extended to Mergers!

The merger regime in India got a delayed yet welcome respite when the Government formally extended the minimum thresholds for target enterprises, beyond which combinations are required to be notified to the Competition Commission of India ("**CCI**") under the Competition Act, 2002 ("**Act**"), to mergers. Although, such thresholds, also popularly referred to, as the '*de Minimis thresholds*', had been in place for acquisitions (under section 5(a) and 5(b) of the Act) for a while, there were no express thresholds for mergers (under section 5(c) of the Act). This anomaly has been finally addressed and corrected vide a notification issued by the Ministry of Corporate Affairs ("**MCA**") on 29 March 2017 ("**Notification**").

Under the Act, the obligation to notify CCI in relation to acquisitions, mergers and amalgamations is only triggered if the combined assets or turnover of the parties cross the prescribed thresholds ("**Combinations**"), and such Combinations can come into effect after lapse of 210 days from the date of the notice to CCI or upon receipt of CCI order permitting it.

Over the years, MCA has, vide various notifications, exempted certain Combinations which do not cross the *de Minimis thresholds*, from such notifying requirements. However, these exemptions were only limited to acquisitions, and did not apply to mergers and amalgamations.

Further, the Notification also clarifies that in cases where only a portion of an enterprise or division or business is being acquired or taken control of or merged or amalgamated with another enterprise, the value of assets of only the said portion of divisions or business shall be considered to be the relevant assets and the turnover to be considered for the purpose of calculating the threshold requirements under Section 5 of the Act. Further, the Notification also clarifies the method in which value of assets and turnover is required to be calculated.

This coupled with the clarification with respect to calculation of asset and turnover thresholds in case of acquisition, merger and amalgamation, or part of an enterprise will significantly reduce the time and cost of such arrangements, and also increase the ease of entering into such transactions in India.

Good and Service Tax – Closing in on the D-Day!

As mentioned in the previous edition of India Unleashed, the Indian Government is on a tight Constitutional deadline of 15 September 2017, for issue and implementation of the GST related laws, and is working over-time to achieve the target. In fact, the Government has set itself an even more ambitious target of 1 July 2017 for final roll-out of the GST laws.

With only two months to go for D-Day, the Central Government has crossed the first stage, and the GST related laws, which were required to be passed by the Central Government, i.e., the Central Goods and Services Tax Act, 2017, Union Territory Goods and Services Tax Act, 2017, Integrated Goods and Services Tax Act, 2017 and Goods and Services Tax (Compensation to States) Act, 2017 were passed in the recently concluded session of the Parliament, and after approval of the President, were notified on 12 April 2017. However, these GST laws have not yet been brought into force as their operational rules are yet to be finalised.

While Telangana, Bihar and Rajasthan have already passed their respective State Goods and Services Acts, other States are soon to follow. The Centre has requested all States to ensure that their respective State Goods and Services Acts are passed by end of May, and States may be required to hold special sessions of the State Legislature for the same.

The GST Council is in the process of finalising the rules under the GST laws. The agenda of next meeting of the GST Council, which is scheduled for 18 and 19 May in Srinagar, includes finalisation of the GST rates for commodities and services and the balance rules that remain to be finalised.

We are hopeful that the Government will be able to achieve its target, and we will be reporting the final implementation of all GST laws and relevant rules thereunder in our next edition.

The Name Game

Use of Trademark in Trade Name

What's in a name? Ask this question to the corporations that invest billions in building their brands and protecting it. Any direct infringement by a competitor is not the only form of damage that these brands face. A dilution of brand or trade name that may impair the distinctiveness of the brand through unauthorised use upon dissimilar products may also be a concern.

The use of a well known 'name' or 'mark' as trade name by another entity dealing with completely unrelated goods or service often misleads consumers into believing that these dissimilar goods and services are also related to the well-known brand. This not only damages the reputation of the company but also causes confusion in respect of quality of its product.

In absence of clarity on recognition of doctrine of dilution, the question of whether such use, made in respect of an entity dealing in a different class of goods or services would, in fact, amount to infringement of a registered trade mark or not has been the subject of much judicial debate. The Bombay High Court and Delhi High Court seem to have taken contrary views on the subject.

In this article, we will analyse the issue of infringement of a registered trade mark through use in the trade name of an entity dealing in dissimilar goods or services, in light of the conflicting judicial precedent.

Trade Marks Act, 1999

Under the Trade Marks Act, 1999 ("**Act**"), a mark has been defined to include "*a device, brand, heading, label, ticket, name, signature, word, letter, numeral, shape of goods, packaging or combination of colours or any combination thereof*".

The question of judicial interpretation of whether registered trade marks of one owner can be used in the trade name of an entity dealing in different class of goods or services arises due to the peculiar wording of sections 29(4) and 29(5) of the Act.

Section 29(4) of the Act lays down the conditions under which the *use of a mark, in the course of trade*, by a person other than its registered proprietor or a person permitted by the registered proprietor, is deemed to be an infringement of a registered trademark. Such conditions are as follows:

(i) when the mark used is identical with or similar to the registered trade mark;
(ii) when it is used in relation to goods or services which are not similar to those for which the trade mark is registered; and
(iii) when the trade mark has a reputation in India and the use of the mark without due cause takes unfair advantage of or is detrimental to, the distinctive character or repute of the registered trade mark.

Section 29(5) of the Act states that a registered trade mark is infringed by a person if he uses such registered trade mark, as his *trade name* or part of his trade name, or *name of his business concern* or part of the name, of his business dealing in goods or services in respect of which the trade mark is registered.

While section 29(5) covers cases of infringement of a registered trade mark by its use in a '*trade name or the name of the business concern*', and is only applicable in case of similar class of goods or services, section 29(4) covers cases of infringement of a registered trade mark used '*in course of trade*' by a person other than the registered proprietor, and extends infringement to cases of use for dissimilar class of goods or services as well.

Conflicting Judicial Opinion

In *Mahendra & Mahendra Paper Mills Ltd. v. Mahindra & Mahindra Ltd*[1] ("**Mahindra Case**"), the Supreme Court of India decided the issue of infringement of a reputed trademark due to usage in the trade name/ business name of an entity dealing in a dissimilar class of goods or services. In this case, the Supreme Court held that since Mahindra & Mahindra Ltd. had been using the words 'Mahindra' and 'Mahindra & Mahindra' in its companies/ business concerns for period exceeding five decades, the name has acquired a distinctiveness and a secondary meaning in the business or trade circles and people had come to associate the name 'Mahindra' with a certain standard of goods and services. Any attempt by another person to use the name in business and trade circles is likely to and in all probability will create an impression of a connection with the Mahindra group of companies.

While this case definitively settled the issue at hand, it was decided under the provisions of Trade and Merchandise Marks Act, 1958, which did not have any provisions corresponding to section 29 of the Act, and therefore section 29 of the Act was not taken into account while deciding this case. Accordingly, High Courts in India have interpreted the section in their own way,

Raymond Ltd. v. Raymond Pharmaceuticals Pvt. Ltd.[2] ("**Raymond Case**")

In 2010, a two Judge bench of the Bombay High Court, in the Raymond Case, had an occasion to decide this issue under the Act. In this case, Raymond Ltd., a textile company, claimed that Raymond Pharmaceuticals Private Limited, a company in the pharmaceutical sector, has used 'Raymond' as a part of its trade mark in the trade name/ business name, and this has amounted to infringement of Raymond Ltd.'s trade mark.

In this case, the Bombay High Court observed that since section 29(4) does not use the term 'trade name', this sub-section would not be applicable to Raymond Ltd's case, which was for infringement due to unauthorised use of a registered trade mark as the trade name of an entity, and would therefore fall under section 29(5) of the Act, which requires that such use of the registered trade mark in the trade name must be in respect an entity dealing in similar goods or services and not a different class of goods or services. The Court held that since the Legislature has decided to provide for use of the word 'trade name' in section 29(5) but not in section 29(4), it would be contrary to legislative intent to decide the case on the basis of section 29(4). The Court thus, strictly interpreted section 29 of the Act and did not grant injunction to Raymond Ltd.

***Bloomberg Finance LP v. Prafull Saklecha & Ors.*[3] ("Bloomberg Case")**

In its 2013 decision in the Bloomberg Case, Delhi High Court had to decide whether the use of the trade mark 'Bloomberg' belonging to Bloomberg Finance, a multinational financial news corporation, by the Bloomberg Group, an Indian company engaged in the real estate, entertainment and hospitality industries, as a part of the latter's trade name, caused an infringement under section 29 of the Act.

The Bloomberg Group argued that the use of a trademark as a trade name is provided for under section 29(5) which deals with similar goods and services only and since their services and goods were completely different from Bloomberg Finance, a case for infringement under section 29(5) did not lie. Further, as no other section under the Act provided for infringement through use of a trade mark as a trade name/ business name, Bloomberg Finance could not resort to an action for infringement at all.

While deciding this case, the Delhi High Court also took into consideration the Bombay High Court's judgement in the Raymond Case. However, it was of the opinion that in that particular case, the Bombay High Court "*had no occasion to consider an important point of distinction between Sections 29(1) to (4) and Section 29 (5)*". Accordingly, the Delhi High Court held that since section 29(4) deals with the use of a mark which infringes a registered trade mark, and the definition of 'mark' under the Act includes 'name', in a case such as the present, 'trade name' could mean 'mark'. Accordingly, even though section 29(4) of the Act does not use the term 'trade name', an owner of trade mark of dissimilar goods and services, such as Bloomberg Finance, could still claim infringement of their registered trade mark under section 29(4) in case of its use in the name of an entity engaged in a business dealing in a dissimilar class of goods or services.

The Delhi High Court based its decision on the rationale that the legislative intent while drafting section 29 could not have been to restrict statutory remedy only to cases where the registered trade mark is used as part of the trade name/ business name in entities dealing in similar goods or services and not when it is used as part of the trade name/ business name in entities dealing in dissimilar goods or services. The Delhi High Court recognised that Bloomberg Finance has a trans-border reputation as well as a reputation in India and it appeared *primafacie* that *the* Bloomberg Group was taking unfair advantage of the registered trade mark. The principle of the Bloomberg Case has been upheld in several other judgements by the Delhi High Court[4].

***CIPLA Limited v. CIPLA Industries Private Limited & Anr.*[5]**

In the instant case, CIPLA Limited ("**CIPLA**"), a manufacturer of pharmaceutical products having a registered trade mark **'**CIPLA**'** in Class 05 for pharmaceutical and medicinal products etc., filed a suit for infringement and passing off of its trade mark against CIPLA Industries Private Limited ("**CIPLA Industries**"), which has a registered trade mark 'CIPLA PLAST' in the Class 21 for household, plasticware etc. CIPLA alleged before the Bombay High Court that CIPLA Industries had been using its registered trademark as a part of its corporate or trade name in a slightly different form, i.e., CIPLA PLAST, on household articles, soap dishes, etc. which *inter alia* infringed CIPLA's trademark.

The single Judge before which this case was originally listed[6] expressed a view that the decision in the Raymond Case needed reconsideration and therefore referred the case to a larger, three Judge Bench of the Bombay High Court ("**Full Bench**") to seek clarity on the issue of interpretation of sections 29(4) and (5) of the Act in view of the conflicting decisions in the Raymond Case and the Bloomberg Case.

While several arguments supporting both sides were presented before the Full Bench, the Bombay High Court followed its earlier decision in the Raymond Case, and favoured a strict and literal interpretation of the Act over a harmonious reading of all provisions thereof. The Full Bench held that for a registered trade mark owner to have recourse to section 29(5) of the Act, both conditions, i.e. (i) using the registered trademark as a part of trade name/ business name; and (ii) the business of the infringer being in the same category/similar to goods/ services of the registered trademark - must be satisfied. If either of the conditions is not met, the registered owner shall have no remedy under section 29(5) of the Act. As CIPLA Limited and CIPLA Industries deal in completely different goods, CIPLA Limited could not take recourse to section 29(5). Adding to the above strict interpretation, the Full Bench has held that section 29(4) of the Act uses the words 'in course of trade, a mark…' and not the term 'trade name' and hence, the two sub-sections are mutually exclusive and one cannot be read into another. It further stated that "*Possible inconvenience or prejudice to a class or classes of proprietors of registered trademarks is not a ground to read something in sub-section (4) which is not there and give a meaning which is contrary to plain meaning.*"

Conclusion

While the Full Bench has employed a literal interpretation of section 29(4) of the Act in its decision, as a result of such an interpretation, the owner of a registered trade mark will have no recourse under the Act if its registered trade mark is used by an unauthorised entity as its trade name, so long as such entity does not deal in similar goods or services. In the long run, this could also become a road-block for the registered trade mark owner in case it wishes to start dealing in new categories of goods and/ or services with its existing trade mark, as there is a chance that someone else may already be dealing in such goods or services under a similar trade name.

However, the interpretation of sections 29(4) and 29(5) of the Act is still not settled, and in light of the conflicting decisions of the different High Courts, will have to be finally settled by the Supreme Court. It can be hoped that the Supreme Court will decide this matter in the same spirit as the Mahindra Case.

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[1] AIR 2002 SC 117
[2] 2010 (44) PTC 25 (Bom)
[3] 2013 (56) PTC 243 (Del)
[4] Malhotra Book Depot & Ors. v. MBD Electronics Pvt. Ltd., 2013 (55) PTC 496 (Del); Brahmos Aerospace Pvt. Ltd. v. Brahmos Garments 2014 (60) PTC 381 (Del); Choice Hotels International Inc. v. M. Sanjay Kumar and Ors 2015 (62) PTC 269 (Del)
[5] Notice of Motion No. 2463 of 2012 in Suit No.1906 of 2012 decided on : 1 March 2017
[6] CIPLA Limited v. CIPLA Industries Private Limited and Ors., 2016 (67) PTC 509 (Bom)

Aadhaar for Expats!

The controversy surrounding the 'Aadhaar Card'- a unique identification number based on biometric details - has expanded its scope by bringing expatriates within its fold. The Government now wants expatriates to enrol for Aadhaar card if they qualify as resident for tax purposes. Under the new rules, all expatriates who intend to reside in India in excess of 182 days in a period of 12 months ("**Resident expats**"), are required to apply for an Aadhaar card.

Courtesy : Google Images

In a statement released on 5 April 2017, the Central Board of Direct Taxes ("**CBDT**") clarified that Resident expats who are required by law to file and pay local domestic taxes would be required to apply for an Aadhaar card.

The CBDT in their statement also clarified the term 'resident'.

"Resident as per the Aadhaar Act refers to an individual who has resided in India for a period or periods amounting in all to 182 days or more in a 12 month period immediately preceding the date of application for enrolment."

Privacy activist and cyber security experts have already expressed serious concerns on the Aadhaar project which is one of the largest exercises of collection of personal information in the world. It will be interesting to see whether the Government is able to give some additional comfort to foreign nationals living in India on privacy and cyber security. It also remains to be seen whether the Aadhaar would replace other important documents such as the PAN Card and become the single document for all types of compliances.

Welfare Boost - Maternity Benefits Amendments

The much awaited amendments to the maternity benefit law aimed at enhancing the rights of eligible women employees has come into effect. As a major welfare measure, it is expected to benefit over 18 million women employees in India who otherwise face rampant discrimination at workplace.

The key amendments brought about by the Maternity Benefits (Amendment) Act, 2017 ("**Amendment Act**"), are as follows:

- The maximum period for which maternity benefits are available to women who have completed 80 days of work in an establishment, in the preceding 12 months, has been increased from 12 weeks (with a maximum of 6 weeks before expected delivery date) to 26 weeks (with a maximum of 8 weeks before expected delivery date).
- However, this period is restricted to 12 weeks (with a maximum of 6 weeks before expected delivery date) in case of a woman having two or more surviving children.
- Commissioning mothers and adopting mothers (adopting a child below the age of 3 months) are also now entitled to 12 weeks of maternity benefits from the date on which the child is handed over to the woman.
- Post the maternity benefits period, nature of work permitting, employers may allow women to work from home, on mutually decided terms and conditions.
- Establishments having 50 or more employees are required to provide crèche facilities.
- Establishments are required to intimate to every woman employee, in writing and electronically, at the time of her first appointment, of benefits available to her under the Act.

While most of the provisions of the Amendment Act came into force on 1 April 2017, the provision requiring establishments having 50 or more employees to have crèche facility will come into force from 1 July 2017.

Pursuant to the coming into force of the Amendment Act, Indian businesses will be required to re-visit their employee handbooks, employment agreements and appointment letters, to ensure that the requirement of intimating women employees of the benefits available to them under the Act at the time of their initial employment is complied with.

While the Amendment Act is a step in the right direction, the benefits of the Act do not extend to women employed in establishments with less than 10 employees and women working in the unorganised sectors, which constitutes a vast majority of all working women in India.

IN OTHER NEWS...

FINCON 2017

In March 2017, FICCI hosted its 18th Annual Insurance Conference ("**FINCON 2017**") in Mumbai, India. Several insurers, leading law firms and other organisations as well as eminent panellists were present at FINCON 2017 and provided invaluable insight into the transformation of the Indian insurance industry.
Mr. Sakate Khaitan, Senior Partner at Khaitan Legal Associates was also a panellist alongside Mr. G. Srinivasan, CMD, New India Assurance Co. Ltd., Mr. Neelesh Garg, MD & CEO, Tata AIG General Insurance Co. Ltd., Mr. Rajesh Sud, MD & CEO, Max Life Insurance Co. Ltd., Ms. Alice G. Vaidyan, CMD, GIC Re and Mr. Sandeep Bakshi, MD & CEO, ICICI Prudential Life Insurance Co. Ltd. The session discussed the changes in ownership structure that most insurers are expected to undergo by 2020, the related challenges and their impact on the industry. The session was extremely well received and witnessed active participation from the audience.

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