



Intellectual Property Attorneys

I N D I A

IP UPDATE

Vol. IV, Issue 3
July - September, 2006

Quarterly Newsletter from K&S Partners
For private circulation only

Indian Trade Mark Office taken to task by IP practitioners

Upset by the delays, backlogs and other problems plaguing the Indian Trademark Office, a group of IP practitioners filed a writ petition before the Delhi High Court, following which a set of terms of settlement was entered into between the Registrar of Trademarks and the writ petitioners. A copy of the said settlement terms is posted on our website www.knspartners.com

DARJEELING now registered as a Community Collective Mark

DARJEELING, the well-known geographical indication for a fine black tea from India, is now registered as a Community Collective Mark before the OHIM. Tea Board, India hopes that this will prove to be yet another step towards the protection of the famous geographical indication.

Wonder why salt sticks to the walls of containers?



Scientists of Council of Scientific and Industrial Research (CSIR) have found that common salt, when stored, develops solid inter-crystalline bridges that cement crystals of salt together, causing the salt to cake. It is also found that the cubic nature of each salt crystal contributes to this problem and lumps of common salt stick to the container.

CSIR scientists have come up with a unique solution: changing the shape of salt crystal from cubic to a 12-sided near spherical crystal. This allows the salt crystals to roll instead of forming lumps. The crystal includes glycine in desired amount to achieve the spherical shape and superior flowability. The invention has featured in *The New York Times*, June 13, 2006. Patent applications were filed for this invention by K&S at the USPTO and through PCT; the USPTO has already approved the claims though the PCT application is pending.

CASE LAW UPDATE

Scotch v. Scot: Delhi High Court upholds rights in the unregistered geographical indication "Scotch Whisky"

In perhaps a first case of passing-off under the newly enacted Geographical Indications of Goods (Registration and Protection) Act, 1999, the Delhi High Court upheld the claims of the Scotch Whisky Association in the unregistered geographical indication 'Scotch' for a fine whisky originating from Scotland.

The defendant, Golden Bottling Limited, a local liquor company, was using the mark 'Red Scot' to describe its Indian whisky. The plaintiff sued the defendant on the ground that its use of the mark 'Red Scot' was bound to pass off its whisky as Scotch whisky. This order is a loud message to all those Indian wine and spirit producers who would like to pepper their labels or brands with names like Scotch and Champagne.

While passing the order, the High Court observed that Scotch whisky can be produced only according to the conditions under the Scotch Whisky Order, 1990. The Court further observed that all whiskies that are produced in Scotland need not necessarily fall within the definition of Scotch whisky.

Taking note of precedents wherein Indian courts have upheld the rights in the name Scotch as against expressions such as Scot, the Court directed the defendant to pay damages to the plaintiff to the extent of Rs. 500,000 (approximately US\$ 10,000). Further, it was also ordered to pay Rs. 310,000 (approximately US\$ 6,000) as litigation costs incurred by the plaintiff.

No exclusive trademark right in pharma generics - Delhi High Court

This is another case where the Delhi High Court has once again upheld that nobody can claim exclusive right to use any word, abbreviation, or acronym, which is *publici juris*. In simple words, where two or more persons are registered proprietors of trademarks, which are derived from a chemical name which is generic in the pharmaceutical industry, the exclusive right to use of any of the trademarks shall not be deemed to have been acquired by any one of those persons as against any other of those persons merely by registration of the trademarks.

In the present case, Astrazeneca UK Ltd (hereinafter referred to as the 'plaintiffs') filed a suit for permanent injunction seeking restraint

of infringement and passing-off against Orchid Chemicals & Pharmaceutical Ltd's (hereinafter referred to as the 'defendants') use of its registered trademark '*Meromer*' alleged to be deceptively similar to the plaintiffs' trademark '*Meronem*'. Both the drugs have been derived from the chemical name '*Meropenem*' and hence have been named accordingly.

The main defense raised by the defendants was that the prefix '*Mero*' was common to the trade and derived from the chemical name of the molecule '*Meropenem*'. The plaintiffs also admitted that there were four other manufacturers in the market sharing the prefix '*Mero*'.

After hearing the parties, the Court found that:

- Though the word '*Mero*' is common to both the marks, the same is generic in the pharmaceutical industry and forms a part of the chemical formula from which the said drugs are derived.
- This generic word is not only used by the parties to the suit but by a number of other drug manufacturers as well.
- The non-descriptive suffixes '*Nem*' and '*Mer*' in the respective trademarks of the plaintiffs and the defendants cannot be slurred over in pronunciation as the difference in the letters '*N*' and '*R*' clearly reflects the dissimilarities in both the marks, thereby ruling out any reasonable possibility of confusion.
- The plaintiffs' argument that any deceptive similarity between two pharmaceutical marks can lead to disastrous consequences could not be upheld on the basis that the ratio was applicable to pharmaceutical products with different applications and not to pharmaceutical products with similar applications.
- The balance of convenience favoured the defendants on account of their considerable investment in setting up

the unit and launch for the product in November 2004.

Based on the above findings, the High Court held that the plaintiffs could not claim any exclusive rights in the mark '*Meronem*' and thus were not entitled to any claim of infringement and passing off. The plaintiffs' prayer for interim injunction was accordingly declined.

Who owns copyright in the material created while in the employment of a law firm?

The scope of Sections 17(c) and 16 of the Indian Copyright Act, 1957 came up for interpretation in an interesting case before the Delhi High Court.

Under Section 17(c), copyright in a work created in the course of employment belongs to the employer in the absence of any agreement to the contrary. However, copyright in any work created during a 'contract for service' belongs to the author of the work.

One of the issues that came up for decision before the High Court in Diljeet Titus, Advocate & Others v. Alfred A. Adebare & Others. [2006 (32) PTC 609 (Del)] was who owns the copyright in the material created during employment in a law firm. The case arose when four attorneys working in a law firm decided to leave the firm. It was alleged by the plaintiff law firm that, prior to leaving the firm, one of the defendants, Alfred Adebare, downloaded confidential information from the plaintiff's computer system by using a CD Writer. In addition, it was alleged that he also took with him hard copies of confidential documents being original literary work as well as CDs of all foreign judgments and precedents, and over 3,000 visiting cards belonging to the plaintiff. This action of Alfred Adebare resulted in criminal complaints and a civil suit praying for an injunction restraining the defendants from using the confidential information belonging to the plaintiffs.

While the defendants admitted the allegations of the plaintiffs that the documents and information were in their possession, they claimed that 'they had created it' and, therefore, the copyright in the same vested with them. Through a counter suit, the four advocates sought a decree of declaration that they were the owners of the copyrights in what they had created.

To determine the copyright ownership, it was relevant to determine whether the relationship between the plaintiffs and the defendants was that of a 'contract for service' or a 'contract of service'. Diljeet Titus, founding partner of the plaintiff firm, claimed that the defendants were working with him and were being paid remuneration in the form of a fee and that he was in control of the professional business of the organization. Further, he claimed that:

- (i) all the defendants were his full-time employees;
- (ii) billing to clients was done in his name;
- (iii) the defendants were paid performance-linked remuneration;
- (iv) they had to maintain daily time sheets and adhere to the discipline of the law firm;
- (v) they had no separate clientele nor did they independently represent any client of the plaintiffs; and
- (vi) the assignment of work was done by the plaintiff at his sole discretion and productivity was determined by the actual number of billable hours they worked on a particular matter for a client of the plaintiffs.

Mr. Titus further claimed that under his guidance, direction, supervision and control, the defendants and other associates using the plaintiffs' knowledge, skill, experience, resources and investment, developed and created various extremely confidential,

crucial and vital electronic records, documents, data and information utilizing the computer system at the plaintiffs' office.

According to the defendants, the relationship between the two was one of partnership and not of master-servant.

To resolve the issue, the Court applied the fourfold test of control, ownership of tools, chance of profit and risk of loss. In this case, the Court observed that the plaintiffs owned the infrastructure and the tools and the defendants did not claim any share in the same while parting. Although the defendants were getting varying remuneration, they did not have a share in the net profits. In view of this, the Court found that the methodology of running the organization showed that the control was with Mr. Titus.

Having found so, the Court also held that the work done by the defendants was for the benefit of the plaintiffs' clients and fell within the definition of "contract of service". Further, it found that even if it were not so, it would not make a difference since there was an element of breach of trust or confidence on the part of the defendants. Section 16 of the Indian Copyright Act, while providing that no copyright would exist except as provided under the Act, also stipulates that nothing provided in that section would be construed as abrogating any right to restrain a breach of trust or confidence. The Court found here that since the defendants had not worked for the clients but for the plaintiffs when they took away duplicate information, there was unauthorized use of information and breach of such confidence.

Disposing of the application for ad interim injunction in favour of the plaintiffs, Justice Kaul of the Delhi High Court held that the defendants were free to carry on their profession and utilize the skills and information they had mentally retained and that they were being restrained only from using the copied material of the plaintiffs in which the plaintiffs alone had a right.

LEGISLATIVE UPDATE

The Patents Rules, 2003 (as amended in 2006)

The Government of India has notified the much-awaited Patents (Amendment) Rules, 2006. The rules are effective May 05, 2006.

Salient Features

- **Fees:** Although a reduction in the official fee structure for various activities was expected, the structure has remained the same. The provision enabling payment of fee after one month has also been done away with.
- **Time-frame for complying with formalities:** The time-frame for submission of executed Form 1 by inventors, details of counterpart applications, etc. has been extended from the current three months from the date of Indian filing to six months.
- **Request for examination:** Currently, a request for examination must be filed within 36 months from the date of filing of an application in India or earliest priority claimed or international application whichever is earlier. The said period has been extended to 48 months.

Further, the request for examination has been delinked from publication. Hence, examination may precede publication. It is now possible to file a request for examination simultaneous with filing of a patent application.

- **Time-frame for activities:** Under the current law after a request for examination has been filed, the application can be examined any time. Now the Rules stipulate a time-frame for each activity. For instance, the Controller shall refer the application to the Examiner within one month from the date of publication (of the application) or one month from the date of request

for examination. The Controller shall dispose off the Examiner's report within one month from the date of receipt of such report. The applicant may ordinarily receive an examination report within six months from the date of filing of a request for examination. Finally, the Rules also state that the patent certificate shall be issued within six days from the date of grant of patent. *(Given that the Patent Office is already overburdened with a huge backlog, the benefits of this system may take a few years to manifest.)*

- **Period for complying with objections of examination report:** Currently, the applicant must file a reply to the examination report, meet the Examiner and place the application in order within six months from the date of the report, which is extendable for three months. The said period has been extended to 12 months without any possibility of extensions. Therefore, the only period available for filing a reply to the examination report and holding discussions/interviews with the examiner is 12 months from the date of the First Examination Report. All applications wherein the final date or the normal date has not expired would benefit by this provision.
- **Pre-grant oppositions:** The Rules clarify that no patent shall be granted before expiry of six months from the date of publication of the application under Section 11A. Thus, even if an applicant has filed a request for examination and the application has been accepted on a fast-track basis, it would not be granted until expiry of six months from the date of its publication in the Official Journal, thus allowing the public an opportunity to submit pre-grant oppositions, if any. Further, the patentee will be given three months instead of current one month for filing a reply to the pre-grant opposition.

- **Foreign filing licence (Section 39 permission):** The Rules clarify that the Controller shall grant foreign filing licence ordinarily within 21 days from the date of filing of such request. In other words, the Patent Office can take only 21 days to grant the licence, as opposed to the three months currently available. In practice, the licence is available within three weeks.

The new Rules mark the beginning of a new era. The Patent Office firmly believes that the new rules would expedite grant of patents; the practitioners hope the promise would be fulfilled.

Proposed Amendments to the Copyright Act, 1957

In order to ensure that a balance is struck between owners of copyright and freedom of information, the Government of India is proposing certain amendments to the Copyright Act, 1957. The amendments are available on the website www.copyright.gov.in.

- The most significant changes relate to the fair dealing exceptions from a claim of infringement. The proposed exceptions to infringement are as follows:
 - Non-commercial rental /lease or lending of cinematograph films and sound recordings by a non-profit library or educational institution.
 - Making of three-dimensional objects from two-dimensional artistic works such as a technical drawing.
 - Reproduction, issue of copies or communication to the public of any work specially designed for use of persons suffering from a disability that prevents their enjoyment of such works in their normal format.
 - In the case of 'version recordings' or 'sound alike recordings':
 - the two-year waiting period for making a version recording

following the year in which the first sound recording of the work was made has been extended to five years;

- requirement of payment of royalty for a minimum of 50,000 copies of each work during each calendar year;
 - upon complaint to the Copyright Board an ex-parte order may be granted to restrain the person making the sound recording from making further copies.
- Some other proposed amendments are as follows:
 - The term of copyright in a photograph extended to the lifetime of the author plus sixty years.
 - Copyright Board vested with the discretion to grant compulsory licence to all qualified/eligible persons.
 - To enable a producer to enjoy the performer's rights in a cinematograph film, written consent of the performer required for incorporating such performance.
 - Border enforcement measures streamlined to act as a check and deterrent on importation of infringing copies. However, the expression 'import' does not include goods in transit through the territory of India as an instance of 'import'.
 - Protection of rights management information and technological measures introduced to be in consonance with international treaties such as WIPO Performances and Phonograms Treaty (WPPT) and WIPO Copyright Treaty (WCT).

It is expected that with the proposed amendments, the Copyright Act will be better equipped to handle all material issues relating to fair dealing and adequately manage rights in information technologies. For a detailed analysis of the proposed amendments, please visit our website www.knspartners.com.

INSIGHT

The Nadifloxacin Story

Nadifloxacin is an anti-microbial drug used for treatment of mupirocin resistant-bacterial infections. It is manufactured by many Indian companies including Wockhardt.

On May 8, 2000, Wockhardt applied for a process patent for preparation of a composition comprising a benzoquinolizine compound (0.1 to 10% by weight of R, S, nadifloxacin or S-nadifloxacin, its sodium/potassium salts) and a pharmaceutically acceptable carrier. Wockhardt was granted such process patent as IP 188847 on June 6, 2003, which took effect from the date of application, i.e., May 8, 2000.

Wockhardt had simultaneously filed a mailbox application for a product patent. However, since the then prevailing law did not permit grant of product patents in respect of drugs, agro-chemicals and food, Wockhardt applied for exclusive marketing rights (EMR). This was eventually granted as No. EMR/1/03 thereby making Wockhardt the first domestic pharmaceutical company to receive an EMR grant for five years. The topical anti-microbial cream composition was marketed as 'NADOXIN'. This EMR has spawned much litigation in the recent past, quite like the EMR approval granted to Novartis AG's anti-cancer drug, Glivec. [The Glivec case, Novartis AG & Anr v. Mehar Pharma & Anr., was reported in India IP Update, Vol. III, Issue 1, (January-March 2005).

Armed with the EMR, Wockhardt filed a suit against certain generic manufacturers, including Hetero Drugs, in the Chennai High Court and also obtained an order of ex-parte injunction vide order dated May 31, 2005. Independent of the Court's order, the Drug Controller granted manufacturing licences to a few companies, including Hetero Drugs, forcing Wockhardt to challenge the Drug Controller's order before the Delhi High Court. The High Court

directed the Drug Controller to give an opportunity of hearing to Wockhardt before granting any further licences for Nadifloxacin cream. As a counterblast, Hetero filed a writ petition before the Mumbai High Court seeking cancellation of Wockhardt's EMR. The said writ petition is still pending.

Meanwhile, Wockhardt's application for ad-interim injunction at the Chennai High Court came up for hearing before the Single Judge who vacated the ex-parte injunction inter alia on the basis that the defendants had already obtained licences from the Drug Controller. However, the said order was appealed by Wockhardt to the appellate bench of the High Court, which overturned the Single Judge's order. A further appeal by the generic manufacturers to the Supreme Court of India also failed. As a result, the defendants Hetero and others, are now under an order of restraint.

After the introduction of the product patent regime in January 2005, Wockhardt's Nadifloxacin mailbox application came up for examination before the Patent Controller. Third-party pre-grant oppositions were filed by a few companies including Cipla alleging inter alia that:

- Nadifloxacin is a compound known in the art;
- The cream composition comprising 0.1% to 10% nadifloxacin as active ingredient is a new use of a known substance, not patentable under Section 3(d) of the Indian Patents Act;

The Indian Patent Office heard the parties and observed that:

- The composition comprising nadifloxacin is not novel or inventive in view of the cited prior art which discloses oral, topical as well as parenteral compositions containing racemic Nadifloxacin;
- Chem. Pharm Bull 44 (1996) pp. 421-3 teaches that S-nadifloxacin is twice as active as RS-nadifloxacin against gram positive and negative bacteria.

Upholding the grounds of opposition and rejecting the application vide the Order dated May 18, 2006 the Patent Controller held that the compound and its use is disclosed by the prior art, hence, the topical cream composition as claimed is not novel or inventive. Further, the Patent Controller observed that Section 3(d) prohibits the patenting of discovery of any new property or new use for a known substance. Hence, in view of this provision too, the formulation claimed is not patentable. The effect of the Order is that, the patent as well as the EMR have come to an end (EMR being valid for 5 years from date of its grant or grant/rejection of corresponding patent, whichever is earlier). Also Wockhard's Limited monopoly in the Nadifloxacin cream composition has come to an end, making its suit for infringement (based on the EMR) infructuous

The decision of the Patent Controller, however, is appealable to the Chennai High Court.

The Nadifloxacin story drives home a few lessons: composition is novel only if the active ingredient is novel. In Japan, a composition comprising an old known active ingredient together with carriers is patentable as long as the indication of the active ingredient is new, somewhat like what Wockhardt tried with nadifloxacin cream composition. This decision of the Indian Patent Office makes it clear that such claims drawn to compositions containing an old known substance with a new indication would be treated as a new use and hence not patentable. The Patents Act had already excluded Swiss type claims/methods of treatment from patentability. With this precedent, even composition claims for a new indication may be at bay.

K&S IN THE NEWS

Updates on K&S Website

Our website www.knspartners.com will now carry a feature called 'UPDATES' covering the latest developments in IP in India.

Delhi Office

● **K&S** has three new partners. With effect from August 5, 2005, Rajeshwari Hariharan, in the Patents Department, has been elevated as a partner. Vivek Dhokalia and Latha R Nair, Senior Associates in the Trademark Department, have been elevated as partners with effect from April 1, 2006.

● **Calab Gabriel and Sajai Singh** of J. Sagar Associate (a sister firm of K & S Partners) attended the BIO 2006 Conference at Chicago, April 9-12, 2006.

● **Jyoti Sagar, Rajendra Kumar and Calab Gabriel** made presentations on 'IP Concepts', 'Strategic Use of Trademarks in Business' and 'Practical Application of Patent Laws in India' respectively at a conference organized by Indus Entrepreneurs (TIE) on April 22, 2006. TIE is a global not-for-profit network of entrepreneurs and professionals dedicated to the advancement of entrepreneurship.

● **Rajendra Kumar and Latha R. Nair** attended the iTechlaw Conference held in San Francisco, May 4-5, 2006.

● **Jyoti Sagar, Rajendra Kumar, Vivek Dhokalia, Latha R. Nair and Punita Bhargava** attended the International Trade Mark Association Annual Conference held in Toronto, Canada, May 6-10, 2006.

● **Rajendra Kumar and Rajeshwari Hariharan** made presentations on 'Geographical Indication and Trade Marks' and 'Prosecution and Enforcement of Patents' respectively at the Indian Institute of Foreign Trade, New Delhi, May 27, 2006.

● **Calab Gabriel** made a presentation on 'Enforcement of Patents in India' at the

Global Product Exclusivity Litigator Summit organized by Eli Lilly and Company, Indianapolis, USA, May 30 to June 2, 2006.

● **Calab Gabriel** made a presentation on 'IP Ownership - Risks with R&D' at the Summer IPL Conference, Boston, USA organized by American Bar Association, June 21-24, 2006.

● **Vivek Dhokalia** has been appointed as a member of the Life Sciences Committee of the Licensing Executive Society International (LESI), Zurich for 2007 LESI Annual Meeting;

Bangalore Office

● **Ravi Bhola and Cherry Thong** made presentations on 'Patents in Pharmaceuticals: An Overview' and 'Trademarks and Copyright Issues in Pharmaceuticals Industry' respectively at a conference organized by J.S.S. College of Pharmacy in Mysore, May 5, 2006.

● **Ravi Bhola** attended the TIE Conference in Bangalore organized by the founder and chairman of the 'International Data Group (IDG)' Mr. Patrick J. McGovern, May 22, 2006.

● **Ravi Bhola and Naveen C.** attended the India Semiconductor Association (ISA) Conference in Bangalore organized by Dr. Janakiraman, head (R&D), 'MindTree', an IP-sensitive semiconductor Company based at Bangalore, May 22, 2006.

● **Ravi Bhola** made a presentation on 'Patents in Biotechnology: An Overview' at a conference organized by the Centre for DNA Fingerprinting and Diagnostics (CDFD) in Hyderabad on June 1, 2006.

● **Cherry Thong, Suresh Gupta and Ravi Bhola** attended the annual event 'Bio Bangalore 2006' held in Bangalore, June 7-9, 2006.

● **Cherry Thong and Ravi Bhola** attended the 'India Innovation Summit, 2006' held in Bangalore, June 16-17, 2006.

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This newsletter is intended to provide only information and updates of intellectual property law in India. No part of this newsletter shall be construed as legal advice. Any queries that readers may have on any of the information published herein should be directed to postmaster@knspartners.com or to K&S Partners, 84-C, C-6 Street, Sainik Farms, New Delhi - 110 062, INDIA.