

Sri Lanka

Enhanced investment opportunities in the post-conflict era

Now that nearly 30 years of civil war have finally ended, Sri Lanka is going through a phase of rapid economic development. The government's economic strategy places special emphasis on creating a business climate that is conducive to local and foreign investment; already, improved economic development is creating attractive foreign investment opportunities in the post-conflict era.

With more multinational companies competing with one another than ever before, most businesses forget to pay due attention to IP rights protection. However, counterfeiting and piracy are global issues and with the increased number of businesses and brands entering the market, companies should focus on taking proper measures to safeguard their IP rights locally as well as internationally. Failure to recognise the importance of protecting trademarks, copyrights, patent rights and other IP rights could result in loss of profits and, eventually, a loss of business.

The applicable law

The law governing IP rights in Sri Lanka is the IP Act (36/2003), which is based on the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). The IP Act introduced improved, broader and more exhaustive provisions than the previous law in this area, the Code of Intellectual Property (52/1979). The new IP Act sets out comprehensive provisions on copyright, industrial designs and patents. It also introduced provisions on the protection of layout designs for integrated circuits and geographical indications for the first time in Sri Lanka.

Trademarks and trade names

The act provides for the registration of trademarks and service marks and establishes a specific registration procedure. Once a mark has been accepted for registration, it is valid for 10 years and renewable every 10 years thereafter.

Trade names can also be registered in Sri Lanka.

However, it is not necessary to register a trade name in order to benefit from protection under the act.

Copyright

Copyright in literary, artistic and scientific works, as well as derivative works, is defined and protected under the IP Act. While the act makes no provision for the registration of copyrights, it does recognise the economic and moral rights of a work's author or creator. In addition, it provides that the economic and moral rights attached to copyright are protected during the lifetime of the author and for a further 70 years from the date of his or her death.

In addition to copyright, the act introduced protection for related rights, specifically the rights of performers and producers of sound recordings and broadcasts.

Industrial designs

Industrial designs can be registered by applying to the director general in the prescribed manner – the registration procedure is laid down in the IP Act. The person who makes the first application or first makes a valid claim for an industrial claim's earliest priority is deemed to be its creator. The registration of an industrial design is valid for five years from the date of receipt of application and can be renewed on request for two consecutive terms of five years each.

Patents

The IP Act provides for the protection of patent rights of processes and products. According to the act, an invention is patentable if it is new, involves an inventive step and is industrially applicable. The right to a patent belongs to the inventor. A patent gives the owner the exclusive right to exploit the invention and is valid for 20 years from the date of filing the application.

Layout designs for integrated circuits

The protection of layout designs for integrated circuits was recognised in Sri Lanka for the first time by the new

IP Act. These provisions derive from the TRIPs Agreement and establish that the creator of an original layout design has the right to protection and that this protection will last for 10 years.

Unfair competition and undisclosed information

The IP Act defines ‘unfair competition’ as any act of competition that is contrary to honest practices in industrial or commercial matters. This provision is exhaustive.

In addition, the IP Act introduced provisions concerning undisclosed information, which could be said to be an added benefit to Sri Lanka. The act of passing off also falls within the meaning of ‘unfair competition’ in Sri Lanka. Most cases filed in respect of IP rights are filed under unfair competition.

Some acts that are recognised by the IP Act as constituting unfair competition include the following:

- an act that causes or is likely to cause confusion with respect to another’s enterprise or its activities;
- an act that damages or is likely to damage the goodwill or reputation attached to another’s enterprise; or
- an act that misleads or is likely to mislead the public with respect to an enterprise or its activities.

The IP Act recognises that these acts fall within the meaning of ‘unfair competition’ if they are committed in respect of:

- a mark, whether registered or not;
- a trade name;
- any other business identifier;
- the appearance of a product;
- the presentation of products or services; or
- a celebrity or a well-known fictional character.

In addition to the above, any false or unjustifiable allegation that discredits or is likely to discredit an enterprise, or any act of disclosure, acquisition or use of undisclosed information, is recognised as unfair competition under the act.

A significant change brought about by the IP Act was the appointment of the High Court of the Provinces as the court of first instance for hearing and determining certain civil proceedings. Appeals from the Civil High Court involving IP matters should be made to the Supreme Court.

The Customs Ordinance was also amended by the act, which granted power to the director general of Customs to suspend the import and export of counterfeited trademark or pirated copyright goods upon an application by the rights holder. The act establishes that a rights holder should file an action within 10

working days of any such suspension; if no action is filed within that time, the goods will be released into free circulation. Customs has the power to request adequate security or guarantees from the applicant for the suspension of counterfeit or pirated goods in order to protect the defendant and to prevent abuse.

As analysed above, the new IP Act is a comprehensive law under which trademark holders, copyright holders and other IP rights holders can seek different types of protection to safeguard their IP rights in Sri Lanka.

Criminal action

The IP Act provides for criminal and civil remedies for infringements of IP rights. Criminal action can be initiated in a magistrate’s court by a private complaint or through a police B report, which is based on a complaint made by a rights holder.

Some of the offences recognised by the act include:

- falsification of entries in any register;
- infringement of copyright, industrial designs, patents and trademarks;
- false representation of industrial designs, patents and marks;
- unlawful disclosure of information relating to the patents; and
- forgery of marks or applications of false trade descriptions.

Persons found guilty of these offences on conviction after trial before a magistrate are liable for a fine of up to Rs500,000 or imprisonment for up to 12 months, or both.

In the case of a second or subsequent conviction the punishment can be as much as doubled.

The IP Act also provides for civil suits for injunctive relief in the Commercial High Court. An aggrieved party may seek criminal or civil protection, or both.

In addition to the IP Act, an aggrieved party may seek protection under the Consumer Affairs Authority Act, which was introduced in 2003. However, so far, the provisions of this act have not been tested in the Sri Lankan courts.

Customs recordation

Unlike many other jurisdictions, Sri Lanka does not have a procedure in place for the customs recordation of IP rights. However, Sri Lankan Customs is encouraging rights holders to register their details in order to help it to expedite the process of taking action in case of suspected counterfeits. The government may regularise this process by introducing a formal recordation mechanism in the near future.

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Enforcement

Sri Lanka has further strengthened the enforcement of IP rights through the establishment of a special Anti-piracy and Anti-counterfeit Unit within the Criminal Investigations Department (CID). This unit is assigned to investigate and take action against crimes related to IP rights infringement and has been provided with specialised training to help it perform its duties efficiently.

Recent case law

Significant criminal and civil actions filed by rights holders in Sri Lanka during the last year include several actions filed by software companies, fashion clothing brands and stationery companies, among others, for the violation of their respective trademarks and copyrights.

Raids hit back at illegal software

Early this year, several well-known international computer software companies initiated criminal action through the Business Software Alliance against a large manufacturing company for using unlicensed/pirated software. This action was the second end-user raid action carried out in Sri Lanka for the infringement of copyrights of software programs.

In this case, right holders initiated action by making complaints to the CID. After obtaining the necessary search warrants from the relevant magistrates courts, the CID executed these immediately. The suspect company was operating from two different locations in two different jurisdictions and therefore the raid was carried out using two separate police teams simultaneously. The CID obtained permission from the magistrate to use an independent IT technical team to conduct the required software audit in order to ascertain whether the company

possessed the necessary licences to the software it used.

Over 85 personal computers and laptops were audited during the raid and about 70 computers installed with unlicensed software were seized. According to the audit findings, over 150 unlicensed software programs belonging to the complainant companies had been installed in the seized computers.

The suspect company instantly purchased the necessary software to become fully compliant with the requirements. Following this, the case was settled with the payment of a large sum as compensation to the right holders.

In another recent copyright violation action, a leading software company filed a civil action in the Colombo Civil High Court against a computer dealer involved in importing, distributing and selling computers and laptops installed with unlicensed software. The defendant did not contest the case as there was a clear copyright violation on its part. The parties later settled the case by signing an agreement and paying compensation to the copyright holder.

Consumer complaints trigger action

The owner of well-known Japanese electrical equipment brand KDK initiated action recently through the CID. The sole agent for KDK in Sri Lanka had received several complaints from consumers regarding defects in products they had purchased. Upon investigation, the brand owner discovered that several parties were involved in selling and distributing counterfeit electric fans bearing identical or very similar marks to its registered trademark KDK. The brand owner then complained to the CID about several such sellers and dealers.

The CID obtained necessary search warrants from the magistrates court and executed the same in several

locations, using several teams simultaneously. A large stock of counterfeit ceiling fans bearing forged KDK marks were seized from several locations – the fans were later identified by the brand owner as counterfeit. The shop owners were arrested at the time of the raid and later released on bail. The cases are presently fixed for trial before the magistrates court.

Victoria's Secret raid sets new record

Victoria's Secret, a world-famous specialty retailer of lingerie and beauty products, initiated criminal action through a private complaint filed by the trademark owner against a party which was engaged in the business of manufacturing counterfeit Victoria Secret products. A search warrant was obtained and executed through the area police. About 10,000 finished garments and a large stock of cut pieces falsely bearing Victoria's Secret registered trademarks were recovered by the police during the raid. This was the largest raid action over counterfeit goods in Sri Lanka for a clothing brand in 2009. The items were seized from a makeshift warehouse where they were being stored before being exported. Upon examining the seized articles, the brand owner confirmed that they were counterfeit and that the fabric, labels and stitching used were of inferior quality. The police were also able to recover several documents containing vital facts pertaining to this illegal operation for further investigations. This case is pending before

the magistrates court.

Counterfeit stationery raises safety concerns

Leading French stationery manufacture Maped instituted criminal action through a complaint made to the CID against a seller in the famous Colombo bazaar market. The CID conducted surveillance based on the complaint and obtained a search warrant to search the premises in question. A large stock of counterfeit stationery items were seized from the premises by a team of CID offices – these included counterfeit pencils, colour pencils and study maths sets. Having identified the seized items as counterfeit, the brand owner's representatives further stated that the seized items were of substandard quality and contained safety flaws, such as sharp and rough edges, in contrast to genuine Maped stationery, which is child friendly and conforms to rigorous safety standards. The owner of the shop from which the counterfeit items were found was arrested and later released on bail.

Conclusion

Sri Lanka is gearing up to provide protection to IP rights holders in the advanced economic climate. The improvements in IP law discussed in this chapter and the enforcement mechanisms that have now been introduced have helped to establish a practical and comprehensive system to help rights holders to safeguard their IP rights.



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