K & S partners
Intellectual Property Attorneys

INDIA

IP UPDATE

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Handicrafts: Protection under Indian GI law

Two renowned handicraft products from India are in the process of obtaining protection as geographical indications under the new geographical indications law. The first one is a metal mirror, popularly known as 'Aranmula Kannadi', from Aranmula in the State of Kerala, well-known for its distortion-free images and high quality. The second product is 'Mysore Silk' from Mysore in the State of Karnataka.

Both these names have been advertised in the latest Journal of Geographical Indications for opposition.

Indian Government opens .IN registrations

.IN domain registrations are available effective January 1, 2005. There is a 'sunrise period' till January 21, 2005 during which applications will be accepted from Indian trademark /service mark owners. Thereafter sunrise registrations would be granted to these applicants. The general public can register .IN domains after February 16, 2005. Visit www.inregistry.in for more details.

K&S NEWS

Criminal Raids Against Counterfeiting

In India, falsification of trademarks now attracts stricter criminal liability under the new Trade Marks Act, 1999, as opposed to the old law. The criminal remedy to deal with such falsification is available irrespective of registration of the mark and enables a complainant to seek search and seizure of spurious goods bearing the falsified mark. This remedy can be invoked through either of the following means:

- by filing a complaint of facts before a Magistrate; or
- by filing a complaint directly with the police. However, before proceeding with the complaint, the law imposes on the police officer concerned a statutory duty to obtain the opinion of the Registrar of Trademarks on facts involved in the offence.

At our request, during October to December 2004, enforcement authorities conducted several successful anti-counterfeiting raids in respect of the well-known marks GILLETTE and SANYO. The raids were conducted by following the procedure for direct complaints before the police, resulting in seizure of substantial counterfeit products ranging from pressure cookers to razors in one instance and flash lights and emergency lanterns in the other.

LEGISLATIVE UPDATE

Patents Amendment Bill

In the April issue of India IP Update, we reported the salient features of the Patents Amendment Bill, 2003 introduced in the lower house of the Indian Parliament on December 22, 2003. As reported, the said Bill lapsed due to the dissolution of Parliament. The newly elected Government, caught in a whirlpool of coalition politics and fierce opposition, was unable to reintroduce the Bill in Parliament but instead opted to issue an Ordinance to meet India's date with the WTO mandated deadline of January 1, 2005.

An Ordinance:

- is an executive order having the same force and effect as an Act of Parliament issued by the President when Parliament is not in session.
- continues to operate till the expiration of six weeks from the date of reassembly of the Parliament or if before the expiration of that period, resolutions disapproving it are passed by both houses upon the passing of the second of those resolutions; and
- may be withdrawn at any time by the President.

Most of the changes incorporated in the Ordinance are carried over from the lapsed Patents Amendment Bill, 2003, including the following:

- The Ordinance specifically defines "Budapest Treaty" and thus allows an applicant to deposit its microorganism in any of the recognized International Depository Authorities (IDAs) for purposes of patent procedure.
- The mere discovery of any new property or new use of a known substance or the mere use of a known process, machine or apparatus was non-patentable under the pre-Ordinance law, unless such known process results in a new product or employs at least one new reactant. The Ordinance further clarifies the non-patentability of such new use of known substances by adding that a mere new use, i.e., an apparent or obvious new use of a known substance will not be an invention.
- TRIPS mandates that patents shall be available for all inventions, whether products or processes, in all fields of technology, provided they are new, involve an inventive step and are capable of industrial application. As a developing country with a pre-TRIPS process patent regime in the field of medicine and food products, India opted for:

- the permissible transitional period of ten years within which to introduce and implement a product patent regime in these fields; and
- implementation with effect from January 1995, an interim regime for grant of Exclusive Marketing Rights (EMRs) pursuant to Art. 70.9 of TRIPS.

In keeping with India's TRIPS obligations, the Ordinance omits the provisions which provided for exclusion from patentability of food, medicines, drugs or substances prepared by a chemical process and a black box mechanism for receipt of product patent applications in the meantime.

- The Ordinance deletes the provisions for EMRs in view of the fact that the product patent applications would become open to examination and grant with effect from January 1, 2005. However, as and by way of transitional provisions, the pending applications for grant of EMRs will be considered as requests for examination of the corresponding patent applications. Further, all the granted EMRs will continue in force till the acceptance/ rejection of the corresponding patent application.
- Under the pre-Ordinance law, any person interested may oppose the grant of a patent within four months from the date of advertisement of the acceptance of a complete specification on any of the prescribed grounds. This was extendible for a further period of one month in the aggregate. The Ordinance has introduced the following changes:
  - When an application for a patent has been published but before grant, any person may in writing represent to the Controller against such grant on grounds of lack of patentability including novelty, inventive step and industrial applicability or non-disclosure, or wrongful disclosure of source and geographical origin of biological material used in the invention and anticipation of invention by the knowledge oral or other wise, available within any local or indigenous community in India or elsewhere.
  - After receiving such representation, the Controller is required to consider and dispose of such representation within a prescribed period.
  - This would be an ex-parte proceeding in which the third party intervener will have no right of participation.

  This provision would reduce the delays in the grant of a patent on account of formal inter-parte opposition proceedings under the pre-Ordinance law.
- The Ordinance reintroduces an old repealed provision whereby no person resident in India could make or cause to be made any application outside India for the grant of a patent for an invention unless:
  - an application for a patent for the same invention has been made in India; or
  - he has obtained the Controller's permission within six weeks prior to the application abroad.
- The Ordinance also gives effect to the Motta text relating to cross border compulsory licensing signed on August 30, 2003 to enable manufacture as well as export of patented pharmaceutical products to any country having insufficient or no manufacturing capacity in the pharmaceutical field to address public health problems provided a compulsory license has been granted by such country. 'Pharmaceutical product' means any patented product or product manufactured through a patented process and includes diagnostic kits.

Besides the above features carried over from the Amendment Bill, 2003, the Ordinance has introduced the following additional provisions:

- Under the pre-Ordinance law, a mathematical or business method or a computer program per se or algorithm were non-patentable subject matter. However, in respect of a computer program, the patent office followed the practice of allowing a patent claim in respect thereof if incorporated in hardware. The said practice is now given formal recognition by permitting 'technical application of computer program to industry' or 'a combination with hardware' as exceptions to non-patentability of computer program per se.
- Patent rights for mailbox applications will be available only from date of grant of patent and not retrospectively from the publication date. This provision is intended to provide protection to the generic manufacturers against any claim of infringement during pendency of the patent application.

K&S NEWS

Presentations, lectures and conferences

Calab Gabriel was a guest speaker at Ernest & Young's National Health Sciences Meet held in September 2004 in New Delhi.

Rajendra Kumar and **Punita Bhargava** attended the 'Stakeholders Conference on Challenges before the Tea Industry organized by the Tea Board, India in co-ordination with the Ministry of Commerce and Industry, Government of India in September 2004. At the Conference Rajendra Kumar made a presentation on 'Geographical Indications – Economics of Protection'.

Jyoti Sagar and **Calab Gabriel** were nominated by the Indian Group of Asian Patent Attorneys Association to attend the Standing Committee Meeting at the 50th Council Meeting held in October, 2004 at Fukuoka, Japan.

Vivek Dhokalia, **Latha R. Nair** and **Punita Bhargava** were guest speakers at a seminar on Intellectual Property Rights organized by the Ministry of Small Scale Industries in October 2004. They made presentations on 'Overview of Trade Mark Law', 'Protection of Geographical Indications' and 'Protection and Enforcement of Domain Names' respectively.

Calab Gabriel, **Vivek Dhokalia** and **Latha R. Nair** were guest lecturers at a diploma programme on Intellectual Property offered by the Federation of Indian Chambers of Commerce and Industry in October 2004.

Ravi Bhola made a presentation on 'Novelty and Non-Obviousness in Patents' at a symposium organized by the Technology Information Forecasting & Assessment Council (TIFAC) at Srinagar in October 2004.

Rajendra Kumar and **Punita Bhargava** attended a conference on 'Intellectual Property Rights and Darjeeling Tea' organized by the Darjeeling Planters Association held in Darjeeling, West Bengal on November 2, 2004. Rajendra Kumar made a presentation on the protection of Darjeeling tea as a geographical indication in India and elsewhere.

Rajendra Kumar and **Latha R. Nair** were speakers at the 'Second International Conference of the Indian Society of International Law' held in New Delhi in November 2004. They made a presentation on 'An overview of IP Laws in India post TRIPS'.

Calab Gabriel was a guest speaker at a National Seminar organized by the College of Pharmacy in November 2004 at New Delhi

Jyoti Sagar attended the National Conference on Legal Issues in Media & Entertainment Industry during November 26-27 in Mumbai and was a co-panelist at the panel discussion on piracy.

Calab Gabriel and **Vivek Dhokalia** were guest speakers at a symposium organized by the Association of Institute of Chartered Accountants, Northern Region in December 2004.

Calab Gabriel made a presentation on 'Mail Box and Exclusive Marketing Rights Applications' at a symposium organized by SBI Capital Markets Ltd in December 2004 at Mumbai.

CASE LAW UPDATE

Sahara India Mass Communication Ltd. v. Ms. Simran Hoon & Anr

Sahara India Mass Communication Ltd (SIMCL) has been operating an entertainment TV channel called 'SAHARA ONE'. **Star India Private Limited (SIPL)**, a leading Indian player in the entertainment business, proposed to launch a channel with effect form November 1, 2004 called 'STAR ONE'. Alleging passing off, SIMCL sued SIPL.

In defense, SIPL contended that:

- Nobody could claim exclusive rights to the word **ONE** which was a common/generic word.
- The length and extent of use of SIMCL's mark was not sufficient to acquire secondary meaning.
- The word **ONE** was followed by the respective logos of the parties and, therefore, SIMCL's claims that 'ONE' constituted its trademark could not be accepted.
- There was no confusion between the two marks since the respective logos sufficiently distinguished both. Further, a perusal of the two competing logos would reveal that while **ONE** featured in both, the graphical depictions left no room for confusion.
- SIPL's STAR brand was an established brand in the market with a much larger reach than Sahara and did not need to ride upon the reputation of any brand to survive.
- Further, the launch of STAR **ONE** channel was conceptualised as early as June 2004 when Sahara's plans for the new name had not been conceptualised.

The matter was argued at length before the **High Court of Delhi** close to the projected launch of STAR ONE. However, before any order could be passed, the parties agreed to settle on the basis that SIPL's logo would be accompanied by the word 'STAR'.

Novartis AG & Anr v. Mehar Pharma & Anr

The exclusive marketing rights (EMRs) granted under the pre-Ordinance patent law in India have spawned a spate of litigation in India including a challenge to the constitutional validity of the implementing Act.

Novarits AG was granted an EMR for an anti-cancer drug on November 10, 2003 pending deferred examination of its patent application post-January 2005. Armed with this right, Novartis sued certain generic manufacturers of anti-cancer drugs in the High Courts of Chennai and Mumbai, alleging infringement of the EMR granted. While the **High Court of Chennai** vide its order dated April 28, 2004 injuncted the answering defendants from manufacturing and marketing the alleged infringing drugs, the **High Court of Mumbai** did not agree with the Chennai High Court on the basis that it had not considered the settled law in the matter of grant of temporary injunction in relation to a patent of recent origin.

Novartis claimed:

- it had obtained patent protection for the drug in question in 31 countries of the world;
- the examination of an EMR application is distinguishable from that of a patent application in that no question of prior art exami nation is mandated for the EMR process;
- the substance in question was neither known nor invented till Novartis invented the same;
- the generic manufacturer before the High Court came into the market only in January 2003, thus giving lie to its claim that the substance had been known since 1993;
- it had spent decades of research and millions of dollars in research in inventing and developing the drug in question;
- that it has been running a free program in 70 nations including India called 'Glivec International Patients Assistance Program' (GIPAP) and thus fulfilling the interest of the public;
- if the reliefs prayed for were not granted, the EMR would remain a paper right and grant of injunction would honor the TRIPS obligations and the Patents Act in consonance with India's international obligations.

The defendant claimed:

- the nature of the monopoly right claimed by Novartis was different in nature, scope and legal effect from other forms of intellectual property such as trademark and copyright. Whereas registration of trademark and copyright in one country has a persuasive value in another, patent and design rights are statutory creatures, territorial in nature and dependant only on specific registration in each country;
- the EMR provisions have been enacted in utter disregard of the constitutional restrictions, giving rise to a draconian creature, uncontrolled by any constitutional restraints. In other words, the procedure for grant of an EMR is not subject to any pre-decisional or post-decisional hearing or any other form of redressal and thus violative of the constitutional guarantees;
- the subject matter of the EMR was already disclosed in a pre-TRIPS Canadian patent of April 1, 1993 and, it became part of the public domain in India for lack of any corresponding patent protection in India;
- that none of the conditions for grant of EMR was satisfied by Novartis;
- that the subject matter of the EMR was an anti-cancer life saving drug and Novartis was not manufacturing the same in India but merely exporting it to India for distribution through its subsidiary. With 30,000 afflicted patients in India and a demand for over 3,000,000 capsules per month, Novartis alone would not be in a position to meet these challenges for lack of effective distribution network and infrastructure;
- the defendant is the largest supplier of the anti-cancer drug in the market and any adverse order of injunction would completely stifle all avenues of supply of this life saving drug and leave the patient at the mercy of erratic and costly supply by Novartis (as against USD 20 per capsule of Novartis, the defendant's per capsule price worked out to USD 2 only).
- the settled law in relation to a patent (which is obviously on a higher level than an EMR) lays down that the court will not grant an interlocutory injunction where a patent is of recent date. It is an admitted position that Novartis' EMR was granted only in November 2003 and thus of recent date.
- any grant of interim injunction against the defendant would not only dismantle the defendant's manufacturing and marketing network but also create scarcity of the life saving drug and thus prove disastrous for patients.

After assessing the respective claims of the parties, the High Court of Mumbai declined to grant the reliefs sought by Novartis, holding that:

- the grant of the EMR in favour of Novartis raises serious questions as to its validity;

- it appears that the 1993 application submitted by Novartis in Canada prima facie shows that Novartis had disclosed the subject matter of the EMR and it has been part of the public domain in India;
- the EMR in question was admittedly of recent origin and, even if Novartis ultimately succeeded, the loss or injury that may be caused to it was capable of being compensated in terms of money;
- the balance of convenience lay in favour of defendant because the drug in question was an anti-cancer drug and Novartis does not manufacture the drug in India;
- the aspect of the difference in prices of the respective drugs could not be ignored at the stage of considering the question of interim relief;
- the order of injunction granted by the High Court of Chennai was not based on a correct appreciation of the settled law in the matter of grant of temporary injunction in relation to a patent of recent origin;

Novartis' notice of motion was dismissed for the aforesaid reasons.

INSIGHT

e-Accountability: The Buck Stops Where?

An eye-opener on the reforms warranted in the Information Technology Act, 2000... Is the Act the real culprit?

The Information Technology Act, 2000 (IT Act) was passed by Parliament with the avowed objective, amongst others, of curbing cyber crimes. While the Act was widely welcomed as a step in the right direction, skeptics had cast grave doubts on certain ill-conceived provisions.

A recent incident in New Delhi proved the worst fears of the skeptics. Two teenaged school children in New Delhi, a boy and a girl, were involved in a sexual act which was filmed by the boy on his camera equipped mobile phone apparently without the consent or knowledge of the girl. The video clipping was apparently in circulation among his schoolmates before it clandestinely found its way into the hands of several recipients outside the school. One such recipient decided to put up an offer to sell the clipping at an e-auction site, namely, **bazee.com** owned by the US corporation, **eBay Inc.** In response to the offer, eight people are reported to have bought the clipping from this recipient. However, when the matter was brought to the notice of bazee.com, it immediately removed the offer from the website. The Chief Executive Officer (CEO) even extended co-operation in tracking down the recipient who put up the offer on its website. Things took a dramatic turn when the police arrested the CEO himself for alleged violation of provisions of the IT Act.

Well, it is said that law is an ass and that the kick of an ass is a nasty affair (especially when shepherded by the uninitiated). The turnout of events for the CEO is probably a fitting illustration of this. Although he has been granted bail, the trauma and social embarrassment that he was subjected to are something that could have been well avoided. The issue arises whether he was on the wrong side of law or whether the IT Act was the real culprit.

The IT Act makes it criminal to cause the publication of obscene information in electronic form. A person may be absolved of such criminal liability only if he can prove that such publication was without his knowledge and that he had exercised all due diligence to prevent the commission of such offence. This is a tricky situation for any dotcom entrepreneur. Any legislation governing e-commerce must take it for granted that e-commerce transactions are fundamentally different from conventional commercial transactions. The contracting parties are not acting in a physical space and hence, the extent and scope of control that may be exercised by the owner of an e-auction site such as bazee.com is incomparable to that of a real auction site.

For instance, assume that there are two auction sites, physical and cyber, and that auction is taking place in both on the same day. While the physical one has limitations of time and space, the cyber one would be opened for auction for all from anywhere in the world and at any time during that day. Naturally, the number of transactions in the cyber site would be several thousand folds more than that in the physical site. Further, while the transactions in the physical site would be within the knowledge and control of its owner, the owner of the cyber site would not be able to monitor the thousands of transactions that take place from all corners of the world. If an illegal transaction took place on the cyber site, it would be difficult to prove that the owner exercised all due diligence to prevent it.

Such practical difficulties arising out of the very nature of e-commerce transactions explain the detailed and extensive user agreements on such cyber auction sites or similar e-commerce sites. When a user registers to use such a site dealing in e-commerce transactions, he is deemed to have agreed to the terms of use for the same. Even bazee.com has its own user agreement binding the contracting parties. One of the terms of use is that the user agrees to sell, list or display any 'mature audience items' that are restricted to adult use only after (i) informing bazee.com of the nature of such items, (ii) providing the documentary evidence of legal ownership of such material and (iii) receiving approval from bazee.com to list such items. It appears that this aspect was not investigated by the enforcement authorities. Nor were the terms and conditions of use on the site construed as acts exercising due diligence by the enforcing authorities.

Placing the onus of proving lack of knowledge on the intermediary is highly impractical if not illogical leading to unpleasant and unfortunate situations like the current one.

If the IT Act is not creatively and logically amended on a war footing, companies may not even wish to invest in the e-commerce sector, rendering India the ultimate loser.

Another aspect that warrants discussion is the fact that although the IT Act makes the acts of publishing, transmitting and causing to be published obscene electronic information criminal offenses, it does not deal with situations like unauthorized capture of a digital photograph/ picture and is silent about filming anyone's personal actions in public and then distributing it electronically. India must take some cues from the recently enacted Video Voyeurism Prevention Act, 2004 of the United States of America which makes it illegal to use an electronic device to click pictures of naked or partially clothed people in places where they have a reasonable expectation of privacy, such as bathrooms or dressing rooms. In the wake of incidents like the present, India needs to think seriously on targeting camera phone voyeurism.

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