

IP UPDATE

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IP news at a glance!

- Supreme Court strikes down Section 66A of the IT Act
- Ericsson secures injunction against infringement of its SEPs
- Challenge to IPAB's constitution upheld by the Madras High Court
- Cipla enjoined from infringing Novartis' patented drug

Supreme Court strikes down Section 66A of the IT Act as unconstitutional

In a landmark judgment [*Shreya Singhal v. Union of India*] delivered on March 24, 2015, the Supreme Court of India struck down Section 66A of the Indian Information Technology Act, 2000 ("IT Act") being violative of Article 19(1)(a) of the Indian Constitution, which guarantees the fundamental right of free speech and expression. Dealing with a bunch of constitutional writs on this issue, the Supreme Court held that Section 66 A of the IT Act was not saved by Article 19 (2) of the Constitution that empowers the State to impose reasonable restrictions on the right of free speech and expression.

Section 66A made it a criminal offence to send electronically any information that was 'grossly offensive',

'menacing', causing 'annoyance', 'obstruction', 'insult' or 'hatred' amongst other things. It was the case of the petitioners that: (i) the expressions used in Section 66 A such as causing of annoyance, inconvenience, danger, obstruction, insult, injury, criminal intimidation, enmity, hatred or ill-will were all outside the purview of Article 19(2); (ii) by creating an offence, Section 66A suffered from the vice of vagueness as none of the aforesaid terms were even attempted to be defined; (iii) the enforcement of the said Section would really be an insidious form of censorship which impairs a core value contained in Article 19(1)(a); and (iv) the said Section has a chilling effect on the freedom of speech and expression.



In defence, the Union of India ("UOI") argued that loose language may have been used in Section 66A to deal with novel methods of

disturbing other people's rights by using the internet as a tool and that vagueness was not a ground to declare a statute unconstitutional if the statute was otherwise legislatively competent and non-arbitrary. The UOI also argued that the provisions of Section 66A did fall within the ambit of the reasonable restrictions allowed under Article 19(2) and that a relaxed standard of reasonableness of restriction should apply, regard being had to the fact that internet as a medium of speech differs from other media.

The Supreme Court noted that there were three concepts which were fundamental in understanding the reach of Article 19(1)(a), namely discussion, advocacy, and incitement, and that mere discussion or even advocacy of a particular cause howsoever unpopular, was at the heart of the rights granted under Article 19(1)(a). The Court further observed that it was only when such discussion or advocacy reached the level of incitement that Article 19(2) would trigger and would allow the State to impose restrictions.

It was further noted by the Supreme Court that under Section 66A, no distinction was made between mere discussion or advocacy of a particular point of view which may be annoying or inconvenient or grossly offensive to some on the one hand and incitement by which such words lead to an imminent causal connection with public disorder, security of State etc., on the other hand. The Court observed that Section 66A thus created an offence against persons who used the internet and annoyed or caused inconvenience to others. As such, the Section clearly affected the freedom of speech and expression of the citizenry of India at large in that such speech or expression is directly curbed by the creation of the offence under Section 66A.

The Supreme Court also negated the UOI's contention that Section 66A fell within the ambit of the reasonable restrictions allowed under Article 19(2) and had been enacted in the interest of ensuring public order, decency or morality, prevention of defamation and incitement to an offence. While doing so, the Supreme Court observed as under:

1. Section 66A had no proximate relationship to public order whatsoever in as much as: (i) it made no distinction between mass dissemination and dissemination to one person; (ii) it was not necessary that a message should have a clear tendency to disrupt public order; and (iii) the nexus between the message and action that may be taken based on the message was conspicuously absent under the said Section.
2. Section 66A was not aimed at defamatory statements at all as it did not concern itself with

injury to reputation which was a basic ingredient for something to be defamatory.

3. Section 66A had no proximate connection with incitement to commit an offence. The information disseminated over the internet need not be information which "incites" anybody at all. Written words may be sent that may be purely in the realm of "discussion" or "advocacy" of a "particular point of view". The mere causing of annoyance, inconvenience, danger etc., or being grossly offensive or having a menacing character were not offences under the Indian Penal Code. They may be ingredients of certain offences under the Code but are not offences in themselves.
4. Section 66A could not possibly be said to create an offence which fell within the expression 'decency' or 'morality' in that what may be grossly offensive or annoying under the Section need not be obscene at all – in fact, the word 'obscene' is conspicuous by its absence in Section 66A.

The Supreme Court further observed that Section 66A used completely open ended, undefined and vague language and that every expression used therein was nebulous in meaning. In the Court's view, there was no demarcating line conveyed by any of these expressions and that was what rendered the Section vague and, therefore, unconstitutional.

The Supreme Court further observed that information that may be grossly offensive or which causes annoyance or inconvenience were undefined terms which take into the net a very large amount of protected and innocent speech. The Court said that Section 66A is cast so widely that virtually any opinion on any subject would be covered by it, as any serious opinion dissenting with the mores of the day would be caught within its net. The Section was, therefore, liable to be used in such a way as to have a chilling effect on free speech and would, therefore, have to be struck down on the ground of over breadth.

The Supreme Court then went on to adjudicate upon the constitutionality of Section 79(3)(b) of the IT Act

and Rules 3(2) and 3(4) of the Information Technology [Intermediaries (sic) Guidelines] Rules, 2011 [“Intermediaries’ Rules”], which issue was raised in the petition filed by the Internet and Mobile Association of India.

Section 79 of the IT Act exempts intermediaries including social networking sites from liability in relation to any third party information, data, or communication link made available by them. However, the exemption under Section 79 cannot be claimed if the intermediary fails to expeditiously remove or disable access to any such information, data or communication link upon receiving actual knowledge that such information, data or communication link is being used by a third party to commit any unlawful act.

In the year 2011, the Government of India notified the Intermediaries’ Rules. Rule 3 thereof required all intermediaries to publish their rules and regulations, privacy policy and user agreement for access or usage of its computer resource by any person. Rule 3(2) mandates an intermediary to inform its users not to host, display, upload, modify, publish, transmit, update or share any information listed in clauses (a) – (i) therein. Rule 3 (4) stipulates that the intermediary shall upon obtaining knowledge by itself or been brought to actual knowledge by an affected person in writing or through email signed with electronic signature about any offending content/unlawful act notified in Rule 3(2), shall act within thirty-six hours and, where applicable, work with user or owner of such information to disable such information.

Section 79(3)(b) was assailed to the extent that: (i) it makes the intermediary exercise its own judgment upon receiving actual knowledge that any information was being used to commit unlawful act; and (ii) the expression “unlawful acts” therein also went way beyond the specified subjects delineated in Article 19(2). Likewise, Rules 3(2) and 3(4) of the Intermediaries’ Rules were challenged on two basic grounds. First, the intermediary is called upon to exercise its own judgment under sub-rule (4) and then disable information that is

in contravention of sub-rule (2), when intermediaries by their very definition are only persons who offer a neutral platform through which persons may interact with each other over the internet. Secondly, like Section 66A, sub-rule (2) of Rule 3 is vague and over broad and has no relation with the subjects specified under Article 19(2).

In its order, the Supreme Court read down ‘knowledge’ in Section 79(3)(b) to mean actual knowledge received by an intermediary through a court order that had been passed asking it to expeditiously remove or disable access to certain material. In the absence of receipt of such knowledge, the intermediary is under no obligation to expeditiously remove or disable access to that material. The Court further observed that the Court order and/or the notification by the appropriate Government or its agency must strictly conform to the subject matters laid down in Article 19(2) and that unlawful acts beyond what was laid down in Article 19(2) obviously could not form any part of Section 79. With these two caveats, the Supreme Court refrained from striking down Section 79(3)(b).

The Supreme Court further observed that that Rule 3(4) of the Intermediaries’ Rules needs to be read down in the same manner as Section 79(3)(b). The knowledge spoken of in the said sub-rule must only be through the medium of a court order. Subject to this, the Supreme Court held the Information Technology [Intermediaries (sic) Guidelines] Rules, 2011 to be valid.

Ericsson secures injunction against infringement of its SEPs



The Delhi High Court issued an injunction order in a patent infringement suit [*Telefonaktiebolaget LM Ericsson (Publ) v. Intex Technologies (India) Ltd.*] by Ericsson which restrained Intex Technologies (“Intex”) from manufacturing and selling products such as telephone instruments, mobile handsets, tablets, hand-held

devices, dongles etc., that included technology or apparatus patented by Ericsson. Intex was further directed by the Court to pay Ericsson 50% of the royalty amount from the date of filing of the suit till March 1, 2015 and furnish a bank guarantee in respect of the remaining 50% amount.

In its suit, Ericsson averred that it was the registered proprietor of the standard essential patents (SEPs) relating to Adaptive Multi-Rate (“AMR”) speech codec, 3G and EDGE technologies, which the defendant had incorporated in its mobile devices without obtaining requisite licenses from Ericsson. Ericsson further contended that as far back as December 2008 it had offered a FRAND (Fair, Reasonable and Non-Discriminatory) license to Intex for its entire portfolio of patents, including the suit patents. However, despite claiming to be willing to discuss and enter into a FRAND license, Intex did not act on the same and instead filed rectification petitions before the Intellectual Property Appellate Board (“IPAB”) challenging Ericsson’s patents. Further, Intex had also initiated an action against Ericsson before the Competition Commission of India (“CCI”) in September 2014. In that action, Intex contended that Ericsson’s patents were valid and essential and therefore, Intex was required to seek a license from Ericsson.

On the question of validity of the suit patents, Intex raised the defense that the suit patents related to computer programs *per se* wherein all the claims were directed toward an algorithm. Further, it argued that the claims were nothing but a mere scheme or a rule or a method for performing a mental act and therefore, not patentable as per Sections 3(k) and 3(m) of the Indian Patents (Amendment) Act, 2005.

Upon review of the facts, the Court found that Intex’s conduct lacked credibility, and noted that it had taken contrary stands before the IPAB and the CCI. On the one hand, Intex had admitted before the CCI that the patents in question were essential to the technology employed, namely, AMR, 3G and EDGE. On the other hand, Intex filed rectification petitions before

the IPAB challenging the validity of the patents and further, denied the essentiality of the suit patents before the Court. The Court held that while Intex continued to negotiate and correspond with Ericsson on the FRAND terms, it deliberately avoided taking forward the negotiations to a fruitful conclusion only to delay the matter.

On the issue of Sections 3(k) and 3(m), the Court found Intex’s arguments to be insufficient and ruled that, *prima facie*, any invention which has a technical contribution or has a technical effect and is not a computer program *per se* is patentable. While the Court did not define “technical contribution” or “technical effect”, it analyzed the issue in the light of precedents from US, UK and EU on the subject and held that, as the suit patents had a technical contribution (probably suggesting that as long as the invention performed the necessary technical contribution in relation to the associated hardware) the same may be patentable.

Considering that there is no guidance by Indian courts till date on what amounts to “technical contribution” or “technical effect” in respect of computer related inventions, the implications of this ruling are yet to be seen. Further, it will also be interesting to watch the interplay between the CCI and the judiciary in the area of enforcement of SEPs/FRAND in India.

Challenge to IPAB’s constitution upheld by the Madras High Court

The Madras High Court recently allowed a constitutional writ challenging the validity of some of the key provisions of Section 85 of the Trade Marks Act, 1999 that dealt with the qualification and selection of Chairman, Judicial Member and Technical Member of the IPAB. The writ claimed that the Section impinged upon the independence of judiciary and violated the doctrine of separation of powers between the Executive and the Judiciary. It was argued by the petitioner, a renowned Indian academic and blogger, that the appointment of a person having no experience as a legal practitioner as a Technical Member and thereafter as Vice-Chairman and Chairman merely based on the office held by him

earlier was totally illegal and against the independence of the judiciary. The petitioner also pointed out that for the appointment of Chairman, Vice-Chairman and Members of IPAB, a search-cum-selection Committee was constituted. Based on the recommendations of the said Committee composed of Executives, and subject to the approval of the Appointment Committee of the Cabinet, appointments were made to the posts of Vice-Chairman and Technical Members. As such, the scheme of Section 85 demonstrated imposition of the Executive within the judicial sphere.

Having considered the arguments, the Court observed that the requirement of seeking approval from the Appointment Committee of the Cabinet for the said posts was totally unconstitutional as it impinged upon the independence of the judiciary. Relying on precedents laid down by the Supreme Court of India, the Court observed that the constitution of the search-cum-selection Committee should exhibit the leading role of the judiciary, rather than filling the Committee from the members of the Executive.

Holding the key provisions of Section 85 of the Act under challenge to be contrary to the basic structure of the Constitution, namely, separation of powers and independence of judiciary, the Court found the Constitution of the Committee for the appointment of the Judicial Member, Technical Member and Vice Chairman as unconstitutional. As such, the Court directed the Union of India to re-constitute the Committee to provide for a predominant role in the selection process to the judiciary.

As for the criteria for appointment of a Technical Member of the IPAB, the Court held that in addition to the qualification stipulated in the Act, a person in the post of Joint Registrar or above with the qualification of 12 years of practice at Bar or 12 years of experience in a State Judicial Service with a degree in Law alone is to be considered for the said post. As for the posts of the Vice Chairman and the Chairman, the Court held that a Technical Member when considered for these posts should have the qualification as clarified by the Court

apart from what is prescribed under the Act. Lastly, it was pointed out by the Court that the recommendations of the Chief Justice of India to the post of Chairman should also be given due consideration by the Appointment Committee of the Cabinet.

Cipla enjoined from infringing Novartis' patented drug



The Delhi High Court has granted a temporary injunction in favor of Novartis in its patent infringement suit against Cipla, involving the bronchodilator drug *Indacaterol maleate*, marketed as ONBREZ by Novartis. The suit claimed that Cipla was infringing Novartis' registered Indian patent under No. 222346, whose validity remained unchallenged till the date of the suit. *Indacaterol* is an ultra-long acting drug approved for the treatment of chronic obstructive pulmonary disease (COPD). Its effect lasts up to 24 hours, which makes it suitable for administration once daily unlike other bronchodilators available in the market. ONBREZ, a drug approved by both European Medicines Agency and US-FDA, is imported to India by Novartis and marketed in collaboration with Lupin Ltd., under a distribution and co-promotion agreement. Novartis contended that it took several years of research and financial investments to develop *Indacaterol*.

The suit arose as a result of Cipla manufacturing a generic version of ONBREZ. However, the dispute between the parties is not merely limited to the patent infringement. In November 2014, Novartis had sued Cipla for use of the trademark UNIBREZ alleging that the same is deceptively similar to the Novartis' ONBREZ. The suit was decreed upon Cipla's agreement to adopt the trademark INDAFLO and drop the mark UNIBREZ.

In the patent infringement suit, Cipla argued that its product was available in the market at almost one-fifth the price of ONBREZ. Cipla also alleged that the suit patent was liable to be revoked on various

grounds under section 64 of the Indian Patents Act. Cipla claimed that the reasonable requirements of the public with respect to the patented invention have not been satisfied as the patented drug was not being manufactured on a commercial scale in India. It further alleged that Novartis had failed to make the product available to patients in India.

Significantly, in October 2014, Cipla had made a representation under Section 66 and 92(3) of the Patents Act to the Department of Industrial Policy and Promotion (DIPP) of the Indian Ministry of Commerce invoking the special provisions therein for revocation of the patent in public interest and requesting grant of a compulsory license. However, beyond making the representation, it neither approached Novartis for a voluntary license nor did it approach the Indian Patent Office for a compulsory license.

During the arguments in the suit, Novartis asserted that Cipla's representation before the DIPP was an implicit admission that the suit patent was valid. Novartis further clarified that it had fulfilled the requirements under the Patents Act to supply the patented drug as per the demand.

Upon hearing both the parties, the Court found a *prima facie* case in favour of Novartis and held that the ground of public interest was only an off-shoot of balance of convenience and comparative damage and therefore, could not be said to be present in the traditional rules governing the grant of injunction. The Court further noted that Cipla avoided the compulsory license route knowingly so that it need not wait to manufacture its own version of the drug until the approval of the compulsory license was granted. The Court further held that the ground of non-working of the patent could be urged by a person seeking a compulsory license or revocation of patent only before the relevant authority. Such a ground could not be imported as a defense in a suit for infringement before the civil court since that would amount to transgressing the domain of the relevant authority.

Thus, Cipla was temporarily restrained from using, manufacturing, importing, selling and dealing in *Indacaterol*, specifically the *maleate* salt, either alone or in combination with any other drug that would amount to infringement of Novartis' patent. The Court further directed Cipla to seek a compulsory license before the appropriate forum.

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