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IP UPDATE

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SNIPPETS

Trade Marks (Amendment) Bill 2007 passed

The lower house of the Indian parliament has passed the Trade Marks (Amendment) Bill 2007 in respect of India's accession to the Madrid Protocol. The same is yet to be passed by the upper house of the Parliament so that it can proceed to become a law

Adobe and Microsoft awarded damages in counter feiting case

In a suit for copyright infringement by Adobe and Microsoft, the High Court of Delhi awarded the equivalent of US Dollars 10,000 each as punitive and compensatory damages apart from awarding costs. Court held that counterfeiters did not maintain account books nor paid taxes thereby resulting in huge revenue losses for the government and, therefore, not granting damages would encourage counterfeiters. It was also pointed out by the court that counterfeiters never appear before the court most of the times and hence the aspect of damages was a vital issue.

CASE LAW UPDATE

NIVEA protected as well-known mark by Delhi High Court

In the case of *Beiersdorf A.G. vs. Ajay Sukhwani & Anr,* the High Court of Delhi had the occasion to decide whether the mark 'NIVEA' used as part of the trading style and domain name of the defendants in respect of educational services was justifiable use. The defendants had apparently adopted the mark in 1973 in India whereas the plaintiff had coined and adopted the mark in Germany in 1905. On the date of filing of the action, the plaintiff had registrations for the mark 'NIVEA' in over 110 countries including India and their products were available in India for the last 50 years. In defense, it was argued that the activities of the plaintiff and the defendants were different and, therefore, there could not be any confusion or deception. Further, the defendants also alleged delay and latches and accused the plaintiff of suppressing material facts relating to a decision of the Administrative Panel of the World Intellectual Property Organization (WIPO), dated June 25, 2001, which rejected its complaint against the defendants' use of the domain "niveainternational.com".

The court first dealt with the issue of suppression and found that the plaint was dated May 31, 2001 and the WIPO decision was issued after the filing of the plaint. Accordingly, the court was not inclined to deny relief to the plaintiff on the ground of suppression.

While deciding the issue of passing off, the court found that the mark NIVEA, adopted nearly 100 years ago, had been extensively advertised world-wide and was registered in over 110 countries including India. The court, therefore, found the plaintiff to enjoy goodwill and held that the mark stood for high quality, commanded respect and was distinctive of the plaintiff and that no one had the right to confuse the consumers that the defendant was associated with the plaintiff to take advantage of the plaintiff's reputation. It was further held by the court that greater the goodwill, greater was the need to protect and wider was the cover and the field of protection. Household, well-known or popular marks, according to the court, were given greater protection when they caused to represent quality and had become synonymous with the public to represent a particular source. The court found that some marks were such that the public related any product carrying the said mark to originate from the said source and that such marks were few but the protective umbrella in such cases was wider and extensive. In the opinion of the court, these were the marks where the line between the goods and the name was blurred.

Regarding the defense of different fields of activities of the plaintiff and the defendant, the court held that owing to the

nature and extent of the plaintiff's goodwill, the same could not be accepted. In particular, the court found the present case to be one of fraudulent adoption by the defendants of the mark 'NIVEA' wherein they failed to adequately explain the reasons for adoption.

The court also found that the defendants' use of the mark NIVEA for dissimilar services caused erosion and dilution of the plaintiff's exclusiveness in the mark NIVEA.

As regards delay, the court held that delay alone was not sufficient to deny relief to the plaintiff. Where initial adoption by the defendants itself was vitiated by fraud and dishonesty, delay was not a valid ground to allow the misuse of the mark. Interest of the general public who are the purchasers of the products had to be protected and delay by itself was not an un-surpassable obstacle. The court also found that the defendants' case was not supported by general public interest and accordingly, injuncted the defendants from using the mark "NIVEA".

Use of the trading style 'Ford Service Center' for filling stations violates rights in the mark 'FORD'

India has been witnessing a multiplicity of brands in the automobile market in the past decade. The issue that came up for consideration before the High Court of Delhi in the case of *Ford Motor Company of Canada Ltd & Anr v. Ford Service Center* was whether the defendant's use of the trading style "Ford Service Center" in respect of its fuel filling stations was in violation of the plaintiff's registered and well-known trademark "FORD" used in respect of cars since many years. The plaintiff's attempts to resolve the matter through a cease and desist notice to the defendant was not successful and hence the suit.

In the suit, the plaintiff alleged that the defendant, besides running a filling station, also serviced FORD cars and that this amounted to infringement of its registered trademark 'FORD' in India. In defense, the defendant contended that it had honestly adopted the said mark in 1981 and that the same had a dictionary meaning, namely, "a place where a river or other body of water is shallow enough to be crossed by wading." Further, the defendant claimed that on the date of its adoption of the said trade name in India, the plaintiff had no existence in India and, hence, they could not allege that the defendant had copied its mark. In addition, the defendant also alleged inordinate laches and acquiescence.

While allowing the interim injunction application of the plaintiff, the High Court of Delhi held as follows:

- Filling stations or petrol pumps these days were not merely vending petrol but carried on a host of other activities such as cleaning/polishing of wind screens of automobiles or sale of lubricants/grease or other components.
- Such services would be clearly infringement of the plaintiff's trademark irrespective of whether the said components bore the mark 'FORD' or not.
- Consumers could be attracted to the defendant's filling station under the belief that such services available therein would be that of the plaintiff. Carrying on such activities, therefore, would undoubtedly be an infringement of the registered trademark of the plaintiff.
- Even though, owing to the then prevailing governmental policy, the plaintiff might not have had any automobile business in India, at the time the defendant commenced using the mark, the plaintiff undoubtedly had a reputation and goodwill in India even at that time.
- The defendant had not given any valid explanation for the adoption of the trademark. A shallow point in the river or other water body had no connection whatsoever with the said business and the defendant adopted the plaintiff's mark clearly to take advantage of the plaintiff's goodwill and reputation in the said trade.

Copyright assignments and implications of technology

There have been varying opinions by different High Courts in India on the issue whether a right based on a technology that was not in contemplation at the time of a copyright assignment could be read into the assignment after such technology has come into existence. This issue assumes tremendous significance for India which has the largest movie industry in the world and which made its first movie as far back as 1913. The term of copyright for a film under the Indian copyright law is 60 years from the date of publication. During the latter part of the last century, when satellite technology and digital technology were not in contemplation, a lot of agreements were entered into in respect of their distribution and marketing.

A Division Bench of the High Court of Delhi recently had an occasion to review the legal position in respect of one such agreement vis-à-vis the existing technologies today in *International Film Distributors v. Rishi Raj*. The facts of this case revolved around the Hindi film 'Kohinoor' produced in the year 1960. The producer of the film was later declared as insolvent and all the assets of the producer, including the negative rights in the film, the sole and exclusive commercial and non-commercial video rights in all formats including CVD, DVD, satellite and television rights (both terrestrial and extra terrestrial), cable TV, pay TV rights and the available theatrical rights for all India and overseas territories, were taken over by the official assignee of the High Court of Bombay.

In August 2000, the plaintiff, Rishi Raj, bought the said rights from the official assignee by offering the highest bid and an agreement assigning the said rights to the plaintiff was executed by the official assignee. Subsequent to the said assignment, the defendant, International Film Distributors, contacted the plaintiff and staked a claim that by virtue of an assignment between the defendant and the producer entered into in October 1961, the defendant held certain rights in the film in India, Burma, Pakistan, Ceylon, Aden, Continent Africa, Complete Middle East, West Indies, Fiji, UK and Greece. The defendant contended that the assignment to the plaintiff by the official assignee was subject to the rights already granted to the defendant in 1961. One of the main arguments of the plaintiff was that in 1961, there were no satellite rights or video rights and, hence, the defendant could not stake a claim to the said rights.

On a review of the judicial precedents from the High Courts of Bombay and Madras and the facts and documents placed on record, the Division Bench was of the view that no restriction could be imposed on the enjoyment of copyright which was vested with the earlier exclusive owner, on the ground that the exhibition of the film on DVD and satellites had not been invented at the time when the agreement was entered into. Court pointed out that it was common knowledge that with the passage of time television rights had become important and whenever an agreement had been arrived at, the intention of the parties must be looked at to decide what exactly was agreed and intended to be performed. Accordingly, the Division Bench modified the order of the Single Judge and allowed the defendant to exploit, distribute and exhibit commercially as well as non-commercially in respect of the said film in 35 mm as well as in reduced sizes including the right of television and all other rights attached to such distribution, exploitation and exhibition of the same in the aforesaid contracted territories.

INSIGHT

The curious case of Roche, Cipla and public interest

Patent litigation in India is gathering considerable international attention with the issue of generics and a provision in the Indian patent law preventing 'evergreening'. Last year, Justice Ravinder Bhatt of the High Court of Delhi passed an order rejecting an interim prayer of the plaintiff, F. Hoffman-La Roche Ltd ('Roche'), to injunct the defendant, Cipla Ltd ('Cipla'), from manufacturing a generic version of its drug Erlotinib for treating advanced or metastatic non small cell lung cancer (NSCLC). Although the main ground of rejection of the interim prayer in F. Hoffman-La Roche Ltd & Anr v. Cipla Ltd was Section 3(d) of the Indian Patents Act, 1970 that prevents "evergreening" of a drug, it created ripples among the IP community owing to certain observations by Justice Bhatt on public interest.

Proceedings before the Single Judge

The genesis of the suit was certain media reports in January 2008 that Cipla was about to launch a generic version of Erlotinib. Roche's claims before the Single Judge in the interim application were briefly as follows:

- Erlotinib was administered in the form of a tablet and had been imported and sold under the trademark 'Tarceva' in India sometime since April 2006;
- A patent had been granted to Roche by the patent office in New Delhi bearing number 196774 (hereinafter "774") on February 23, 2007;
- Cipla had no rights to manufacture, sell or offer to sell any version of Erlotinib and any such action as announced by Cipla would be in blatant violation of the legal rights of Roche;

In defense, Cipla raised the following arguments before the Single Judge:

- The complete specification of the patent was not disclosed in the plaint and was provided to Cipla only at the hearing of the interim injunction application
- 774 patent was hit by S ection 3(d) of the Patent Act as Erlotinib was a derivative of a known patent "Quinazoline" and that there were at least three EU patents dating back to 1993 which disclosed the Quinazoline derivative;
- One such patent disclosed the exact chemical structure of the 774 patent except for one substitution which was "obvious to any person skilled in the art".
- Roche had not proved that there was "any improved efficacy of the said drug";
- Roche's product was highly priced and in any event no sales figures had been given by Roche;
- Roche's tablet cost Indian Rupees 4800 (approximately USD 100) and Cipla's cost 1600 (approximately USD 30) and in the context of life saving drugs, it was in the public interest that the drug should be made available at cheap and affordable prices.

Section 3 of the Patent Act lists what are not inventions and sub section (d) is as follows:

"the mere discovery of a new form of a known substance which does not result in the enhancement of the known efficacy of that substance or the mere discovery of any new property or new use for a known substance or of the mere use of a known process, machine or apparatus unless such known process results in a new product or employs at least one new reactant."

Just a day before hearing the arguments in the interim injunction application in the suit, Cipla filed an application for rejection of the plaint on the following brief grounds:

- Roche had suppressed that the 774 patent which was in relation to Erlotinib Hydrochloride in the form of polymorphs A and B had been known to it in the year 2000 as it corresponded to one of its US patents;

- Since Roche itself stated that the compound was not stable enough to be manufactured as a tablet, Cipla purchased a sample of the Tarceva manufactured in August 2006 and performed an x-ray diffraction to determine the crystalline structure of the same. A report obtained pursuant to the test showed that it was not a mixture of polymorphs A and B, but was wholly polymorph B. Hence, the drug sold in India by Roche under the mark Tarceva did not relate to the 774 patent and, in fact, there was a pending patent application (which was also not disclosed by Roche) before the Indian Patent Office filed by Roche for polymorph B;

Additionally, Roche filed a counter claim against Cipla challenging the validity of the 774 patent on the following brief grounds:

- There was no data filed by Roche to demonstrate that the claimed compound 'Erlotinib Hydrochloride' in 774 patent had a higher therapeutic efficacy;
- A US patent granted to Roche in May 2005 stated that Erlotinib Hydrochloride was a mixture of two polymorphs A and B and that it was necessary to separate and purify the B polymorph so as to get to the claimed compound for acceptable efficacy, and, therefore, the 774 patent granted subsequently clearly defeated the inventive step of the alleged invention;
- 774 patent failed to disclose that Erlotinib Hydrochloride was a mixture of polymorphs A and B which was useless for pharmaceutical use and that Roche capriciously withheld this material information.

An order was passed rejecting the interim injunction application on March 19, 2008 without adverting to the claims in the application for rejection of the plaint. The main grounds for rejection of the prayer were that invention in the patent was obvious to the unimaginative person skilled in the art and that the court could not be unmindful of the general access to life saving products and irreparable injury would be caused to the public if the injunction was granted as the public would be deprived of Cipla's products.

Appeal proceedings

Roche went in appeal before the Division Bench of the High Court of Delhi before whom the entire case record before the Single Judge including the application for rejection of plaint and counter claim were placed. One of the significant issues raised by Cipla while opposing the appeal, which had a bearing on whether Roche had made out a prima facie case for grant of injunction was that the specification of the 774 patent showed that it was in respect of Erlotinib Hydrochloride Polymorphs A and B which was on their own showing an unstable form which could not be administered as such. Cipla contended that the case of Roche itself was that it was Polymorph B which was a more stable form of the compound which could be administered in the tablet form. To prove this, Cipla relied on the x-ray diffraction report. Needless to say, Roche did not yet hold a patent for Polymorph B in India and its application for the same was pending consideration. In other words, the patent application for the drug which was marketed by Roche was still pending before the patent office, a fact which was suppressed by Roche in the application for the suit patent as well as the suit.

Non-Disclosure

The Division Bench observed that if the Controller of Patents, while he considered the application for the 774 patent, was cognizant of the fact that there had been another application pending in respect of polymorph B in which Roche stated that "polymorph B is claimed to be thermodynamically more stable and it helps in providing improved oral dosage in solid form", he would have had to address the issue whether it was the combination of polymorphs A and B or polymorph B alone which satisfied all the patentability tests vis-à-vis section 3(d) namely, showing an enhanced efficacy over the closest prior art. Accordingly, the court held that the failure by Roche to bring these facts including the prior US patents at the time of consideration of their application was not consistent with the requirement of a full disclosure.

It was noted by the Bench that Roche was changing its stand with respect to polymorph B in the pending application before the Controller of Patents to the effect that polymorph B was subsumed in polymorphs A and B and that the US patent was for the main compound Erlotinib Hydrochloride which included all possible polymorphs of the main compound known and unknown. It was further contended by Roche that their claim was that of a "selection invention" limited only to polymorph B which was substantially free of polymorph A. The court found that such a change in stand would admittedly have a direct impact on patentability of either a compound of polymorphs A and B or of polymorph B free of polymorph A and that a full disclosure of these aspects would have had an impact on the patentability of the compound of polymorph A and B. It was, therefore, found by the Court that when Cipla questioned the validity of the 774 patent on the above ground, it did raise more than a credible challenge.

No prima facie case

Having found Roche guilty of not fully disclosing the facts, the Division Bench pointed out that if these facts were fully disclosed in the plaint and the entire specification of the 774 patent along with the x-ray diffraction data of Tarceva were filed along with the plaint, it was possible that Roche might have had difficulty in showing that the patent held by it covered Tarceva as well. It was, therefore, held by the court that to the extent that Cipla had raised a serious doubt whether Roche in fact held a patent for the product sold in the tablet form as Tarceva, Roche must be held not to have been able to cross the first hurdle of showing that they had a prima facie case in their favour for grant of an order restraining Cipla from marketing Erlocip. It is significant to state here that the pending application for the compound containing

polymorph B was rejected by the Controller after the order was reserved by the Division Bench.

Credible challenge to validity of patent

It was further held by the court that unless the enhanced efficacy as mandated by Section 3(d) of the Act was demonstrated, a patent could not have been granted. Cipla had been able to show that the order of the Controller of Patents was arguably deficient on this aspect and hence the court found that Cipla must, therefore, be taken to have raised a credible challenge to the validity of the patent.

Public interest

On the issue of public interest and pricing, Roche argued that if a patentee's rights were not respected, then it would be contrary to the public interest of encouraging further research. Further, Roche argued that since the Act provided for grant of compulsory license in the event of a patented product not being made available at a reasonable price, the court could not apply such principles at an anterior interlocutory stage. Roche claimed that it should be allowed to exploit the benefits of its research in which it invested considerable sums. According to Roche, public interest in low cost general drugs had to be balanced by the public interest in the protection of patent rights. The need to encourage scientific research in inventing the drug outweighed the public interest in obtaining a low cost generic drug, argued Roche.

The Division Bench found it unable to accept Roche's aforesaid arguments and observed that the amendment to the Act in 2005 introduced section 83(e) which stated that among the general principles applicable to working of patented inventions, regard shall be had "that patents granted do not in any way prohibit Central Government in taking measures to promote public health". Further, under Section 84 among the grounds on which a person could seek a compulsory license on a patent was that the "patented invention is not available to the public at reasonably affordable price". The element of public interest was, therefore, not alien to the scheme of the Act.

The Division Bench, therefore, concurred with the findings of the Single Judge and held that Cipla had been able to demonstrate prima facie that Roche did not hold a patent yet for the drug Traceva, which was the polymorph B form of the compound; further Cipla had raised a credible challenge to the validity of the patent of Roche and in such circumstances, the public interest in greater public access to a life saving drug would have to outweigh the public interest in granting an injunction to Roche. While affirming the Single Judge's findings in this behalf, the Division Bench referred to the ratio of the UK High Court's seminal judgement in Roussel Uclaf and, in particular, the following observation:

"Finally, therefore, I come to the interesting and novel point as to whether the court ought ever, and in particular, in this case to exercise its discretion to grant an injunction the effect of which will be, temporarily at any rate, to deprive members of the public of the benefit of a 'life saving drug which may be prescribed' for otherwise fatal heart diseases… I think this must be a question for decision in the particular circumstances of each case, though I feel that the onus in such cases must be very heavily on the plaintiffs that there is little, if any, likelihood of the public being injured by their inability to obtain the drug in question when necessary. A life-saving drug is in an exceptional position. There are often cases where a number of drugs exist alongside each other and are in general all equally efficacious for a particular ailment or disease. If the evidence shows it to be the fact there may and well be cases where it would make little, if any, difference to the public, apart from satisfying personal preference, whether a particular drug was no longer available or not, then in such a case it may well be proper to grant an injunction. At the other end of the scale, however, there is the unique life-saving drug where, in my judgement, it is at least very doubtful if the court in its discretion ever ought to grant an injunction and I cannot at present think of any circumstances where it should."

LEGISLATIVE UPDATE

The Information Technology (Amendment) Act, 2008 has been signed by the President of India on February 5, 2009. A review of the amendments indicates that there are several provisions relating to data protection and privacy as well as provisions to curb terrorism using the electronic and digital medium that have been introduced into the new Act. Some of the salient features of the Act are as follows:

- The term "digital signature" has been replaced with "electronic signature" to make the Act more technology neutral.
- A new section has been inserted to define "communication device" to mean cell phones, personal digital assistance or combination of both or any other device used to communicate, send or transmit any text video, audio or image.
- A new section has been added to define "cyber café" as any facility from where the access to the internet is offered by any person in the ordinary course of business to the members of the public.
- A new definition has been inserted for "intermediary". "Intermediary" with respect to any particular electronic records, means any person who on behalf of another person receives, stores or transmits that record or provides any service with respect to that record and includes telecom service providers, network service providers, internet service providers, web-hosting service providers, search engines, online payment sites, online-auction sites, online market places and cyber cafes, but does not include a body corporate referred to in Section 43A.
- A new section 10A has been inserted to the effect that contracts concluded electronically shall not be deemed

to be unenforceable solely on the ground that electronic form or means was used.

- The damages of Rs. One Crore (approximately USD 200,000) prescribed under section 43 of the earlier Act for damage to computer, computer system etc has been deleted and the relevant parts of the section have been substituted by the words, "he shall be liable to pay damages by way of compensation to the person so affected".
- A new section 43A has been inserted to protect sensitive personal data or information possessed, dealt or handled by a body corporate in a computer resource which such body corporate owns, controls or operates. If such body corporate is negligent in implementing and maintaining reasonable security practices and procedures and thereby causes wrongful loss or wrongful gain to any person, it shall be liable to pay damages by way of compensation to the person so affected.
- A host of new sections have been added to section 66 as sections 66A to 66F prescribing punishment for offenses such as obscene electronic message transmissions, identity theft, cheating by impersonation using computer resource, violation of privacy and cyber terrorism.

  Section 67 of the old Act is amended to reduce the term of imprisonment for publishing or transmitting obscene material in electronic form to three years from five years and increase the fine thereof from Indian Rupees 100,000 (approximately USD 2000) to Indian Rupees 500,000 (approximately USD 10,000). A host of new sections have been inserted as Sections 67 A to 67C. While Sections 67 A and B insert penal provisions in respect of offenses of publishing or transmitting of material containing sexually explicit act and child pornography in electronic form, section 67C deals with the obligation of an intermediary to preserve and retain such information as may be specified for such duration and in such manner and format as the central government may prescribe.
- In view of the increasing threat of terrorism in the country, the new amendments include an amended section 69 giving power to the state to issue directions for interception or monitoring of decryption of any information through any computer resource. Further, sections 69 A and B, two new sections, grant power to the state to issue directions for blocking for public access of any information through any computer resource and to authorize to monitor and collect traffic data or information through any computer resource for cyber security.
- Section 79 of the old Act which exempted intermediaries has been modified to the effect that an intermediary shall not be liable for any third party information data or communication link made available or hosted by him if; (a) the function of the intermediary is limited to providing access to a communication system over which information made available by third parties is transmitted or temporarily stored or hosted; (b) the intermediary does not initiate the transmission or select the receiver of the transmission and select or modify the information contained in the transmission; (c) the intermediary observes due diligence while discharging his duties.
- However, section 79 will not apply to an intermediary if the intermediary has conspired or abetted or aided or induced whether by threats or promise or otherwise in the commission of the unlawful act or upon receiving actual knowledge or on being notified that any information, data or communication link residing in or connected to a computer resource controlled by it is being used to commit an unlawful act, the intermediary fails to expeditiously remove or disable access to that material on that resource without vitiating the evidence in any manner.
- A proviso has been added to Section 81 which states that the provisions of the Act shall have overriding effect. The proviso states that nothing contained in the Act shall restrict any person from exercising any right conferred under the Copyright Act, 1957.

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