

Lacking a European Touch: The Delhi High Court Design Law Ruling in Crocs Inc v. Liberty Shoes*

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Case Note

SUMMARY

On March 14, 2018, the European General Court in *Crocs Inc v. European Union Intellectual Property Office*¹ issued a judgment cancelling a European Community design registration for American footwear giants Crocs. This confirmed a decision by the Board of Appeal in June 2016,² which had held that Crocs' signature footwear design was invalidly registered owing to prior publication.

Meanwhile, in faraway India, 'Crocs' massive design infringement litigation against seven Indian footwear manufacturers over the same design at issue in the European proceedings, finally came to a head in February 2018 before the Delhi High Court in *Crocs Inc v. Liberty Shoes*.³

Like its European counterparts, the Indian Court ruled against Crocs on the validity of the design registration. However, the European General Court decision also reveals that much of the material on which its judgment was based was never raised before the Indian Court. This raises numerous concerns, not just about the bleak future of Crocs' Indian design infringement actions but also of possible sanctions for Crocs for failing to meet disclosure requirements under Indian legal procedure.

This note discusses the key findings of the Delhi High Court in *Crocs Inc v. Liberty Shoes* on the issues of prior publication and originality. The finding on prior publication is incomplete for its failure to refer to the material disclosed in the European proceedings, and the Delhi Court has deviated markedly from established Indian design law in ruling that Crocs' design lacked originality. It is a decision, that therefore, requires urgent reconsideration on both counts.

1. BACKGROUND TO THE DELHI PROCEEDINGS

Crocs secured design registrations for its popular perforated and non-perforated clog-style footwear designs in India in May 2004.⁴ These design registrations, corresponding to European Community Design Registration No. 257001-0001 registered in February 2005,⁵ were the centerpieces around which Crocs instituted design infringement actions against seven Indian footwear manufacturers between 2014 and 2018.⁶

While Crocs was successful in securing interim injunctions *ex parte* against two of these footwear manufacturers before other Delhi Courts, the full interim injunction motions in all the design infringement proceedings were consolidated before the Delhi High Court and heard between November 2017 and February 2018.⁷ By its judgment of February 8, 2018, the Delhi High Court dismissed Crocs' motions for interim injunction in all these cases.

Curiously, the substance of the Defendants' defence was not that their footwear designs were not imitations or pirated versions of the Crocs' designs. Instead, they argued that, under Indian design law, no action for imitation or piracy brought by the proprietor of a registered design could be granted relief if the registration itself was invalid.⁸

2. THE DELHI HIGH COURT FINDING ON PRIOR PUBLICATION

To this end, the Defendants first sought to prove that the Crocs' registered designs were invalid on account of prior publication. To establish this, they would have to demonstrate that Crocs' registered designs had been published prior to May 28, 2003, the date from which Crocs' Indian registration claimed priority.⁹

The Defendants relied on two sets of materials to de-

*Disclosure: The authors advised and represented the Claimants before the Delhi High Court in *Pentel v. Arora Stationers*, a case which is discussed in Parts 5 and 6 of this Case Note.

¹ Judgment of 14 March 2018, *Crocs Inc v. European Intellectual Property Office*, Case T-651/16.

² Judgment of 06 June 2016, *Gifi Diffusion v. Crocs Inc*, Case R 853/2014-3.

³ *Crocs Inc v. Liberty Shoes*, Case CS(COMM) 772/2016 [Delhi High Court Judgment of 8 February 2018], available at <http://lobis.nic.in/ddir/dhc/VJM/judgement/12-02-2018/VJM08022018SC7722016.pdf> (last accessed on April 3, 2018).

⁴ Crocs were issued registrations under Indian Design Nos. 197685 and 197686 for these designs. *Ibid.*, [1]-[2].

⁵ The European Community design registration claimed priority from US Design Patent Application No. 29/206,427 filed on 28 May 2004. See Judgment of 26 March 2010, *Crocs Inc v. Holey Soles Holdings*, Case R 9/2008-3, [1].

⁶ These consisted of actions against seven different Indian Defendants, namely Liberty Shoes, Relaxo Footwear, Bioworld Merchandising, Bata India, Action Shoes, Aqualite, and Kidz Palace. Crocs claimed that these Defendants were manufacturing and selling sandals with clog-style designs that were imitations or pira-

ted versions of Crocs' own registered designs. *Supra*, note 3, [4].

⁷ *Supra*, note 3, [1].

⁸ Under Section 22(3) of the Indian Designs Act, 2000, every ground on which a design registration may be susceptible to cancellation may be argued by a Defendant in design infringement proceedings. An exhaustive list of these grounds is offered in Sections 19(1)(a)-(e) of this Act. The Defendants here sought to make out two grounds for invalidity of Crocs' Indian design registrations: that these designs had been published prior to the date of registration [Section 19(1)(b)] and that these designs were not new or original [Section 19(1)(c)].

monstrate prior publication. First, they introduced online materials published by Holeys (then Holey Soles), a Canadian competitor of Crocs. These materials were December 2002-February 2003 vintage, and appeared to disclose footwear designs similar to Crocs' Indian design registrations.¹⁰ Second, the Defendants introduced screenshots and printouts from Crocs' own website going back to October 2002-December 2002, also relating to footwear designs broadly similar to the designs registered by Crocs in India.¹¹

In response, Crocs opted to challenge the reliability of the material in a slightly odd manner. It argued that the depiction of the footwear designs by Holeys in the online material was not a guarantee that the depiction did, in fact, take place between December 2002 and February 2003.¹²

This was rejected by the Delhi High Court as “nothing but a desperate argument.”¹³ Instead, the Court found that the Defendants' prior publication objection was *prima facie* acceptable. In the Court's view, this was because, once the Holeys designs were shown to be broadly similar to Crocs' designs, “it was up to Crocs to lead evidence to demonstrate that Holeys' website from the timeframe in question had not made the designs publicly available” – something Crocs failed to do.¹⁴

This comes across as a rather roundabout manner in which to conduct a prior publication inquiry for two reasons. First, the Delhi High Court fails to identify or explain the reasons for its *prima facie* impression that the Holeys designs were similar to the subject of Crocs' Indian design registrations. There is no judicial discussion of how the Holeys material stacks up against Crocs' Indian designs, either in terms of an overall impression or an element-by-element comparison.

Second, it is worth emphasizing that the online material submitted by the Defendants was simply in the form of

unverified printouts of material downloaded from the internet. While the Court does offer to extend a similarly lax level of scrutiny to Crocs' evidence as well, it raises the question of whether the Court's *prima facie* opinion of a potentially case-turning issue such as prior publication should be on firmer ground.

3. THE EUROPEAN MATERIAL ON PRIOR PUBLICATION OF RELEVANCE TO THE INDIAN PROCEEDINGS

The latter is especially troubling in view of the European General Court proceedings — ongoing at the time of the Delhi High Court hearings — which, in March 2018, yielded a finding against Crocs on prior publication but on extremely contrasting evidence.

⁹ *Supra*, note 3, [14].

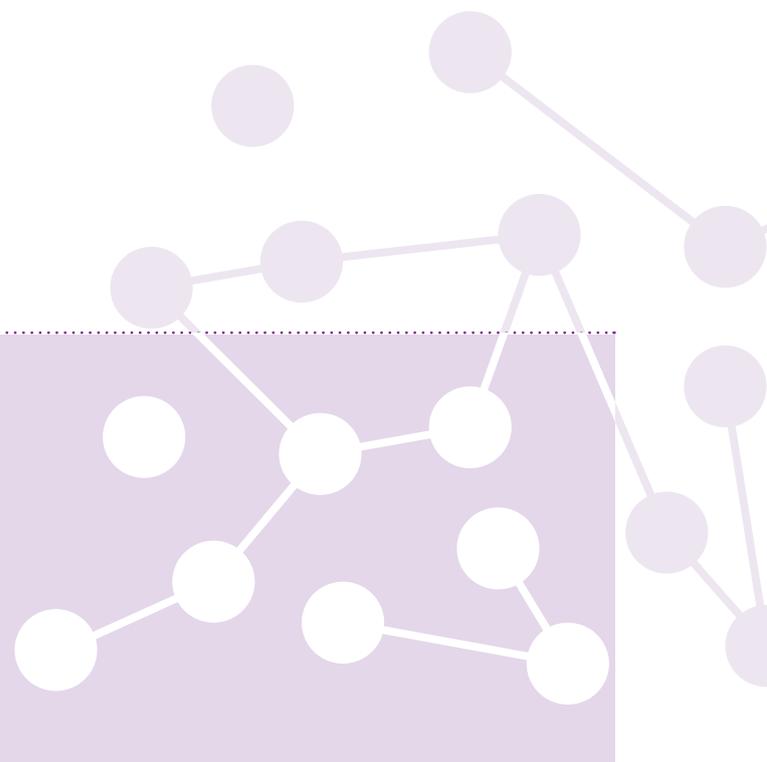
¹⁰ *Supra*, note 3, [12]-[13].

¹¹ *Supra*, note 3, [16].

¹² Crocs then relied on a Delhi appeals court decision in *Reckitt Benckiser v. Wyeth* 2013 [54] PTC 90 [FB] [Delhi High Court Judgment of 15 March 2013] to argue that, in order to qualify as a prior publication, the material in question must offer complete clarity on what had been published. *Supra*, note 3, [15(i)].

¹³ *Supra*, note 3, [15(iii)].

¹⁴ *Supra*, note 3, [15(ii)].



The European General Court, sitting in appeal of the June 2016 decision by the Third Board of Appeal which it eventually confirmed, carefully reviewed numerous exhibits led as evidence by French opponents Gifi Diffusion.¹⁵ It concluded that Crocs' European Community design registration, mirrored by Crocs' design registrations in India, was indeed hit by prior publication.

In addition to the online material on Crocs' website from late 2002, which was also produced before the Delhi High Court, this evidence included material demonstrating that:

- (i) The clog corresponding to Crocs' design registration had been put on the market in July 2002;
- (ii) Crocs had exhibited its design at the Fort Lauderdale Boat Show in the United States in November 2002, and that the clogs to which the design at issue had been applied had been 'a smashing success';
- (iii) Crocs' website archives held images of a clog with a heel strap marked '© 2003';
- (iv) Crocs' own websites contained publicity material claiming that "by 2003, Crocs had become a bona fide phenomenon, universally accepted"; and,
- (v) The clogs to which Crocs' European design registration had been applied were available for sale prior to May 2003, including through a distributor called Western Brands, as well as several retailers in the United States.¹⁶

This begs the question of why this staggering amount of evidence considered by the European General Court finds no mention in the Indian litigation. On this omission, while the Delhi High Court did clarify that the prior publication issue in reference to European proceedings was raised by the parties, the Delhi High Court felt it unnecessary to discuss it at length since the case fell to be decided on the "existence of prior publication with respect to [the] registered designs of the [Claimant] and lack of [originality]."¹⁷

It is puzzling that the Delhi High Court should admit to deciding these cases, in part, on the prior publication issue and yet not give sufficient consideration to material from the European proceedings having a profound and direct

bearing on that very issue. It may also be that the numerous Defendants contesting the Indian proceedings failed to fully impress upon the Delhi High Court the breadth and depth of prior publication material in the European proceedings.¹⁸

4. CROCS' KNOWLEDGE AND LEGAL STRATEGY UNDER THE SCANNER

However, the principal responsibility for the anaemic consideration of the prior publication objection by the Delhi High Court must lie at the door of Crocs, in their capacity as Claimants.

While the European General Court decision was, indeed, returned in March 2018, it did not consider any significant evidence that was not already before the European Board of Appeal when it returned its ruling in June 2016.¹⁹ This already puts Crocs — the same entity asserting, in substance, the same design registration in both the European Union and India — to constructive notice of this evidence prior to instituting at least six of the seven design infringement actions in Delhi.²⁰

However, the antecedents of the challenge to Crocs' European Community design registration run deeper still. The Board of Appeal proceedings make clear that the invalidity challenge by Gifi Diffusion to Crocs' European Community design registration was filed as far back as March 2013, following a design infringement action by Crocs against Gifi Diffusion.²¹ This invalidity motion sought to revive a ruling of the same Board of Appeal from March 2010 where, upon an application by Holeys (then Holey Soles Holdings), the Board of Appeal had found Crocs' European Community design registration to be invalid.²² In its invalidity challenge, Gifi Diffusion reiterated at length the March 2010 findings of the same Board of Appeal in *Crocs Inc v. Holey Soles Holdings*,²³ en route to a decision in its favour.²⁴

The illustration of this complex history of litigation is in service of a simple observation: compelling material has been led by Crocs' adversaries and ruled on by European Courts on the issue of prior publication of its Euro-

¹⁵ Supra, note 1, [49]-[71].

¹⁶ The European General Court would go on to hold that Crocs "failed to establish to the requisite legal standard that the [disclosure events] established by the Board of Appeal could not have become known in the normal course of business to the circles specialized in the sector concerned, operating within the European Union". It also rejected Crocs' contention that disclosure events could not reasonably have become known in the normal course of business to the circles specialized in the sector concerned since Crocs' website was "technically accessible worldwide". Even failing this, the European General Court found that Crocs' design could "have become known to the circles specialized in the sector concerned, operating within the European Union, by other means than through a search engine"

since these circles could, in fact, "reasonably have been informed of the two disclosure events [which] occurred outside [Crocs'] website". As such, it confirmed the Board of Appeal's finding that Crocs' design had been "exhibited, used in trade or otherwise disclosed" before May 2003. Supra, note 1, [8], [50]-[52], [60]-[62], [71].

¹⁷ Supra, note 3, [18].

¹⁸ The High Court's observation that the Defendants only raised "certain aspects" of the European proceedings while raising the prior publication objection certainly admits of this. Supra, note 3, [18].

¹⁹ Crocs had further attempted to introduce findings of the US Court of Appeal in a 2010 Crocs litigation in the United States to support its claim on the validity of the European Community design. However, the Board of Appeal

had shut this down, stating that such findings were irrelevant for ruling on the validity of Crocs' European Community design registration. Supra, note 4, [117]-[120].

²⁰ Crocs instituted design infringement actions against Action Shoes and Bioworld Merchandising India in July 2016, against Suncorp Exim in September 2016, against Liberty Shoes in October 2016, and against Aqualite India and Kidz Palace in January 2018. Tellingly, nothing in the February 2018 Delhi High Court decision indicates that the Court was made aware of Gifi Diffusion's successful challenge before the European Board of Appeal, or the material pending consideration before the European General Court, while the Delhi cases were sub judice.



pean Community design registration going all the way back to the 2010 invalidity challenge,²⁵ through to the 2016 decision by the Board of Appeal,²⁶ and now the March 2018 ruling by the European General Court.²⁷ However, a vast majority of this material was not pressed before the Delhi High Court while it was adjudicating the same prior publication issue in relation to Crocs' Indian design registrations.

It appears, therefore, that Crocs' decision not to disclose this material in Indian proceedings was a deliberate one. This is, first and foremost, legally impermissible under Indian civil procedure.²⁸ Equally, though, it raises some serious questions about the ethics of the manner in which Crocs opted not merely to withhold this evidence but also to institute fresh design infringement actions, press for and secure interim injunctions against multiple competitors *ex parte*, and continue to litigate them from a position of advantage. Set against their awareness of information casting serious doubts on the validity of their Indian design registrations in the first place, this lack of disclosure in the Indian proceedings comes across as particularly grave.

5. THE DELHI HIGH COURT FINDING ON ORIGINALITY

Having *prima facie* found against Crocs on prior publication, the Delhi High Court had the option of simply dismissing its motion for interim injunction on that ground. Instead, the Court proceeded to examine Crocs' design registrations under the "new or original design" standard prescribed under the Indian Designs Act.²⁹

In doing so, it relies heavily on its own decision exactly a month earlier in *Pentel v. Arora Stationers*.³⁰ This case made two contributions of note.

First, consistent with Indian precedent on the point,³¹ it confirmed that mere trade variants would not entitle a design to statutory protection unless there were elements of the variant that were new or original enough to distinguish it from known designs or combinations of designs.³²

Second, however, the Delhi High Court controversially opted to hold subsisting design registrations to differing standards for what constitutes a "new or original design" under Indian law. Incredibly, over the course of a single judgment, the Court variously stated that the statutory standard for originality under Indian design law was "a totally new product applying the design", "sufficient [origi-

nality] for a completely new creation to come into existence of a design", "significantly distinguishable from the known designs or combination of designs", "a completely unique new design having that much originality so as to be significantly distinguishable from [known] features", and "a completely new and original design."³³

6. "A FOOTWEAR IS A FOOTWEAR IS A FOOTWEAR"

With such unclear standards for what constitutes registrable originality, defining the scope of the trade variants exception is no easy task. In *Pentel*, the Delhi High Court held that the Claimants were unable to demonstrate sufficient originality in their design for a ballpoint pen, without once examining how similar the rival design of the Defendants was.³⁴

In *Crocs*, the Delhi High Court, once again without reference to the Defendants' imitation designs, concludes:

*"... [E]xcept where a footwear design is an intellectual property right, footwear is a footwear is a footwear, shoe is a shoe is a shoe and sandal is a sandal is a sandal. All the different footwear have changed over different periods of time...but ultimately, all the different types of footwear are variations of nothing else but a footwear, i.e. foot plus wear i.e. something that is worn on the feet. Really, therefore, it would take, in the opinion of this Court, an effort larger than an ordinary effort to create a different footwear than the known types of footwear, to be an innovation/creation having such requisite [originality] for that creation to become an intellectual property right as a design in terms of the Designs Act."*³⁵

²¹ Supra, note 2, [4].

²² Supra, note 4. Crocs had appealed this decision before the European General Court but, following Holey Soles Holding's withdrawal of its application for invalidity, the European General Court disposed of the case in November 2012, concluding that it did not need to adjudicate. See Judgment of 23 November 2012, *Crocs Inc v. Holey Soles Holdings*, Case T-302/10.

²³ Supra, note 2, [11]-[13].

²⁴ Supra, note 2, [91]-[92].

²⁵ Supra, note 4, [59]-[92].

²⁶ Supra, note 2, [52]-[87].

²⁷ Supra, note 1.

²⁸ Order 7, Rule 14 and Order 13, Rule 1 of the Indian Code of Civil Procedure, 1908 oblige parties to a civil litigation to disclose all material in its knowledge that may be relevant for determining the real questions in controversy between the litigants.

²⁹ This standard is required to be met under Section 19(1)(c) read with Section 4(1)(a) of the Indian Designs Act.

³⁰ 2018 (73) PTC 209 (Del) [Delhi High Court Judgment of 8 January 2018].

³¹ *B Chawla & Sons v. Bright Auto Industries AIR 1981 Del 95* [Delhi High Court Judgment of 21 November 1980].

³² Supra, note 30, [7].

³³ Supra, note 30, [6(ii)], [9], [20], [22]. It merits observation that the implied requirement, in essence, for a completely new and original article to result from the design is more akin to a requirement of novelty or anticipation under patent law.

³⁴ Supra, note 30, [18]-[22].

³⁵ Supra, note 3, [27].

There are two grave objections with this style of conclusion, now offered twice by the Delhi High Court in *Pentel* and *Crocs*. First, in the absence of a positive definition of what constitutes this “effort larger than an ordinary effort” to create a type of footwear different from what is already known, it becomes impossible to identify a design for footwear that would not amount to a trade variant. Second, peculiar to Indian law, both *Pentel* and *Crocs* are per incuriam of an existing line of Indian case law best represented by *Cello Household Products v. Modware India*.³⁶

Delivered in March 2017, *Cello* pointedly addressed the “footwear is a footwear is a footwear” type of characterization, which suggests that designs applied to commonly known articles must somehow create an entirely new article altogether in order to be entitled to statutory protection. The *Cello* Court rejected this position as “an unacceptable over-simplification of the requirements of [design law].”³⁷

It ruled that the idea that “every single aspect of the design must be newly concocted and unknown to the history of mankind,”³⁸ a view that appears to mesh closely to the Delhi High Court’s conception of originality under design law in *Crocs*, could not be the requirement under law. *Cello* eventually found for the claimant, who were manufacturers of water bottles, granting them injunctive relief against the defendant who had reproduced the shape, configuration and ornamentation on water bottles that were “wholly indistinguishable”³⁹ from those of the claimant.

7. A NEED FOR SWIFT RECONSIDERATION

Set against these objections, the Delhi High Court judgment in *Crocs* certainly appears untenable, both for its failure to consider prior publication material led in the European proceedings and for its interpretation of a “new and original design” under Indian law. However, the finding of the Delhi High Court against *Crocs* was also accompanied by a punitive costs order of Rupees 200,000 (€2,500) per Defendant plus legal costs – a hefty amount by Indian standards – for *Crocs*’ refusal to settle with the Defendants and for “obdurately and illegally”⁴⁰ pursuing these cases all the way to full interim judgment.

Crocs’ appeal against the judgment was filed belatedly, in April 2018, and is currently being held in advisement by an appellate bench of the Delhi High Court.⁴¹ This leaves that the fate of the seven constituent design infringement cases, which have now moved to trial at the Delhi High Court, very much in the balance. It remains to be seen whether material from the successful European challenge to *Crocs*’ design registration will be introduced belatedly

into the Indian proceedings and, if so, to what effect. It is also uncertain what consequences the Delhi High Court’s controversial interpretation of originality will have on future claimants in designs cases.

Given the deep fault lines prominent in the judicial treatment of both issues in *Crocs v. Liberty Shoes*, a swift reconsideration in the pending Delhi proceedings in *Crocs*, as well as in future claims, would be most welcome.



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³⁶ 2017 (70) PTC 325 (Bom) [Bombay High Court, 30 March 2017]. Prior to this, *Asian Rubber Industries v. Jasco Rubber* 2013 (53) PTC 495 (Bom) [Bombay High Court, 6 March 2012], [14]-[17] had, in the context of footwear products, already sidestepped the “completely new article” objection raised by the Delhi High Court in *Crocs* by holding that design law

protection meant to protect the “look and feel” and “creative expression” of the article and not the article itself.

³⁷ *Ibid.*, [19].

³⁸ *Supra*, note 36, [28].

³⁹ *Supra*, note 36, [20].

⁴⁰ *Supra*, note 3, [33].

⁴¹ The appeal has been docketed as *Crocs Inc*

v. Liberty Shoes FAO(OS)[COMM] 78-91/2018 before the Delhi High Court. The appeal was taken under advisement on May 8, 2018. The record for the appellate proceedings are available at http://delhihighcourt.nic.in/dhcqry-disp_o.asp?pn=128394&yr=2018 (last accessed on May 22, 2018).