K & S partners
Intellectual Property Attorneys

INDIA

IP UPDATE

Vol. XIII, Issue 1
January - March, 2015

Quarterly Newsletter from K&S Partners
For private circulation only

Newsmakers in this issue!

- New rules on packaging and labeling of tobacco products
- Trade mark rights in colour scheme upheld
- In a first, Delhi High Court interprets Section 107A of the Patents Act
- Process patent infringement: Injunction granted and set aside
- Häagen-Dazs v. D'Daazs: Balancing 'anti-dissection' and 'dominant mark'
- Telecom patent wars
- Virtual presence confers jurisdiction: Delhi High Court
- Could the validity of a registered mark be considered at the interlocutory stage in an infringement suit?

LEGISLATIVE UPDATE

New rules on packaging and labeling of tobacco products to take effect from April 1, 2015 in India

In the last issue of India IP Update, we had reported that an Indian High Court had issued an order in a constitutional writ recommending the government to consider the feasibility of implementing plain packaging for cigarettes and other tobacco products. Pursuant to the same, the Ministry of Health and Family Welfare issued a notification on October 15, 2014, amending the Cigarettes and other Tobacco Products (Packaging & Labeling) Rules, 2008. These Rules specify the content and the colour of warning message to be displayed on the tobacco product package and the sample pictorial representation of health warnings. Salient features of these amendments that directly affect brand owners and which will come into force effective April 1, 2015, are as follows:

- The specified health warnings on tobacco products shall cover at least 85% of the principal display area of the package of which 60% shall cover pictorial health warnings and 25% shall cover textual health warnings.
- No messages, images or pictures or any matter or statement which is inconsistent with such specified health warnings may be inscribed on the tobacco product package that directly or indirectly promote, the consumption of a specific tobacco brand or tobacco usage in general.
- The textual health warning shall be inscribed in the language in which the brand name appears on the package. In case there are more than one language such as English and an Indian language, then the warning should be in both these languages. However, if the package has a foreign language, then the warning shall be in English.

- For smoking forms of tobacco products, the word 'WARNING' shall appear in white font colour on a red background and the words, 'smoking causes throat cancer' shall appear in white font colour on a black background. For smokeless forms of tobacco products, the word 'WARNING', shall appear in white font colour on a red background and the words' tobacco causes mouth cancer' shall appear in white font colour on a black background.
- A pictorial representation of the ill effects of tobacco use on health shall be placed above the textual health warning covering 60% of the principal display area of the package and printed with four colours in 300 DPI (dots per inch) resolution.
- The specified health warning images on the product package are available on the website of the Ministry of Health and Family Welfare, www.mohw.nic.in and these shall be rotated every 24 months.

Apart from this, On January 13, 2015, the Ministry of Health & Family Welfare placed on its website a proposed Bill to amend the Cigarettes and other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 and has invited comments on the proposed amendments from the general public. Section 5 of this Bill prohibits direct or indirect advertisement and promotion of cigarettes or any other tobacco products. Section 3 of the Bill which introduces the definitions include the meaning of 'indirectly advertise'. As per this definition, 'indirectly advertise' means:

a. The use of a name or brand of tobacco products for marketing, promoting or advertising other goods services and events;

b. The use of a mark or trade mark of tobacco products for marketing, promoting or advertising other goods, services and events;

c. The marketing of tobacco products with the aid of a brand name or trade mark which is known as, or in use as, a name or brand for other goods and services;

d. The use of particular colours and layout and/ or presentation which are associated with particular tobacco products;

e. The use of tobacco products and smoking situations when advertising other goods and services.

A reading of these provisions would indicate that even surrogate advertising, which cigarette companies in India are indulging in at the moment in some media would have to be stopped if this Bill is eventually passed.

CASE LAW UPDATES

Trademark rights in colour scheme upheld

Deere & Co., an American multinational, established in 1837, engaged in the business of manufacturing agricultural and construction equipment was recently granted an injunction against a local defendant who used an identical green and yellow colour scheme for its identical products *[Deere & Co. and Anr v. Harcharan Singh &Anr]*. While the plaintiff sold its products under the well-known trade mark 'JOHN DEERE' and a leaping deer device, the defendant was manufacturing and selling lookalikes of its agricultural equipment applying an identical colour scheme, under the mark 'SURINDERA'. The plaintiff had commenced use of the green and yellow colour scheme in respect of its agricultural implements in the year 1910 and later extended the same to its tractors in 1918. The said arbitrary colour scheme had been used on the plaintiff's products in a rather unique manner, whereby the substantial portion of the tractor was painted in 'green' while the seat and the wheels of the vehicle were painted in 'yellow'.

The plaintiff's marks, 'John Deere', a deer device and the green and yellow colour scheme were also registered marks in India. Plaintiff claimed that since the adoption of the said colour scheme, the same was in continuous and extensive use in around 27 countries world-wide, including in India since 1943. The plaintiff furnished supporting material to establish its local presence in the Indian market as well as its online presence over the Internet, including through its websites (which could be viewed by consumers in India).

Referring to judicial precedents and Sections 2(1) (m) and 2(1) (zb) of the Trade Marks Act, 1999, which respectively define a mark to include combination of colours or any combination thereof and a trademark to mean *inter alia,* a mark capable of distinguishing the goods of one person from those of others, the Court held that colour combinations could become trademarks if these were distinctive and exclusively associated with the trader. Based on the evidence filed by the plaintiff, the Court found a strong *prima facie* case in its favor and upheld its claims.

In a first, Delhi High Court interprets Section 107A of the Patents Act

In a first of its kind order [Bayer Corporation Vs Union of India & Ors], the Delhi High Court examined Section 107A of the Indian Patents Act, 1970, which is considered to be similar to the "Bolar" provision under the US patent law. Under the said Section, acts such as making, constructing, using or selling a patented invention, solely for uses reasonably relating to development and submission of information required under any law that regulates manufacture, construction, use, sale or import of any product in India or abroad, are exempt from infringement.

The above Section was relied upon by Natco Pharma Ltd. ("Natco") to justify its export of a sample size of 1 kilogram of the active pharmaceutical ingredient (API), Sorafenib, to China for conducting regulatory studies. The compulsory license was granted to Natco by Bayer for the purpose of making, using, offering to sell and selling the drug for the purpose of treating certain diseases in humans within the territory of India. As such, Natco could not have exported the drug from India. Natco, which had been manufacturing the API under a compulsory license from Bayer Corporation ("Bayer"), averred that such export was exempted under Section 107A. Bayer, the patent owner, challenged the export in a writ petition before the Delhi High Court and sought directions for confiscation and seizure of the export consignment pertaining to the product.

Upon hearing arguments of the parties and examining similar provisions under the laws of other countries such as the US, Canada and Poland, and considering India's commitments under the TRIPs agreement, the Court ruled that the word 'selling' under Section 107A was wide enough to include export of a patented drug for the purposes of regulatory approvals. It was further held that Section 107A took within its fold any sale of a patented invention which was required for development and submission of information under any law in any country.

This order is likely to be challenged before the Supreme Court. However, until then generic companies will be able to export patented drugs, in small, non-commercial quantities, to other countries for the purposes of research or regulatory approvals without the risk of patent infringement. It would be interesting to keep a watch on the evolution of further jurisprudence in the matter considering the ever sensitive nature of pharmaceutical patent matters in India.

Grant of injunction in process patent infringement case by Single Judge set aside in appeal

In a patent infringement suit relating to a process patent *[Symed Labs Ltd. v. Glenmark Pharmaceuticals Ltd. &Anr.],* the Delhi High Court granted an *ad interim* injunction order in favour of the plaintiff, Symed Labs. The suit by Symed, a Hyderabad based company, related to the infringement of its patents for novel processes in the preparation of an antimicrobial compound, Linezolid, involving novel intermediate compounds. Symed claimed that its patented processes for manufacture of Linezolid were novel over the prior art processes in that the prior processes were tedious and cumbersome and resulted in a high manufacturing cost.

Glenmark, the main defendant company, also manufactured and sold Linezolid under its brand name, LIZOLID. Symed sought an injunction against Glenmark on the ground that analysis of samples of Linezolid manufactured by Glenmark revealed the presence of compounds which were key intermediates in the Linezolid manufacturing processes covered by Symed Labs' patents. In defence, Glenmark argued that the intermediates claimed by Symed were known in the industry even prior to the allegedly novel processes of Symed and therefore, the suit patents were liable to be revoked on the grounds as set out in a counterclaim filed by them. They further argued that they had been manufacturing and selling Linezolid API since 2002 under a license granted by the Drug Controller of India. Glenmark also claimed that the mere presence of those intermediate compounds in its final product could not be held to be indicative of infringement of Symed's patents, as these compounds could be found even if other processes of prior art were followed for manufacturing Linezolid.

The Single Judge of the Delhi High Court before whom the suit was filed, noted that while in the case of a product patent infringement, the initial burden of establishing infringement rested upon the patentee, the case at hand related to infringement of a process patent and therefore, the burden to prove non-infringement would be upon Glenmark. The Court emphasized that since Glenmark had failed to disclose the process used in producing the compound, it was impossible for Symed to know the processes adopted by Glenmark in manufacturing the impugned product. The Court further noted that in view of this, the presence of the intermediate products could be seen as a strong indicator of the fact that Symed's patented processes were used by Glenmark. Further, the Court observed that the mere grant of license to Glenmark for manufacturing the Linezolid API was of no consequence in ascertaining infringement of patented process for Linezolid.

On appeal by Glenmark, the Division Bench vacated the order on the basis of Glenmark's contention that before granting injunction, as required under Section 104A, the Single Judge should have come to the *prima facie* conclusion that Linezolid API manufactured by Symed using the patented process was identical to the Linezolid API manufactured by Glenmark. Further, the Division Bench observed that there were no discussions with respect to applicability of section 104A. Accordingly, the the interim injunction order was vacated with a direction that Glenmark maintain accounts.

HÄAGEN-DAZS v. D'DAAZS: Principles of 'anti-dissection' and 'identification of dominant mark'

A Division Bench of the Delhi High Court recently decided an appeal *[M/s South India Beverages Pvt. Ltd. V. General Mills Marketing Inc. & Anr.]* involving the well-known trademark for icecreams and frozen desserts, 'HÄAGEN-DAZS'. The proprietor of the HÄAGEN-DAZS mark, the plaintiff in the case, was aggrieved by a local defendant who adopted the mark 'D'DAAZS' for identical goods. Aggrieved by the order of the Single Judge who issued an injunction against the use of the mark D'DAAZS, the defendant appealed before the Division Bench and relied on the 'anti-dissection' rule to argue that the plaintiff's mark should be considered as an indivisible whole while being compared with the defendant's mark. It was further argued that 'HÄAGEN' formed the dominant part of the plaintiff's mark and that any potential similarity with the non-dominent part, namely, 'DAZS' would not amount to infringement.

The plaintiff had registrations for the mark 'HÄAGEN-DAZS' in India in respect of 'ice cream, ices, sherbet, sorbet and frozen confections' in class 30 since 1993 and for 'food products' in classes 29, 30 and 42 since 2008. Besides, there was also a pending application for the mark 'DAZS'.The defendant, who started its business of 'ice creams and frozen yogurts' under the disputed mark since the year 2009 claimed that the mark D'DAAZ' was derived from 'Dwarka Das', the name of the late father of one of the founder directors of the defendant.

Noting that HÄAGEN-DAZS is a composite mark, the Court went on to discuss the rules of 'anti-dissection' and identification of the 'dominant mark'. The Court pointed out that the rationale behind the anti-dissection rule was that the commercial impression of a composite trademark on an ordinary prospective buyer was created by the mark as a whole and not by its component parts. Though a mark was to be considered in its entirety, the Court pointed out that it was also permissible to accord more or less importance or 'dominance' to a particular portion or element of a mark in cases of composite marks.

Referring to judicial precedents and McCarthy on Trademarks and Unfair Competition, the Court pointed out that the principle of 'anti-dissection' did not impose an absolute embargo on the consideration of constituent elements of a composite mark and that the said elements may be compared as a preliminary step to gauge probable customer reaction to the conflicting composites as a whole. As such, the Court felt that the principle of 'anti-dissection' and identification of 'dominant mark' complement each other rather than being antithetical to one another. Based on the above, the Court rejected the defendant's contention that an action for infringement would not lie since the use of the mark D'DAAS was not a complete appropriation of the plaintiff's mark HÄAGEN-DAZS. A *prima facie* finding was also made that both the elements constituting the mark of the plaintiff 'HÄAGEN' and 'DAZS' were equally dominant in the absence of any material on record to conclude otherwise.

Court further pointed out that, consumers only retained a general, indefinite, vague or even hazy impression of a mark rather than deliberately memorizing the marks. The consideration, therefore, was whether one mark may trigger a confused recollection of another mark; if the marks gave the same general impression, confusion was likely to occur. Further, the assessment of similarity and likelihood of confusion between rival marks must be made on the touchstone of the impression gathered by a reasonable observer, who was a layman rather than a connoisseur. The Court, therefore, rejected the contention of the defendant that in view of the marked difference in the style of packaging, a *prima facie* case of infringement was not made out.

Telecom patent wars

The Delhi High Court issued an ex-parte injunction against the Chinese company Xiaomi for infringing eight standard essential patents (SEPs) of Ericsson *[Xiaomi technology and Anr. Vs. Telefonaktiebolaget LM Ericsson (Publ) and Anr]*. These patents related to 2G and 3G technology and were also the subject matter in other suits filed against Micromax, Gionee and Intex before the Delhi High Court. As per the averments made in the plaint, the plaintiff, Ericsson had previously invited Xiaomi to use its GSM/GPRS/EDGE/WCDMA technology covered under these SEPs. However, instead of obtaining a licence, Xiaomi launched its devices containing the technology in the SEPs in India in July 2014. The *ex-parte* injunction restrained Xiaomi from manufacturing, assembling, importing, selling, offering for sale or advertising (directly or through third party websites) devices that infringed the patents in issue. The Court also directed the Customs authority not to allow the import of Xiaomi's infringing products into India and to intimate Ericsson once a consignment was imported by Xiaomi. Further, a local commissioner was appointed to visit the premises of Xiaomi to inspect and collect documents relating to the infringing devices. The order also directed Xiaomi to file a statement of accounts disclosing the quantum of revenue earned from selling the infringing devices in India.

Xiaomi appealed before the Division Bench on the ground that Ericsson had suppressed a material fact regarding a license given to Qualcomm Incorporated ("Qualcomm"). Xiaomi averred that the chip containing the technology covered by the SEPs was sourced from Qualcomm who confirmed vide a letter to Xiaomi that it had a licence under an agreement with the patentee, Ericsson, to use the patented technology. As per Qualcomm's communication to Xiaomi, the 3G standards were CDMA standards/applications under the agreement and accordingly, the implementation of 3G technology by Xiaomi in its devices, using Qualcomm chipset was a licensed use and did not infringe at least the 3G related patents. Ericsson, however, refuted this claim and asked Qualcomm to immediately withdraw this letter.The limited issue addressed by the Division Bench was whether the use of the chipset sourced by Xiaomi from Qualcomm would be within the terms of the license agreement which Qualcomm had with Ericsson.

Having heard the arguments of both the parties and considered the evidence filed by Xiaomi, the Division Bench clarified that it was not expressing any opinion on the merits of the case and passed a *pro tem* order suspending the Single Judge's order to the extent it related to Xiaomi's devices incorporating Qualcomm's chipset with certain conditions. As a *pro tem* measure Xiaomi was permitted to import and sell devices containing the chipsets sold to it by Qualcomm under compliance with the directions that Xiaomi: (i) deposit INR100 (a little less than USD 2) per device imported by it; and (ii) file an affidavit disclosing the quantum of imported devices containing Qualcomm's chipsets and invoices of purchase of Qualcomm's chipsets. In addition, the Division Bench directed the Single Judge to decide the issue of suppression of material fact by Ericsson.

Virtual presence confers jurisdiction: Delhi High Court

In *World Wrestling Entertainment, Inc. vs. Reshma Collection,* a Division Bench of the Delhi High Court held that availability of goods through a website, at a particular place, was virtually the same thing as a seller having a physical shop in that place, thereby conferring jurisdiction on the Court in that place. The issue arose when World Wrestling Entertainment, Inc. (WWE), in its suit before the Single Judge of the Court alleged infringement of its copyright, registered trademarks and passing off of various WWE talent names such as John Cena, Batista, Undertaker, Triple H, Randy Orton etc.

The defendant was a Mumbai based company, engaged in the business of manufacture and sale of apparels that reproduced WWE's marks and characters. WWE claimed that the Delhi High Court had jurisdiction to entertain the said suit on account of Section 134(2) of the Trade Marks Act, 1999 and Section 62(2) of the Copyright Act, 1957, both of which conferred jurisdiction on the Court on the basis that a plaintiff carried on business within its jurisdiction. The Single Judge disagreed with WWE on the issue and returned the plaint with a direction that the suit be filed before a different court.

In the appeal, WWE relied on its argument that it carried on business in Delhi because its programs were broadcast in Delhi, its merchandise and books were available for sale in Delhi and its goods and services were sold to customers in Delhi through its website, which could be accessed in Delhi. WWE further contended that since it had a website which could be accessed in Delhi, a customer could purchase an article from WWE's website by placing an order for the said article sitting in Delhi, making payment through a credit card, debit card or cash card from Delhi and ultimately have the goods delivered in Delhi and therefore, could be said to be carrying on business in Delhi.

Borrowing from the Supreme Court's landmark decision in the *Dhodha House* case, the Division Bench reiterated that the expression "person carries on business", appearing in both Section 134(2) of the Trade Marks Act and Section 62(2) of the Copyright Act, meant that the person should have had an interest in a business at that place, a voice in what was done, a share in the gain or loss and some control at that place.

On the basis of the factual background in the present case, the Division Bench held that even though WWE was a US based entity, its goods were available in Delhi through its website, which was virtually the same thing as a seller having a shop in Delhi. Accordingly, the Division Bench concluded that WWE was carrying on business in Delhi and hence, it could not be denied jurisdiction in Delhi.

INSIGHT

Could the validity of a registered mark be considered at the interlocutory stage in an infringement suit?

A recent order of a Full Bench (comprising three judges) of the Bombay High Court decided in the affirmative, the issue whether a court, in a suit for infringement, could go into the question of validity of a plaintiff's trademark registration at the interlocutory stage when the defendant takes up the defense of invalidity of the plaintiff's registration. The issue was referred to the Full Bench by a Single Judge of the Bombay High Court in view of the conflicting decisions of two Division Benches of the High Court on earlier occasions. The Full Bench decided the issue in two similar cases involving different parties.

The main thrust of the argument by the plaintiff-appellants before the Full Bench was that the exclusive jurisdiction to decide the question of validity of a registration was conferred only on the Registrar of Trademarks or the Intellectual Property Appellate Board (IPAB) and as such could not be decided by a court at all at any stage of a suit. It was further argued that though section 28 of the Trade Marks Act, 1999 ['TM Act'] says that registration of a mark, 'if valid', gives the registered proprietor of a trade mark exclusive right to use the trade mark, the presence of the words 'if valid' does not in any manner indicate that the civil court should consider the question of validity of registration in a suit for infringement. The legislative intent was only to allow the defendant to raise the defense of invalidity which, if accepted in rectification proceedings, would result in rejecting the plaintiff's claim. It was also pointed out by the plaintiff-appellants' counsel that unlike the TM Act, the Indian Patents Act, 1970 and the Designs Act, 2000 contained express provisions permitting a defendant in an infringement suit to raise the plea of invalidity of registration of a patent or a design as the case may be. Besides, there is no provision in the Patents Act and the Designs Act unlike Section 31 of the TM Act that states that in all legal proceedings relating to a trade mark, the registration shall be a *prima facie* evidence of its validity. This means that the legislature did not intend that the question of validity of registration of a trademark be considered by the Court in a suit for infringement.

The defendant-respondents argued that the clear language of the TM Act and the statutory scheme not only recognized that, at an interlocutory stage, the defendant could raise and the Court could consider objections about the invalidity of the registration, but, in fact, obliged the Court to examine the same. Since the basic principle of statutory interpretation is of literal construction and that the words of the statute would have to be read as it is unless they led to absurdity, the words, 'if valid' in Section 28 and 'prima facie evidence of the validity' in Section 31 of the TM Act were to be plainly read. A conjoint reading of the same would show that a right flowed only if the trade mark was valid and the act of registration was a *prima facie* proof of its validity. It was further pointed out that the 1940 Act had the words 'if valid' and were deleted through an amendment. However, when the 1958 Act was enacted, these words were introduced again. The current Act also contained these words. As such, the words 'if valid' were not superfluous and the legislative intent was clear that the words 'if valid' were referable to the court enforcing the registration.

Having heard the arguments of both the parties, the Court felt that there was considerable substance in the arguments of the defendant-respondents that the words, 'if valid' were not without significance specifically read in the light of the legislative history. The Court pointed out that the basic rule of interpretation of statutes was that if the words of the statute were precise and clear, then nothing more was required than to give effect to their natural meaning. It was, therefore, held that the words, 'if valid' in Section 28 and 'prima facie evidence of the validity' in Section 31 of the TM Act supported the defendant-respondents' case that the defence of invalidity of registration of the plaintiff-appellants' trade mark could be considered at the interlocutory stage as part of the court's consideration of (i) *prima facie* case; (ii) balance of convenience; and (iii) where an irreparable injury and injustice would be caused to the plaintiff if an interim injunction was not granted. It was also clarified by the Court that the though Designs Act, 1911 and the Patents Act, 1970 contained express provisions permitting a defendant in an infringement suit to raise the plea of invalidity of registration of a design or a patent as the case may be, they did not contain provisions similar to Sections 28 and 31 of the TM Act.

However, while holding that there was no express or implied bar against the jurisdiction and power of the civil court to consider the challenge to the validity of registration of a trade mark at the interlocutory stage by way of *prima facie* finding, the High Court nevertheless clarified that a very heavy burden was on the defendants to rebut the strong presumption in favour of the registration at the interlocutory stage and that the Court may decline to grant the interim relief in favour of the plaintiff only in the cases where the factum of registration was *ex-facie* totally illegal or fraudulent or which shocked the conscience of the Court. This view of the Bombay High Court sets a higher threshold for consideration of the challenge to validity of a registration unlike that set by other Courts. For instance, a Single Judge of the Delhi High Court in *Lowenbrau AG and Anr. V. Jagpin Breweries Ltd &Anr* held that, while deciding interlocutory applications in view of the language of sections 28 and 124 of the TM Act, the Court was competent to take a *prima facie* view on the question of validity of registration of the mark in favour of either side. Further, it was pointed out that merely because the mark was registered, injunction would not automatically follow when validity of registration was questioned in the written statement or pleadings. Also, in the case of *Marico Limited v. Agro Tech Foods Limited,* a Division Bench of the Delhi High Court found that since as per Section 31, the registration was only a *prima facie* evidence of the validity thereof, it was open to the Court to go into the question of tentative validity of the registration while considering the interim injunction application.

K&S Partners represented Johnson & Johnson, the defendant-respondents in one of the cases, who had claimed that the plaintiff, Lupin Limited, fraudulently adopted the mark LUCYNTA in respect of the same drug thereby attempting to displace the rights in its internationally prior adopted mark NUCYNTA.

Phones: +91 (124) 4708 700, Fax: +91 (124) 4708 760/780
E-mail: postmaster@knspartners.com Website: www.knspartners.com