

Roll No.

OPEN BOOK EXAMINATION

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 11

NOTE : Answer **ALL** Questions.

1. Read the following case study and answer the questions given at the end :

The Ethiopian economy is heavily dependent on the trade of its primary products. Among the country's limited tradable goods, coffee alone generates about 60 percent of Ethiopia's total export earnings. Indeed, coffee is closely tied to the culture and society of Ethiopia and an estimated 15 million people are, directly or indirectly, involved / engaged in the Ethiopian coffee industry.

Some of the world's finest coffees, such as Harrar®, Sidamo® and Yirgacheffee®, originate in Ethiopia. These coffees have a unique flavor and aroma that distinguish them from coffees of other countries or even from other coffees of Ethiopia. This African nation enjoys a strong reputation for its heritage coffees which command a very high retail price in the international market. However, only 5 to 10 percent of the retail price actually goes back to Ethiopia; most of the profit is shared by distributors and middlemen in the marketing sector. In wealthy countries, a cup of cappuccino may be sold at US\$ 4, but many coffee growers in Ethiopia and other developing countries earn less than a dollar a day. There are instances where farmers were forced to abandon coffee production due to low returns and resort to growing more profitable narcotic plants.

Seeking to narrow down this gap between the retail price and the return to the producers, the Ethiopian government is trying to use a range of intellectual property rights (IPRs) to differentiate their coffee in the market place and achieve higher returns. In 2004, the government launched the Ethiopian Coffee Trademarking and Licensing Initiative (The Initiative) to provide a practical solution to overcome the longstanding divide between what coffee farmers receive for a sack of their beans and what retailers charge for that coffee when they sell it in retail outlets in different countries.

The Initiative is organized and run by the Ethiopian Fine Coffee Stakeholders Committee (the Stakeholders Committee) — a consortium comprising cooperatives, private exporters and the Ethiopian Intellectual Property Office (EIPO) as well as other concerned government bodies.

The EIPO took the leadership of The Initiative and began working on identifying a mechanism which would lead to a greater share for the country's coffee growers. The Initiative also intended to generate high retail prices for Harrar, Sidamo and Yirgacheffe – the three most famous coffee brands of Ethiopia. “The theory is : make the pie bigger. Let the market pay,” explained Mr. Getachew Mengistie, former Director General of the EIPO. “Rather than focusing on short term gain, this way we can enlist the big companies to do what we don't have the skills or financial means for – that is, building recognition of our brands in international markets and so increasing long term demand for them.

The key strategy, the Stakeholders, Committee agreed, was to achieve wider recognition of the distinctive qualities of Ethiopian coffees as brands and position them strategically in the expanding specialty coffee market; while at the same time to protect Ethiopia's ownership of the names so as to prevent their, misappropriation. This would lead to a greater share of the high, retail price Ethiopian coffees demand going straight to rural producers.

: 3 :

The Ethiopian Government had to make a decision on how to best use IPRs to obtain exclusive ownership of Ethiopian coffee names, achieve wider international recognition and maximize returns. At first glance, registration of each Ethiopian coffee as a geographical indication (GI) seemed to be the best course of action. After all, the coffees are made in Ethiopia and named after the regions that made them famous. However, there are many unique circumstances summoning specialty coffee production in Ethiopia that actually make GI registrations less suitable than other forms of intellectual property (IP) protection. As Mr. Mengistie explained, “setting up a certification system would have been impracticable and too expensive.”

Used to indicate the regional origin of a particular product, a GI registration must demonstrate a link between a characteristic of the product and the region where it is produced. If each Ethiopian specialty coffee were registered as a GI, it would have to be produced in a specific area of the country under specific circumstances. For example, a GI for Sidamo coffee would require every bag of Sidamo to be produced, processed or prepared in the Sidamo region and have a special quality that is directly dependent on the unique properties of the region. A GI also requires that the government oversee producers and distributors to guarantee that the coffees sold belong to a particular style or region, such as Sidamo.

However this is not a practical solution for Ethiopia. Specialty coffee in Ethiopia is grown on over four million small plots of land by an estimated 600,000 independent farmers spread throughout the country in remote areas. Although Ethiopian coffees such as Sidamo and Harrar are named after specific regions, all of it is not produced in the same region under the same circumstances. Distribution is also a problem, as it is predominately done informally by hauling bags of coffee on foot for many kilometers. Government oversight of coffee producers is therefore nearly impossible. Farmers would be required to pay a surcharge for government

oversight, and this would only be an additional burden on them, many of who are already living below the subsistence level. Therefore the very nature of coffee production in Ethiopia makes GI certification difficult and impractical.

The Government of Ethiopia decided that instead of trying to protect Ethiopian coffee's geographical origin, it would be better to protect its commercial origin, which it would do through registering trademarks. This was seen as a more direct route of protection because it would grant the government of Ethiopia the legal right to exploit, license and use the trademarked names in relation to coffee goods to the exclusion of all other traders. Unlike a GI, a trademark registration does not require a specific coffee to be produced in a specific region or have a particular quality in connection with that region. Using trademark registrations, the government of Ethiopia could then produce greater quantities of specialty coffees from all over the country. Rural producers outside the Sidamo region could grow Sidamo coffee, as it would not need to have a characteristic that is unique to the Sidamo region. The Stakeholders Committee therefore opted for a trademark-based solution, with the Ethiopian Government as the owner of these marks. This strategy gave the Government greater and more effective control over the distribution of its product, which ultimately increases revenue by exporting more goods, enabling a rise in prices and benefits to farmers.

The EIPO began filing applications to register the names Harrar/Harar, Sidamo and Yirgacheffe as trademarks in key markets. In the United States, Yirgacheffe was the first to obtain registration. Sidamo and Harrar/Harar were granted registration at a later time. Trademarks for Ethiopian coffees were also registered in the European Union and Canada. In Japan, registration certificates were secured for two of the coffees (Yirgacheffe and Sidamo). The EIPO filed applications for trademark registrations of these three coffees in a number of other countries including Australia, Brazil, China, Saudi Arabia and South Africa

: 5 :

The trademark strategy for Ethiopian coffee faced a major difficulty in 2006. The United States Patent and Trademark Office (USPTO) had approved the application to register Yirgacheffe. But the National Coffee Association (NCA), representing coffee roasters of the United States, objected to the EIPO's applications to trademark first Harrar, then Sidamo.

The American coffee chain Starbucks Coffee Corporation, was reported to be a driving force behind the NCA objection. It, however, publicly offered to assist the EIPO in setting up a national system of certification marks to enable the farmers to protect and market their coffee as "robust" geographical indications. The EIPO and its advisors disagreed. The designations, they argued, referred not to geographical locations but to distinctive coffee types. Moreover, appropriate intellectual property (IP) tools had to be chosen to meet specific needs and situations. It said that its coffee is grown on four million very small plots of land. Setting up a certification system would have been impracticable and too expensive. Trademarking was more appropriate to our needs. It was a more direct route offering more control.

The EIPO filed rebuttals against the USPTO decisions with supporting evidence to demonstrate that the terms Harrar and Sidamo had acquired distinctiveness. Meanwhile, both Starbucks and the Ethiopian government were keen to resolve their differences quickly and find a flexible way forward. Their joint efforts led to an announcement in 2006 that they had reached a mutually satisfactory agreement regarding the distribution, marketing and licensing of Ethiopia's specialty coffee designations, which provided a framework for cooperation to promote recognition of Harrar, Sidamo and Yirgacheffe.

Starbucks agreed to sign voluntary trademark licensing agreements which immediately acknowledge Ethiopia's ownership of the Harrar, Sidamo and Yirgacheffe names, regardless of whether or not a trademark registration has been granted. Legal commentators have honed in on

the use of the term “designation” in the agreement as a means of circumventing the obstacle caused by the status of the Harrar and Sidamo applications. EIPO felt that designation is used here as a broader term than trademark, to encompass some of the trademarks that are still pending registration. It is not related to certification.

In August 2006, the USPTO informed the EIPO that their rebuttal in the case of Harar had been successful. A trademark for Sidamo was also granted in February 2008.

The Initiative secured financial support from the Department for International Development (DFID) of the United Kingdom, technical advice from a Washington-based Non-governmental Organization (NGO), Light Years IP, and legal assistance from an American law firm, Arnold and Porter.

The high cost of legal services for foreign trademark registration created some initial difficulties. Ethiopia, moreover, is not a member of the Madrid system for the international registration of marks. This was overcome by support from law firms which agreed to provide their services *pro bono*.

After acquiring the trademarks, Ethiopia initiated a royalty-free licensing scheme. The purpose of licensing was to secure recognition from the coffee distribution industry that Ethiopia owns and controls the use of trademarks, thereby building the reputation and good will of its specialty coffees around the trademarks. The government of Ethiopia wanted its coffee to have more market visibility so that the export premium for Ethiopian specialty coffee could be raised. The adopted strategy offered royalty-free license agreements and required the licensee to sell the specialty coffees using the registered trademarks (free of charge) on any product that consists wholly of Ethiopian specialty coffees and to promote Ethiopian fine coffee by educating their customers. The licensing strategy is expected to boost consumer recognition of Ethiopian

: 7 :

coffee trademarks and facilitate the growth of the demand for Ethiopian fine coffees. This strategy will ensure that Ethiopian farmers and small businessmen secure a reasonable return from the sale of their coffees.

By mid-2009, almost one hundred license agreements had been concluded with coffee importing, roasting and distributing companies in North America, Europe, Japan and South Africa. Within the country, some forty seven private coffee exporters and three coffee producer cooperative unions in Ethiopia had also signed the agreement.

The high profile dispute with Starbucks increased the popularity of Ethiopian coffee. It was learnt from the coffee farmers' cooperatives and exporters just three months ago that the price of Yirgacheffe had already increased by \$ 0.60 cents to \$ 2 a pound.”

Immediately after the resolution of the dispute, the stakeholders of Ethiopian coffee focused their attention on the need for a marketing strategy. They opted for a well-organized branding instrument. A United Kingdom-based company was given the responsibility of the brand promotion of Ethiopian coffee. The company worked together with the stakeholders and developed the brands and brand guidelines. Under this approach, a total of four brands were created : an umbrella brand with the name “Ethiopian Fine Coffee” and three individual brands entitled “Harar Ethiopian Fine Coffee,” “Yirgacheffe Ethiopian Fine Coffee” and “Sidamo Ethiopian Fine Coffee”.

The Initiative helped Ethiopia to differentiate Ethiopian coffees from coffees of other countries, which strengthened the confidence and bargaining position of the coffee growers and exporters of the country. The novelty of the Initiative was that it enabled the growers and producers to become Part of price setters instead of being price takers.

Questions :

- (a) Analyse the reasons why the Government of Ethiopia did not favour CI registration of their speciality coffee and instead favoured to protect its commercial origin.

(10 marks)

- (b) Discuss the initiative of Ethiopian Intellectual Property Office in obtaining trademark registration for Ethiopian coffee brands highlighting the steps taken by it to overcome the difficulties.

(5+5=10 marks)

- (c) How did Starbucks and Ethiopian Government resolve their differences and arrive at a flexible way forward ? Did the move pave the way for growing popularity of its coffee ?

(5+5=10 marks)

- (d) Why did Ethiopian Government initiate a royalty-free licensing scheme ? Did the licensing agreement strategy prove successful ?

(5+5=10 marks)

2. (a) ABC Communications, a telecommunications company, is in the design phase of a new device that incorporates a cellphone, PDA, MP3 player, GPS chip and Internet capabilities. There is a concern that the new device may have nearly the same design as their competitor's product, for which an application for registration of industrial design has already been submitted. A former intern, who is now employed by the competitor, is believed to have leaked information. Can ABC Communication apply for registration of the design of the new device under the Designs Act, 2000 ? Give reasons in support of your answer.

(6 marks)

(b) Radha, a researcher in a pharmaceutical company has discovered a molecule that may have a significant effect in the treatment of melanoma, a type of skin cancer. Research was done in patent databases to verify if any patents have been issued for the chemical compound. The researcher found that in 1993, a patent was sealed in the name of another company for a compound that had the same chemical structure, but it had since expired due to non-payment of renewal fees. She has little experience in dealing with intellectual property rights.

Can Radha make an application for the sealing of the patent in her name under the Patents Act, 1970 ? Give reasons in support of your answer.

(6 marks)

3. (a) A British manufacturer of biscuits has been selling cookies in India for more than 20 years, and had a registered trademark 'ChipsMore' for these products during all that time. Two years ago, an Indian company started manufacturing and selling cookies under the brand 'ChipsPlus'.

Can the British manufacturer institute a suit seeking relief for infringement/passing off under the Trade Marks Act, 1999 ? Give reasons and refer to case law in support of your answer.

(b) ABC Ltd. specializing in the production and distribution of professional sealants for commercial and home use, had registered ownership of its trademark and packaging design for its growing sales of sealants in India. After several years of sales in India, it was alerted by its local distributor about the existence of competing products bearing similar packaging design, but with a different logo, being sold by resellers of hardware products in Chennai and Bengaluru. Advise the company regarding the course of action it should take. Give reasons and refer to case law in support of your answer.

(6 marks each)

4. (a) Describe the mechanism for registering an industrial design in several countries by means of a single application, filed in one language, with one set of fees.
(6 marks)
- (b) Intellectual property rights are often under-valued, under-managed or under-exploited. Comment. What are the major concepts for the valuation of intangible assets ?
(3+3=6 marks)
5. (a) One of the prime factors contributing to the survival and growth of every business in today's competitive world is the development of intellectual property as an instrument of economic development. Discuss.
What are the major areas in which companies in India can take the lead in the global phenomenon of intellectual property rights ?
(3+3=6 marks)
- (b) Define the terms 'farmer' and 'farmers variety' under the Protection of Plant Varieties and Farmers' Rights Act, 2001. Explain the rights of the farmers envisaged under the Act briefly referring to relevant provisions.
(1+1+4=6 marks)
6. (a) The protection of trade secrets and undisclosed information is attracting a lot of attention throughout the world for obvious reasons. As the situation stands, trade secrets are not registered like other intellectual property rights and are also not creatures of statutes. The judicial system of each country determines the requirements for ensuring trade secrets protection.
A survey conducted by the American Society for Industrial Security (ASIS) on intellectual property loss by Fortune 1000 companies and the 300 fastest growing companies in the US reveals that \$44 billion were lost due to known and suspected intellectual

: 11 :

property losses during a 17-month period in 1996-1997. And the sum of \$44 billion was calculated on the basis of the response of only 12% of the survey participants. At the international level, Trade Related Aspects of Intellectual Property Systems (TRIPS) Agreement protects trade secrets in the form of undisclosed information.

In the light of the above, highlight :

- (i) The role of international institutions for the international protection of trade secrets.
- (ii) The status of protection of trade secrets in India.

(3+3 marks)

- (b) One Unnithan conceived an idea of a reality TV Show SWAYAMWAR concerning match making. He shared the concept note with a film maker Ramesh Chandra. To his surprise and shock, he came across a newspaper report about Ramesh Chandra planning to come out with a big basket match-making show using his concept. Has there been a violation of an intellectual property right ? Can Unnithan institute a suit seeking injunction ?
- Give reasons and refer to case law, if any.

(6 marks)

————— o —————