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Intellectual Property Attorneys

INDIA IP UPDATE

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IP news at a glance!

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POLICY INITIATIVES

Government prepares itself for Artificial Intelligence (AI) driven technological innovation and economic development

The Indian Government has taken several initiatives to facilitate Artificial Intelligence (AI) driven technological innovation and economic development in the country. In the financial budget 2018, the policy thinktank, Niti Aayog, was mandated by the Government to establish a national strategy for Artificial Intelligence (AI). Some of the recent measures taken by Niti Aayog towards this include:

- *Release of a discussion paper on AI:* In June 2018, Niti Aayog released a discussion paper on "National Strategy for Artificial Intelligence" identifying several sectors including healthcare, agriculture, education, smart city infrastructure and transportation as key areas that can benefit from AI driven economic growth and development. Government recognizes the need for a robust intellectual property framework to keep up with the AI innovations. At the same time, given the challenges of application of stringent and narrowly focused patent laws to AI solutions, the Government proposes establishment of IP facilitation centres for synergy between IP practitioners and AI developers and provide adequate training to IP granting authorities, judiciary and tribunals in AI technology.
- *Establishment of AI Task Force:* An AI Task Force has been established by the Government, bringing together the brightest minds in India, to create policy and legal framework to accelerate deployment of AI technologies. The Task Force came out with its report in March 2018 with the identification of a strong IP mechanism as one of the enablers for AI entrepreneurship and technology product commercialization.
- *Tie up with industry:* Niti Aayog also recently signed a statement of intent with internet giant **Google** to provide training, start-up mentoring and research grants to help grow the AI ecosystem in India. A similar statement of intent has also been signed

with automation company **ABB India** to set up collaboration to provide AI, big data and connectivity solutions across several sectors.

These initiatives indicate India's resolve and determination to be future ready to ride the AI wave.

India accedes to two WIPO copyright treaties

On a proposal submitted by the Department of Industrial Policy and Promotion (DIPP), the Government on July 5, 2018, approved accession of India to two treaties of World Intellectual Property Organisation (WIPO) namely the WIPO Copyright Treaty and WIPO Performers and Phonograms Treaty, popularly known as 'the Internet Treaties'.

The WIPO Copyright Treaty came into force in March 2002 and 96 countries have adopted it till date. The WIPO Performances and Phonograms Treaty came into force in May 2002 and has 96 contracting member countries. It deals with rights of two kinds of beneficiaries in the digital environment, namely, performers (actors, singers, musicians etc.,) and producers of phonograms (sound recordings).

These treaties would thus provide more protection to the works of both domestic industry and individual copyright owners in the digital environment in India.

LEGISLATIVE UPDATE

Border enforcement of Patent rights no more possible post the IPR (Imported Goods) Enforcement Amendment Rules, 2018

The IPR (Imported Goods) Enforcement Amendment Rules, 2018 were notified on June 22, 2018 removing patents from the list of IPRs that can be registered with the Commissioner of Customs for the purposes of border enforcement.

As per Rule 7 of the IPR (Imported Goods) Enforcement Rules, 2007, to obtain directions of suspension of clearance of goods from Customs, the Commissioner requires a 'reason to believe' based on the notice given by the right holder.

The Delhi High Court in the past, has dealt with the jurisdiction of Custom Commissioners for determination of infringement of patents. The 2012 decisions in *LG Electronics vs. Bharat Bhogilal Patel* and *Ericsson vs. Union of India*, interestingly issued on the very same day, contain detailed judicial pronouncements on this issue. Both these judgments set aside the orders of the Custom Commissioners suspending clearance of imports of allegedly infringing products for lacking 'reasons' to believe. However, the Division Bench in *Ericsson vs Union of India* specifically observed that the Custom Commissioners had the necessary powers under the 2007 Rules to suspend goods from being cleared, subject to 'extreme caution', especially in the absence of judicial pronouncements. In effect, the Division Bench required a notification of the Customs, titled "Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 – Instructions for Implementation" to be given due regard and meaning. The Court interpreted the notification to state that while exercising 'extreme caution', in cases involving serious complexity, the parties should be relegated to civil proceedings for determination of infringement.

With the present amendment, patentees can no longer avail the suspension mechanism as available for other IPRs before Custom Commissioners. However, this amendment does not impact the power of competent courts to pass directions to Custom Commissioners to ensure that infringing goods are not imported into India in violation of rights available under Section 48 of the Patents Act.

CASE LAW UPDATE

PATENTS

Commercial Division Bench of Delhi High Court sees a splurge in patent litigation cases

IP rights in India are being enforced on a much larger scale than ever before. With over 900 Commercial Suits filed before the Commercial Division Bench of Delhi High Court in the first half of 2018 alone, there is a visible increase in total number of IPR infringement suits before the Commercial Benches. At the same time, it can be seen that the Courts are pro-actively disposing the interim applications, either by adjudicating on them after time bound hearings or by dismissing them and sending the matter for expedited trial under the Commercial Court Act. In several recent cases, interim injunctions in favour of plaintiffs have been granted after hearing the arguments in detail and establishing *prima facie* case.

In April 2018, in *Vior (International) Ltd. vs. MaxyCon Health Care*, the Delhi High Court granted preliminary injunction to the plaintiff Vior (International) Ltd. ("Vior") against the defendant MaxyCon Health Care ("MaxyCon") after finding *prima facie* infringement of Vior's patents related to Ferric Carboxymaltose. Ferric Carboxymaltose is a first non-dextran iron complex for high intravenous (I.V.) iron dosing which could be administered by I.V. injection quickly.

In another order passed in May 2018, in *YKK Corporation vs. Multi Tech (India)* the Delhi High Court granted preliminary injunction against the defendant Multi Tech (India) ("Multi Tech"). The Court found *prima facie* infringement of the plaintiff YKK Corporation's ("YKK") patents relating to a 'slide fastener slider and a mould for die-casting such slider' (i.e., a novel set of zippers and zipper sliders). The Court also appointed three local commissioners to: (i) visit the defendant's premises; (ii) inspect and prepare an inventory of the infringing products, components, semi-manufactured, manufactured zippers and zipper sliders, along with moulds, coating, packing material, labels, brochures etc., and (iii) seize, seal and take into custody all the infringing products, goods and materials.

Such pro-active approach of the Indian Courts towards enforcement of patent rights will pave way for establishing strong IP environment in India for patent holders.

DESIGNS

Invalidity of Plaintiff's design cannot be a ground to prevent injunction if the infringing design is registered by Defendant

In June, The Delhi High Court granted an interim injunction to the plaintiff in *Vega Auto Accessories (P) Ltd. Vs. S. K. Jain Bros. Helmet (I) Pvt. Ltd.* The plaintiff, Vega Auto Accessories (P) Ltd. ("Vega"), sued the defendant S.K. Jain Bros Helmet (I) Pvt. Ltd. ("Jain Brothers") for permanent injunction restraining infringement of its registered design in relation to its popular Vega range of helmets.

Jain Brothers had contended that its design with the mark "POWER" was also registered and interim injunction should thus be vacated. The counsel for Vega relied on the Full Bench judgment of the Delhi High Court in *Mohan Lal vs. Sona Paint* (2013) which held that a suit for infringement of a registered design can be initiated against an infringing design, even if it has been registered.

To the defence of invalidity, the Court raised the question as to why such registration by the Defendant, if found similar to that of the Vega design, should not be used to prevent Jain Brothers from taking a plea that Vega's design is not valid. While Jain Brothers' counsel argued that there are no judgments in design law on this particular aspect, the Court observed that a defendant, after filing for a similar design, cannot be allowed to approbate and reprobate with regard to the validity of Plaintiff's design. It also referred certain judgments of the High Courts of Bombay and Madras which held that the defence of invalidity of design in question on the ground of prior publication or lack of novelty would not be available to the defendant, once (s)he has filed for a registration of similar design.

The Court further analysed Vega's design with that of Jain Brothers and arrived at the conclusion that several elements of the shape and configuration of Vega's design were obviously imitated by Jain Brothers in their helmet branded as POWER. Further, reiterating the principle in the case of *Dabur India Limited vs Amit Jain* (2008) by the Division Bench of the Delhi High Court that the designs have to be substantially the same and not identical in all points, the Court found a *prima facie* case and granted an interim injunction to VEGA.

COPYRIGHTS

Contract limiting the duration of use of film does not affect copyright ownership therein: Madras High Court

A recent judgement rendered by an appellate bench of the Madras High Court in *Kajal Agarwal Vs. The Managing Director, V.V.D. & Sons Pvt. Ltd*., has raised interesting copyright issues.

The suit in this case was filed by actress Kajal Agarwal ("Ms. Agarwal") against V.V.D. & Sons Pvt. Ltd ("VVD"), a coconut oil company. Ms. Agarwal contended that an ad film was shot by VVD when she was a model and one of the terms in the agreement between them was that VVD could use the advertisement material only for one year from December 2008 to December 2009. However, VVD continued to use the ad film even after this period, compelling Ms. Agarwal send a legal notice to VVD to cease use of the materials. Meanwhile, Ms. Agarwal became a popular movie actor and was getting offers to endorse many brands. Since VVD failed to respond to the legal notice issued by Ms. Agarwal, she filed a suit to restrain VVD from using the advertising materials.

Both the parties relied on proviso (b) to Section 17 of the Copyright Act. Section 17 of the Copyright Act stipulates that the author of a work is the first owner of the copyright therein. Proviso (b) thereof makes an exception that in the case of a cinematograph film made for valuable consideration at the instance of any person, such person would be the owner of the copyright in such film, provided there is no contract to the contrary. While VVD claimed that the proviso granted it complete rights in the ad film, Ms. Agarwal claimed that the clause in the agreement restricting VVD from using the advertisement material beyond one year constituted an agreement to the contrary.

The Single Judge, after trial, accepted VVD's arguments and dismissed the suit. Ms. Agarwal appealed the same and claimed that when the agreement is only for a period of one year, VVD could not have claimed copyright in the cinematograph film beyond that period. The appellate bench did not agree that the term restricting VVD from using the advertisement material beyond one year to be a term contrary to the agreement. It held that for VVD to rely on proviso (b) to Section 17, there must be an agreement to the contrary to the effect that the parties themselves agreed that the producer will not have the copyright despite producing the cinematograph film. However, since Ms. Agarwal agreed that the cinematograph film and the entire promotional material will be the copyright of the respondent, the Court held that the proviso would not come into play. The fact that both the cause of action and the institution of the suit took place prior to the 2012 amendments to the Copyright Act that conferred rights of royalty on performers as well as the fact that Ms. Agarwal could not produce sufficient documentary evidence were found by the Court as factors disentitling her from claiming compensation against VVD.

TRADEMARKS

Delhi High Court injuncts local defendant infringing H&M mark

In *H&M Hennes & Mauritz AB & Anr v. HM Megabrands Private Limited*, the Delhi High Court injuncted a local defendant from using an identical brand HM in similar color combinations and font in respect of similar goods and services. The defendant was also operating an interactive website www.hmmegbrands.com apart from physical retail stores. A defence taken by the party that HM was coined in 2012 from its founders' names Hashim Merchant and Hamza Merchant was rejected by the Court while granting injunction to the plaintiffs. The Court, dismissed the plea of the defendants that they were prior in time and that the plaintiff did not sell its products in India prior to 2015. Taking note of the plaintiff's plea that it had been manufacturing its goods bearing the H&M brand in India for exports since 1972 and that under Section 56 of the Trade Marks Act, 1999 the same would amount to use in India, the Court granted the injunction.

Christian Louboutin's 'red sole' not exclusive to it: Delhi High Court

In December 2017, in *Christian Louboutin Sas vs. Mr. Pawan Kumar &* Ors, a Single Judge of the Delhi High Court had held in favour of Christian Louboutin ("Louboutin"), the famous French designer shoe company that it is entitled to exclusive ownership of the trademark of red colour on the soles of its ladies' footwear. In May 2018, in *Christian Louboutin SAS v. Abubaker & Ors* another Single Judge of the Delhi High Court, disagreeing with the earlier decision, rejected a similar claim by Louboutin,.

In the latest suit, Louboutin had claimed both infringement and passing-off against the defendant, who was using the word mark VERONICA to sell its red soled shoes. While rejecting the infringement claim, the Court held that by virtue of Section 30(2)(a) of the Trade Marks Act, other manufacturers or sellers are not prohibited from using the colour red on their goods/shoes/footwear if the colour is serving a non-trademark function, because the defendant, according to the Court, was otherwise selling its goods under the mark VERONICA. The Court held that since the defendant is using the colour red on the soles of its footwear to add to the appeal of the goods and not as a trademark, it cannot be said that the same is used as a trademark to sell its footwear. As such, the Court held that Louboutin could not seek an injunction against the defendant simply claiming that it is the owner of the trademark for the red colour shade applied to the soles of the ladies' footwear sold by it.

The Court also rejected the passing-off claim as misconceived, citing three reasons. Firstly, the Court noted that a single colour cannot become a trademark under the Trade Marks Act, 1999 under Section 2(m) of the Act which recognizes only *combination of colours* to fall under the definition of 'mark'. Secondly, the Court pointed out that the issue of passing-off would arise only if the defendants were disentitled to use the red colour shade in the soles of their ladies' footwear. The third aspect cited by the Court was that the issue of passing off would not arise because the defendants were selling their goods under the wordmark "VERONICA". The Court noted that Since Louboutin was using a wordmark, "CHRISTIAN LOUBOUTIN", which is completely distinguishable from the defendants' wordmark "VERONICA", there does not arise any question whatsoever of any deception or confusion.

Bank loans cannot be set off by assigning Trademarks: Supreme Court

In Canara Bank v. N G Subbaraya Setty & Anr, Subbaraya Setty ("Mr. Setty"), the respondent, had availed a credit from Canara Bank ("the Bank"). Unable to repay the bank, Mr. Setty assigned the trademark "EENADU" in respect of incense sticks to the Bank on certain terms and conditions. Subsequently, the Bank cancelled the said assignment citing certain prohibitions under the Banking Regulation Act, 1949.

Mr. Setty challenged the said cancellation in a suit filed against the Bank. The Bank also instituted a suit against Mr. Setty seeking a declaration that the assignment deed was vitiated by mistake, undue influence and fraud and was hence unenforceable in law. Both the suits were consolidated and disposed of by a common judgment by the trial court, which held that the assignment deed was not vitiated by fraud, misrepresentation or undue influence and consequently, the Bank had no right to cancel the same.

Mr. Setty, thereafter, filed another suit against the Bank for recovery of a certain sum due to it under the assignment. The trial court decreed this suit in his favour. An appeal filed by the Bank against this judgment was dismissed by the Karnataka High Court in Bengaluru, triggering the Bank to come before the Supreme Court.

The Supreme Court of India remarked that the decision of the trial court in the first suit filed by Mr. Setty had declared transaction which is prohibited by law as valid. Pointing out that the assignment deed had not yet been registered with the Registrar of Trademarks, the Supreme Court referred to Section 45(2) of the Trade Marks Act, 1999 which stipulated that an assignment deed, if unregistered, cannot be admitted in evidence by any Court in proof of title to the trademark by the assignment, unless the Court itself directs otherwise. Accordingly, the Court held that no reliance could have been placed on the said assignment.

Further, the Court referred to Section 8 of the Banking Regulation Act, 1949 which stipulates that no banking company shall directly or indirectly deal in the selling of goods, except in connection with the realisation of security given to or held by it. The Court also noted that granting permission to third parties to use the trademark and earning royalty upon the same would also be clearly be outside Section 6(1) of the Banking Regulation Act, 1949 and would be interdicted by Section 6(2) which states that no bank shall engage in any form of business other than those referred to in sub-section (1).

The Supreme Court also observed that the trademark in question cannot be said to be property which has come into the possession of the Bank in satisfaction or part satisfaction of any of the claims of the Bank. Also, the trademark was not part of any security for loans or advances that have been made to Mr. Setty.

Allowing the appeal preferred by the Bank, the Supreme Court held that the assignment deed in question is clearly hit by Section 6(2) and Section 8 read with the penalty provision contained in Section 46(4) of the Banking Regulation Act, 1949.