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Intellectual Property Attorneys

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IP UPDATE

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INSIGHT

Spillover reputation recognized with new age evidence

Indian Courts have been quite liberal in the past in upholding rights of a plaintiff on the basis of spillover reputation. The latest in the series is a ruling issued by the Delhi High Court in *Cadbury U.K. Ltd &Anr. V. Lotte India Corporation Ltd.*

The plaintiff, Cadbury UK Ltd ('Cadbury') claimed that its predecessors-in-title adopted the mark 'Choclairs' in the year 1953 and that the details of its UK registration for the same which was renewed till March 2022 had been publicly available since 1953. When Cadbury was planning a launch of its 'Choclairs' branded product in India in 2013, it came across a 'removed' registration for the mark 'Choclairs' on the records of the Trade Marks Office (TMO). The said mark was owned by Parry's Confectionaries Limited ('Parry's'), the predecessor-in-title of Lotte India Corporation Ltd ('Lotte'). Since further investigations in the market did not reveal any use of the mark, in May 2012, Cadbury filed an application for the mark 'Choclairs'.

Upon learning of Cadbury's launch of the product in the market, Lotte filed a suit before the Madras High Court seeking to restrain Cadbury from launching the same on the ground that they had a registration for the mark 'Parry's Choclairs'. Strangely, the said mark was never found on the records of the TMO and the Court granted no interim relief to Lotte.

Cadbury in turn filed the instant suit for passing-off before the Delhi High Court seeking to restrain Lotte, *inter alia*, from manufacturing and marketing its products under the name 'Choclairs', 'Parry's Choclairs' etc. In support of its claims that Choclairs was well-known and enjoyed international reputation, Cadbury relied upon sales and advertising figures as well as promotional material used in the course of trade in countries such as Canada, Indonesia, Malaysia and South Africa. It argued that Lotte was not the prior adopter of the mark.

Lotte claimed that its predecessor-in-title Parry's adopted the mark 'Choclairs' in 1976 and that since then it had been associated with it and none else. Further, in 2013 the mark was rebranded as 'Lotte Choclairs' and had been exclusively associated with Lotte since then. Lotte claimed that its mark was well-known and denied Cadbury having any reputation, let alone trans-border reputation, in the mark 'Choclairs'. Further, Lotte argued that there could not be any claim of passing-off since the Choclairs mark was exclusively associated with it since 1976 and that Cadbury never used the mark Choclairs in India prior to 1984, when its mark 'Parry's Choclairs' was registered in India.

Having heard the parties, the Court summarized the issues for consideration as, whether Lotte (the defendant) was the prior user of the mark 'Choclairs' in India and whether Cadbury (the plaintiff) had a spillover reputation in India in respect of its products under the mark 'Choclairs'. The Court analysed the law in India on passing-off, damage to goodwill and spillover reputation, by looking at case law including the famous decision in the *Whirpool* case (Supreme Court of India) and summarized the legal position as follows:

- The concept of goodwill is derived from reputation but reputation need not necessarily be local reputation and can even be spill over reputation in India of the international reputation enjoyed by the plaintiff's mark.
- It is not necessary for the plaintiff to actually show the presence of or sale of its products in India as long as it is able to establish that it enjoys a spillover reputation in India. In other words, the reputation of a product may precede it physical presence and may exist without trade of the product in the country.
- Proof of reputation can be in the form of advertisements in the media and general awareness which in the modern day context would include advertisements or display on the internet and social media. The reputation must be shown to exist at the time the defendant enters the market.
- A mechanical incantation of reputation is not sufficient. There must be some material that the product is known to the Indian consumer. The material will be scrutinised by the Court from many relevant perspectives, including the class of consumers likely to buy the product.
- Although in the internationalization of trade there could be a possible confusion with the domestic trader *bona fide* adopting business names similar to names legitimately used elsewhere, a dishonest adoption or use of a mark similar to one having a reputation in the market, with a view to causing deception or confusion in the mind of the average consumer, may invite an injunction.

In light of the above legal position, the Court noted that Lotte had neither shown continued use of the mark 'Parry's Choclairs' nor produced any proof of manufacture of the goods till April 2013 under the name 'Lotte Choclairs' after it took over from Parry's. On the other hand, Cadbury not only showed the presence of 'Choclairs' products in the international markets and the international reputation enjoyed by the brand, but also its spillover reputation into India. Granting an injunction in favour of Cadbury, the Court noted the materials establishing such spillover reputation in India as a combination of Cadbury's presence on the internet, the possibility of availability of its Choclairs products in duty free shops in international airports, the frequency of travel and the growth of international tourism. The additional factor that tipped the ruling in favour of Cadbury was the almost similar styling of the mark 'Choclairs' by Lotto as that of Cadbury. The Court noted that this added to the deception in the mind of the average consumer if both the products were permitted to be marketed under the same mark.

Though the Indian trade mark law has its origins in the trade mark statutes of England, Indian courts have been rather bold and futuristic while deciding the rights of plaintiffs who merely possess a spillover reputation in India with no local goodwill. This approach coupled with the willingness to look at new-age evidence like social media presence of the mark in question makes it easy for foreign plaintiffs to protect their well-known marks in India.

LEGISLATIVE UPDATE

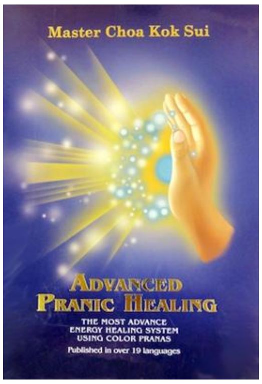
Patent Rules amended

Effective February 28, 2014, the new Patents (Amendment) Rules 2014 have come into force. The new Rules primarily consist of revision in the existing fee structure across all actions. A brief summary of the Rules is as follows:

- A new category of applicant, namely, "small entity" and a new Form applicable thereto have been introduced.
- For the purposes of the amendment, "small entity" shall be interpreted as per the Micro, Small and Medium Enterprises (MSME) Development Act, 2006. As per the current definitions, an MSME, in the case of an enterprise engaged in the manufacture or production of goods would be an enterprise where the investment in plant and machinery does not exceed INR 10 crores (approximately, USD 163,600) and in the case of an enterprise engaged in providing or rendering of services would be an enterprise where the investment in equipment does not exceed INR 5 crores (approximately USD 81,700). To support the claim to a "small entity", the applicant is required to produce documentary proof accordingly.
- Some monetary concessions have been provided to applicants who fall under the category of small and medium size enterprises.
- The amendments have also led to a revised official fee schedule with a general substantial increase in fees. In an attempt to encourage applicants to use the electronic filing mode available on the Patent Office website, the amendment has introduced a 10% additional surcharge on manual mode of submitting documents under each activity, thereby making paper filing of documents a wee bit costlier than the electronic filing mode.
- Lastly, a form has been introduced for filing pre-grant oppositions under Section 25(1) of the Patents Act, 1970.

CASE LAW UPDATE

Delhi High Court on IP rights in Pranic healing techniques and Yoga *asanas*



In an order issued earlier this year in *Institute for Inner Studies &Ors. vs. Charlotte Anderson &Ors.,* the Delhi High Court had the occasion to decide whether the plaintiff enjoyed copyright in the performance of certain teachings on Pranic healing and Yoga *asanas* (poses) as well as trademark rights in the words 'Pranic Healing'.

According to the plaintiffs, the defendants' activities of spreading Pranic healing teachings, techniques, practices and courses etc., invented by a spiritual guru, Master ChoaKok Sui ('the Master'), was an infringement of the plaintiffs' copyright in the literary works (being the books) and the dramatic works (being the choreographic work comprised in the manner of performing Pranic healing). Further, it was claimed that the words 'Pranic Healing' was exclusively associated with the plaintiffs and as such, the use of the same by the defendants constituted trademark infringement.

While the first plaintiff was established by the Master to carry on the business of distribution, publishing books and printed material, conducting workshops, seminars, lectures on Pranic Healing and esoteric sciences across the globe, the remaining plaintiffs comprised of organizations related and affiliated to the first plaintiff and the children and legal heirs of the Master. The first defendant was a former disciple of the Master. The remaining defendants were various institutes involved in the teaching of Yoga and Pranic Healing.

The defendants refuted the copyright claims as aforesaid and contended that the term 'Pranic Healing' is *publici juris* since 1906 and therefore, the plaintiffs could not claim any exclusive rights under trademark or copyright law.

The Court was to decide on the three main claims by the plaintiffs, namely, (i) infringement of the copyright in the literary works being the books written by the Master, trade literature, CD ROMs etc., containing Pranic Healing techniques by performing the techniques therein; (ii) infringement of the copyright in the dramatic work being the choreography work in the Pranic healing *asanas* by performing the same; and (iii) infringement of the statutory rights in the trademark "Pranic Healing".

Infringement of the literary works

The Court noted that the claim of infringement of literary work sought to prevent the implementation of facts and narrations stated in the book comprising of Yoga *asanas,* based on the premise that the said facts, narrations and descriptions authored by the Master are his copyright and thus any performance of the same would result in copyright infringement. Court observed that such idea expression dichotomy often arose in cases where the protection was sought for the derivative nature of works or in cases where the work consisted of methods of construction, theorems, or principles which are common place. In such cases, a line was to be drawn between what was an idea and expression within the same work by testing the originality quotient of the work.

In arriving at its opinion on the issue, the Court relied on two decisions of the US Supreme Court, one being the 1880 case of *Baker v. Sheldon* and the other being a more recent decision of *Feist Publications Inc. v. Rural Telephone Services Company* in 1991. *Baker* was a decision that dealt with the issue of the extent protection that can be given to a book that described the process of well-known book keeping/ accounting methods. Relying on *Baker,* the Court noted that the mere fact that the book described the art did not imply that the art described in the book became the proprietary interest of the author; rather, it was the manner in which the art was described that was required to be protected by preventing the reproduction of the book. Thereafter, the Court relied on *Feist Publications* where the issue related to the scope and extent of copyright in the compilation of pre-existing data in the form of telephone directory. In particular, the Court noted the US Supreme Court's observation that the copyright in the factual compilation was thin and the subsequent compiler remained free to use facts contained in another's work to aid in preparing a competing work so long as he did not copy the selection and the arrangement done by the previous author. As such, the Court held that granting monopoly right over the performance of Yoga *asanas* or Pranic healing exercises would amount to granting a monopoly right to the art or technique itself which was available in public domain from time immemorial.

Infringement of dramatic work

The next claim by the plaintiff that fell for consideration was that the Pranic healing exercises or *asanas* are works of choreography under the head 'dramatic work' in the Indian Copyright Act. In order to arrive at a final opinion on this issue, the Court relied on the commentary in *Copinger & Skone James on Copyright* where it was suggested that to constitute a dramatic work, the work must have been created for the purpose of being performed, such purpose being a matter to be deduced from the form and nature of the work. Further, the work must be capable of being physically performed, accompanied by action and must be fixed in the form of writing or otherwise, thereby indicating certainty of incidents as a predetermined plan. It was noted by the Court that wherever there was a reasonable doubt as to complete certainty of the performance of the work in the manner conceived by the author or writer, in such cases, the work fell short of the requirement of fixation or certainty of the performance and therefore could not be called as dramatic work. Some such instances listed by the Court included sport games, news presentations, aerobics and Yoga and Pranic healing techniques. By applying this test, the Court found that *prima facie, asanas* of Yoga or Pranic healing do not fall within the ambit of dramatic work.

Use of "Pranic Healing", an instance of trademark infringement?

The plaintiffs provided a list of registrations in India for the mark "Pranic Healing" and other marks which comprised these words in classes 16 and 41 and argued that the said mark had acquired secondary significance by virtue of long usage; that being the registered proprietor of these marks, plaintiff had the right to prevent third parties from using the same. The defendants on the other hand argued that the term had become *publici juris* and that the plaintiffs could not claim any monopoly for the same.

Having heard the parties and analyzed the provisions of law, the Court found no trade mark infringement or passing off for the following reasons:

- The expression "Pranic Healing" was used by Swami Ramachakra in his 1906 book, which was prior to any use by the Master. Further, it was prominently used in the chapters of a book published more than a century ago by another author. As such, it was evident that it was not the Master who coined the term "Pranic Healing".
- Being the name of the art or technique of doing exercise which was a facet of Yoga, the said expression on the date of the application for the registration of the mark "Pranic Healing" by the plaintiffs was *prima facie* non-distinctive.
- The expression was not capable of distinguishing the services of the plaintiffs from others due to its widespread use dating back to centuries.
- The plaintiffs secured registration by making a false claim of proprietorship. As such, the registrations obtained by the plaintiffs were inconsequential.

Proof of right mandatory for all patent applicants

In an order passed in the matter of *NTT DoCoMo Inc. Vs. The Controller of Patents & Design,* the Intellectual Property Appellate Board (IPAB) has held that in cases where a patent applicant is not the true and first inventor of the invention, it is mandatory to file a "proof of right" while applying for the patent. This ruling is applicable to all patent applications, irrespective of whether they are being filed in India as Convention applications or as PCT National Phase applications.

The IPAB looked into the scope of Section 7(2) of the Indian Patents Act, 1970, which required an applicant, other than the true and first inventor, to establish "proof of the right" to file a patent application. A proof of right document is either in the form of an endorsement by the true and first inventors, assigning their rights in the invention to the applicant or any other supporting document, such as an assignment deed transferring the rights in the invention to the applicant. Section 7(2) expressly provides that, *"Where the application is made by virtue of an assignment of the right to apply for a patent for the invention, there shall be furnished with the application, or within such period as may be prescribed after the filing of the application, proof of the right to make the application".* A proof of rights document has to be filed within a period of 6 months from the date of filing of the Indian application or at any time thereafter with an appropriate petition for condoning the delay.

A notification issued by the Controller General of Patents in 2004 had waived the requirement to submit such proof in cases where the patent applicant was the same in the priority country and in India. Relying on this notification, the applicant in this case did not submit the proof of right document as it was the applicant in the convention country and in India. The IPAB, however, rejected this contention and held that since the law was clear in this respect, a proof of right must be furnished by applicant, irrespective of the application being filed through the Convention or the PCT National Phase route in India. In effect, the IPAB's order nullified the 2004 notification.

The order is, however, silent as to whether this requirement is applicable only to cases which are currently pending or even those cases which have been granted in the last decade without the proof of right document on record.

Bombay High Court restores lapsed patent

A recent order of the Bombay High Court *(Teijin Limited v. Union of India)* restored a patent that had ceased due to procedural lapses on the part of the Patent Office. Teijin, the patentee, filed a constitutional writ to restore its patent that was annulled by the Patent Office for failure to pay renewal annuities. Teijin claimed that it had paid the annuity due for the 3rd to 9th year; however, the patent number in the request had an error and upon noticing the same, it had immediately addressed a letter to the Patent Office seeking to correct the same. The payments for the 10th and 11th year annuities were also made well in advance of the deadline and the same were accepted by the Patent Office. However, when the 12th year annuity became due, Teijin was shocked to learn that the Patent Office records reflected its patent to have ceased in 2009 itself, apparently due to non-payment of the 11th year annuity.

In the writ, Teijin claimed that the Patent Office violated the principles of natural justice by cancelling its registered patent without intimation or granting a hearing. In defence, the Patent Office argued that it never received the letter sent by Teijin's patent agent to rectify the error.

After hearing the parties, the Court opined that the Patent Office had indeed faltered in not keeping its records in order, even when it accepted the annuities paid by Teijin for the 3rd to 11th year. It noted that the Patent Office neither intimated the patentee regarding the discrepancy in the patent number in its records, nor did it accord the fees paid by Teijin to restore the patent in question. Based on the fee receipts produced by Teijin, it was held that Teijin had paid all annuities due for renewal of its patent within the prescribed time period and that it was the Patent Office which had failed to rectify the register or promptly intimate Teijin to rectify any errors. The Patent Office was, therefore, directed to restore the patent.

Non-joinder of co-patentee not fatal to infringement suit

A recent order of the Madras High Court looked into the question whether non-joinder of a co-patentee in a patent infringement suit could be fatal to the action. The invention in the case *(M.C. Jayasingh vs. Mishra Dhatu Nigam Limited &Ors.)* pertained to a novel prosthesis for limbs developed by the plaintiff, M.C. Jayasingh along with a reputed orthopedic surgeon, Prof. M. Natarajan. A suit was filed in 2011 by one of the patent owners, M. C. Jayasingh seeking to restrain the defendants from infringing the registered design and patent rights of the plaintiff vested in the novel prosthesis. During the hearing, the defendant raised the issue of non-joinder of parties and argued that the suit deserved to be dismissed as the co-patentee was not a party to the suit.

The Court analysed the legal provisions in the Indian Patents Act, 1970 in order to arrive at a conclusion. Section 48 of the Act confers on a patent owner the exclusive right to prevent third parties from the act of making, using, offering for sale, selling or importing for those purposes, that product or process which is the subject matter of the patent. Under Section 50(1) of the Act, where a patent is owned by two or more persons, each of such persons has an equal and undivided share therein unless there is an agreement to the contrary. Under Section 50 (2), each co-patentee is entitled to the rights conferred under Section 48, including the right to independently seek a remedy for infringement. Under Section 50(3), a co-patentee cannot grant a license or assign his rights in a patent without the consent of the other co-patentee(s).

Reading Section 50(2) along with Section 48 of the Act, the Court held that each of the grantees or proprietors of a patent is entitled by himself or by his agents, to enforce the rights conferred under Section 48, for his own benefit without accounting for the other person or persons.

Export ban on Natco's generic drug sold under compulsory license

In a constitutional writ before the Delhi High Court, Bayer sought a direction to the Customs authorities to seize and confiscate consignments containing the drug

Sorafenat, manufactured by NatcoPharma Limited *(Bayer Corporation v. Union of India &Ors)*. Sorafenat is the generic version of Bayer's drug Nexavar, covered by Indian Patent Number 215758, and is being manufactured by Natco under a compulsory license issued by the Patent Office on March 9, 2012.

Bayer argued that the compulsory license had been granted to Natco for sale of the said drug only within the territory of India and therefore, Natco should be restrained from selling Sorafenat abroad. However, the Natco submitted that they sell the drug only in India and that it could not be held liable if the drug was being sold by certain purchasers or retailers abroad. Further, Natco sought the Court's permission to send samples of the active ingredients of the drug Sorafenat abroad for experimentation and generation of clinical trial data and for submission to the relevant drug controlling authorities.

Upon hearing the arguments of both parties, the Court granted the relief sought by Bayer and directed the Customs authorities to ensure that no consignment containing Sorafenat was exported from India. As regards Natco's submissions, the Court granted Natco permission to seek leave of the Court to export the said drug as and when it obtained permission from the Indian Drug Controller authority for clinical trial purposes.

Filing frivolous litigation held to be abuse of dominant position

In a recent order, the Competition Commission of India (CCI),established under the Indian Competition Act, 2002, ruled on the issue of abuse of judicial processes and bad faith litigation by IP right holders resulting in abuse of dominant position by market leaders. The complainant, M/s Bull Machines Pvt. Ltd. ('Bull Machines'), filed a complaint before CCI against JCB India Ltd. and J. C. Bamford Excavators Ltd. ('JCB'), alleging that the respondents had been filing frivolous design infringement cases against it based on fraudulent and false information with a view to stifling competition in the market. Bull Machines was aggrieved by a suit filed by JCB before the Delhi High Court in the year 2011, wherein JCB prayed for an interim injunction against Bull Machines, which was granted. In the suit, JCB had relied upon its design registrations and managed to obtain an order of injunction which led to a restraint on the launch of a Bull Machines' new product 'Bull Smart', causing huge losses to Bull Machines. However, about 10 months later, JCB voluntarily withdrew its application for interim injunction. In its complaint before CCI, Bull Machines alleged that JCB had obtained the *ex parte ad interim* injunction only to prevent Bull Machines from launching its product under the name 'Bull Smart', that too by misrepresenting the images and design registration numbers, suppressing its pre-existing UK patent, misrepresenting by comparing wrong angle of the images in the application and relying upon fraudulent design registrations which pre-existed in public domain. Bull Machines further alleged that the copyrights and designs relied upon by JCB were obtained fraudulently. Looking into the submissions and evidence provided by Bull Machines, CCI concluded that indeed JCB's market share, size, resources and the dependence of consumer on it, *prima facie*, show that JCB is a dominant entity in the relevant market and that JCB had abused its dominant position in the market with a view to stifling competition and denying market access to Bull Machines by foreclosing its right to launch its new product in the market.

SNIPPETS

Disney granted injunction against use of its characters, but no damages

The Walt Disney Company recently had a sweet-bitter victory before the Delhi High Court. While issuing a permanent injunction against a defendant who used Disney's characters such as *Winnie the Pooh, Tigger, Eeyore* and *Piglet* etc., on the packaging as well as the wrappers of confectionery items, it refused Disney's prayer for compensatory or punitive damages. The Court reasoned that though the defendants were using Disney's characters, there was no use of the names of these characters and as such it did not indicate or suggest that the goods may be emanating from Disney. Interestingly, the Court allowed for the possibility that the defendants may have *innocently adopted* Disney's characters without being aware of its proprietary rights therein and hence awarded only counsel's fees in favor of Disney.

Reverse domain name hijacking

The issue whether there was reverse domain name hijacking arose for consideration in a recent UDRP complaint filed by RPG Life Sciences Ltd., an Indian company. Reverse domain name hijacking meant the filing of a bad faith complaint by abusing the UDRP process. In this case, the complainant could not establish that the disputed domain name, ***'rpglife.com'*** registered by the respondent, an individual, was in bad faith. The panel found that the complaint was without any evidence and relied on the premise that there was no plausible explanation as to the respondent's use and choice of the disputed domain name. In fact, it noted that the respondent in its response had not only rendered a fulsome explanation on its adoption of the domain but also proved that it was registered since 2005 and was in continuous use since 2008.

Lawful acquisition of goods a valid defense to infringement claim in case of grey goods

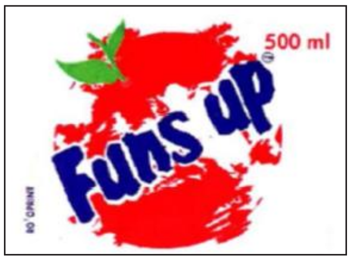
A local defendant, who was selling counterfeit cigarettes bearing the plaintiff's registered trademarks MARLBORO and the roof device was injuncted by the Delhi High Court after it failed to show that the impugned goods had been lawfully acquired. It was held by the Court that in such cases an importer/ defendant must prove that the goods in question were placed in any market world-wide by the registered proprietor of the said trademark or with its consent and that the importer lawfully acquired them therefrom.

Local Indian firm successfully defends opposition from Jones New York

In a recent order, the IPAB refused an appeal by Jones Investment Co. against an opposition order, allowing the local applicant's mark 'Jones' in class 25. Though Jones claimed use of the mark from 1966, they could produce evidence in support thereof only from 1997. On the other hand, though the local applicant could not establish substantial sales, it was able to establish adoption and use since 1993. The IPAB echoed the ratio of the famous *Milmet Oftho case* (Supreme Court of India) and observed, *inter alia*, that multi-national companies who have no intention of introducing their product in India should not be allowed to throttle an Indian company who has genuinely adopted the mark and developed its product first in the market.

Delhi High Court strikes down cola duplicates

In a recent order, the Delhi High Court granted an injunction to The Coca Cola Company against a local manufacturer of non-alcoholic beverages who was using the label marks **'BRIGHT'** and **'FUNS UP'**. These label marks were held to be deceptively similar to the plaintiff's marks **'SPRITE'** and **'THUMS UP'** andsince these had near identical color schemesand get up as that of Coca Cola's labels **'SPRITE'** and **'FANTA'**.



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