

IP UPDATE

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Victory for Basmati in Spain

The Government of India has been involved in the protection of the name 'Basmati' against attempted trademark registrations in various jurisdictions of the world.

'Basmati' is a well-known geographical indication for a unique long grain white rice possessing certain special characteristics including an aroma and mouth feel. It is grown in a region in the Indian sub-continent falling in India and Pakistan.

Recently, India scored a victory in Spain when the **High Court of Justice of Madrid** rejected an appeal filed by an applicant against an order of the Appeals Section of the Spanish Trademark Office. The mark involved in the proceedings was a device mark 'The Basmati Rice' as depicted below:



This is the second time an appeal filed by the applicant was rejected in these proceedings. Earlier, the applicant had appealed to the Appeal Section of the Spanish Trademark Office against a decision of the Spanish Patent and Trademark Office, which rejected its application, based on an opposition filed by the Government of India.

The ORF Report

Observer Research Foundation (ORF) is an Indian premier public policy think tank, established to influence formulation of policies including economic policy, governance issues and foreign and security policies. ORF has decided to work jointly with the Pacific Council on International Policy (PCIP), a leading American think tank based in Los Angeles, USA. The focus of the joint association is to identify new contours and areas of sub national and trans national interaction among the respective Indian and US civilian institutions and peoples.

During March 18-19, 2004, the PCIP-ORF joint task force held its first meeting in Jamnagar in Gujarat, India. The meeting brought together about 30 American and Indian scholars and policy professionals for an intense workshop on all relevant issues including intellectual property rights. The respective task forces were led by former US Ambassador to India, Richard Celeste and former Indian Ambassador to the US, Abid Hussain.

Rajendra Kumar, Partner - K&S, was invited to make a presentation on current and emerging intellectual property issues for policy makers in India and USA. Issues highlighted in the presentation included:

- The on-going debate in TRIPS Council for extension of Art. 23 protection to geographical indications relating to products other than wines and spirits.
- Patentability of computer implemented inventions including business method patents in India.
- Need for implementation of the TRIPS council decision of August 30, 2003 on cross border compulsory licensing.
- The inconclusive Audio Visual Performers Treaty.
- Database protection.
- Traditional knowledge and remedies.

The joint task force is in the process of preparing a report on the workshop in preparation for its next meeting.

LEGISLATIVE UPDATE

The Patents (Amendment) Bill, 2003

To fulfill its remaining obligations under the TRIPS Agreement, on December 22, 2003, the Government of India introduced an Amendment Bill in the lower house of Parliament. This was to mark the final phase of amendments to the Patents Act, 1970. However, with the dissolution of Parliament in preparation for elections, the Bill has lapsed and will be reintroduced after a new government assumes office before June this year.

Salient features of the Amendment Bill, 2003:

- On December 17, 2001, India acceded to the Budapest Treaty on international recognition of deposit of microorganisms

for the purposes of patent procedure. The treaty provides for the setting up of International Depository Authorities (IDA) and stipulates that deposits of microorganisms in any of these IDAs are

recognized for purposes of patent procedure by all contracting states. As a corollary to the patentability of microorganisms under the Patents Act, 1970 (as amended in 2002), the Amendment Bill, 2003 specifically defines 'Budapest Treaty' and thus allows an applicant to deposit its microorganism in any of the recognized 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 is unpatentable under the Patents Act, 1970 (as amended in 2002) unless such known process results in a new product or employs at least one new reactant. The Amendment Bill further clarifies the non-patentability of such new use of known substances by adding that mere new use, i.e., 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, agro chemicals and food products, India opted for:
 - the permissible transitional period of 10 years within which to introduce and implement a product patent regime in these fields;
 - implementation with effect from Jan 1995, an interim regime for grant of Exclusive Marketing Rights (EMRs) pursuant to Art 70.9 of TRIPS; and
 - a black box mechanism for receipt of product patent applications till December 31, 2004.
- As India has till December 31, 2004 to switch over to the product patent regime, the Amendment Bill seeks to omit provisions which provide for exclusion from patentability of food, medicines, drugs or substances prepared by a chemical process.
- Now, under Section 15, the Controller may require any application, specification or other document to be amended to his satisfaction before he proceeds further with the documents. As per the proposed bill, the Controller may also refuse the application without giving the applicant an opportunity to amend the document.

- Where a complete specification based on a previously filed application in India has been filed within 12 months from the date of that application and the claim is fairly based on the matter disclosed in the previously filed application, priority date of that application shall be the date of the first filed application in which the matter was disclosed.
- The Bill seeks to do away with the period of 18 months from the filing or priority date of an application within which such application can be open to the public. The time limit for publication will be prescribed in the rules to be framed.
- The existing law provides for publication of a patent application on the expiry of a period of 18 months from the date of priority or the date of filing. The Bill provides an option to the applicant to have his application published prior to the expiry of the 18 months.
- Publication of a patent application under the existing law does not confer any privileges and rights in favour of the applicant. The Bill provides that any such publication shall create in favour of the applicant the like privileges and rights as if a patent for the invention had been granted on the date of publication. Though the right to institute proceedings for infringement can be triggered only on grant of patent, this provision would allow an applicant to claim damages from the date of publication. In practice, an applicant would be entitled to rely upon the publication of his application as a basis for a claim for damages against any potential infringer of his rights.
- Under the existing law, a request for examination of an application must be made by the applicant or any other interested person within 48 months from the filing date. The Bill seeks to do away with this period. The time limit for making a request for examination would be prescribed by the rules to be framed under the Bill.
- Under the existing law, an examination request in respect of a black box product patent application shall be made within a period of 12 months from December 31, 2004 or within 48 months from the date of the application, whichever is later. The Amendment Bill seeks to take away the specific periods of 12 months or 48

months as the case may be. The time limit would now be prescribed in the rules to be framed under the Bill.

- As against the existing provision whereby an examiner has a period of 18 months from the date of reference within which to make his report to the Controller on an application for a patent, the Amendment Bill seeks to do away with the fixed period and stipulates that the same may be prescribed by the rules to be framed.
- The existing provision requires an applicant to comply with the first statement of official objections within a period of 12 months from the date of such official statement. The Bill seeks to take away the prescribed period and the time limit would be prescribed by the rules to be framed under the Bill.
- The Patents (Amendment) Act, 1999 had introduced a new chapter relating to EMRs pursuant to Art. 70.9 of TRIPS. The Bill seeks to delete the entire chapter in view of the fact that the product patent applications would become open to examination with effect from January 1, 2005, with saving provisos for granted EMRs.
- Under the existing 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 is extendible for a further period of one month in the aggregate. The Bill seeks to introduce the following changes:
 - Under the new system, before the acceptance of a patent, any person may in writing represent to the Controller against the grant of a patent on grounds of lack of patentability, 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 proceeding would be an *ex parte* proceeding in which the third party intervener will have no right of participation.

This proposed change is intended to reduce the delays in the grant of a patent on

account of formal *inter parte* opposition proceedings.

- The pre-grant opposition system under the existing law is proposed to be replaced with a post-grant system which would permit any person to file an opposition on any of the prescribed grounds within one year from the grant of the patent. Upon receipt of such opposition, the Controller is required to:
 - Constitute an Opposition Board consisting of such officers as he may determine.
 - Refer the opposition and documents in support thereof to the Board for examination and submission of its recommendations to the Controller.
 - The Controller must then proceed to either maintain or amend or revoke a patent in accordance with the recommendations received from the Board.
- The Bill seeks to delete the existing Section 27 whereby the Controller retains the discretion to refuse a patent application for lack of novelty, inven-

tiveness and utility otherwise than in consequence of opposition proceedings at any time after acceptance of the complete specification and before the grant of the patent.

- The Bill proposes to reintroduce an old repealed provision whereby no person resident in India can 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 invention has been made in India; or
 - he has obtained the Controller's permission within six weeks prior to the application abroad.
- The term of patent in case of an international application filed under the PCT shall be 20 years from the international filing date accorded under the same.
- The Bill proposes to do away with the requirement under the existing law that all assignments of a patent or a share in a patent, mortgage, license or the creation of any other interest in a

patent be filed with the Controller within six months from the execution of the document extendible by a further period of six months. The time limit to file the executed documents would be prescribed by the Rules to be framed under the Bill.

- The Bill also seeks to give 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' for this purpose includes product-by-process and diagnostic kits.
- The Bill proposes that revocation petition in respect of patent would have to be filed with the Intellectual Property Appellate Board instead of the respective High Courts. ■

INSIGHT

Cross Border Compulsory Licensing

The much talked about paragraph 6 of the Doha Declaration on the TRIPS Agreement, dealing with public health issues, declares that patent law would not prevent member countries from taking measures to protect public health and promote access to medicines for all. This paragraph essentially provides for countries to issue compulsory licenses to local pharmaceutical companies, thereby allowing domestic manufacture of patented drugs, so as to enable governments to cope with public health emergencies.

Many skeptics criticized the provision as it did not allow for import of drugs by countries with insufficient manufacturing capacity. Barely a week before the Cancun ministerial meet of the WTO, this issue was finally resolved with the WTO General Council adopting the Motta text on August 30, 2003. In accordance with the Motta text, member countries agreed to allow generic drug manufacturers to export patented drugs to countries with insufficient or no manufacturing capacity in the pharmaceutical sector. In situations where the drugs in question are covered by product patents in the exporting country as well, a compulsory license would have to be issued to the company manufacturing and exporting the drug. However, the compulsory license issued in this behalf must be subject to certain conditions including the following:

- only the amount necessary to meet the needs of the eligible importing member may be manufactured under the license and the entirety of this production be exported to the member notifying its needs to the TRIPS council;
- products produced under the license shall be clearly identified as being produced under the system through specific labeling or marking. Suppliers should distinguish such products through special packaging and/or special colouring/ shaping of the products themselves provided that such distinction is feasible and does not have a significant impact on price.
- Before shipment begins, the licensee shall post on a website the information relating to the quantities being supplied to each

destination and the distinguishing features of the product.

The above conditions particularly seek to assuage and address the fear of pharmaceutical companies (which invest substantially in R&D) that generic companies, if permitted to manufacture and export patented drugs under a compulsory license, might be driven by a commercial consideration to divert the said drugs to high-margin markets.

During the debate leading to the adoption of the Motta text, it became clear that countries like Brazil and India with sufficient manufacturing capacity would be the main beneficiaries of this cross border compulsory licensing system. As anticipated, India is the first country to benefit from this relaxation in paragraph 6 of the Doha Declaration. On October 29, 2003, the Government of Malaysia has issued a compulsory license to a local company, Syarikat Megah Pharma & Vaccines to import four specifically identified anti-retroviral drugs from Cipla, one of India's leading pharmaceutical companies. Such license would be valid for a period of two years from November 2003. The drugs are meant to be supplied to government-run public hospitals in Malaysia. The patented drugs are held by two top-of-the-rung multinational companies, Bristol-Myers Squibb and Glaxo SmithKline. The royalty to be paid to the said companies is yet to be determined. The Malaysian government has, however, assured the patent holders that all royalty issues will be sorted out within two months of the first import from Cipla. On its part, Cipla has agreed to fulfill all the terms and conditions of a compulsory license, the most significant one being that the drugs manufactured for export to Malaysia under the said license will be under a different brand name, size, shape and colour from that of the corresponding patented drug in Malaysia.

As already reported in this issue of India IP Update, the Patents Amendment Bill, 2003 introduced in the lower house of Parliament seeks to incorporate the operative part of the Motta text as a new provision. ■

Corning, Incorporated, U.S.A. & Ors vs. Raj Kumar Garg & Ors 2004(1) CTMR 41 (Delhi)

The question whether ‘ribs’ engraved on the outer periphery of finished ophthalmic lenses constitute a protectable trademark under Indian law came up for consideration in **Corning, Incorporated USA vs. Raj Kumar Garg**.

The plaintiffs, Corning Inc and its subsidiaries have been manufacturing and selling ophthalmic glass blanks used in vision corrective spectacles since 1957 all over the world, including India. In 1976, the plaintiffs were faced with the menace of counterfeit lenses. To combat this, they came up with an ingenious method of distinguishing their products by engraving fine lines on the outer periphery of the finished blanks/ lenses, which were referred to as ‘ribs’. From 1976, the plaintiffs commenced manufacturing lenses with three and five ribs on the periphery and publicized it amongst traders, so as to make them aware of the blanks being produced by the plaintiffs.

However, around 1988, they got to know that two other companies, Schott of Germany and Pilkington of UK, had also adopted the same method of distinguishing their products. In 1988, the three companies agreed to use different number of ribs on their lenses. These were mutually exclusive and in keeping with the understanding, the plaintiffs started using three and five ribs, Schott one rib and Pilkington two and four ribs. Subsequently, in 2001, Pilkington assigned absolutely and forever its right, title and interest in two and four ribs to the plaintiffs and closed down its business. Hence, the plaintiffs own the exclusive proprietary rights in the manufacturing of two, three, four and five ribs’ lenses.

In 2002, when the plaintiffs were about to launch their two and four ribs’ products in India, they found that lenses bearing two ribs were already being marketed in Delhi by the defendant who was sourcing them from China. It transpired that the defendant was a habitual infringer of the plaintiffs’ rights and attempts to amicably resolve the current dispute failed. Accordingly, a suit was filed before the **High Court of Delhi** to restrain the defendant from selling the two ribbed lenses and passing them off as and for that of the plaintiffs.

Claiming injunction against acts of passing off by the defendant, the plaintiffs founded their action on the following grounds:

- The ribs conceived by the plaintiffs have been registered in several countries of the world, with applications pending in India.
- The plaintiffs spent millions of dollars in advertising their ribs engraved lenses.
- The sales of these lenses were claimed to be in millions of dollars.
- The plaintiffs placed on record a number of letters written by opticians / dealers in India to the effect that the ophthalmic lenses being supplied to them by the plaintiffs were distinguished by three/five ribs for the last several years.
- Even the defendant, in an earlier undertaking relating to his infringing use of other marks of the plaintiffs, acknowledged the plaintiffs’ proprietary rights in ‘three/five ribs’ trademarks.

Disputing the plaintiffs’ rights in the ribs, the defendant maintained:

- Two ribs or the presence of any ribs could not be covered under the definition of ‘mark’ or ‘trademark’ under the Trade & Merchandise Marks Act, 1958 (which was the prevailing law at the time of institution of the suit).
- These constitute design registrable features and they have a design registration for the two rib lens in India.
- These ribs were a pattern in vogue and were being used by the defendant and many other manufacturers.
- These lenses were not purchased by consumers directly, but by opticians who could not be misled as to the source.

- The three companies Pilkington, Schott and the plaintiffs had no right to divide among themselves the right to use different ribs to the exclusion of others.

After hearing both sides, the court framed two issues for consideration:

- Whether the ribs on the periphery of the lenses are covered within the definition of ‘trademark’ or ‘design’.
- If the ribs can be construed as trademark, is there prima facie proof of plaintiffs’ proprietorship thereof or prior use of trade reputation with goodwill.

While deciding the first issue, the court went into the definitions of a ‘mark’ and a ‘design’. Under Section 2(j) of the Trade & Merchandise Marks Act, 1958 a mark is defined to include ‘a device, brand, heading, label, ticket, name, signature, word, letter or numeral or any combination thereof’. Further, under the Act a ‘trademark’ must be a distinctive mark adapted to distinguish the goods of one proprietor from another.

Under Section 2 (d) of the Designs Act, 2000, a design is defined to mean ‘only features of shape, configuration, pattern, ornament or composition of lines or colours applied to any article whether in two dimensional or three dimensional or in both forms, by any industrial process or means, whether manual, mechanical or chemical, separate or combined, which in the finished article appeal to and are judged solely by the eye... and does not include any trademark..’

A design, therefore, is not a device, brand, heading, label, name, word, etc., but a shape, configuration, pattern, ornament or composition of lines and colors applied to any article which when applied to the finished article appeals to and is adjudged solely by the eye. However, while a trademark may be attractive and appealing to the eye, it should be directly relatable to the producer/ manufacturer of the goods whereas a ‘design’ may be merely appealing to the eye and need not give an indication of source of the product.

After analyzing the relevant provisions of the law and going through the pleadings, affidavits, documents placed on record and the submissions by the parties, the court held:

- That the two ribs on the periphery of the lenses are prima facie ‘trademark’ and not a ‘design’. While coming to this conclusion, the court took into consideration the adoption of these ribs by the three leading manufacturers and the subsequent mutual agreement by them on the usage of the number of ribs on the lenses so that the wholesalers, opticians or other traders in the trade could distinguish the three of them.
- The court also pointed out that another reason for adoption of such a distinctive mark would be for the fact that it is not feasible to disclose in detail the identity of the manufacturers on these products as such on account of their nature.
- The court rejected the argument presented by the defendant that it has a design registration as mere registration is not conclusive proof of it being a design.
- In this connection, the court observed that ophthalmic lenses are not sold directly to consumers; opticians who use them to make spectacles would notice the ribs and count to link them to the respective manufacturers. The defendant could not satisfy the court as to why it chose to use two ribs on the lenses. On the other hand, the plaintiffs have placed on record affidavits and letters from various dealers to show that the ribs are a trademark used by them and some other leading manufacturers. Further, traders count these ribs to connect the lenses with the source.
- Based on the above, the court found that the ‘two ribs’ in question do not appeal to the eye at all and, therefore, do not fall within the definition of ‘design’ and constitute a ‘trademark’.

The defendant, by itself or through its agents representatives, distributors, dealers, servants, was therefore restrained from applying the ‘two ribs’ mark on their ophthalmic lenses. ■

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