

# IP UPDATE

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## INDIAN IP OFFICE GOES ON-LINE!

The Indian Intellectual Property Office (IPO) has gone on-line. It is now possible for applicants to file trademark and patent applications on-line. A provision to view the status of a trademark application and conduct a trademark search is also provided for by the IPO. It's an important transition phase for the Indian IPO after a tiring spell of back logs and delays. Please visit [www.ipindia.nic.in](http://www.ipindia.nic.in) to check out the facilities provided.

## LOCAL FLAVOUR VS. GLOBAL FLAVOUR: NANDU'S OR NANDO'S?



The Bombay High Court recently enjoined the global chicken chain, Nando International Limited from using the mark "NANDO'S" as part of its business on the ground that the Indian plaintiff, Balkrishna Hatcheries which had used the mark NANDU'S (apparently after an abbreviation of the name of its owner 'Nandakumar') much before the defendant and had a reputation which preceded the defendant's reputation in India.



## INSIGHT

### Novartis loses writs challenging Indian Patents Act before Indian Court

Novartis AG, the Swiss pharma giant lost two writ petitions before the High Court of Madras in August this year, one filed by the Swiss company itself and the other by its Indian counterpart. The proceedings were watched keenly by the pharma and patent fraternity nationally and internationally since the writs sought a declaration that the controversial Section 3(d) of the Indian Patents Act, 1970 (hereinafter 'the Act'), amended by Patents (Amendment) Act 15 of 2005, is unconstitutional because it violates not only Article 14 of the Constitution of India but also Article 27 of the TRIPS Agreement. (While Article 14 of the Constitution of India mandates that the State shall not deny to any person equality before the law or equal protection of laws within the territory of India, Article 27 of TRIPS sets out what is patentable subject matter and what could be excluded from patentability). The respondents included the Controller General of Patents, Union of India and several generic manufacturers.

Section 3 of the Act lists out what are not inventions. Section 3(d) was originally amended vide Patent Amendment Ordinance 7 of 2004 (hereinafter, 'Ordinance') and thereafter further modified by Patents (Amendment) Act 15 of 2005 (hereinafter 'Amendment Act'). The respective versions of the section in the Act prior to amendment, Ordinance and Amendment Act read as follows:

The Act prior to Amendment: *The mere discovery of any new property or new use of 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.*

Ordinance: *The mere discovery of any new property or mere new use of 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.*

Amendment Act: *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.*

Explanation: *For the purposes of this clause, salts, esters, ethers, polymorphs, metabolites, pure form, particle size isomers, mixtures of isomers, complexes, combinations and other derivatives of known substance shall be considered to be the same substance, unless they differ significantly in properties with regard to efficacy.*

The challenge to the section as it stood on the date of the petitions was mainly on two grounds namely, (a) it is not TRIPS compatible; and (b) it is arbitrary, illogical, vague and offends Article 14 of the Constitution of India. The sum and substance

of Novartis' case was that by bringing in the amended section and the Explanation attached to it, the Government of India had breached its TRIPS obligations and had taken away the right guaranteed under Article 27 of TRIPS to have an invention patented. Under Article 27 of TRIPS, all inventions, subject to paragraphs 2 and 3 of that Article, are patentable. Novartis argued that under Article 27 read as a whole, the drug invented in the case at hand is patentable.

Novartis' arguments in the case may be summarized as follows:

- The section under challenge required that an applicant showed enhanced efficacy of a known substance. Though the efficacy of a known substance may be well known, yet, unless there are some guidelines in the section itself to understand the expression "enhancement of the known efficacy" or as to what would be treated as "enhanced efficacy", an uncontrolled discretion is given to the Patent Controller to apply his own standards, which may not be uniform, in deciding whether there is enhancement of the known efficacy of that substance.
- Such wide discretion vested with a Statutory Authority without any guidelines to follow, would result in arbitrary exercise of power. In other words, the Patent Controller may be in a position to decide any case, based on his whims and fancies namely, whether there is enhancement in the known efficacy or not. Accordingly, the section is violative of Article 14 of the Constitution of India.
- Likewise, the Explanation to the Section that declares that all derivatives of a known substance shall be considered to be the same substance unless they "differ significantly in properties with regard to efficacy" is also vague because derivatives need not be the same substance in all cases.
- Unless the Explanation contains guidelines as to when a derivative can be held to differ significantly in properties with regard to efficacy, the Patent Controller will have an

unguided power to decide the issue, which once again would result in arbitrariness.

- Though efficacy of a known substance could be clinically found, any discovery of a new form of the said substance or its derivatives, though by themselves are inventions as defined in the Act, are denied patent protection based on the amended section on the grounds that it should show enhancement of the known efficacy and that the derivatives should differ significantly in properties with regard to efficacy.

The various arguments of the Respondents may be summarized as follows:

- The section under challenge is definitely TRIPS compatible. Even assuming otherwise, a challenge on that ground cannot lie before an Indian court; but only before the Dispute Settlement Board (hereinafter, 'DSB') of WTO.
- DSB had been constituted to address all disputes that may arise between member countries and their citizens/legal entity in implementing or not implementing TRIPS. The challenge to the validity of the amended section on the ground that it is not compatible with TRIPS, therefore, cannot be legally sustained before an Indian court.
- Every member country is given enough elbow room to bring in a local law in discharging their obligation under TRIPS, having regard to the various needs of their citizens. India is a welfare country and its first obligation under the Constitution is to provide good health care to its citizens. Accordingly, the Union of India has every right to bring in any local law in discharging their obligations under TRIPS to suit the needs and welfare of its citizens.
- The section under challenge as it stood was workable because the Patent Controllers were all experts having undergone considerable training abroad in this field. The petitioner being one of the pharmaceutical giants in the world is not a novice in this field.

- The efficacy of a known substance is well-known and it is definitely known to everyone in the pharmaceutical field. When the efficacy of that substance would stand enhanced could also be clinically determined. When the properties in a derivative would differ significantly with regard to efficacy could also be scientifically established by the people in the field. Hence, what is meant by 'enhancement in the known efficacy of a substance' is understood by all in the relevant field or when it can be said that 'derivatives differ significantly in properties with regard to efficacy' is understood by the Patent Controller, the amended section cannot be struck down on the ground of arbitrariness and vagueness.

- If the Patent Controller, exercising his Statutory power, wrongly rejects the patent application on the ground that the drug is excluded under the amended section, then such a decision could always be corrected by the appellate authority and other higher forums.
- In other words, a wrong decision arrived at by the Patent Controller based on a wrong application of the amended section cannot be a ground to strike down the said amended section which is otherwise in order.

In rejoinder, the main argument of Novartis was that Indian courts do have the power to test the validity of the amended section on the ground that it is in violation of an international treaty and that even assuming for a moment without conceding that an Indian law cannot be struck down on the ground that it is in violation of an international treaty, yet, there is no bar, either express or implied, disabling Indian courts to give a declaration that the amended section is in violation of an international treaty.

Having heard the arguments advanced by both the sides, the court set down the following issues for consideration in the two writ petitions:

- (a) Assuming that the amended section is in clear breach of Article 27 of TRIPS and thereby suffers the vice of

irrationality and arbitrariness violating Article 14 of the Constitution of India, could the courts in India have jurisdiction to test the validity of the amended section in the back drop of such alleged violation of TRIPS? OR Even if the amended section cannot be struck down by the court for the reasons stated above, cannot the court grant a declaratory relief that the amended section is not in compliance with Article 27 of TRIPS?

(b) If it is held that courts in India have jurisdiction to go into the above referred issue, then, is the amended section compatible or non-compatible with Article 27 of TRIPS?

(c) Dehors issues (a) and (b) referred to above, could the amended section be held to be violative of Article 14 of the Constitution of India on the ground of vagueness, arbitrariness and conferring un-canalised powers on the Statutory Authority?

On issue No. (a) the court found as follows:

- International agreements such as TRIPS entered into between nations, however termed, are essentially in the nature of a contract. When the contracting parties in such an agreement which are the participating nations, having regard to the terms of the agreement and the complex problems that may arise out of the same between nations, decide that every participating nation shall have a common dispute settlement mechanism to address such issues, there is no reason at all as to why the court must disregard it.
- Any international agreement possesses the basic nature of an ordinary contract and when courts respect the choice of jurisdiction fixed under such ordinary contract, there are no compelling reasons to deviate from such judicial approach.
- Since it was held that the court has no jurisdiction to decide the validity of the amended section, being in violation of Article 27 of TRIPS, the court declined to go into the question whether any individual is conferred with an enforceable right under TRIPS or not.

Court declined to decide Issue No. (b) because:

- It is a settled position in law that nobody can compel the Parliament to enact a law;
- If that is the position, then, assuming that a declaration as prayed for namely, the amended provision is not in the discharge of India's obligation under Article 27 of TRIPS, is granted, even then, the Petitioner could not put it to any use because the court already found that it has no jurisdiction to decide upon the issue of violation of Article 27 TRIPS.
- Considering that the Petitioner could not have put such a relief to any use, the court found that the declaratory relief, even if granted, would be only on paper, on the basis of which, the petitioner cannot claim any further relief in the Indian courts.
- Hence the court found that the petitioner in each writ petition was not entitled to even the declaratory relief.

On Issue No. (c) the court found as follows:

- While deciding Issue No. (c), the court went into the Parliamentary debate on Ordinance 7/2004, and found that there was a wide spread fear in the mind of the members of the House that if Section 3(d) as enacted under Ordinance 7/2004 were brought into existence, then, a common man would be denied access to life saving drugs and that there was every possibility of "evergreening".
- Based on the Parliamentary debates, the court found that section 3(d) brought by the Amending Act was as a result of debates on the Ordinance and that it was not possible to sustain the Petitioner's arguments that the amending section ex-facie stands in violation of Article 14 of the Constitution of India.
- The court, therefore, found that in sum and substance what the amended section with the Explanation prescribed was the test to decide whether a discovery is an invention

or not and for that the Patent applicant should demonstrate that the discovery has resulted in the enhancement of the known efficacy of that substance.

- If the discovery is nothing other than the derivative of a known substance, then, it must be demonstrated that the properties in the derivatives differ significantly with regard to efficacy.
- Court observed that due to the advanced technology in all fields of science, it was possible to demonstrate using necessary comparative details that the discovery of a new form of known substance had resulted in the enhancement of the known efficacy of the original substance and the derivative so derived would not be the same substance, since the properties of the derivatives differ significantly with regard to efficacy.
- The writ petitioner is not a novice to the pharmacology field and, being a pharmaceutical giant, it could not plead ignorance or lack of clarity on what is meant by 'enhancement of a known efficacy' or on the issue that the derivatives differ significantly in properties with regard to efficacy.
- The object which the Amending Act wanted to achieve namely, to prevent evergreening was to be kept in mind to provide easy access to the citizens of this country to life saving drugs and to discharge their Constitutional obligation of providing good health care to its citizens.

- For all the reasons stated above, court found on issue (c) that the amended section was not in violation of Article 14 of the Constitution of India.

Accordingly, both the writ petitions were dismissed with no order as to costs.

## LEGISLATIVE UPDATE

### Protection of Plant Varieties and Farmers' Rights Act, 2001

Agriculture has always been the backbone of India. In order to strengthen the research in agriculture, the Government of India had started many research organizations and academic institutions in the past. However,

protection for improved plant varieties brought about by the agricultural researchers and farmers was not adequately provided for under the Indian patent laws. In view of this, the Government of India has enacted a *sui generis* legislation for providing protection to plant varieties which is in compliance with the Article 27.3 (b) of the TRIPS agreement. In our April 2003 issue of India IP Update, we had carried a full update on the salient features of the 'Protection of Plant Varieties and Farmers' Rights Act, 2001' (PVPFRA). The Act is first of its kind in the world in that it provides for farmers' rights on varieties developed by a farmer

It is now understood that the authority created under the Act, namely, "**Protection of Plant Varieties and Farmers' Rights Authority**" has become functional and has started accepting applications for registration of crop varieties from May 21, 2007. As reported in the April 2003 issue of India IP Update, the registration of the plant variety would require meeting the conditions of novelty, distinctiveness, uniformity and stability, abbreviated as DUS.

The authority has also established the guidelines for DUS testing. The varieties which can be protected by the Authority are New Variety, Extant Variety, Farmers' Variety and Essentially Derived Variety. Also, the classes of candidate varieties which can be protected by the Authority are Typical variety, Hybrid variety, Transgenic; and Other varieties. In addition, the Authority has prepared the guidelines for DUS testing for the following crops known by common name as rice, bread wheat, maize, sorghum, pearl millet, chickpea, pigeon pea, green gram, black gram, lentil, field pea and kidney bean.

The implementation of PVPFRA will motivate the research and development in the area of agriculture, thus facilitating the growth of the agriculture sector so as to ensure the availability of high quality seeds and planting material to the farmers.

#### **Trade Mark (Amendment) Bill 2007**

An amendment to the Trade Mark Act, 1999 has been proposed to implement into domestic law India's obligations once it has acceded to the Madrid Protocol.

The proposed amendments include the following:

- A new Chapter IVA containing special provisions relating to the protection of international registration of trademarks under the Madrid Protocol;
- The Registrar is empowered to deal with international applications originating from India as well as those received from the International Bureau of the World Intellectual Property Organization (WIPO) and maintain record of international registrations;
- The Trade Marks Registry will be responsible for certification of international applications received by it to the effect that the particulars mentioned correspond to the application pending or registered with it and transmit them immediately to WIPO for registration and further forwarding to designated countries where protection is sought;
- The Registrar will have to comply with strict time limits (18 months) to dispose of applications for registration of trademarks generally and in the matter of protection of international trademarks under the Madrid Protocol;
- Definitions of new terms pertaining to the registration process under the Madrid Protocol are being given;
- The time period for filing a notice of opposition of a published application is proposed to be reduced from four months to three months for speedy disposal of proceedings;

Besides the above Madrid Protocol compliant amendments, the Bill also proposes to delete Chapter X relating to 'textile marks' as it has become redundant. The Bill has since been referred to the Standing Committee on Parliamentary Affairs for its comments. A complete copy of the Bill is available for view at the 'UPDATE' section of our website, [www.knspartners.com](http://www.knspartners.com).

#### **Intellectual Property Rights (Imported Goods) Enforcement Rules 2007 notified on May 8, 2007**

In compliance of India's obligations regarding stronger border enforcement measures under TRIPS, the Government of India has issued the much awaited Notification empowering the Commissioner of Customs to take effective, strong and deterrent border enforcement measures.

The salient features of the Notification are as follows:

- A right holder may give notice in writing to the Commissioner of Customs or any authorized Customs officer at the port of import of goods infringing intellectual property rights requesting for suspension of clearance of goods suspected to be infringing intellectual property rights.
- Within 30 working days from the date of receipt of such notice, the Commissioner shall notify the applicant whether notice has been registered or rejected.
- The minimum validity period of such a notice shall be one year unless the right holder requests for a shorter period;
- A notice shall be registered provided
  - The right holder executes a bond with the Commissioner undertaking to protect the importer, consignee and the owner of the goods and the competent authorities against all liabilities and to bear the costs towards destruction, demurrage and detention charges incurred till the time of destruction or disposal as the case may be;
  - The right holder executes an indemnity bond with the Commissioner indemnifying the Customs authorities against all liabilities and expenses on account of suspension of the release of allegedly infringing goods
- Once the registration is granted, the import of the allegedly infringing goods into India shall be deemed as prohibited;

- The authorized officer shall immediately upon suspension of clearance of the allegedly infringing goods inform the importer and the right holder and the reasons for such suspension.
- If the right holder does not join the proceedings within a period of ten working days from the date of suspension of clearance leading to a decision on the merits of the case, the goods will be released provided all other conditions of import are complied with.
- In the case of perishable goods, the period of suspension shall be three working days which may be extended for another four days provided the commissioner is satisfied that such extension shall not affect the goods.
- At the request of the right holder, the authorized officer shall provide the details of the importer without prejudice to the protection of confidential information and vice versa at the request of the importer.
- If an authorized officer of Customs finds that the suspended goods have infringed intellectual property rights and that no legal proceedings are pending on the determination of the issue of infringement, such officer may destroy the goods under official supervision or dispose them outside normal channels of commerce after obtaining 'no objection' or concurrence of the right holder;
- Goods of non-commercial nature contained in the personal baggage or sent in small consignments intended for personal use of importer are not subject to these rules

## CASE LAW UPDATE

### Canon loses trademark case in India

The Delhi High Court recently held that Japanese conglomerate, Canon Kabushiki Kaisha cannot prevent the use of the mark 'Canon Hold' by an Indian defendant. The defendant, engaged in the business of selling fasteners, bolts, screws etc, had already registered the mark 'CANONHOLD' in classes 6 and 20. It was contended by



the plaintiff that the element "HOLD" in the mark 'CANON HOLD' appeared inconsequently and insignificantly at the top of the mark and that it is descriptive of the defendant's products and had no significance to the mark adopted by the defendant. Accordingly, the plaintiff alleged that the defendant was riding upon the reputation and goodwill of its famous and well-known mark CANON and that there was clearly dishonest and malafide adoption of the same.

In defence, the defendant argued that it had been using the mark "CANONHOLD" openly and continuously since the year 1985, without any objection whatsoever from the plaintiff. The defendant also relied upon a trade mark search report containing various third party users of the mark CANON and also filed internet search report demonstrating world-wide usage of the mark CANON by unrelated third parties.

Having considered the arguments and the evidence filed by both the parties, the Delhi High Court found that the mark CANON is not distinctive of the plaintiff's goods alone, although the court found that it may be distinctive with respect to the goods dealt with by the plaintiff. The court also observed that although plaintiff had a registration for the mark CANON in respect of class 6 goods, there was no use of the same till date and felt that in view of the same, the defendant's submission that the plaintiff was a trademark hoarder needed consideration. The court further held that the plaintiff could not, after more than a decade, turn around and seek to prevent the registered user of a mark as there has been considerable delay and laches on the part of the plaintiff.

### Delhi High Court exercises personal jurisdiction over US defendant

The High Court of Delhi has always been a forerunner in pronouncing path breaking judgments concerning issues in the internet and digital era. The latest one is an order



by Justice Sanjay Kishan Kaul of the High Court of Delhi in India T.V. Independent News Services Pvt. Ltd., vs. India Broadcast Live LLC and Anr.

The plaintiff in this case was a national language (Hindi) news channel which claimed to have adopted the mark "INDIA TV" since December, 2002 and to have been continuously using the mark since then. The Plaintiff further claimed that the said mark is a well known mark having enormous reputation and also claimed to be the owner of the domain name [indiatvnews.com](http://indiatvnews.com). The defendant was allegedly running the website [www.indiatvlive.com](http://www.indiatvlive.com) registered through the domain name registrar GODADDY.com which was also impleaded as a defendant in the said suit.

Claiming the said domain name to be infringement, passing-off and dilution of the plaintiff's mark, the plaintiff filed the instant suit against the defendant restraining it from using the mark INDIA TV either as a domain name or in any manner whatsoever on its website, links, electronic materials etc., and from offering services through the said website.

The various defences raised were as follows:

- That the Delhi High Court had no personal jurisdiction to entertain the suit as the defendant is not situated in India.
- The plaintiff's mark lacked distinctiveness and is generic in nature.

On the issue of generic-ness and distinctiveness of the plaintiff's trade mark, the court held that even generic or descriptive marks may be granted protection when the same has assumed a secondary meaning that identifies the mark with the particular goods or services.

On the issue of personal jurisdiction over the defendants, the court considered American jurisprudence on the issue and found that there are three tests, employed by a court to assess whether in a given situation, the court would have jurisdiction over a non resident defendant, as follows:-

- The defendant must purposefully avail himself of acting in the forum state or causing a consequence in the forum state.
- The cause of action must arise from the defendant's activities there.
- The acts of the defendant or consequences caused by the defendant must have a substantial enough connection with the forum to make exercise of jurisdiction over the defendant reasonable.

The court observed that as regards the exercise of personal jurisdiction in cases involving internet activities, mere possession of a website does not give jurisdiction to the court within whose jurisdiction the complainant company is present. Hence, personal jurisdiction could not be exercised over non-residents merely because their website is accessible within the jurisdiction of the court. There should be something more to indicate purposeful direction of activities to the forum state in a substantial way. The court found that as far as the Indian position was concerned, there is no long-arm statute which deals with jurisdiction as regards the non resident defendant. Hence, it would be necessary to see whether the defendant's activities have a sufficient connection with India and whether the cause of action arose out of the defendant's activities within India and whether the exercise of jurisdiction would be reasonable. Having observed so, the court held that the mere fact that a website is accessible in a particular place may not itself be sufficient for the court of that place to exercise personal jurisdiction over the owner of the website. However, where the website is not merely passive but is interactive, permitting the browsers to not only access the contents thereof but also to

subscribe to the services provided by the owner, the position would be different.

The court further found that the defendant's website [indiatvlive.com](http://indiatvlive.com) was not wholly of a passive character. It had a specific section for subscription to its services. The court also referred to an Article about the defendant that pointed out that the website provided the defendant an "*extremely lucrative opportunity to reach both inside and outside of India. Overseas Indians represent the most affluent ethnic consumers of any expatriate group. Within India, we will target a whopping 500 million consumer class with a steadily rising broadband connectivity*". The court felt that this indicated the defendant's intention to target expatriate Indians as well as Indians within the country.

Accordingly, it was held that the plaintiff's channel being primarily an Indian news channel intended for Indian audiences, any damage alleged to have caused or alleged to be likely to arise to the goodwill, reputation etc., of the plaintiff would be in India. Further, the alleged damage that may have arisen or may be likely to arise to the plaintiff would be as a consequence of the fact that the impugned website is accessible in India and services provided can be availed of in India.

As a result of the aforesaid, the court found that the defendant was carrying on activities within the jurisdiction of Delhi High Court and thus amenable to its personal jurisdiction.

#### **CNN IBN Channel enjoined from airing program on ground of breach of confidentiality**

The Bombay High Court recently enjoined the popular English news

channel CNN IBN from airing a television program titled "Summer Show Down" as it was found to be in violation of the plaintiff's original literary work being a concept note of her proposed television program "Work in progress". Further the court also found that there was breach of confidential information imparted by the plaintiff to the channel.

The plaintiff, a reputed script writer, claimed to have approached the defendant channel sometime in the year 2006 for developing her already copyrighted concept note titled "Work in progress" as a television program. The plaintiff alleged that the defendant entertained her proposal for the said television program which would follow citizens from different parts of the country as they took the initiative and set down to solve civic problems of their choice in their localities. However, despite further follow-up and reminders including a discussion with the Editor-in-Chief of the channel on one occasion, the plaintiff never heard from the defendant. Then in May 2007, the plaintiff to her utter shock came across a program on the defendant's channel titled "Summer Show Down". The said program was substantially based on the same concept of the plaintiff.

Hence, the plaintiff filed the instant suit for breach of copyright and confidential information. Having heard both the sides and reviewed the documentary evidence and comparative analysis of the similarities of both the programs, the court found that the defendant did infringe the plaintiff's copyrighted literary work titled "Work in Progress". Further, it also found that the plaintiff had made out a more than seriously arguable case in relation to the ground of breach of confidentiality. Accordingly, the defendant was enjoined from further broadcasting the said program.

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