

The true impact of corruption on India's trademark landscape

Two years ago, WTR revealed the opposition gridlock which had brought much of the activity at India's trademark registry to a grinding halt. But no one could have predicted the turbulent 24 months that were to follow. WTR examines the impact for brand owners

In late August 2011, a 12-day hunger strike by anti-corruption activist Anna Hazare unleashed a tidal wave of support across India. His actions galvanised opposition to the institutionalised corruption that pervades Indian public life and prompted parliamentary calls for legislative reform.

In few bodies were these iniquities as pronounced, during the run-up to Hazare's protest, than in the Indian trademark registry. The March 2011 arrest of ND Kasturi, Chennai's deputy registrar of trademarks, grabbed headlines worldwide. It followed a six-month Central Bureau of Investigation (CBI) surveillance mission which culminated in the discovery of significant amounts of gold at one of the several homes that Kasturi reportedly owns – riches, alleged the CBI charge sheet, that were “disproportionate to her known sources of income”.

If found guilty of the criminal misconduct charges laid against her, she faces up to seven years in jail. The scandal was particularly troubling as it came against a backdrop of ongoing reform efforts, with the registry striving to improve transparency through the digitalisation of its systems. As India moves closer to Madrid Protocol accession, WTR considers the country's preparedness for the new regime and investigates whether the fight against corruption will remain an uphill battle.

What is undisputed is that India is still an incredibly attractive prospect for foreign investors. Its economy is one of the fastest growing in the world, according to the International Monetary Fund's (IMF) World Economic Outlook, published this spring. The IMF report also revealed that India enjoyed the world's highest growth rate: 10.4% in 2010, against a global growth rate of just 5%. The projection for 2011 was 8.2% – still almost double the projected global rate of 4.4%. India's youthful demographic and enhanced living standards also mean that disposable income is on the rise.

As companies seek to capitalise on this growth, the need for a speedy and efficient trademark system becomes more urgent. Kasturi's sensational arrest itself followed a tip-off from a trademark applicant who had been offered swifter registration in exchange for

a bribe. This mirrored an incident three years prior, when a former deputy registrar was caught accepting a bribe in a CBI sting.

Shortly after the latest scandal broke, Pullukotiyal Habel Kurian, controller general of patents, designs and trademarks, issued a dramatic *l'accuse* via the registry's website and announced his resignation.

He revealed that “certain officials of the Trademarks Registry [were] misguiding the applicants and the general public promising for a[n] expedited processing of application... Applicants and stakeholders [were] accordingly advised not to be misled or deceived by false promises made by touts in collusion with some office staff”. Kurian had served just half of his four-year tenure.

Bribes or business as usual?

In reality, making payments to expedite even the most mundane of processes is so commonplace that Indian attorney Mohan Dewan, of R K Dewan & Company, terms it “speed money”. He says: “You can look at it as doing the right thing, but doing it faster.” Dewan, whose practice has a 60-year history, suggests that the problem stems from low wages and a lack of respect for workers. He adds: “I would not call such a person corrupt. Everyone is human; you can't expect everyone to be a saint and stoic.”

Sumathi Chandrashekar, IP lawyer and Spicy IP blogger, agrees this is a fairly common business practice: “Speed money is not an IP-specific problem in India. Some high-ranking trademark officials were caught recently in cases of corruption, but this applies across industries and domains.”

The obvious question that arises in terms of speed money is the risk that such activities pose to international companies with respect to their governance and transparency – speed money is not something that has a place on the balance books. Worryingly, this is a risk that is difficult to counter and may already be arising without the brand owner's knowledge, according to Chandrashekar: “This is not a new issue that foreign firms have to worry about – it is entirely possible that Indian counsel may have used, unbeknown to their foreign clients, speed money or similar means in the course of their business. But there is very little a foreign client can do, other than direct physical monitoring of activities, to ensure that absolutely no such activities take place. It is also unlikely that moral persuasion will prevent a local Indian firm from changing its course of business, because there will be no dearth of clients willing to accept 'speedy' services.”

More positively for international brand owners, she adds: “What is changing, and appropriately so, is institutional response to such

Table 1. Trademark registry performance and targets

	FY 08-09	FY 09-10	FY 10/11	Target FY 11/12
Number of trademarks examined	105,219	25,875	205,065	150,000
Number of trademarks registered	102,257	67,490	115,472	100,000
Trademark opposition cases disposed	-	-	4,000	5,000
Trademark assignment matters disposed	-	-	3,000	25,000
GIs registered	45	14	29	20
IP awareness campaigns conducted	11	14	12	16

Source: Results-Framework Document for the year 2011-12, Office of the Controller General of Patents, Designs and Trademarks.

practices. There is response not only in IP, but across all types of governance institutions. In IP, specifically, small but incremental changes are happening in infrastructure; computerisation and workflow processes have reduced face-to-face interaction with IP officials. In turn, this is reducing opportunities for indulging in corrupt practices. As these changes grow in scale and improve in degree and efficiency, they will induce a behavioural change in the Indian counsel interacting with the IP institution. This is gradually already being seen.”

When in India...

Turning away from the issue of speed money, Dewan expresses similar nonchalance to the revelation that four kilograms of gold were discovered among Kasturi's possessions upon her arrest: “All Indian families have gold, but it's not seen as an economic advantage because it is not something that would be sold. The gold is a dowry – that's not extraordinary in India. You have to look at that through the eyes of an Indian.” He adds that Kasturi's alleged actions need to be considered in context: her monthly salary would probably have been £400 or £500 in a country where the average home costs £25,000.

Dewan ultimately suggests that Kasturi's arrest will cause only minor ripples, and that the corruption endemic in Indian society is unique and beyond the comprehension of outsiders. His suggestion that Kasturi's Chennai office was actually the most efficient of all

the trademark offices does not bode particularly well in this regard. Yet Kurian clearly believed that the problems were not insurmountable; as one anonymous source points out, “he could see that digitilisation of records was going to leave stakeholders less dependent on officials. This helped to reduce red tape-ism and, to a large extent, corruption.”

Indeed, even before Hazare's high-profile, high-stakes campaign to flag up the failures within Indian institutions, unrest was growing over the pervasive culture of corruption – not least in the trademark registry. A *WTR* source, who wished to remain anonymous, elaborates: “Officers weren't objective in exercising their discretion and it was possible to jump the queue. Whether it was acceptance and publication or having the registration certificate issued, it very much depended on who you knew and how well you could fulfil their demands.”

The 'Godfather of Reform' gets to work

To tackle these problems, Kurian proposed a raft of proposals to overhaul the ailing registry. Described by Bruce MacPherson, director of external relations at the International Trademark Association (INTA), as “one of these senior executive types out of the civil service who looked towards efficiency and trying to correct some of the issues,” Kurian was dubbed the ‘Godfather of Reform’ by online commentators.

Kurian laid the groundwork for the elimination of paper-based

“ The payment of ‘speed money’ is viewed as a common practice. The obvious question that arises relates to the risk that such payments pose to international companies with respect to governance and transparency ”

Table 2. Trademarks: Applications filed, examined and pending

Year	Filed	Applications examined	Pending
2003-04	92251 89958		205772
2004-05	78996 72091		212677
2005-06	85699 77500		220846
2006-07	103419 85185		239080
2007-08	123514 63605		298889
2008-09	130172 105219		323842
2009-10	141943 25875		439910

Source: The Department of Industrial Policy & Promotion

India at a glance:

- It is important to remember that if you are a non-domiciled trademark applicant, a local address for service must be provided.
- If an applicant's home country is a member of the Paris Convention and the bid for Indian registration is instigated within six months of filing the home application, the applicant can synchronise the filing date.
- The approximate time from application to registration is 24 to 36 months, provided that no opposition is filed against the mark.
- A trademark must be used within five years of the 'sealing date' – which, under Indian law, is the date on which the trademark was entered into the registry's records as a 'registered trademark'. A trademark should be renewed after 10 years, and although there is a grace period of one year, the applicant will face a fine. Renewals cannot be effected online.

activity, the introduction of web conferencing hearings and a knowledge-based digital library. While this ambitious agenda remained incomplete when he announced his resignation, it has so far yielded a free search facility on the registry's website and 80% digitalisation of records. "He was doing a very good job in terms of instituting electronic filing, consolidating the examining core, streamlining the processes and making Mumbai the key unit. His resignation is therefore a cause for concern," notes Macpherson.

However, even with these successes, the registry is still nothing if not beleaguered. MacPherson describes how, during his visit to the registry's Mumbai offices earlier this year, "there were still people in the hallways with stacks of files, sorting through them. Literally in the hallways!"

The lost files

Given this anecdotal evidence, the registry's April 2011 announcement that an alarming 44,000 trademark files had vanished, while unfortunate, is perhaps unsurprising. According to the Department of Industrial Policy and Promotion investigation, the files were misplaced during the 2006 decentralisation drive.

In Dewan's view, 44,000 is a conservative estimate. He says that the registry lost some 3,500 of his own firm's files, and while 2,500 of these were resubmitted, he expects that the remaining 1,000 will not materialise. Nonetheless, he feels that the issue has been blown out of proportion.

He adds that the registry's requirement that details of all registrations be published in the country's trademark journal has left an audit trail which can be followed if contradictory evidence is presented by interested parties. He stresses that there was no conspiracy behind the losses: "They were mishandled; that was negligence – which is endemic throughout all the offices." Unlike our anonymous source, who suspects that the lost files will prompt further "fireworks" in the future, Dewan is typically blasé. He does, however, concede that the debacle will slow down the registration process for some time to come.

By July 2011, the registry was in a position to make known that more than three-quarters of the missing files had been recovered; but any lustre restored to its reputation was lost soon thereafter when the minister of state for commerce and industry revealed a backlog of 126,000 pending trademark applications. This was largely attributed to "a lack of adequate manpower": it emerged that 71 out of 122 authorised examiner posts were still vacant.

But a bottleneck should have been anticipated, as applications had doubled over the previous decade, even while manpower allocation remained at late 1990s levels. The introduction of service marks in 2003 only added to the registry's workload. However, the ministry made no plan to address the increase and records were poorly maintained. This, said our anonymous source, was a case of "poor foresight by the government".

A recruitment drive to attract examiners was targeted at retired government officials – a level of responsibility that the role demands, according to the government – but failed to attract a single applicant. Dewan said: "Ministers are unprepared to release budgets for fresh officers and you can't pull them out of thin air. Who's going to come out of retirement for 50,000 rupees a month?" He also blasted plans to tackle the backlog by holding web-based hearings, explaining: "You have to remember that there are some areas of India that have no more than 10% electricity, or they have it for only four hours a day. For them, it would be difficult to even get to a computer."

On the turn

WTR made repeated attempts to solicit the views of the Indian registry, but requests for comment were met with silence. Kurian, who remains in situ until his replacement is found, similarly did not respond to WTR's approaches. Aside from confirming "I am still the controller general," he offered no insight into the workings of the registry.

This reticence is a shame – not least because the registry has lost the opportunity to tell us how it is dealing with these problems.

Breaking developments: Office of the Controller General of Patents, Designs and Trademarks launches consultation on its future

As *WTR* went to press, the Office of the Controller General of Patents, Designs and Trademarks opened a consultation on the organisational structure of the office. The proposals included potential measures to tackle the oppositions backlog and the potential separation of the different functions of the office. The consultation paper's questions included the following:

- Given the radically different skill requirements of trademark and patent office staff, the operational difficulties and the present challenges being faced by the [office], is it desirable to establish an independent office for trademarks and GI registry?
- Given the sensitivity of patent law and practice in India and also the experience in other major IP Offices such as the USPTO, would it be appropriate to consider making the [office] autonomous? Is it possible to bifurcate the two offices and make the trademarks registry and the patent and design office two autonomous organisations?
- Is an outsourcing (including employment of temporary but qualified personnel) exercise possible in the case of trademarks where more than 400,000 trademark applications are pending at various stages? If so, what could be the safeguards that should be put in place?

Ranjan Narula of Ranjan Narula Associates suggests that the different functions of the office are effectively operating independently at the moment, despite both being headed by the controller general – suggesting that a formal spin-off may not be a bad idea. He notes: “Day to day, the two offices work independently and I feel the needs of each differ. Economies of scale can be had by sharing some of the administrative resources; however, this has not been considered so far. A separate trademark office with its own functional head may result in better efficiency and use of resources; after all, one person managing the patent, design and trademark office can be challenging. The outsourcing of work to clear backlogs sounds radical, but if you consider the huge backlog in all areas - including oppositions, assignments, renewals, the reconstruction of missing files and data sanitisation - it may appear an attractive option.

“However, this will need to be well thought out, and sufficient checks and balances established, before implementation. Areas that can be outsourced are those that are process driven, and the current staff can act as supervisor to ensure quality.”

Earlier this year, the Office of the Controller General of Patents, Designs and Trademarks issued a document entitled “Results-framework”. As well as setting targets for 2011-12, the report provided a status update on levels of activity in trademark examinations and digitalisation. It revealed that 150,000 applications had been slated for examination in the financial year 2010-2011 – a goal which was achieved. The registry fell shy of the 100,000 target for certificates to be issued by just 10,000. Moreover, 4,000 oppositions had reportedly been cleared and the digitalisation of records was almost 80% complete (see Table 1).

In the interests of transparency, full details of pending trademark applications and registered trademarks are now publicly available. The records include the prosecution history and examination report, as well as copies of the application and trademark certificates. Similarly, opposition details are published and accessible.

Aside from the efforts within government to reform the system and enhance its compatibility with the Madrid Protocol regime, a core group of Indian brand owners has been meeting regularly this



The new US\$4.6m National Institute for IP Management in Nagpur - positive progress or a white elephant?

year to discuss the prevailing issues. Led by Murlidhar Balasubramaniam of Castrol India Pvt, the group has largely been supportive of the progress made so far. A briefing note states: “The industry applauds the developments made at the Indian trademark office. There is a lot of appreciation for the work done by Kurian in improving systems and steps taken to clean up the system. Indian brand owners are looking forward to further modernisation of the trademark registry and would like to urge the government to seek good leadership.”

However, the group echoes MacPherson’s concern about the lack of direction at the top: “There is great concern for the leadership vacuum. The selection process is a lengthy procedure that is expected to take up to three months or more.”

Ashwin Julka, managing partner at Remfry & Sagar in New Delhi, agrees that the registry is “on the whole on the right path, with tremendous pressure to streamline processes while ensuring accuracy of records and efficient performance”.

He adds: “Once complete e-filing is in place, electronic records will ensure accuracy of records, eliminate any possibility of lost files and improve transparency. The digitalisation of processes was one way in which human discretion was removed, making it difficult for anyone to take up matters out of sequence. However, a shortage of staff and a bureaucratic mindset are hindrances. It is hoped that Kurian’s successor will also be filled with the zeal to reform, making occasions for criticism few and far between.”

Julka further disputes the suggestion that the government is running the office counterproductively. Far from “spending more money than the processes it is supporting will or do bring in”, as Dewan contends, Julka highlights the improvements made, adding: “Arguments that certain fee-based services such as trademark searches which recently began to be provided free of charge shall lead to a fee deficit are easily dismissed on account of the

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concurrent increase in filing fee – an increase of nearly 40% per mark for each class.”

However, he acknowledges that there is an urgent need for more examiners: “The training of officials needs to be more intensive and frequent, with an emphasis on practical tips to resolve issues expeditiously. Equally, as has been mentioned, attracting the best talent and retaining it is directly proportional to the salaries on offer. So too is an employee’s unwillingness to augment income through incorrect means. Thus, higher salary structures are one way in which government funds can be utilised to improve the functioning of the registry, along with greater transparency in the appointment of officials and, of course, their proper training.”

The Madrid question

Speaking at the MARQUES annual conference in September 2011, Debbie Roenning, director of the legal and promotional division, international registries of Madrid and Lisbon, welcomed the fact that “India is preparing for future accession to the protocol”. But there is still disagreement as to whether the country is in fact ready. Dewan, for one, is optimistic: he claims that registrations should be brought up to date by November 2011, with changes and amendments implemented by the time *WTR* went to press. Despite his confidence in the registry’s ability to catch up in terms of registrations, Dewan believes that it will take two years before the registry finds itself on an “even keel”. And when it comes to oppositions, “we will need something really revolutionary,” he admits. “There will be teething problems, as there is with any change, and people will be quick to criticise. The trademark system in India is still very much at the teething stages – not necessarily because of the registry, but because of the inefficiency of e-government in general.” Dewan points out that the general population is not computer literate and does not know how to handle technology. “Within the registry, there are people who deride the system of e-filing because they do not understand the power of the computer. Their mentalities are set on hard documents. There should have been a transition period. You cannot turn people around without time.”

Although Dewan’s firm has had input in the training programmes at the new National Institute for IP Management in Nagpur, he is doubtful that staff members are being given the necessary skills to ensure a smooth transition to Madrid, and further slams the \$4.6 million new headquarters as a “white elephant”. However, he does believe that the naysayers among those in government institutions, the legal profession and the general

public “will come to accept that the change is for the better”.

Indeed, there is a general consensus that Kurian’s reforms were positioning the registry well with regard to Madrid accession – but there is still some considerable way to go. Most recently, an idiosyncrasy of the legislative process has prompted some serious head-scratching at INTA. MacPherson said: “While we were pleased that the Parliament has passed the legislation and we understand that the president has signed it, there’s still the issue of ‘notification’ and I’m as yet unable to figure out exactly what that means.”

Essentially, it involves the president making public the intention to deposit the “instrument of accession to WIPO”. Once this so-called ‘deposit’ has taken place, India will have a three-month grace period before it must begin accepting applications by the protocol. For MacPherson, this remains a “crucial” issue.

He explains: “What happens is that often countries that are in the process of joining Madrid get bogged down in those ‘instruments of accession’ before they feel they are aptly prepared to accept the accession.”

Add to this delay the time that the registry will need to find someone willing to step into Kurian’s shoes, and it looks unlikely that brand owners will be able to file under Madrid for some time to come. [WTR](#)

Jane Denny, *World Trademark Review*