

Working Paper 270

Using IPRs to Protect Niches? Evidence from the Indian Textile and Apparel Industry

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January 2014



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Abstract

In the fiercely competitive global environment that has prevailed since the removal of (MFA) quotas in 2005, many textile and apparel suppliers have sought to compete by forming and protecting niches. Building competence in design, branding and retail distribution has been an important part of this strategy. With the growing importance of creative content in the volatile and rapidly transforming market for textiles and apparel, new questions have arisen about the role of exclusivity-granting tools such as intellectual property rights in sectors such as T&A, where exclusivity has traditionally been limited or thought to be unviable. The case for or against IP rights in this fast-moving, labor-intensive sector is not well understood and deeply under-researched.

This paper focuses on the Indian T&A sector and on *non-patent* IP rights, such as trademarks, industrial designs, copyrights, and geographical indication as well as informal protections to examine whether and to what extent Indian suppliers use some form of IP protection to create and capture value in their nascent brand development and upgrading efforts. Does the shift to own brands and own designs (OBM and ODM manufacturing) demand stronger IP rights? What is the industry's view on this and how does it relate to market access and the industry's upgrading prospects?

Drawing on fifty qualitative interviews with firms and design institutions across the Indian T&A sector the paper finds that in the context of the rise of domestic branding and fast fashion, there a surprising growth of awareness about brand protection in recent years. Despite this awareness, however, the use of formal IP rights remains limited. Formal IP protection, to the extent it is used, is most evident at two opposite ends of the T&A chain: among clusters of small traditional weavers, who use Geographic Indications to protect heritage weaves and designs, and among high end branded firms and fashion designers who use Licensing and Trademarks for brand-building and marketing purposes. The vast middle tier that is focused on ready to wear apparel and fast-fashion relies on informal protections such as maintaining of trade secrets, short lead-times and reputational mechanisms. In this fast moving segment where obsolescence is rapid, and formal IP protections costly and time consuming, company attention is focused on bringing new products to market quickly rather than investing in procuring stronger IP rights.

JEL Classification: O34, L14, L53, L67

Keywords: *Intellectual Property Rights, IP, Textiles and Apparel, India, Emerging Economies, Fast Fashion, Branding, Industrial Development, Industrial Policy*

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Using IPRs to Protect Niches? Evidence from the Indian Textile and Apparel Industry

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1. Introduction

The governance of the global textile and apparel (T&A) industry has transformed significantly since 2005 when the Multi-Fibre Arrangement (MFA) expired. The MFA had placed quantitative restrictions on world textile and apparel (T&A) trade for decades. In the increasingly competitive and volatile global environment that has followed, many suppliers have sought to compete by forming and protecting niches, diversifying their end markets and product lines and making efforts to upgrade to higher segments of the value chain. Building competence in design, product development, branding and retail distribution has been an important part of this strategy.² The creation of proprietary content – design, brands – has generally been in the hands of large lead firms in global T&A value chains. Today, aspiring firms in supplier countries, especially those with large domestic markets, such as India, China, Brazil, Turkey, are increasingly turning to national brand-building as an important learning ground for entering into higher value segments of the apparel chain at home and abroad (Tokatli 2007, Tokatli and Kizilgun 2008).

In this context of a growing importance of creative content in a volatile and rapidly transforming global market for apparel, new questions have arisen about the role of exclusivity-granting tools such as intellectual property rights (IP rights or IPRs) in the growth even of sectors such as T&A, where exclusivity has traditionally been limited. Unlike more technology-intensive sectors where IP rights can ensure better protection and unit-price realization for niche products and create value for “rights holders,” the case for IP rights in a fast-moving sector like apparel is less clear and not well understood. Yet, with the rise of brand-building and design competence in many emerging markets, this may be changing. In this paper we focus on one such market, India, to examine the extent to which Indian T&A suppliers use some form of IP rights to create and capture value in their nascent brand development and upgrading efforts.

India has historically had a strong textile-industrial culture and a well-developed and mature textile industry that has been the back-bone of the economy since the 18th century. With the rise of strong apparel exports over the last three decades, India is today among the top ten producers of textiles and apparel in the world. In 2013 India was the sixth largest exporter of T&A with a

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² OECD Observer (2004): pg 3.

global export share of 4.5% accounting for 27 per cent of India's total foreign exchange earnings. However, despite this growth, India is not the lowest cost producer of textiles and apparel and lacks the benefit of scale economies especially when compared to China, Bangladesh, Vietnam and Cambodia.³ In an environment of volatility and intensified global competition, then, where price continues to dominate, India is learning to compete instead on the basis of flexibility, variety, design, quality upgrading and increasingly, full package production.⁴

In the context of a growing focus on full-package production, where apparel manufacturers also take responsibility for sourcing of inputs and product development, we find evidence of a steady shift towards relatively complex and higher value activities in the Indian T&A sector since at least the early 2000s. These activities include design, embellishment and a growing focus brand-building in the upper tiers of the sector.⁵ Along with countries like Turkey, Morocco, Sri Lanka, and parts of Eastern Europe, India is emerging as a site where global retailers look not only for low prices but also creative inputs in niche products (Tokatli 2007). Moreover, as incomes and domestic consumption grow in large emerging economies the need for product differentiation and variety has intensified even in home markets and not just exports. In India this dynamic has been fuelled by the Government's decision to liberalize foreign direct investment in retail. Thus new Indian-designed and Indian-branded products are appearing in the domestic market alongside international brands and exports.

This paper examines how, as the Indian T&A industry increasingly finds competitive advantage in leveraging creative inputs, including both design and branding, are IP rights being used (or not used) to secure that competitive advantage, and in turn, how the use of IP rights might create conditions for further upgrading. Does the shift to branding demand stronger IPRs? What is the industry's view on this and how does it relate to market access and upgrading prospects? In particular, our analysis examines how well the apparel sector lends itself to the use of different types of IP rights as opposed to the textile segment, which is more capital intensive, includes high value segments such as technical textiles, and where IP safeguards are more logical. We also examine the implications of such protections for large versus small firms.

For the purpose of this paper we focus primarily on IP rights other than patents. The focus is specifically on the types of IPRs that we found firms are beginning to use to protect their market share and goodwill in the sector, including trademarks, industrial designs, copyrights, and geographical indication. In addition to non-patent IP rights, we also explore the use and efficacy

³ Tewari and Singh, 2011

⁴ Tewari (2006), Tewari and Nathan (2013); Chandra (2006).

⁵ The emerging focus on fashion and design, coupled with innovation and research in collaboration with National Institute of Fashion Technology (NIFT) and Council of Scientific and Industrial Research (CSIR), and innovative use of information and communication technology (ICT) has started to propel the sector toward newer horizons.

in the Indian T&A sector of more informal protections such as trade secrets, lead time and reputational mechanisms.⁶

1.1 Methodology and Organization of the Paper

Given the sparse existing literature on the economics of IP in the Indian T&A sector,⁷ our research is based on primary interviews with Indian firms (producer-suppliers), public institutions, trade associations, design schools, export houses and buyers in the sector. The study adopted a snowball sampling methodology. We conducted face-to-face interviews with large, medium and small firms in seven Indian cities (Ahmedabad, Delhi, Bangalore, Chennai, Tirupur, Coimbatore and Mumbai) over a two year period. We also interviewed government officials, training institutions, designers, and fashion houses. In all, the study draws on findings from a total of fifty open-ended, semi-structured interviews.

The rest of the paper is organized as follows. The next section traces the evolution of the Indian T&A industry in the post-MFA context. Section 3 provides a brief overview of the types and specificities of different IP rights, particularly as they exist under Indian law, outlining in particular their merits and limitations with regard to the T&A industry. In the following section we analyze the Indian experience in the use of IP rights, on the basis of our interviews and case studies. The final section concludes with some lessons and recommendations.

2. Evolution of the Textile and Apparel Industry in the post-MFA scenario

2.1 A Vital Sector for India

The T&A industry is vital to India's economic competitiveness. It is a core industrial sector, a leading exporter and a major employer. Textiles and apparel together account for more than 4 per cent of India's GDP, 26 per cent of manufacturing output, 14 per cent of industrial production, and over 17 per cent of exports, contributing approximately 27 per cent of India's foreign exchange earnings.^{8,9} Employing an estimated 38 million people directly and an additional 53 million in allied activities, the sector dwarfs all other manufacturing sectors in job generation and

⁶ This basically works through the long-term client relationship sanctity in which a marred reputation can cause the third party supplier firm to lose future business. A firm's inability to prevent leakage of confidential information/trade secrets of clients would inevitably result in cancellation of future contracts not only from the current client but from prospective clients. This prospect of loss of business acts as a strong deterrent to cheating and prompts zealous protection of the buyers' confidential information even in countries and/or sectors where IP rights/business contracts are weakly protected and counterfeiting is prevalent.

⁷ This is true for the other countries also. A literature survey indicates the existence of very limited studies on the use of IP in the textiles, clothing and apparel sector. Interesting references include Raustiala and Springman (2006) and Coles *et al* (2003).

⁸ National Manufacturing Competitiveness Council (NMCC) (2007); UN Comtrade database (2008); Hashim (2005)

⁹ India's total T&A industry size (domestic + exports) in 2011 was estimated to be at US\$ 89 (58 + 31) billion and is projected to grow at a CAGR of 9.5 per cent to reach US\$ 223 (141 + 82) billion by 2021.

accounts for 18 per cent of the nation's industrial employment.¹⁰ From the perspective of this paper, more than the sector's export growth and the large size of the domestic market, it is the rapid diversification and upgrading of both the export and domestic markets that has become a defining feature of the Indian apparel market in recent years.

Historically, India was never an export platform for large global buyers. Rather, Indian textile and apparel exports were driven by a tier of globally competitive domestic firms – both large and medium sized, as well as networks of small firms in industrial districts such as Tirupur and Ludhiana. These exporters focused less on assembly or cut-sew operations and more on the production of small batches of relatively complex goods of variable design in the mid-price ranges where creative input was important. As in similarly placed countries such as Turkey, South Africa, and parts of Eastern Europe, Indian exporters were active in several aspects of production including pattern development and the creation of collections for their buyers. Many had their own design departments and master craftsmen capable of producing intricately worked apparel.

These diverse capabilities were supported by the presence of a locally rooted textile sector. Garment exporters were thus far less reliant on imports and learned to handle input sourcing and related activities. As global supply chains have become more consolidated post-MFA, and low costs and speed to market have become crucial for export success, the presence of a domestic textile base has proved to be a significant asset.¹¹ Full package suppliers who offer a cluster of competencies including product development, design, and the local sourcing of fabric and accessories are therefore more likely to emerge in regions with a strong textile base. In the Indian case, the only limitation has been the textile industry's narrow reliance on cotton as the fibre base, but this is slowly changing.

One additional reason nurtured creative capabilities within India's T&A sector-their buying channel. Till 2001 when many restrictive regulations were liberalized, India's licensing requirements kept Indian T&A firms relatively small in scale compared to global standards. This meant that Indian exporters generally accessed foreign markets via small and medium sized buying agents and importers or intermediaries who were often part of the wider diaspora than through large global retailers or bulk buyers. A direct consequence of this export strategy was that the scale of orders remained small and variable. Firms therefore learnt to produce small batch, variable production efficiently.

¹⁰ NMCC (2007) and Ministry of Textiles (2007)

¹¹ In our interviews one sourcing officer of a major U.K. based retail chain said that post-MFA they had made decisions to move nearly 40 per cent of their East and South Asian sourcing of casual bottoms and cotton shirts to India "because of the local availability of [appropriate] fabric ... and dramatic recent improvements in the quality of middle range materials in India." He added that "buyers are increasingly not interested in moving [large volumes of] fabric around the world, so local capacities are very attractive to us" (author interview with TESCO buyer, Bangalore, 2005).

Additionally, unlike large buyers who control design, and regard product development, branding and marketing as their core strengths, small buyers and importers welcomed design inputs from their suppliers. Many had long term relational ties with their suppliers. In part, this lowered their business costs, and allowed for customization. This in turn enhanced the capabilities of many suppliers. As one supplier noted, “[The] buying agents want you to develop collections. They evaluate you on your collections.. And, bargaining is less if you have good design competencies..”¹² Many suppliers, especially those who supplied the European market through small buyers thus had their own design departments.

Apart from ties with small and medium importers, trade fairs were another marketing avenue for Indian exporters. The need to prepare sample collections for various trade fairs, often up to two months in advance, reinforced the importance of exporters developing their own design teams and capabilities. Thus, the ability of Indian designers to learn to “prepare collections”¹³ which indirectly came out of historical legacies of marketing channels and licensing requirements that kept scales small, were skilfully parlayed by some of the most successful firms toward the export of relatively design-and embellishment-intensive apparel for up-market buyers such as Gap, Marc Jacobs, Macy’s, Tommy Hilfiger, Ann Taylor, Banana Republic, Ralph Lauren, and Diane Von Furstenberg, among others (*Orient Craft*, Interview, Delhi, 2008).

One buyer (for the Dillard’s chain) explained what, for him, differentiated Indian exporters from other competitors:

“Basic high-volume product is not India’s strength..... India’s [strength lies in its] strong cotton base, flexibility in quality and styles, strong out-sourcing capabilities, [especially] in beading, embroidery. Another strength is that Indian entrepreneurs understand clearly the need for design and product development as an integral part of client satisfaction and delivery...[Therefore] pricing will be less of a decisive factor in India because of the nature of the product produced here,” (*Connor*, Delhi, 2006, cf. Tewari 2008).

To an extent this occupation of a mid-range product space is reflected in unit values.¹⁴ Within South Asia, Sri Lanka and India have much higher unit values than Pakistan and Bangladesh. Even though unit values across South Asia fell by nearly a third after the removal of quotas in 2005, Indian unit values declined by only 14% from 1781.2 €/100kg in 2000 to 1536.2 €/100kg in 2005, and then rose sharply to 2773.3 €/100kg in 2011.¹⁵ India’s unit values to the European market were second only to Sri Lanka’s in 2005 and had outpaced Sri Lanka by 2011.

¹² *Altraclean*, Tirupur, 2001 cf. Tewari 2008)

¹³ Tokatli and Kizilgun (2007)

¹⁴ Of course, as is widely acknowledged in the literature, unit values are not a good reflection of quality; they could also reflect higher costs. But they do serve as a rough proxy.

¹⁵ Source: Eurostat, 2011 values adjusted to 2005€.

2.2 Emerging Pressures on the Indian T&A Sector Post-MFA

In the past two decades the dynamics of Textile and Apparel trade have changed dramatically. First, shortening product cycles (from two or three apparel seasons per year to now six, eight or more) have meant that buyers expect an increased range of capabilities from manufacturers. Lean manufacturing, lean retailing, rapid replenishment and just in time delivery systems have allowed even giant discount retailers such as *Wal-Mart* and department stores such as *Dillards* to stock new designs on a weekly basis, if not more frequently.¹⁶ Buyers are therefore turning more and more to their suppliers for assistance in the design and development of new products.¹⁷ Increasingly buyers look for full-package suppliers or “turn-key producers” who share risk and take on additional functions that buyers had previously controlled, such as fabric sourcing, product development, distribution, and creative inputs.¹⁸

This new type of demand is driven as well by the rise of “fast fashion” in retail (epitomized by firms like *Zara*, *Next*, *H&M*, *Benetton*, *Mango* and *Anthropologie*). Unlike retailers of haute couture and ready to wear apparel, retailers of fast fashion do not directly invest in design from the ground up, but instead rely on a quick turnaround of designs “inspired” by promising trends spotted in boutiques and on fashion-show runways. Fast fashion demands increased variety at affordable prices and very short lead times; the industry’s profitability relies on rapid distribution of very small runs of select items that are quickly designed, conceived, prototyped, produced, and sold out. Until recently, standard items of ready to wear apparel were designed and conceived of by Western designers and handed off to producers in lower wage countries for final production. With the rise of “fast fashion,” this division of labor has begun to blur; for the first time, supplier countries such as Turkey, Eastern Europe and even India have become players in the production of design-oriented apparel.¹⁹ Therefore apparel exporters that had already begun to develop design capabilities, as described in the previous section, are potentially well prepared to capture a significant share of growing demand from this new segment of retailers.

A second trend driving the emergence of design as a key competitive asset for production firms in countries like India is the growing importance of the domestic market. As domestic tastes have changed and incomes grown, the domestic market has become increasingly diversified and upgraded. In many cases firms are developing their own private labels, brands and designs (*Colour Plus*, *Indigo* and many others in India). In other cases firms have taken up franchises from major global retailers to produce their labels at home.²⁰ In both cases – serving fast-fashion

¹⁶ Abernathy et. al, (1999; 2006), Frederick and Staritz (2010).

¹⁷ Gereffi et. al (2010), Tewari (2006); Scott (2006); Tokatli (2007)

¹⁸ Gereffi and Frederick 2010.

¹⁹ Tokatli and Kizilgün (2008); Tokatli, (2007); Reinach (2005); Dunford (2006); Agins (1999)

²⁰ The attraction of licensing trademarks for business intentions appears to be at an all-time high in India, mostly in the fashion arena where consumers are buying more licensed products and brand names than ever before. Fashion licensing is largely divided into two categories: apparel brands and designer names. For retailers, licensing opportunities provide them with a point of difference from their competitors. The important players in this field

retailers as well as developing own brands or licensed international brands for the domestic market – the growing centrality of design in the T&A sector has raised new questions about the value (or not) of protecting intellectual property rights. In the next section, we describe one more element of India’s T&A industry that has reinforced this trend, namely, process development in the textile industry.

2.3 Process-based Innovations and Product Development

A final trend associated with growing creative input in India’s T&A sector is that of brand-building, and innovation in the fabric design sector. Although this takes place in a very small segment of the Indian market, representing just a few hundred producers, the growing involvement of quality fabric manufacturers, and their IP-intensive innovations, in the T&A value chain has been an important driver of India’s ability to focus on high-value apparel. Firms experimenting with new products in apparel or home-furnishings report working closely with local mills for the development of new fabrics and new products.²¹ *Colour Plus*, for example worked closely with a select textile mills and international collaborators such as 3M to experiment with new fabric-making processes which were critical to the development of their most popular product – the wrinkle-free “Diet Chino.”

Arvind Mills, a large production house based in Ahmedabad worked with international collaborators to similarly experiment with the production of a new variety of denim for a range of branded jeans, jackets and shirts. Vardhman, another major mill in Punjab developed numerous fabric blends through creative collaborations. Himmatsingka Seide, a fabric designer in Bangalore combined a high tech design lab with the skill of local master-weavers to craft high end home textiles for the domestic market and exports.

These examples, some of which will be discussed in greater detail later, raise important questions about how the evolving structure of India’s textile and apparel industry is triggering innovations in product development and design. Given that India’s competitive position in global T&A markets post-MFA increasingly relies on more intensive creative inputs that allow manufacturers to sell high value-added apparel at home and abroad, what opportunities does this suggest for how IP may be exploited? The remainder of our analysis asks how and to what extent is IP protections being exploited in India to fully leverage this advantage.

are: Gokaldas Images Ltd, S. Kumars, Indus Clothing Ltd, Madura Garments, Page Apparels, the apparel division of the Forbes Gokak Group, Arvind Murjani Brands Private Ltd, and retail stores like Pantaloon, Shopper's Stop, etc.

²¹ Examples include *Arvind* for Denims, *Himmatsingka Seide* for silk-based home-furnishings, *Welspun* for towels and linen, *Ambattur* for iron-free trousers and apparel, *Raymonds* and *Madura* for suiting and shirting.

3. Intellectual Property in the Textile and Apparel sector²²

We first take a step back and discuss the extent of use of IP by T&A companies worldwide. As many have noted, the standard rationale for intellectual property protection is “utilitarian” and aimed at discouraging free-riding.²³ The typical explanation in favor of IP laws goes as follows: creating new books, films, drugs, songs, etc. is expensive, but copying is cheap (or, in certain sectors, free). Unrestrained copying robs creators of the means to profit from their works; because they do not incur any development costs, the copyist can always out-compete the originator. Companies therefore attempt to gain control over their innovations or creative outputs through formal IP rights, such as trademarks, copyrights, geographical indications, industrial designs, patents and utility models or through so-called “informal mechanisms” such as “secrecy”, lead-time, and reputational deterrents. While many of the above-mentioned “formal” IP rights are recognized in some jurisdictions (including India) under common property law without any formal registration, registration of IP rights accords the rights holder stronger protection (and a proof of ownership which can be used in case of disputes with other firms). From a trade perspective, by granting exclusivity, IP rights can help companies capture the value of their innovations in niche markets via reduced direct competition.

There is little economic literature on the use of IP rights in the T&A sector.²⁴ Most economic literature on IP has generally focused primarily on patents, which are less relevant in this sector where product cycles are short and imitation is widespread.²⁵ One interesting paper that has shed some light on the practices followed by firms in the furnishings industry (primarily small firms) in the UK, US and Italy is Coles et al (2003). Based on interviews of firms in three countries, the study indicates that while all firms accept the legitimacy of similar yet altered designs in the market, they are very concerned about direct copies, which have begun to reach the market more quickly given the availability of new technologies such as computer-aided design (CAD).²⁶ Thus, as firms become more export oriented, a key concern for many small fabric suppliers and design firms the study found, is the variation in copyright and design law across countries, the lack of trust between firms in different countries, weak cross-border intra-firm networks and difficulties in monitoring foreign markets. While firms in all three countries acknowledged that the discovery of infringement was a part of the design management function, many firms in this segment of the T&A industry (particularly in the UK and Italy) perceived the registration of their industrial designs as an expensive option. In general they relied more on copyright protection, which is accorded automatically without the need for registration or reliance on alternative

²² The material in this section draws upon WIPO sources and website, besides the sources referenced.

²³ Raustiala and Sprigman (2006)

²⁴ The issue, however, has attracted the attention of a number of legal scholars, given the complex interaction of different IP rights (in particular, industrial design rights and copyright) for the protection of creative designs in this sector.

²⁵ Patents are of course more relevant for technology-intensive sectors, such as the pharmaceutical industries, biotechnology or information and communication technologies.

²⁶ Coles et al (2003), and also Dickson and Coles (1999)

methods of appropriability. The latter include: pursuing frequent changes in design; competitive pricing to discourage potential infringement; increasing design complexity; buying and commissioning designs only from trusted sources; or slightly altering bought-in designs. Whenever copies are identified, companies generally preferred to settle the disputes informally or rely on the help of active trade associations. In the UK, about only 12 per cent of the cases of copying identified by the interviewed companies were taken to court. By contrast, 57 per cent of the designers interviewed reported that they had themselves been asked to imitate a design of another company.

Anecdotal evidence suggests that the modern textile and fashion-design industry is particularly plagued by rampant copying, and has over the years become more aware and proactive in order to protect the value created by the originators. However, as we discuss in greater detail in the next section the sector is reluctant to pursue more aggressively stronger IP rights, protection and enforcement, unlike in other innovating industries such as pharmaceuticals. A very good analysis of this paradox can be seen in Raustiala and Sprigman (2006). The authors argue that the survival and sustained creativity of the fashion design sector may actually hinge on the practice of copying and imitation. The passivity of originators may thus be related to an industrial culture that implicitly acknowledges the value of such imitation.

The sector's disinterest in pursuing stronger IP rights could also stem from the low price, commodity nature of the major part of T&A products in most economies, and the relatively low return on any one innovation (compared to, say, a new drug). The T&A sector in developing countries like India seem particularly ambivalent about the efficacy of IP rights, which has resulted in its limited application even by companies that have focused on creative designs and innovation. On the other hand, as will be discussed, there are cases in which companies have begun to take a more pro-active approach to IP, including in the traditional textile sector where some attempts have been made to obtain protection under geographical indications or industrial designs. The rest of this section briefly discusses the different IPRs that are relevant for the sector.²⁷

3.1 Trademarks

The IP right most widely used in the T&A sector is the trademark, which businesses use to create and capitalize on their brand equity. A trademark is a distinctive sign that identifies certain goods or services as those produced or provided by a specific person or enterprise, and can be protected through registration. A registered trademark confers a bundle of exclusive rights upon the registered owner, including the right to the exclusive use of the mark in relation to the products

²⁷ The material for this section is drawn from WIPO. Note that the goal of this discussion is to reflect on the salient features of the particular IP rights that are relevant for T&A sector; we do *not* aim to define or legally analyze the IPRs discussed.

or services for which it is registered. The owner of a registered trademark may commence legal proceedings for trademark infringement to prevent unauthorized use of its trademark. However, registration is not required in all jurisdictions. In India, the owner of a common law trademark may also file a suit, but an unregistered mark may be protectable only within the geographical area within which it has been used or in geographical areas into which it may be reasonably expected to expand. Trademark protection in India is governed by the Trademark Act of 1999.

The protection of trademarks abroad may be obtained by applying directly to each national or regional IP office in which protection is sought or by using the Madrid System for the International Registration of Marks which provides a single procedure for international trademark registration in countries that are members of the system (currently 84). India, however, is not a member of the Madrid System and Indian companies may only use the system if they have a business establishment in a member country.

Trademarks play a crucial role in the branding strategies of firms and are widely used by companies in the T&A industry. In the case of India, as T&A companies gradually place increasing focus on developing their own independent brands to market their products, both in national and foreign markets, the protection of trademarks is likely to continue to assume greater importance. Also, some companies might consider the options offered by trademark licensing and franchising (both licensing in from global brands, as well as potentially licensing out, once a company has managed to establish a firm reputation for its trademark in a given market).

3.2 Geographical Indications

Geographical indications are, like trademarks, distinctive signs, most often used in conjunction with products linked to a specific geographical area and protected by national laws. In India, The Geographical Indication of Goods (Registration and Protection) Act of 1999 (GI Act) accords protection to identify goods in a territory or a region/locality in the territory where a given quality, characteristic or reputation of the good is attributable to its geographical origin. In addition, the Trademarks Act of 1999 provides for registration of collective marks owned by an association of persons.²⁸ Under the GI Act, the registered proprietor and authorized users have exclusive rights to use the GI and to obtain relief in case of infringement actions. All producers who make their products in the place designated by the geographical indication and whose products share certain characteristics may use it.

²⁸ Das (2007): Although GIs and trademarks perform somewhat similar functions of building reputation and goodwill, there are important differences between these two intellectual properties. While a trademark provides its owner the exclusive (or monopoly) right to the use of the mark in relation to the goods or services in respect of which the trademark is registered, GIs, having been designed to identify goods (not services) originating from particular geographical locations, are not limited to any particular enterprise; unlike trademarks, GI is a collective monopoly right. However, the use of a GI may be combined with a trademark, which identifies a specific producer within the demarcated geographical area. The link with geographical origin is not an essential condition for trademarks and delocalization of production is possible.

Of the 1500 potential GI products from India, as of June 2011, 151 GIs were registered with the Indian GI Registry in Chennai, including a few of foreign origin.²⁹ Most GIs registered in India are in the category of Handicrafts items of which Textiles account for 58 registered items (38.4 per cent of the total number of GI's registered in India). But despite the surge in GI registrations in the country, commercial operationalization of the GIs is yet to begin in most cases. Further, experience from the working of the Darjeeling Tea GI indicates that rigorous inspection and policing is necessary for the gains to flow to the intended beneficiaries, which has been a challenge for the indigenous communities and local governments the GI rights are best suited to protect.³⁰ For the broader T&A industry an issue to note is that GI is a national right and the international protection of GIs is a complex issue.³¹

3.3 Copyright

After trademarks, copyrights are probably the most frequently used IP right in the T&A industry and in particular, in the furnishing fabric and fashion design sectors.³² Copyright is a bundle of rights, which grants protection to the original expression of ideas. Ideas *per se* cannot be protected; it is the expression of ideas in a material medium that is the subject matter of copyright protection. Copyright is also a negative right, as the owner of a copyright can prevent others from copying his work without consent towards a commercial end.³³ Copyright protection automatically exists from the moment of creation for any work that satisfies the originality and fixation requirements. However, in countries where copyrights *can* be registered, which include India, registration is important as it may serve as *prima-facie* evidence in the court of law in the case of a dispute.

T&A designs, however, get only partial protection under the copyright laws, insofar as only the two-dimensional sketch of a design is protected by copyright as a pictorial right, and not the three-dimensional model nor the textile/apparel product (*viz.* the cut of the cloth or the design of the skirt or jacket as a whole). The reason for partial protection arises from the rule that largely denies copyright protection to the class of “useful articles”.³⁴ The copyright law applies only when the article’s expressive component is physically “separable” from its useful function. Also,

²⁹ Data from GI Registry, Chennai, India.

³⁰ Dev S. Gangjee, GI expert and lecturer in Intellectual Property, London School of Economics.

³¹ Negotiations are still on at different multilateral fora for creating an international registry for GIs, but to begin with Members are only discussing the case for wines and spirits. However, TRIPS Article 24.9 provides that while WTO Members have no obligation to protect GIs that are not protected in the country of origin, they must extend the protection to goods imported from other countries that *do* provide such protection.

³² Coles et al (2003)

³³ In this way it is similar to the unregistered design right in common law. The rights of the copyright holder also permit her to *not* use or exploit the copyright, for some or all of the term.

³⁴ The primary rationale for prohibiting copyright protection in useful articles in the US is to prevent the granting of patent-like protection through the copyright laws. If a “useful article” was protected under the copyright law, the protection against copying would be quite similar to patent protection. While this is US terminology, it is understood that in application, the Indian law follows the same principle in spirit.

because ideas are not copyrightable, a copyright cannot be infringed just because a new work is based on the same idea as an earlier work; thus infringement of copyright for “similar” or “copies” of T&A designs are not easy to establish in a court of law. Additionally, most copies are not also point-by-point reproductions of the originals, and in a perverse way they help to advertise and diffuse the original design. Aside from a few famous disputes, design copying gets remarkably little attention from the global T&A industry. Freedom to copy, or “referencing” according to the industry insiders, is largely taken for granted at all levels of the design and fashion world. And it is these limitations of the copyright law that makes designers in the industry focus more on trademark and branding.

3.4 Industrial Design

Industrial Design rights are IP rights that grant exclusivity to the visual design of objects that are not purely utilitarian. An industrial design consists of the creation of a shape, configuration or composition of pattern or color, or combination of pattern and color in three-dimensional form containing aesthetic value. An industrial design can be a two- or three-dimensional pattern used to produce a product, industrial commodity or handicraft. The object must be novel³⁵ and/or original, and must also meet the criterion for “eye-appeal” and non-functionality. Another important criterion for Industrial Design rights is that the design must be reproducible by industrial means. Industrial Designs rights are more patent-like in their application; registering a design helps the owner to prevent others from copying it, and fight unscrupulous competitors who do so.

Among the range of IP tools, Industrial Designs – also simply referred to as Designs – appear to be most directly relevant to protect the creative features developed by the T&A industry, offering protection of three-dimensional drawing or prototype, particularly in capital intensive segments like non-wovens and technical textiles. But the cost of acquiring Design rights can be a serious barrier, particularly in the fashion segment where product cycles are very short and any one design provides only limited and short-term value. However, for somewhat longer lasting, or even experimental designs, some jurisdictions, in particular the EU, have provided for the protection of unregistered designs for a period of 3 years. This is thought to be a useful mechanism for protecting products (such as fashion products) that have a relatively short life span.³⁶ However, a complication in the Indian case is that most ethnic designs, emanating from

³⁵ Novelty is used to imply “strikingly different appearance”. While trifling variations or immaterial details cannot be considered new for the purpose of IP protection, a pattern made up of old features but the resulting in a combination with strikingly different appearance can be deemed novel. The Kolkata High Court in *Gopal Glass Works Ltd v AC of Patents & Designs Ors 2006 (33) PTC 434 (cal)* ruled that the contested design may have been published earlier, but its new use in embossed glasswork met the novelty criteria.

³⁶ Unregistered design protection, where available, is extremely useful for fashion designers or businesses with limited budgets, and for all those that wish to test market new designs before deciding which to register. It is not allowed under the Indian law. But even in the EU where the unregistered community design right is available for three years, few choose to register. Raustiala and Sprigman (2006) have surmised that out of the total number of

traditional knowledge, cannot benefit from this IP unless the “novelty” criterion, used to demonstrate “strikingly different appearance,” is met, and this is often hard to do.

3.5 Trade Secrets and New Business Models

Lastly, but perhaps most relevant, is the informal method of protection that most companies use, albeit in varying degrees: trade secrets. A trade secret is a formula, practice, process, design, instrument, pattern, or compilation of information used by a business to obtain an advantage over competitors or customers. Trade secrets may relate to protecting a list of key suppliers and/or buyers, to the use of proprietary software tools for fashion design, to logistics management of the entire value chain. Though the main method of protecting trade secrets is preventing spillage of proprietary knowledge, a company can formally protect its confidential information through non-compete non-disclosure contracts with its employees.

A classic example of successful use of trade secrets in India is the Textile industry’s success in keeping secret the technique of cotton dyeing, which made its textiles unique in the global market till the 17th century. More recently, the Spanish retail fashion chain *Zara* has relied on secrecy to protect its proprietary IT system that shortens its production cycle to at least one-fourth and sometimes one-twelfth of the delivery time of competitors.³⁷ Even modern design-intensive and innovative Indian T&A companies like *Himmatsingka Siede*, *Gokaldas Exports* and *Color Plus* have exclusively depended on “secrecy” to reach the market first with their new products.

In the T&A industry, many contend that trade secrets may not be very effective for protecting creative designs in the designer fabric and apparel segment, as the moment a design is made public (e.g. through sale of the product embodying it) the secret is disclosed and may be used by others. But even in the fast fashion segment, given that the modern trend is to have four to six fashion “seasons” in a year, most T&A companies prefer to use secrecy and other informal strategic mechanisms to protect their IP *until* such time when the product line is launched in the market. As will be discussed below, once the product is launched, most innovative firms/designers/suppliers prefer to move on with preparations for the next season/show/consignment rather than worry about infringement or IP appropriation by others.

4. Use of IP in the Textiles and Apparel sector in India

We now turn to the empirical evaluation of our main research query, that is, to what extent IP rights are used in the Indian textiles and apparel sector, and whether the use of IP rights help in

registered designs pertaining to apparel in the EU, protection sought through registration is not for the apparel design, but for the associated Marks and pictorial works, many of which are already protected under applicable trademark, trade dress, or copyright law.

³⁷ WIPO (2005)

creating and securing competitive advantage. In section 2 we saw how product innovation, design and higher value added products are becoming important to India's T&A industry's profitability as well as reputation. In this section we focus our analysis on the other specificities of the Indian T&A industry, namely short-run production, position in the value and innovation chain, size of firms, raw material used and sources of uniqueness of the products, all of which help determine whether and why certain IP rights may or may not seem viable and in turn the intensity of the application of various rights.

This section presents the results of qualitative interviews with stakeholders in the Indian T&A industry, which provide insight into the perception and extent of usage of the different IP tools. In general, we found that at the moment, firms' focus on IP protection and its enforcement is secondary to marketing, quality control and bringing in newer product lines. Trademarks are being used for branding and marketing purposes, but there are few attempts at obtaining economic value by securing IP rights over the creative elements of the products.

Our analysis is based on responses from a purposively selected sample of 50 interviewees from across the Indian T&A value chain including sub-segments such as textile fabrics (traditional handloom as well as the modern powerloom millers), home furnishing (including buying houses), and apparel (designer-wear, mass retailers, and fast fashion). Despite this breadth of respondents, it is important to note that this leaves out several other segments of the T&A value chain.

Interviews were geared to elicit responses on:

1. Awareness of IP in their sector, and how important IP is for their particular businesses;
2. What IP rights are currently used in their company/sector;
3. In case IP is not a part of their business plans, whether they feel that acquiring these additional rights would benefit their company/sector;
4. Issues/concerns about piracy and their experiences with infringement and other compliance issues;
5. Future role of IP as an integral part of their company's business plans, and whether innovation is key for moving up the product value chain; what kinds of value-addition is expected from better exploitation of IP as a business tool.

4.1 Main Findings

The findings from our interviews are presented in the narrative below. One key insight is that in each of the sub-sectors in both the modern and traditional segments of the industry the utilization of IP rights, to the extent that it is occurring, is part of firms' attempts to explore newer means of improving unit value realization in response to the pressures of competition and ongoing industry consolidation. Of the firms in our sample, while almost all players have registered one or more trademarks, very few have registered copyrights and almost none (except in the fashion segments) have registered industrial designs. Instances of fighting infringement cases are very rare, except in recent times and in the fashion design segment, to which we will return later.

A significant majority of T&A stakeholders in our sample (almost 90 per cent of interviewees) are aware of IP rights and the potential economic benefits that can be gained from operationalizing IPRs in their sector; what they are not so sure about is how effective (*vis-à-vis* economic viability) these measures are likely to be in terms of increasing sales and revenue. Our sense is that except for a small tier of branded firms at the top of the industry, most T&A players in India, despite an increasing focus on design and creative inputs, are still entrenched in segments of the value chain where IP rights are peripheral to their organizational goals. In the apparel segment, the presence of good manufacturing capabilities in the country, coupled with the growing shift toward increased design content has been critical to the development of higher value products and flexibility, but this has generally not resulted in a significant increase in the use of IP. The higher unit value is realized through use of embellishment, embroidery and other creative crafts rather than innovations in either the fabric, or production process. Of the few firms who are innovating in these areas, it appears that company attention is focused more on bringing new product lines into the market rather than investing in procuring stronger IP rights. Clearly, the cost of development of the new product is expected to be recouped faster and better through innovative marketing and business processes than exploitation of the embedded IP.

For example, *Himmatsingka Seide*, a large home furnishings company combined modern textile technology with the deployment of professional engineers along and artisanal craftworkers to develop a 'design lab' that generates proprietary knowledge and products. The company reportedly produces 2000 distinct designs per year for export as well as its own domestic label and stores, *Atmosphere*. However, although the company has a retail presence in the premium segment in India, West Asia and South East Asia and accesses the European and US mass-retail markets through its three recent acquisitions (*Giuseppe Bellora* in Italy, *Divatex Home Fashions* and *DWI Holdings* in the US)³⁸, the company does not seem to have formally registered its designs.

³⁸ Information from interviews and <http://www.business-standard.com/india/storypage.php?autono=339235>

The example that typifies several of our findings is *Colour Plus*, a major Indian manufacturer-exporter that launched one of India's first and most successful domestic brands. In our interviews, *Colour Plus* explained how its ability to work closely with a few textile mills to experiment with a new fabric-making process was critical to the development of their most popular product – the wrinkle-free “Diet Chino”. The innovation here lay in the development of a process of making cotton wrinkle-free without the corroding effects of the treatment on the base fabric, which both saved *Colour Plus* on fabric costs and created new revenue opportunities:

“[Normally] the wrinkle-free treatment eats into the fabric and makes it less strong... which requires you to start with heavier fabric so that it can bear the loss of density...Wrinkle-free treatment also makes the fabric less porous which makes it uncomfortable to wear in [warm countries like] India. ... Importing fabric was not an option – duties on fabric imports were too high – so we went around it by getting the mills involved... In the process of working together one mill said there is a new way of cleaning and making the yarn... We tried it and ended up with a new product.”³⁹

Color Plus then went on to collaborate with the Minnesota-based 3M to develop the “stain-resistant wrinkle-free diet chino.” The *Color Plus* interview revealed that the company consciously adopted a product centric route. While the firm eventually registered the *Diet Chino* trademark after 11 years on the market, it did not attempt to register any of the related processes under any other IP rights. Greater awareness among the company's marketing team on IP issues surfaced only when the company found *Diet Chino* knock-offs being sold in other Asian markets (from around 1995). But still the company's prime focus remained on marketing and on offering newer products at regular intervals, rather than on IP protection over its existing innovations and fighting costly infringement suits.⁴⁰

This experience of “accidental process innovation/product development” and reliance on lead time and constant development of newer products to retain customers' interest is not an isolated occurrence. Given the ever-shortening product life-cycles that characterize the segment, protection of designs is often perceived as unviable from the perspectives of both cost and time. Instead, innovative T&A firms in India focus on maximizing revenue from each innovation by developing their brand, marketing and sustaining buyer-seller relationships. Even in cases of apparel companies that export contemporary adaptations of ethnic Indian wear, like *Fabindia* and *Anokhi*, the focus is on brand creation for the company as a supplier of “ethnic Indian, handloom woven, vegetable dye using and environment friendly” apparel, for which trademarks

³⁹ Rajendra Mudaliar, *Colour Plus* CEO, interview conducted in Chennai, July 2007.

⁴⁰ Mr Mudaliar explained to the authors' that in their strategy group meetings, IP was clearly deemed less significant as the marketing strategy was firmly focused on retaining customers' interest through newer offerings.

are perceived to be important, but not necessarily other IP rights (including geographic indications).

We found that most small and medium sized Indian T&A companies are similarly focused on brand building and marketing rather than maximizing value generated by their IP through enforcement of any significant IP rights. Recent trends indicate that since the 2000s, medium sized companies in this segment are reorienting their focus and business strategies toward establishing their own brands in the Indian market, and have started to use licenses of foreign apparel brands as a tool to gradually raise awareness about their own products.

4.1.1 The Case of Small Traditional Firms

The extent to which each sub-segment of the T&A industry actually benefits from the use and exploitation of IP depends on its specific organizational characteristics and target markets. Larger textile (spinning and weaving) firms clearly have more capital to invest in developing new products and acquiring and enforcing their IP rights (should they choose to) compared to companies (big or small) in the fashion and design segments. At the other end of the spectrum, smaller weavers (handloom or powerloom) may innovate within their ethnic traditional knowledge-based production system, but often need external support and professional assistance to reach new markets, identify and ‘brand’ their innovations, and acquire appropriate IP protection when necessary.

The case of Geographical Indications (GI) discussed in the preceding section illustrates this dilemma well. Our interviews revealed that knowledge about the use of geographical indications is not only widespread among artisans and firm owners, but is extensively used in the traditional textile segments in India. The cost of getting GI-based protection is not seen as a barrier, since the government (both at the central and state levels) is supportive in registering this collective right on behalf of small textile weavers. But after having registered 58 GIs in Indian textiles, the stakeholders have realized that GI registration by itself is not sufficient for the economic gains to flow to the producers who generate the innovations. As with other IP rights, a GI is a negative right, insofar as it prevents others from unlawfully leveraging a regions’ reputation for quality for economic gains.

Thus, in order for a GI to be truly beneficial for the individual rights owners, brand building is necessary. This, in turn, requires firms to create, register, market and build on their individual trademarks. However, this process is resource and time intensive and often beyond the capacity of small firms, most weavers associations, or the cooperatives they supply to. Stakeholders in the traditional textiles communities are therefore skeptical about the efficacy of GIs as a marketing and business tool. What may be needed is for the government to also support the development of brands for the individual GIs, including help with marketing and promotion activities.

Furthermore, as observed in Section 3.2, follow-up on enforcement of the GIs and rigorous monitoring for infringement is needed; these costs are also beyond the ability of most traditional textile workers in the country to bear. Government initiative and public support for proper monitoring, implementation, even fiscal incentives for a limited time period, and benefit sharing among the GI communities may be required, as is being done in the case of Darjeeling Tea to realize benefits from GI protection.

Another source of potential value for traditional and small players are positive spillovers from initiatives taken by state governments and NGOs that have helped traditional textile weavers benefit from IP rights like industrial design protection for an identified unique textile weave, and distributed the proceeds of economic value unlocked thereby.⁴¹ One example is a group of weavers who combined traditional Indian specialty weaves to create the “Tanjore Jamdani” sari. This was essentially a combination of the Jamdani technique (more popularly associated with clusters in Bengal and Awadh) and the dye painting technique unique to Karuppur cloth in Tanjore. Additionally, the arrangement of motifs was completely unique and not known before, which accorded to the new design a novel and “strikingly different appearance” necessary for design protection.⁴² In addition to benefiting the weavers, the initiative by the Tamil Nadu state government to get the Tanjore Jamdani registered as an industrial design has created awareness of the economic potential of different IP rights. However, given the organizational structure of the Indian handloom industry, it is unlikely that producers by themselves would be able to exploit the IP regime without external support. In the absence of awareness, often such innovation goes unregistered and economic gains are instead exploited by non-originators. A supportive public sector and third party (NGO) role is critical.

4.1.2 The Indian Textile Segment

With respect to the Indian textiles segment, the focus of the industry continues to be on the mid-range segments of the value chain. Although there is a trend toward higher unit value realization, they are generally not the result of innovations. One reason for this is the relative lack of diversification in the fibre base, with a bulk of yarn and fabric production dominated by cotton. Hence, the focus of the majority of firms (largely small and medium sized) in the Indian T&A industry is on adaptation of existing or modern textiles, yarn, and looms and other textile machinery into the existing manufacturing process and hence do not qualify as IP generated or in need of protection. Innovation in the segment generally depends on technology transfers through

⁴¹ <http://www.izhai.tn.gov.in/karuppur3.html>

⁴² The weavers of the Tanjore area were once particularly well known for using the Jamdani technique in combination with dye-painting technique typical of the region. It is likely, however, that they also used the technique independently in other types of textiles. The black field of Tanjore Jamdani is brocaded with an extremely unusual pattern: a barely-perceptible lattice of serrated leaves and eight-pointed, star-shaped flowers enclosing an indecipherable form, perhaps that of a profiled lotus leaf and appendage. The choice and arrangement of motifs is wholly idiosyncratic and is not known in any other traditional Indian textile.

joint ventures or licensing of patented fabric/machinery/processing systems and involves larger mills who have greater awareness of and financial ability to procure rights like trademarks, copyrights and even designs when needed.

In practice however, formal rights are rarely asserted. For example in segments where global buyers collaborate with local mills to adapt indigenous designs for modern uses, the innovative design and styling inputs from indigenous suppliers are bought and integrated with trends in vogue in the buyers' home country. When the buyer comes to view the suppliers' collections, the most prevalent form of IP protection they use is the maintaining of informal trade secrets. In practice, when buyers come to view suppliers' "collections," the viewing for each supplier takes place in a separate room or venue of the "show" and the buyer ensures that no unauthorized person walks with them from room to room.⁴³ In this regard, our interviews uncovered several disincentives to cheating and piracy even when protections remain informal. The most, important of these are reputational deterrents such as black-listing of the supplier and the loss of future orders and contracts.

In the home textile segment, meanwhile, designers were traditionally involved mainly in collection development, but are now becoming more and more integrated into the production chain. Designers like Sabyasachi Mukherjee have joined forces with textile brands to launch exclusive home furnishing and bed-linen lines (called the *Bombay Dyeing Sabyasachi Signature Line*), which helps the textile houses target marketing to an exclusive upper income group; the designers benefit from the established infrastructure of the textile firms. Such collections are usually "limited editions" where a certain kind of finishing, texturing, print and image would be more exclusive and probably difficult to imitate. Designers themselves are also focused on promoting "lifestyle" designs that go far beyond clothes; e.g. Raghavendra Rathore combines a home linen line and a branded line of chocolate manufacturing and J J Valaya has joined forces with wedding planner Ferns N Petals, Hemant & Lecoanet's accessory collection L.H. These designers generally use trademarks to protect their brands and niches.

4.1.3 *The Indian Apparel Segment*

The global apparel segment has two basic streams, *ready-to-wear/fast fashion* and *couture*. In the ready-to-wear and fast fashion segment we find evidence of significant penetration by the Indian apparel industry, with its design capability, ability to produce short runs of limited edition designs in short turn around times. This ability to handle variety and complexity combined with the use of embellishments has created a distinctive niche for Indian apparel, dominated especially by "cotton knit and woven women's tops, blouses and skirts, embellished and hand-

⁴³ Insight from ICRIER Buyer Survey and interviews in 2007

embroidered, fine-yarn and home furnishing.”⁴⁴ This success is based on the deployment of traditional craft skills together with use of skilled workers and modern technologies like ICT and CAD-CAM. These skills and technologies are used to create designs that are woven, screen-printed or block-printed, and which are leveraged to increase the output, variability and productivity of the sector. Since these products have short life-spans and often lack the uniqueness necessary to get formal IP protection, the commercial value is retained and optimized through trade secrets.

The couture design segment however tells a different story. Mostly seen in the design of Indian bridal wear and on the Indian runway are a mix of Indo-western wear and a vibrant fusion of new-age ethnic wear. From fabric to accessories, styling and lines, inspiration is usually drawn from ethnic Indian traditions and styles as well and western idiom. Intricate detailing on the cuffs, lapels and pockets; vivid hues and flowing layers; shine and shimmer on western style woollen garments; and pleated culottes incorporating more modern touches like the glossy transfer prints – all give an impression of quirky cuts and unusual textures setting the collections apart, but have little that really differentiates collections from one another. Indian designers are not yet global trendsetters – shows on the Delhi or Mumbai runways borrow generously from the past season’s trends in the Paris, Milan or New York shows. For example the Lakme Fashion Week in Mumbai 2008 presented Indian collections “referencing” past season’s trends (LFW 2008, Arshiya Fakhri Eapen, Swapnil Shinde). Thus the relevance of IP (other than the unregistered copyright on the sketch and artwork) appears to be limited in this segment at present.

As a nascent and fast-growing segment where India continues to face a steep learning curve in terms of design and brand maturity. Despite the rise of a number of new designers and of brands, India is mostly an implementer of “co-produced” designs, capitalizing on the cost arbitration motivations of their global partners. Moreover, most of the upcoming designers, including those in the non-bridal segment, remain very ethnic, producing fashion labels made with India as the context, and used to merchandise “Indianness.”⁴⁵ While this is a fair strategy to begin with (and does work for the diasporic and middle-eastern markets), it also limits the prospects of the Indian design industry to expand to other geographies. As some of our respondents said, ultimately a fashion houses’ reputation also hinges on the feasibility of their designs to inspire imitations.

“[In India] the inspiration is often Mughal, Kamasutra, Monsoon, Holi or Paisley. Or something more original, but hard-core Indian. While it’s chic to go Indian, it unfortunately limits appreciation to just India... The more Indian we keep it, the more we restrict our audiences to the Indian sensibility. And our clothes aren’t exactly comfortable corporate wear. Global fashion is

⁴⁴ Tewari *et al* (2007): Based on Interviews with 16 global buyers as a part of ICRIER Buyer Survey and calculated from PC-TAS UN Comtrade database.

⁴⁵ Banhi Jha, NIFT, New Delhi, 2007

more than a new way to wear a sari, short kurtis ...and ecru bandgallas with Swarovski crystal. Even the most diehard global Indian (fan) will only wear these to fat Indian weddings or fatter Diwali parties.”⁴⁶

While some Indian designers have seen success at venues like the Paris fashion week with designs featuring traditional Indian fabrics and craft techniques, building a high end global fashion label needs much more focus on building credentials, and bold marketing and niche building practices.⁴⁷ In recognition of the above, the new initiative of the Fashion Design Council of India (FDCI), funded by the Indian Commerce Ministry under the market access initiative scheme, aims to develop a funding and marketing organization for designers.⁴⁸ This institution is expected to educate local firms and promote international tie-ups to help build the credentials of individual Indian fashion labels.

This narrow market at the upper end of the design and branding spectrum should not however obscure analysis of the real space where learning and innovation is occurring – in the middle to upper middle markets for branded ready to wear apparel, including fast-fashion for a growing professional middle class. It is in these markets, including on the shelves of the proliferating malls and hypermarkets that the real tutelage is occurring for the creation and assembling of designs, brands and collections. The strength of this experience, and where it might catapult the industry in the long-run - in terms of its design capabilities and global competitiveness of its own brands - needs to be closely watched and nurtured.

To summarize the interview findings suggest that at the present time the Indian T&A sector would do well to continue to focus on brand building and developing the credibility of their labels, which would help improve market reach and unit value realizations in the absence of formally registered designs. Trademarks and to some extent copyrights would continue as the most exploited formal IP tools in the Indian T&A industry in the short to medium term.

4.2 Learning from Cases of Copyright Violation in India

As discussed in Section 3, technically there are a wide range of IP rights available for use in the Indian T&A sector. However, the general perception among firms is that they provide fairly weak and partial protection. On the one hand, in a sector where the product life-cycle is shrinking rapidly because of the demands of competition, volatility and profitability, spending resources on multiple IP registrations become economically unviable, especially for developing country firms. An exception may be trademarks, which appear to be particularly important for many of the Indian T&A firms currently working on developing their own independent brands.

⁴⁶ Prathap Suthan, National Creative Director, Cheil Communications.

⁴⁷ Rathi Vinay Jha, Director General, Fashion Design Council of India

⁴⁸ “Fashion council plans fund to bankroll designers”, Economic Times, March 15, 2008

On the other hand, in a world where styles evolve and "referencing" is accepted as an important part of the evolution of the industry, stakeholders decline to pursue strong IP rights that could be detrimental to further creativity; most new designs/fashion build on earlier trends and styles, and designers are in general passive about imitations. Research on the fashion sector in the EU and the US also corroborates to some extent this passivity.⁴⁹ The existence of this low-IP system in the higher-value textile design and apparel segment may be a stable equilibrium that paradoxically serves the industries' interests better than a high-IP regime by encouraging a higher rate of induced obsolescence, which creates demand for newer products quicker than would be mandated by the life-cycle of the product. This dynamic is amplified by the cyclicity of the fashion industry, where imitating helps to speed up (shorten the lifespan) the cycles, by spreading the use of a design that in turn makes consumers demand newer "original" designs.⁵⁰ However, while referencing and building on existing designs seems to be generally accepted in the industry the world over, outright copying appears to be an important concern to many.⁵¹

So what is the evidence from the Indian T&A industry vis-à-vis copying? While copyright was long understood to subsist in works of art, awareness of respecting the IP of others in the fashion design segment is on the rise in the aftermath of some high profile cases and controversies on copyright violation. Designer Suneet Varma in 2004 alleged that another well-known designer ripped off one of his designs - a double layered chiffon poncho with silk tassels teamed with black bootleg embroidered trousers - from the Fall 2003 collection. The alleged copier saw nothing wrong with his act in light of the fact that the design had not been registered. In view of insufficient proof to substantiate the claim, however, the original designer could not take this matter forward legally. The incidence has made the fashion design community in India aware of the benefits of registering the copyright formally, and seeking design protection in cases where such a right can be established.

A second case involving copyright violation has had a far stronger impact, highlighting not only the benefit of protecting one's own IP, but of conducting due diligence regarding ownership (such as to give credit) if there is a possibility that another's design needs to be used. The successful infringement claims were brought by Ritu Kumar against a series of Kolkata-based retailers and designers⁵² for using her sketches, drawings and templates, and producing and selling fakes of her creations. By the courts' orders three of seven accused outlets were raided for Ritu Kumar imitation designs and the goods sealed off and returned to her. Separate orders were passed against each of the defendants and they have been permanently barred from reproducing,

⁴⁹ Raustiala and Sprigman (2006) and Coles *et al.* (2003)

⁵⁰ There have even been instances of "self-copying" in which designers and fashion houses in essence "knock-off" their own signature designs to both price discriminate among consumers and also induce obsolescence of current clothing lines.

⁵¹ Coles *et al.* (2003)

⁵² Ritika Limited v. Ashwani Kumar (Skipper); Ritika Limited v. Nina Talukdar; Ritika Limited v. Sajid Mobin (Popicon)

printing, publishing, and distributing colorable imitations or substantial reproductions of Ritu Kumar designs. The verdict was based on recognition of the prior registration claim filed by Ritu Kumar on the underlying artistic works (sketches, drawings and templates) associated with her designs.

This verdict is in many ways a trend-setter, and it highlights several issues. The most important is, however, the precedent it sets for designers wanting to make similar claims in future. Besides acting as a deterrent for many involved in the business of copying, this case highlighted the need for designers to protect their creations by registering any unique design from which commercial value is expected. “Most of my designs are registered and that helped me win the case,” said Ritu Kumar. However, in reality registering designs continues to be an expensive proposition for most Indian designers. There are at least two reasons for this. First, the time needed for registration is a major deterrent: “I know it should be done, but it’s a tedious process,” says Anamika Khanna. Second, registration is costly. In an industry with thin margins, even in design-related segments, this is an important deterrent for many Indian firms. Finally, the time taken for the design to get registered is not just an issue of a problem of the lengthiness of the process or the cost. Rather, it has opportunity costs: it implies a loss of business in an industry where fashion cycles are shortening, and knock-offs lead to very rapid obsolescence of a design/style.

The result therefore, is that most designers use the copyright as a fallback but still essentially bank on secrecy to protect their creation. Our survey of Indian designers and ready to wear stores (in retail chains like *Pantaloons*, *Westside*, *Anokhi*, *Fabindia*, catering to fast fashion and also in home furnishing stores like *Home Saaz*, *Home Store* and *Jagdish Stores*) indicate that once the product is launched, most innovative firms/designers/suppliers today prefer to move on with the preparations for the next season/show/consignment rather than spend time worrying about IP appropriation by others.

A solution for the time-lag problem for registration may lie in adopting the Hague System of requesting deferred publication of registration, although since India is not yet a signatory of the Hague System for the International Registration of Industrial Designs, this provision is not directly available to Indian companies. However an alternate way of addressing this concern under national laws would be to incorporate the specific elements of the Hague provision for deferred publication of registration *vide* appropriate amendments of the Indian Design Act. This would confer on the designer the comfort of additional secrecy and encourage her to bring the product to the market in secret during which time the registration process can be completed.⁵³

⁵³ The “deferred publication of industrial design registration” provision of the Hague system allows in principle for legal protection of the thus registered designs and ensures protection for the period between the time when the design is published and registration completed, and the time the collection is marketed; this in effect reduces the risk (by providing legal recourse) of the loss ensuing from the design being copied before the originator is able to bring it to the market. This is especially relevant given the short life span of certain fashion products.

Caution is also required of the designers, who now need to learn about the use of confidentiality clauses in cases where there is a need to disclose their designs to wholesalers/exporters/in a portfolio. Maintaining documentation and records at every stage of product development also helps one to claim copyright even if the design is unregistered.

This then raises the question of whether experiences of plagiarism and piracy in the growing Indian branded segment would lead to demands for stronger IP laws and their enforcement in India, and more importantly, whether stronger rights actually help. While there have been suggestions to the fashion design community to lobby and build pressure on legislators and the government to provide for an “unregistered design right” as exists in the European Union, even in the EU infringement suits on designs are rare, due to the general acceptance of “referencing” in the fashion and design fraternity. It is unlikely that the situation will vary to a great extent in India.

Finally, we come to the form of IP that we find is most commonly used in the T&A sector, namely trademarks. As discussed earlier, this IP right is perhaps the most exploited by firms wishing to establish (manufacture and sell) their own brands, both at home and abroad. Trademarks are a useful tool that Indian T&A firms, in particular in the apparel segment, use to meet their main goal of establishing presence and garnering domestic and foreign market share – although even many of the larger firms are awaiting registration and operating under the legal protection offered by the common law system. Designers and labels like *Ritu Kumar*, *Ritu Beri*, *JJ Valaya* and *Rohit Bal* are likewise relying on establishing their brands in foreign (both in the far-Eastern and Western) markets through the (largely unregistered) trademark-led-brand building route, as are Indian apparel chain-stores like *Fabindia* and *Anokhi*. For example firms like those of *Ritu Kumar*, *Anokhi* and *Fabindia* have opened stores abroad and are marketing their products under (mostly) unregistered trademarks, banking on their reputation at home and also to a certain extent on the common law protection available in export markets. This is because acquiring trademark registration in multiple jurisdictions would be highly costly and is a deterrent for registering, especially as India has only recently signed on to the unified Madrid system.

5. Conclusions and Recommendations

Our paper demonstrates that in a traditional sector like textiles and apparel, even in a developing country like India, understanding and recognizing the benefits from IP protection is surprisingly widespread and growing. However, the problem begins here. Stakeholders are unsure about the effectiveness of protection accorded by various IP rights, and cost-benefit analyses by small and medium firms often push them to focus their limited financial might exclusively on building markets. Larger firms focus on brand-building. Thus, trademarks remain the most exploited formal IP tool in the Indian T&A industry. Even in larger companies, secrecy and lead times are

the preferred mechanisms for protecting creativity and knowledge in the sector. One reason is the nature of the sector and the products themselves, where inspired referencing is commonplace and innovation and novelty is difficult to establish. Barring a select few companies, and despite increased R&D expenditures in recent years, the Indian textile industry is in general not focused on significant new innovation in either fibers or fabric, given its continued reliance on cotton as the base fiber.

The other reason mentioned by most of our interviewees is the short life-cycle of the product. In an industry where the entire life of the design from conception to production to marketing is being squeezed to 90 days or less, and where stakeholders themselves induce obsolescence in order to increase turnover, very few products would qualify as candidates for the stronger protection which registration of IP offers. In a sector where the design process seldom starts from an original concept, and designers use existing information (on design, colors, fabrics) in new ways, and inspiration from imports and fashion shows is rampant, strict IP rights clearly do not make sense. But in the context of the growing importance of labels and brands primarily in high end segments and in ethnic wear, and traditional folkdesign, such as Ikat, Tanjore, Banarasi silks and so on, trademarks, GI and industrial design could better protect designs and capture value for originators. Though GI's are still a relatively new concept in India, a recent survey by UNCTAD's India Programme reveals that the potential price premium of GIs may range between 5-10 per cent.⁵⁴ However, the financial weakness and lack of understanding of the legal mechanisms involved among most of the Indian stakeholders make it unlikely they will push for aggressive IP rights use and exploitation, unless external support, including public sector support, is provided to help them bridge their knowledge and capability gaps.

What is evident is that there is a growing need for designers in the *prêt* and *couture* fashion apparel segments to assert rights over their creations, especially in cases where potential economic losses from piracy could be significant. Indian designers are now increasingly aware and are beginning to apply for IP registration from day one of product design and development, where they see benefit of protection. The Suneet Verma experience has been an eye opener for many, and the favorable judgement in the Ritu Kumar cases offers succor to designers plagued by plagiarism and piracy. However, in practice, the complexity, diversity and cost of IP laws are such that effective protection is poor as compliance is not easy and enforcement is weak. Imitations, even when evident, are technically hard to prove as infringing on copyright in a court of law. Global integration adds to the difficulty: copying is easier with access to multiple markets over the Internet and the availability of technologies such as CAD that can generate quick patterns.⁵⁵ The cost implications of registering the IP in multiple markets are also deterring. Licensing is therefore the easiest option available to designers keen on marketing their designs in distant markets.

⁵⁴ Banga (2008)

⁵⁵ On this issue, see also Dickson and Coles (1999)

In this context, there is a strong case for institutional reforms in the IP/licensing regime and public sector supports in raising awareness about IP laws and the processes of challenging infringements and plagiarism. This knowledge can fruitfully be made a part of the industry-related college diploma and degree courses. It is encouraging that in the aftermath of the Suneet Verma-Akki Narula controversy the FDCI has taken up the issue seriously, and has proposed that the basics of IP should be part of the curricula of Indian textile and fashion training institutes. India has a lot to offer to the world in terms of its design capability in both the traditional and modern segments of textiles and apparel, and some form of IP can be used as a tool for carving out niches and optimizing economic gains in this dynamic sector. Educating the diverse stakeholders in advance would help the industry prepare for the time when Indian designs obtain wider global markets that could benefit from more formal IP protection.

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Appendix A
List of Interviewees

Raghu Pillai, Reliance Retail Ltd	S. Gopalakrishnan, IP Cell Innovation Centre (SID), IISc
Mary Mathew, Department of Management Studies, IISc	Rajendra Mudaliar, Color Plus Fashions Ltd
U. K. Gangopadhyay, The Synthetic & Art Silk Mills' Research Association	Rajesh Jain, Ritika Ltd
Prathap Suthan, National Creative Director, Cheil Communications	Mohan Matthew, Indian Merchant's Chamber
Rathi Vinay Jha, Fashion Design Council of India	Subodh Kumar, Textile Commissioner, Ministry of Textiles
Sashi Singh, Jt. Textile Commissioner, Ministry of Textiles	Tinoo Joshi, FIEO
M. S. Mathuvinan, Coimbatore College	Vaijayanti Pandit, FICCI Western Council
A. N. Desai, The Bombay Textile Research Association (BTRA)	S. K. Sitani, Birla Cellulose (Grasim), A.V. Birla Group
Jalaja Menon, Reliance Industries Ltd	Banhi Jha, Fashion and Apparel Department, NIFT
Sanjay Gupta, Fashion and Textiles Department, NIFT	Vikram Raizada, IMG
Atul Chand, ITC Lifestyle Retailing	Supratim Chaudhury, Celebrity Fashions (Indian Terrain/ Spirit)
Nien Siao, Department of Fashion Design, Pearl Academy of Fashion	Bobby Grover, Designer and Board Member, FDCI
Shwetaree Majumdar, Anand and Anand	Krishna Sarma, Corporate Law Group
Altraclean, Tirupur	William Connor, Delhi
Himmatsingka Seide, Bangalore	Gnesis Fintech, Kolkata
Premier Polytronics, Coimbatore	Sadhana (Seva Mandir), Rajasthan
Gokaldas Images & Exports, Bangalore	Apparel Export Promotion Council, New Delhi
Prem Group of Industries (Switcher alliance)	Southern India Mills Association, Coimbatore
K.T. Karle, Bangalore	Arvind Mills, Bangalore
Tesco buying agent, Bangalore	30 stakeholders – firms, trade associations, buyers and government officials in Sri Lanka and Bangladesh
Orient Craft, New Delhi	Gokuldas Exports, Bangalore

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