K&S partners
Intellectual Property Attorneys

INDIA IP UPDATE

Vol. VII, Issue 4
October - December, 2009

Quarterly Newsletter from K&S Partners
For private circulation only

Important announcement on service tax!

K&S Partners wishes to inform its clients and associates that effective September 1, 2009, legal consultancy services in India have been brought under the ambit of service tax @ 10.30%. More details about the same are uploaded on the 'UPDATES' section of our firm's website www.knspartners.com for the benefit of our readers.

Newsmakers in this issue!

SNIPPETS

Time limit for National Phase application in India inflexible: IPAB

In a recent appeal filed before the Intellectual Property Appellate Board (IPAB) by an applicant against a decision of the Indian Patent Office (IPO) abandoning its application on the ground of non-compliance of the 31 months time limit provided under the (Indian) Patents Act for filing the national phase application, the IPAB held that the patent law in India had maintained the time limit as 31 months from the priority date and did not provide any flexibility on the same. The applicant's plea that similar delays of 1-4 months in filing its national phase applications were condoned by the patent offices in the United States of America, Europe, Australia, China and Canada failed to impress the IPAB.

High Court of Delhi awards Microsoft USD 20,000 in damages

Microsoft®

In a copyright and trademark infringement suit, a single judge of the High Court of Delhi has awarded INR 50000 each (approximately USD 10000) as compensatory damages and punitive damages to Microsoft Corporation, USA. The judgement is in line with the recent trend of the High Court of Delhi in awarding damages in such cases.

Mont Blanc in trouble over Gandhi commemorative pens

MONT BLANC

A limited edition commemorative pen launched to honor M. K. Gandhi (also known as 'Mahatma Gandhi') by Mont Blanc International Gmbh, the famous German pen making company, has landed the company in legal trouble with the (Indian) Emblems and Names (Prevention of Improper Use) Act, 1950. The said Act prevents the use of the name and image of the Father of the Nation, Gandhi. The High Court of the State of Kerala in southern India, has issued

notice to Mont Blanc in a writ petition filed by the Centre for Consumer Education, Kerala, seeking a ban on marketing and sale of these pens which are handmade in gold and silver with an engraving of Gandhi's portrait on the nib and priced at INR 1,400,000 (approximately USD 28,000).

Use of 'ONLY' and 'FIRST' held to be unfair trade practice

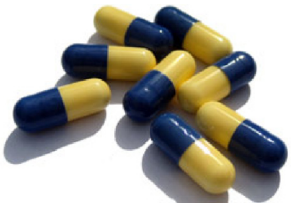
While deciding a complaint filed by Colgate-Palmolive India Limited against Anchor Health & Beauty Care Pvt. Ltd., that the latter's toothpaste ads represented that it was the 'ONLY' toothpaste containing three specific ingredients and that it was the 'FIRST' all-round protection toothpaste, a single judge of the High Court of Madras held that the usage of the words 'ONLY' and 'FIRST' actually fell within the meaning of unfair trade practice under the Consumer Protection Act, 1986. The Court considered that, admittedly, Anchor Health & Beauty Care Pvt. Ltd., itself did not intend to convey that meaning while using those words and found that in public interest the respondent should not be permitted to continue with such a misleading claim.

No exclusive rights over laudatory epithets used to puff products

Deciding a suit for passing-off filed by Glaxo Smith Kline Consumer Healthcare Ltd against Abbot Healthcare Pvt. Ltd, a single judge of the High Court of Kolkata held that, if, in puffing their respective products, the plaintiff and the defendant hit upon laudatory terms that were generic to the nature of the products, the earlier user or the bigger player or the larger spender could not claim exclusivity on such terms. The plaintiff in this case was using the words 'TALLER', 'STRONGER' and 'SHARPER' in their commercials for their well-known product "Horlicks" while the defendant was using 'TALLEST', 'STRONGEST' and 'BRIGHTEST' in respect of its nutritional drink.

INSIGHT

Bayer Corporation fails to impress High Court of Delhi on 'patent linkage'



In a recent decision, the High Court of Delhi had the occasion to consider a constitutional writ petition filed by Bayer Corporation, USA ("Bayer") against various respondents including Cipla under Article 226 of the Constitution of India seeking a direction that the Drug Controller of India (DCI) be restrained from granting a license applied for by Cipla under the Drugs and Cosmetics Act (DCA) for a license to manufacture, sell and distribute the drug "Soranib". The said application was made by Cipla before the DCI with view to avail the "Bolar" provision under Section 107 A (a) of the (Indian) Patents Act that permitted a drug manufacturer to experiment with any patented drug for generating data that could then be submitted to a drug control authority. The aim of a Bolar provision in patent law is to ensure that a generic drug is introduced into the market as soon as the patent expires or is invalidated so that consumers may benefit from an early entry of affordably priced drugs. Similar provisions exist in the patent laws of various jurisdictions including several members of the European Union. Unlike what has been provided under statutes like the Hatch-Waxman Act in the United States of America, there is no statutory provision under Indian law for the concept of "patent linkage".

The challenge by Bayer in this writ was, inter alia, on the ground that Cipla's drug was an infringement of its patent and being an infringing copy of an existing patented product, Cipla's drug was a "Spurious" drug under the DCA. Further, Bayer argued that Section 2 of the DCA read with Section 48 of the Patents Act provided the concept of 'Patent Linkage". In other words, Bayer contended that, by virtue of Section 2 of the DCA, the DCI needed to ensure that his decision to grant marketing approval should not derogate from any other law for the time being in force; that DCI had no reason to grant marketing approval to Cipla when it would be contrary to section 48 of the Patents Act (which dealt with infringement of patents); that only when Bayer's patent for the disputed drug expired can DCI grant such

an approval. Bayer's argument in short was that the said provisions of DCA and the Patents Act, when read together had an inbuilt provision of "Patent Linkage".

In its defense, Cipla argued that Bayer's claim of "patent linkage" based on an interpretation of the respective provisions of DCA and Patents Act was misleading because: (i) the grant of a drug regulatory approval by DCI itself could not amount to a patent infringement; and (ii) assessment of a patent infringement was beyond the statutory powers of the DCI which was not institutionally capable of dealing with complex issues of patent validity and infringement (only a court of law could make such an assessment in an infringement suit filed under the Patents Act), and, the DCI could not assume a patent infringement simply because the patentee claimed so. If the contentions of Bayer were accepted, Cipla argued, the powers of the High Courts would be vested with the DCI who would examine the merits of a patent while granting a drug approval, a situation that was unsupported by, and beyond the contemplation of the DCA.

Cipla further pointed out that Bayer's claims were premised on the notion that the patent was a valid one and that it was infringed and that if such arguments were accepted, it would hit at the very essence of the Bolar provision that was aimed at speeding up generic entry into the market and the availability of low cost drugs to the consumer. Further, Cipla denied that there was any "Patent Linkage" regime in India and that what Bayer wanted was to have the Court legislate it through interpretation of the two statutes, which, according to Cipla, was impermissible. According to Cipla, while the TRIPS agreement mandated a Bolar provision to encourage research and development, which had actually been done by virtue of Section 107A (a) of the Patents Act, the question of "Patent Linkage" concept was really a TRIPS plus policy, which was unsupported by Indian legislative policy.

The DCI, who was also one of the respondents, responded to the writ by raising, inter alia, the following arguments; (i) that the Patents Act was a self-contained code of all issues pertaining to patents, their grants and enforcement; (ii) that the definition of "spurious drug" was introduced in the DCA because of the problems of adulteration of drugs and production of spurious and substandard drugs which posed a serious threat to the community's health; (iii) that DCI did not have the legislative mandate to refuse marketing approval of a drug based on its patent status; (iv) that it lacked the institutional competence to deal with complex patent issues; and (v) that the Indian statutory law did not permit the linking of the patent status of a drug to its marketing approval and that there was no administrative or regulatory sys tems in India permitting patent linkages.

Having heard the parties at length, the Court framed two issues for opinion:

(i) Whether a combined reading of the DCA and the Patents Act led to the conclusion that no marketing approval could be granted to applicants for drugs or formulations, of which others were patent owners, by reason of Section 2 of DCA, read with Sections 48 and 156 of the Patents Act?

(ii) Whether drugs or formulations which infringed patents were "spurious drugs" under the DCA?

On the first issue, the Court found that while the DCA was a public regulatory measure, which prescribed standards of safety and good manufacturing practices which were to be followed in the pharmaceutical industry, the Patents Act, on the other hand, put in place a regime containing standards for conferring private monopoly rights in favour of inventors. The Patents Act required that, to claim a patent, processes or products should involve steps that were technically advanced as compared to the existing knowledge or having economic significance or both. While the Controller of Patents and other officers were experts in judging patentability of a product, officials under the DCA who were required to only test the safety of the product and ensure that it conformed to the therapeutic claim put forth, could not claim to have the domain knowledge to examine whether a patent involved an inventive step. Hence, the Court held that to invest a regulatory authority such as the DCI with functions that were exclusive to other enactments would be beyond the intendment of the DCA.

Further, it was pointed out by the Court that patent infringement was never assumed at the askance of a patentee, but had to be established before a court of law under the Patents Act and that such an adjudication was unquestionably beyond the jurisdiction of the DCI. On the issue of patent linkage, the Court found no legal

regime for a patent linkage as argued by Cipla and held that in the absence of a parliament mandated regime, courts should not blaze into an obviously legislative path. In this connection, the Court referred to a 400 page preliminary report dated November 28, 2008 by the competent authorities of the European Commission which was based on a sample of medicines under investigation that faced loss of exclusivity in the period 2000-2007 and noted that it represented an aggregate post expiry expenditure of about € 50 billion over the period in 17 member states. The report estimated that such expenditure would have been € 14 billion higher without generic entry. However, the savings from the generic entry could have been about € 3 billion more, if generic entry had taken place without delay. And most, importantly, the said report suggested that to delay competition, originator companies had intervened before national authorities "other than patent offices" in a significant number of cases, much in the same manner as was being sought in these proceedings by Bayer. The said report is available at the following link:

http://ec.europa.eu/competition/sectors/pharmaceuticals/inquiry/preliminary_report.pdf

The Court observed that such 'patent linkage' would have undesirable results such as clothing regulatory authorities with completely new powers in areas they lacked expertise and undermine the "Bolar/ Early working" exceptions under patent laws that encouraged quick access to the post patent markets for generic medicines etc. Accordingly, the Court found that Section 2 of DCA read with provisions of the Patents Act did not establish a 'patent linkage' as sought by Bayer.

On the second issue, the Court felt that if Bayer's contention that drug formulations that infringed patents were spurious drugs were to prevail, then every generic drug would ipso facto amount to a spurious drug since they were deemed substitutes of the originator patented drugs. The Court found that such an interpretation was facially untenable and contrary to the intent of the DCA. The key elements of spuriousness, the Court held, were deception, in the manner of presentation of the drug concerned, in the sense that they imitated or represented themselves to be something that they were not. The Court characterized the instant litigation as a speculative foray by Bayer in an attempt to "tweak" public policies through court mandated regimes and dismissed the writ petition with costs of INR 675,000 (approximately USD 14,000) payable in equal shares to Cipla and the Union of India, another respondent in the case.

The order has been hailed by many IP academicians and practitioners as well as policy makers as it addresses many significant issues in the Indian health care segment. There have also been some attempts by the national and international legal media to typecast the order into a 'north versus south' issue. If the report of the European Commission as cited by the Court in this case is to be believed, this is yet another of those instances to delay the generic entry of a drug into the Indian market. Although an appeal filed against the same has been admitted by a Division Bench of the High Court of Delhi, there is no interim stay of the order.

CASE LAW UPDATE

Supreme Court directs speedy disposal of IP suits

In the July 2009 issue of India IP Update, we had reported the patent war between the two Indian two-wheeler auto giants, TVS and Bajaj, wherein TVS had won an appeal seeking a declaration against Bajaj that the former's three-valve and two spark plug engine was not a violation of the latter's patent. Bajaj had filed an appeal before the Supreme Court against the said order and the Supreme Court has now directed the Single Judge of the High Court of Madras to decide the suit expeditiously and permitted TVS to sell its product in the meantime by maintaining an accurate record and accounts of its sales in India as well as export sales.

While issuing the said direction, the Supreme Court also observed that in matters relating to trademarks, copyright and patents, when the hearing of a suit had commenced, it must be continued from day-to-day until all the witnesses in attendance were examined, unless, for exceptional reasons to be recorded by the court concerned, the adjournment of the hearing beyond the following day was necessary. The Court pointed out that experience had shown that in India, suits relating to matters of patents, trademarks and copyrights were pending for years and years and litigation was mainly fought between the parties about the temporary injunction and opined that this was a very unsatisfactory state of affairs. It was directed by the Supreme Court that the

aforesaid direction must be carried out by all courts and tribunals in India punctually and faithfully.

Nestlé India restrained from using local plantiff's mark

In a suit filed by Moods Hospitality Pvt. Ltd., a local plaintiff, the High Court of Delhi restrained Nestlé India Ltd from using the marks 'MASALA YO!' or 'CHILLY CHOW YO!' on their instant noodle packs as these marks infringed the registered trademarks of the plaintiff , namely, 'Yo!' and 'Yo! China'.

The plaintiff started its operations in India in the year 2002 under the trademarks 'Yo!' and 'Yo! China' and claimed that these marks, by virtue of their continuous and widespread use, had become distinctive of the plaintiff in the eyes of the consumers and had thereby, acquired a secondary meaning. It was argued that the expression 'Yo!' was coined and adopted by the plaintiff in combination with red and yellow colors which signified energy and that when Yo!' was used with 'China', it portrayed American Chinese food, which was specific and unique to the plaintiff's business. Accordingly, the plaintiff submitted that it had built, developed and nurtured the trademark 'Yo!' and 'Yo! China' since the year 2002 and held registrations in respect thereof in various classes. It was also the plaintiff's claim that they were using the mark 'Yo!' in conjunction with other elements to form trademarks such as 'Yo! Box', 'Yo! On the Go', 'Yo! Dimsum', 'Yo! Carts', etc. The plaintiff stated that 'Yo!' was neither descriptive of its goods nor did it have any reference to the nature or quality of its goods and services, thus making it inherently distinctive.

It was the case of the plaintiff that Nestlé's manufacture and marketing of instant noodles under the name and style "Maggi Cuppa Mania Instant Noodles" in two flavors 'Masala Yo!' and 'Chilly Chow Yo!', was solely with the intention of misleading the consumers and deriving unfair gains by riding over the goodwill and reputation of the plaintiff's registered trademark 'Yo!'.

The defense of Nestlé was mainly two fold. First, that the trademark 'Yo!' per se was one of the most common and popular expressions used by youngsters worldwide, including India, as a substitute for "Hello". Secondly, Nestlé argued that 'Yo!' being an expression that was common to the trade was incapable of distinguishing the goods or services or function as a badge or indication of trade origin or source of any one particular trader and that registrations obtained by the plaintiff were, therefore, invalid.

Having considered the respective arguments of the parties, the High Court of Delhi rejected Nestlé's claims and found a prima facie case in favour of the plaintiff. It was found by the Court that the mark 'Yo! China" was not descriptive of the goods of the plaintiff and that Nestlé offered no explanation for use of the exclamation mark along with the word 'Yo'. Rejecting the 'common to trade' argument of Nestlé, the Court found that the use of the mark 'Yo!' in relation to other goods or businesses could not be an excuse for Nestlé to use the said mark in relation to the same class of products and services for which the plaintiff had obtained registration of the said mark.

High Court of Delhi scorns non-disclosure of information on foreign patent application by American plaintiff

Under Section 8 of the (Indian) Patents Act, 1970, an applicant of a patent in India is bound to give a statement setting out detailed particulars of any corresponding foreign application in respect of the patent and also provide an undertaking that up to the date of grant of the patent in India, he would keep the Controller informed in writing from time to time of detailed particulars of such foreign application. Under Section 64(1)(m) of the Act, one of the grounds for revocation of a patent is that the applicant has failed to disclose to the Controller the information required by Section 8 or has furnished information which in any material particular was false to his knowledge.

In a suit filed by Chemtura Corporation, an US company against the Union of India and three private party defendants being Indian companies, claiming infringement of its patent, the High Court of Delhi had the occasion to consider the validity of Chemtura Corporation's patent on the ground of non-disclosure to the Controller of Patents of complete details of its foreign

patent applications filed in the United States of America and the European Union.

The suit was sparked off by a revocation application filed by the private party defendants in the suit against the plaintiff's patent before the Intellectual Property Appellate Board (IPAB), after they were served with a legal notice by the plaintiff's attorneys requiring them to cease infringing the subject patent. The invention of the patent in question related to a side bearing pad assembly for absorbing and cushioning compression forces which is used in the railway industry for manufacture of rail coaches.

According to the plaintiff, the invention was copied by the three private party defendants, who then participated in a tender floated by the Union of India for the procurement of 46,800 pieces of the said products. As the private party defendants were unable to demonstrate prima facie good grounds for revocation of the plaintiff's patent, the Court restrained them from manufacturing, using or offering for sale any device in infringement of the plaintiff's patent.

The defendants thereafter filed an application seeking the vacation of the aforesaid order, inter alia, on the ground that the plaintiff's patent was not a valid patent as it failed to disclose the information required under Section 8 of the Act to the Controller. It was contended that, had those details been disclosed, the patent would never have been granted by the Controller in India. The plaintiff's defense to the said argument was that if every stage of foreign applications were to be disclosed to the Controller, it would make his task impossible and cumbersome.

After hearing the parties, the Court in its order dated August 28, 2009 vacated the interim injunction granted originally. The Court pointed out that, while vulnerability of a patent was an issue at the preliminary injunction stage, validity was an issue at trial; however, the showing of a substantial question as to invalidity of the patent required less proof than the clear and convincing evidence necessary to establish invalidity itself. The Court pointed out that the defendants had raised a credible challenge to the validity of the patent of the plaintiff under section 8 of the Act as there was no indication that the plaintiff furnished the necessary details of its corresponding American and European patent applications to the Controller in India from time to time despite a written request from the Controller to that effect. In fact, by June 12, 2002, the plaintiff had amended the claims in its American application at least five times as it was not able to overcome the closely similar prior art citations from the US patent office. Similarly, broad claims in its European application were narrowed down due to several prior art citations. However, these aspects were not disclosed in the response to a specific request of October 20, 2004 by the Controller of Patents in India seeking the status of the plaintiff's foreign applications. The Court opined that an applicant was required to periodically update the Controller on the current status of the corresponding foreign applications and that mere furnishing of information on the status of the application did not constitute periodical updates.

The Court pointed out that under section 43(1(b) of the Act, a patent could be granted only when the application was found not to be contrary to any provisions of the Act and that it could not be said that the omission to comply with the requirement under section 8 was not serious enough to affect the decision of the Controller to grant the patent to the plaintiff. Accordingly, in view of the prima facie non-compliance by the plaintiff of the requirements of Section 8, the Court found that the ground for revocation as contained in Section 64(1)(m) of the Act was attracted.

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