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Intellectual Property Attorneys

INDIA

IP UPDATE

Vol. XIII, Issue 4
October - December, 2015

Quarterly Newsletter from K&S Partners
For private circulation only

IP news at a glance!

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CASE LAW UPDATES

European victory for Indian Geographical Indications

Geographical indications for two of India's premium export products, namely, Basmati rice and Darjeeling tea, have recently received positive orders from the General Court (GC) of the European Union, giving a boost to their international protection efforts.

The first order was issued by the Sixth Chamber of the GC in an appeal filed by Tilda Riceland Pvt. Ltd. ('TRPL'), an Indian exporter of Basmati rice to the United Kingdom, against an order passed by the Office for Harmonization in the Internal Market's (OHIM) Fourth Board of Appeal. The genesis of the appeal was an opposition filed by TRPL against a Thai entity, Siam Grains Company Ltd., which sought to register a device mark, containing the prominent element "BASMALI", as a European Community Trade Mark in Class 30 for 'long rice'. TRPL's opposition, based on Article 8(4) of the Community Trade Mark Regulation (CTMR), highlighted the reputation and goodwill of BASMATI and relied on its prior common law rights in the name Basmati to prevent passing-off. In January 2008, OHIM rejected the opposition on the grounds that TRPL had no goodwill or reputation necessary to succeed under the law of passing-off vis-à-vis Basmati in the UK. TRPL's appeal before OHIM's First Board of Appeal was also dismissed on the main grounds that Article 8(4) required as a precondition, proprietorship of an earlier right, that it was not the proprietor of the geographical indication Basmati and that it failed to prove ownership of the earlier sign, namely, BASMATI in this case, in addition to the ownership of goodwill.

On further appeal, the Fourth Chamber of the GC annulled the said decision and held that TRPL did have a right under Article 8(4) to oppose the mark based on the right to prevent passing-off and remanded the matter to OHIM's Fourth Board of Appeal. In December 2013, the Fourth Board rejected the appeal and dismissed the opposition on the grounds, *inter alia*, that the name BASMATI is a descriptive sign and did not satisfy the requirements under the UK law of passing-off, that the evidence did not show marketing of Basmati rice in the UK by the applicant itself but by another company, and that the evidence adduced by TRPL was not sufficient for it to qualify as a distinctive sign.

The most recent order was issued by the GC (6th Chamber) in TRPL's appeal against the order of the Fourth Board. The GC held that in the absence of any indication to the contrary, the function of a non-registered trademark and any '[other] sign' covered by Article 8(4), lay not only in the identification by the relevant public of the commercial origin of the goods concerned, but also, *inter alia*, in the identification of their geographical origin and the special qualities inherent in them or of the characteristics on which their reputation was based. The GC recognized that such protection under Article 8(4) extended to unregistered geographical indications in the European Union and signs which, although not registered, may also be protected by virtue of an action for passing-off. The General Court also noted that the extended form of passing-off, which was recognized by the UK courts, enabled a number of traders to have rights over a sign which had acquired a reputation on the market and that there was nothing to suggest that under Article 8(4), an opponent ought to show that he had himself marketed his goods in the territory concerned.

In another order issued by the GC that concerned Darjeeling tea, it was held that the use of the mark 'DARJEELING' by a French Company, Delta Lingerie, in respect of goods and services in classes 25 and 35, took unfair advantage of the geographical indication 'Darjeeling'. Delta Lingerie's applications to register the mark 'DARJEELING' in classes 25, 35 and 38 were opposed by the Tea Board of India on the basis of Tea Board's rights in the earlier Community Collective Trademarks. Both the Opposition Division and the Board of Appeal of OHIM rejected the opposition on grounds that, the goods and services covered by the respective signs were dissimilar [claim under Article 8(1)] and that the Board provided insufficient evidence to establish that its earlier Community Collective marks had a reputation with the relevant public [claim under Article 8(5)].

In a partial victory for the Tea Board, the Eighth Chamber of the GC upheld Tea Board's claim in an appeal regarding Article 8(5). The GC noted that the hypothetical premise on which the contested decision was based referred to a reputation of exceptional strength, that the positive qualities evoked by the word element 'DARJEELING' shared by the respective signs were capable of being transferred to some of the goods and services of Delta Lingerie, thereby strengthening the power of attraction of its mark. It further held that the goods in class 25 of the mark applied for were capable of benefiting from the positive qualities conveyed by the name Darjeeling and, more specifically, the image of sophistication or exotic sensuality conveyed by the same. As such, the GC annulled the contested decision and held that a risk of an unfair advantage could not be ruled out in respect of the goods and services in classes 25 and 35.

Ericsson's national phase patent application disallowed for amending claims

In July this year, the Controller of Patents disallowed one of Ericsson's national phase patent applications on the ground that, while entering the national phase, it amended the claims originally published in the PCT application. The original PCT application in this case had 21 claims at the time of national phase entry; however, Ericsson submitted an amended set of 19 claims at the Indian Patent Office (IPO). The Controller found that such amendment not only contravened the provisions of the Indian Patents Act, 1970 and the PCT Regulations, but also the IPO's Public Notice of July 2, 2012, which notified that the IPO would not allow an applicant to amend the specification or the related documents before entering National Phase.

The Controller clarified that the applicant had no prerogative to amend claims of patent applications before entering national phase. Further, the Controller strictly interpreted section 142(3) of the Indian Patents Act, 1970 which stipulates that where a fee was payable in respect of the filing of a document at the patent office, the fee should be paid along with the document or within the prescribed time failing which the document should be deemed not to have been filed at the office. Since Ericsson did not pay the complete official fees within the mandatory period of 31 months from the priority date, it was held that it could not pay the same during the prosecution as the application would not be deemed to have been filed in the patent office under the said section.

The above findings of the Controller are challengeable through a constitutional writ. But in the meantime, it is important to bear in mind that: (i) specification of patent application at the time of National Phase Entry must strictly correspond with the specification including claims, drawings etc., as last published by the PCT authorities; and (ii) complete official fee towards all the claims as published in the PCT be paid to the IPO at the time of filing national phase application.

Bombay High Court sets higher standards for descriptive marks in passing-off actions

The question that arose for consideration before the Bombay High Court in *Pidilite Industries Ltd. & Anr. vs. Vilas Nemichand Jain & Anr.*, was whether the plaintiff in an action for passing-off in relation to a descriptive mark was *ipso facto* entitled to injunction upon establishment of prior use and some amount of reputation and goodwill.

The mark in question was LEAKGUARD and was used by the respective parties in respect of identical goods namely, solvent cements, similar chemicals and compounds. While the plaintiff, Pidilite, claimed to have used the mark since 1999 (by itself and through the assignor of the mark), the defendant Jain's use commenced only in the year 2005. Though Jain filed a trademark application for the said mark in 2008, it was subsequently withdrawn. In September 2009, Pidilite came across Jain's products under the mark LEAKGUARD and served him with a cease and desist notice, which Jain refused to comply with. Hence Pidilite filed a suit against Jain for passing-off in July 2010.

During the arguments, Pidilite's claims of use of the mark from 2001 to 2008 to establish extensive use was countered by Jain on the ground that the evidence to that effect was quite scanty. The Court agreed with Jain and noted that the evidence on record did not show the kind of studied and continuous user as was necessary in such cases. It further noted that if the contesting sides had both been using the mark in the same fashion, and one of them was shown to have been using it prior to the other, and it was also shown that that prior user was extensive, then the action for passing-off could be maintained and protective relief could not be denied. However, the Court noted that it was not enough in the case of a descriptive mark to show prior user alone and added that such use must be shown to be extensive and continuous, sufficient to support a claim of it having become distinctive in the hands of the previous user.

Further, the Court pointed out that even if it was not necessary that in every single case of use of a descriptive mark, a plaintiff must establish that the mark had acquired secondary meaning, still there must be some employment of deception to get protection. The Court did not agree with the plaintiff that such requirement applied only where the marks were similar and not identical. The Court felt that it was difficult to conclude without sufficient evidence of confusion and deception in a case such as this, where two persons may be using identical descriptive marks in respect of identical goods, with sufficient evidence of use and market share, that it was only the plaintiff's mark that reigned and that consumers were actually being deceived. As such, the Court found that the evidence produced by Pidilite consisting of scanty promotional materials and invoices constituted insufficient evidence of sufficient widespread user to lead a Court to ineluctably conclude that Jain's products were or had been mistaken for those of Pidilite. As such, Pidilite's prayer for interim injunction was refused.

'First to use' to pip 'first to register': Supreme Court

When it comes to trademarks, India is a 'first to use' jurisdiction and not a 'first to register'. This aspect was recently underpinned by the Indian Supreme Court in *Neon Laboratories Ltd. vs. Medical Technologies Ltd. & Ors.* Before the Supreme Court, the appellants, Neon Laboratories ("Neon"), challenged an order of the High Court of Gujarat, which had upheld the order of a District Court in a suit filed by Medical Technologies ("MT") against Neon, finding against Neon. The dispute concerned use of the marks 'PROFOL' and 'ROFOL', used by MT and Neon respectively in relation to the same generic drug, Propofol.

While Neon claimed to have filed an application for the mark ROFOL in the year 1992, it commenced use only in the year 2004, by which time the mark was already registered. Though MT was not in the market at the time of filing of Neon's application for ROFOL, MT had not only commenced use, but had also applied to register the mark PROFOL in February 2000. When MT came across Neon's use of the mark ROFOL, it filed the present suit against Neon in July 2005.

During the hearing, the Court noted that Neon, even after applying for registration of ROFOL in 1992, took no steps whatsoever to place its product in the market till 2004. Further, even though MT was using the near identical mark PROFOL in respect of the same drug, Neon did not initiate any restraining actions against MT.

In examining the question whether a prior registration could obliterate the significance of the goodwill established by a plaintiff in the meantime, the Court looked at the provisions of the Trade Marks Act, 1999 that dealt with saving for vested rights of a prior user against a registered proprietor (Section 34) and cancellation on the ground of non-use (Section 47), both of which the Court found to be adverse to the claims of Neon. The Court held that an applicant of a trademark did not have a permanent right by virtue of its application alone and such a right was lost if it was not exercised within a reasonable time. Accordingly, Neon's appeal was dismissed and the principle of 'first in the market' was upheld by the Supreme Court.

iBall brokers peace with Ericsson after SEP wars

The Delhi High Court recently gave a breather to Ericsson against an order of the Competition Commission of India (CCI) which in turn had made a *prima facie* finding against Ericsson in a complaint filed by Best IT World (India) Private Limited (iBall). CCI's order had found that Ericsson abused its dominant position in the market. Ericsson challenged the order by way of a constitutional writ before the Delhi High Court.

Earlier this year, iBall had approached the CCI under the Competition Act, 2002 (the Act) alleging, *inter alia*, abuse of dominant position by Ericsson as it refused to identify the SEPs alleged to be infringed by iBall, threatened it with patent infringement proceeding and coerced it to enter into one sided and onerous non-disclosure agreements (NDA). In addition, iBall alleged that bundling of patents irrelevant to iBall's products by way of Ericsson's Global Patent Licensing Arrangement (GPLA) and demanding unreasonably high royalties by way of a certain percentage value of handsets as opposed to the cost of actual patented technology, was unfair and an abuse of Ericsson's dominant position in the market.

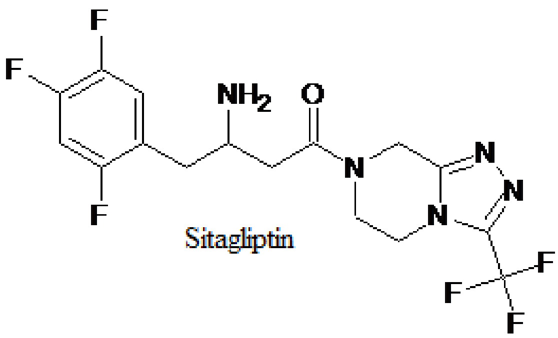
CCI *prima facie* found that Ericsson was the largest holder of SEPs used in 2G, 3G and 4G communication technology and that there was no alternative technology available in the market in India. CCI also found that the royalty rate being charged by Ericsson appeared to be discriminatory as well as contrary to FRAND terms as it had a linkage with the final price of the manufactured product rather than the functionality of the patented product. CCI further observed that Ericsson's acts of forcing a party to execute NDAs, imposing excessive and unfair royalty rates and a jurisdiction clause vesting the jurisdiction in a foreign land where none of the parties were engaged in business, *prima facie* amounted to abuse of dominant position, in violation of the provisions of the Act. The CCI thus directed the Director General to investigate the matter.

Replicating its orders in the constitutional writs filed by Ericsson against similar orders of the CCI in separate complaints filed by Micromax Informatics Ltd. and Intex Technologies India Ltd., the High Court passed an interim order that pending the next hearing, Ericsson may give information as called upon by the Director General of CCI, but no final order would be passed either by CCI or its Director General. Further, the Court directed that while the Director General of CCI was free to call any local officer of Ericsson for investigation purposes, no officer stationed abroad would be called without special leave of the Court. The Court also clarified that CCI's observations in the impugned order should not come in the way of Ericsson while negotiating with third parties.

While it would have been interesting to watch the interplay between competition law and patent law and its impact on enforcement of telecom patents in India unfold before the High Court, it is understood that the parties are proceeding to settle that matter by entering into a global patent license agreement.

INSIGHT

Diabetes drug Sitagliptin leaves Glenmark with a bitter taste in the mouth



In an important update, the Delhi High Court held in the suit filed by Merck against Glenmark that Glenmark infringed Merck's patented product Sitagliptin. As reported in the last IP Update [*Vol. XIII, Issue 3*], the Supreme Court of India had ordered a speedy trial of the suit. In a first of its kind speedy trial in a patent matter, the High Court passed a decree of permanent injunction against Glenmark restraining it from making, using, selling, distributing, advertising, exporting, offering for sale or in any way dealing in Sitagliptin Phosphate Monohydrate or any other salt of Sitagliptin in any form, alone or in combination with one or more other drugs, thereby infringing the suit patent.

Glenmark's main contention was that Sitagliptin phosphate monohydrate, the main component of Glenmark's products, was not covered by the suit patent and that the suit patent only disclosed Sitagliptin/ Sitagliptin hydrochloride, a different chemical entity than Sitagliptin phosphate monohydrate. Merck countered this by arguing that the active moiety in Sitagliptin phosphate was Sitagliptin which inhibited the Dipeptidyl Peptidase ("DPP -IV") enzyme. Importantly, Glenmark's product inserts were essentially the same as that of Merck's products. The following are some of the findings from this significant ruling:

- From a comparison of the product inserts of Glenmark and Merck, it emerged that they contained the same compound. While Glenmark argued that infringement should be established by chemical analysis alone and not by mere comparison of labels, the Court ruled that the defendant could not conveniently disown the contents of the packaging.
- The suit patent disclosed Sitagliptin phosphate generically and the bulk compound in Sitagliptin phosphate monohydrate was indeed Sitagliptin.
- Glenmark failed to prove that the suit patent was obvious. Mere picking up of parts of chemical structures from different patents and clubbing them to prove non-obviousness was a hindsight analysis, which was not permissible.

- As regards industrial applicability, the very fact that Glenmark itself was manufacturing and selling Sitagliptin phosphate monohydrate, of which Sitagliptin formed the bulk component, made the suit patent industrially applicable.
- The disclosure in the suit patent was not for a lay person but was directed to a person ordinary skilled in the art. The plea of insufficiency of description could not be accepted since Glenmark had itself acknowledged Merck's US patent (equivalent to the suit patent) in one of its US patents directed towards the process of making Sitagliptin. This demonstrated that Glenmark was able to make Sitagliptin phosphate monohydrate from the disclosure of the suit patent.
- Whether the non-compliance with Section 8 of the Patents Act mandated revocation was an issue that needed to be assessed by the Court on a case to case basis.
- The "public interest" argument was not maintainable because Sitagliptin was not the only DPP-IV inhibitor for treatment of Type-II diabetes. Since Glenmark was not only infringing the suit patent but was also a competitor of Merck, the mere fact that it was selling the product at a lower price than Merck could not be a basis for declining injunction.

The order is a definite boost to innovators and the controversy-ridden pharma space in India post the Novartis decision, because it rightly observes that a patentee cannot be refused injunction merely on the ground that the generic version of the patented drug was being sold at a lower price by the infringing party in public interest, more so when the infringing party was itself a competitor of the patent holder. Since these are early days in product patent jurisprudence in India, such reasoned orders will pave the way for establishing a robust patent enforcement environment in India.

LEGISLATIVE UPDATE

Ordinance promulgated to set up Commercial Courts

Recently, the President of India promulgated the Ordinance on *Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Bill, 2015* for the creation of Commercial Courts, Commercial Divisions and Commercial Appellate Divisions in each High Court of the Indian federal states. As for the High Courts in Delhi, Chennai, Kolkata and Mumbai which already have original jurisdiction for intellectual property matters, there will only be Commercial Division and Commercial Appellate Division. The Ordinance assumes significance as all disputes pertaining to intellectual property rights are categorized as commercial disputes therein. Further, it provides for expedited timelines which would help in speedy settlement of commercial disputes.

With the Ordinance, all High Courts in India will now have original jurisdiction over intellectual property matters which are above INR 10,000,000 (approximately USD 153,300). The Ordinance also would result in pending suits relating to commercial disputes before the District Courts and the High Courts, involving claims of the said amount or above getting transferred to the Commercial Court or Commercial Division of the relevant High Court exercising ordinary civil jurisdiction.

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