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Intellectual Property Attorneys

INDIA IP UPDATE

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IP news at a glance!

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SNIPPETS

TRADEMARKS

TRADE DRESS IN OREO COOKIE PROTECTED

A Single Judge of the Delhi High Court granted a decree to Intercontinental Great Brands LLC (IGBL), the owner of the famous cookie brand, OREO, against infringement of, *inter alia*, its trade dress by a local defendant (*Intercontinental Great Brands LLC and Ors. Vs. Dunn Foods Private Limited and Ors.*). IGBL had alleged in the suit that the defendant's cookies branded as 'LICK N DIP', bearing a similar trade dress and packaging design was a clear attempt to copy its registered trademarks including the trade dress of the OREO cookies. Though the defendant had agreed to amicably settle the matter on the first date of hearing, it subsequently reneged on the same and stopped appearing before the Court.

ROYALTY V. BUSINESS INCOME: FORMULA ONE WINS BEFORE THE DELHI HIGH COURT

Formula 1®

The Delhi High Court, recently heard and disposed of three constitutional writs [filed by Formula One World Championship Limited (*"FOWC"*), Jaypee Sports International Limited (*"Jaypee"*) and the Commissioner of Income Tax] on the issue whether a payment made by Jaypee to FOWC outside India was in the nature of royalty for the use of the latter's trademarks and therefore, taxable as such. It was contended by FOWC and Jaypee that the agreements entered into by the parties and the payment made thereof, were solely for the purpose of hosting and staging a motor racing event in India and did not include any right to use the F1 trademarks for any merchandising or other products or services whatsoever.

The Court, upon review of the agreements entered into between FOWC and Jaypee, noted that the trademarks in question were owned by Formula One Licensing B.V.

(*"FOLB"*); however, no written agreements had been entered into between FOLB and FOWC or Jaypee permitting use of the F1 trademarks. The Court noted that under the Indian Trade Marks Act, 1999 (*"the Act"*), 'permitted use' is understood as commercial use of a mark not only by the registered user, but also by an unregistered licensee, such as a permitted user who becomes entitled to use the mark by virtue of a written agreement with the registered proprietor. The Court noted that as none of the writ petitioners had entered into a written agreement with FOLB, the condition of 'permitted use' was not met and consequently Jaypee cannot be regarded as a permitted user within the meaning of the Act. The Court, therefore, held that the use of the trademarks was purely incidental to the hosting and staging of the event and the amount paid by Jaypee to FOWC was not "royalty" but business income and could not be taxable under the head of "royalty".

CASE LAW UPDATE

PATENTS

EXCEPTIONS TO PATENT INFRINGEMENT UNDER SECTION 107A INTERPRETED

Earlier this year, the Delhi High Court, issued a common order in two unrelated cases. While one was a constitutional writ *(Bayer Corporation vs. Union of & Ors.),* the other was a patent infringement suit *(Bayer Intellectual Property GmBH vs. Alembic Pharmaceuticals Ltd.).* The issue for consideration in both the cases related to the export of patented pharmaceutical products to other countries and whether such export fell within the scope of section 107A of the Indian Patents Act. Section 107A(a) of the Act, commonly referred to as the "Bolar-like" provision, exempts certain acts related to the development and submission of information required under Indian law or the law of any other country, from being considered as infringement of the patent.

The constitutional writ filed by Bayer Corporation against Natco alleged violation of the terms of the compulsory license (CL) granted to Natco for its patented drug "SORAFENIB". Bayer submitted that during the pendency of its infringement suit against Natco, the latter was granted a CL for the said patent. The terms of the said CL specified that it was solely for *the purposes of making, using, offering to sell and selling the drug covered by the patent within the territory of India*. Bayer alleged that contrary to the said terms, Natco was manufacturing the product covered by the CL for export outside India and hence, infringed the patent within the meaning of Section 48 of the Patents Act.

By way of an interim order in the writ, the Court directed the customs authorities to ensure that no consignment from India containing "SORAFENAT" (Natco's product covered by CL) should be exported. Later, Natco was permitted by the Court to export the drug for carrying on activities for obtaining regulatory approvals within the meaning of Section 107A of the Act. Aggrieved by this, Bayer appealed the said order and the Appellate Bench prohibited exports till a final decision in the writ.

The second case was an infringement suit filed by Bayer Intellectual Property GmbH and Bayer Pharmaceuticals Ltd. ("Bayer") against Alembic Pharmaceuticals Ltd. (Alembic) alleging infringement of its patent for RIVAROXABAN. Bayer contended that Alembic is manufacturing and exporting RIVAROXABAN to the European Union and that it has made multiple Drug Master File submissions to the United States Food and Drug Administration for the drug RIVAROXABAN. When the suit was listed for arguments, Alembic stated that its exports were within the meaning of Section 107A and gave a categorical statement that it had not commercially launched the drug RIVAROXABAN and that it will give one month's notice to Bayer to enable it to avail of its remedies, in the event, at any time in the future, Bayer intends to launch the drug.

Court's analysis

The Court gave a literal interpretation to the wordings of Section 107A and Section 48 of the Patents Act and observed that it is the purpose behind the act which distinguishes whether or not it constitutes infringement of patent. If the act is within the confines of Section 107A, it would not constitute infringement. However, if the purpose of the acts of making, using, selling or importing a patented invention is not solely for the purposes prescribed in Section 107A, the said acts would constitute infringement and the patentee can prevent non-patentee from doing these.

Rejecting Bayer's contention that use of the word "selling" refers to "selling" within India only, the Court observed that "selling" permitted by Section 107A is of "a patented invention" i.e., a "product" and not of "information". The word "information" is in the context of *"required to be submitted to any authority under any law of India or of a country other than India regulating the manufacture and marketing of any product"*. Section 107A, as per its literal meaning, requires selling of a patented invention solely for submission of information required under any law for the time being in force in a country other than India that regulates the manufacture, construction, use and sale of any product, to be not considered as infringement of patent right.

Accordingly, the Court held that

- use of the words *"law for the time being in a country other than India"* in section 107A is evidence of, obtaining regulatory approvals in countries other than India being contemplated by the legislature.
- the act of selling of patented invention for obtaining such approval, would not be considered as infringement of patent rights.
- there is nothing in the language of Section 107A to suggest that only the information generated / collected in India could be transported out of India and not the patented invention.
- there is no provision elsewhere in the Patents Act requiring the word "selling" in Section 107A to be restricted to "within India" only.
- the right of manufacturers / producers of medicines and of fine chemical producers, to make, construct and sell including by way of export, a patented invention, for the purposes prescribed in Section 107A is a fundamental right protected by Article 19(1)(g) of the Constitution of India and the sale cannot be curtailed except by express law.
- such a fundamental right to export patented invention for the purposes prescribed in Section 107A cannot be taken away or curtailed from the mere absence of the word "export" in Section 107A.
- while Section 48 provides exclusive right to the patentee to prevent infringement of the said right, Section 107A gives an exception that making and selling patented products solely for purposes mentioned therein is not infringement. These are two independent provisions without any overlap.

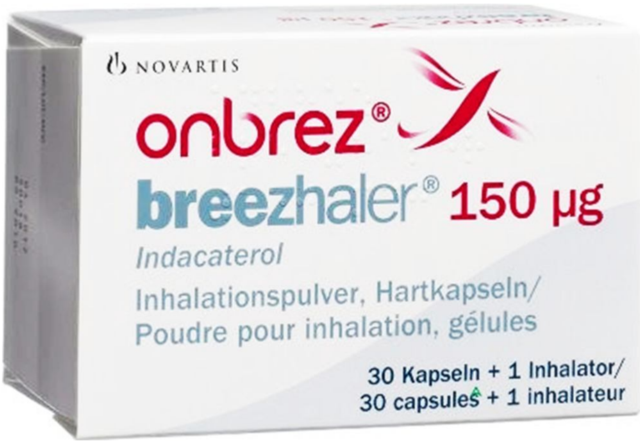
With the above key observations, the Court held that no suit prohibiting export *per se* of a patented invention can lie.

In relation to the writ, the Court held that grantee of CL cannot be deprived of his rights under Section 107A. The condition of CL is for making, using, and selling the drug covered by the patent within the territory of India. However, the purpose of sale under Section 107A is different and is only for obtaining regulatory approvals under the laws of India or in a country other than India. Thus, the grant of CL would not come in the way of Natco exercising its rights under Section 107A as a non-patentee.

In relation to the infringement suit, the Court held that it was filed with the plea that Alembic should not be permitted to export the patented invention. Thus, if it is the claim of Bayer *qua* the patented invention that any exports by Alembic have been for purposes other than those specified in Section 107A, Bayer will have to specifically make out that case in an appropriately constituted suit.

In both these cases, the third party was able to establish that the nature of export of the patented products, was solely within the boundary of section 107A and hence, did not amount to infringement. The Court did not make any distinction in disposing of either case even though in the Bayer vs. Natco case, the amount exported was about 1 Kg, whereas in the Bayer vs. Alembic case, the same was to the tune of 90 Kgs and Bayer had contended that export of such quantity could not be within the meaning of section 107A.

DIVISION BENCH UPHOLDS INJUNCTION TO NOVARTIS AGAINST CIPLA IN ONBREZ INFRINGEMENT SUIT



Novartis recently got an interim injunctive relief from the Delhi High Court against Cipla in the ongoing infringement suit *(Cipla Limited vs Novartis AG & Anr)* for its patented chronic obstructive pulmonary disease (COPD) drug, INDACATEROL, branded and marketed as Onbrez. Novartis had sued Cipla for patent infringement and in January 2015, the Single Judge had restrained Cipla from, *inter alia*, using, manufacturing, importing or selling any pharmaceutical products containing “INDACATEROL” or “INDACATEROL Maleate”, alone or in combination with any other compound or Active Pharmaceutical Ingredient (API), which may amount to infringement of the patent. However, the said injunction was granted only until a determination by the competent authority of any application for compulsory licence (CL) that would be filed by Cipla. It was further directed that if Cipla were to file such an application and if the same were to be decided in favour of Cipla, it could move an application for modification of the order of interim injunction; if no such application is filed, the interim injunction would continue during the pendency of the suit.

Cipla appealed the order of the Single Judge by raising the following arguments:

- Novartis was not working the patent in India and was only importing small quantities of the drug to cater to a negligible number of patients;
- Public interest was an important aspect while considering the grant of an injunction, particularly, for a drug like INDACATEROL;
- General principles regarding working of patented inventions stipulated in Section 83 of the Indian Patents Act would govern and sit over the rights of patentees provided by Section 48 thereof;
- Patent rights would be subject to a patent being worked in India on a commercial scale and not used by a patentee merely to enjoy a monopoly for the importation of the patented article;
- The grant of a patent does not impede protection of public health and nutrition and making the patented article available to the Indian public at a reasonable price;
- Novartis’ imports were neither able to meet the reasonable requirements of public nor was the drug made available to the public at reasonably affordable price and hence Novartis was not entitled to an injunction.

The Division Bench rejected Cipla’s appeal and held as follows:

- Since there is no credible challenge to the patent, *prima facie*, Novartis is entitled to an injunction in view of the rights available to it as a patentee under Section 48 of the Patents Act;

- Although Section 48 is subject to the other provisions of the Act and the conditions specified in Section 47 for grant of patents, Section 83 is without prejudice to the other provisions thereof including Section 48;
- All the considerations under Section 83 are directed towards the authorities, who exercise powers conferred under the Patents Act, including the power to grant compulsory licences under Section 84, revocation of patents for non-working after the grant of a compulsory licence under Section 85 and other incidental proceedings. Hence, the general principles in Section 83 do not curtail or circumscribe the rights of the patentees under Section 48, except in the backdrop of compulsory licences and ancillary issues;
- It is not at all necessary that for a patent to be worked in India, the product in question must be manufactured in India. It would suffice if the imports are of a sufficient quantity for meeting the demands for the product, particularly in the case of pharmaceutical products. In the present case, Novartis had challenged Cipla's projected figures of demand for a patient size of 1.5 million;
- Public interest is only one of the factors in considering the grant of an injunction. While Cipla was unable to make out a case that public interest would be disserved by the grant of an injunction, Novartis was able to establish a *prima facie* case that there is no credible challenge to the validity of the patent. As such, the patent is valid.

The Patents Act has several provisions to ensure that patent monopolies are not exploited at the cost of larger public good. At the same time, to have a robust patent enforcement system in the country, it is imperative that a fine balance between the rights of patentees and public interest be maintained. Indian Courts have been setting jurisprudence in this sensitive area which will instill confidence in patentees regarding the enforcement environment in India. We would be updating our readers of further developments in this case.

DELHI HIGH COURT SEES NO CONFLICT BETWEEN PATENT STATUTE AND PLANT VARIETIES STATUTE

In the ongoing lawsuit between Monsanto Technology LLC ("Monsanto") and Nuziveedu Seeds Limited and Ors. ("NSL") *(Monsanto Technology LLC And Ors. vs Nuziveedu Seeds Limited & Ors.)*, the Delhi High Court has made certain observations on the scope of protection provided to transgenic plant technology under the Indian Patents Act ("Patents Act") and the Protection of Plant Varieties and Farmers' Rights Act ("Plant Varieties Act") for the products of such technology, such as plants and seeds.

Monsanto had been licensing this technology to several Indian seed companies for a "trait fee" as royalty on the sale of each packet of hybrid Bt Cotton seeds. The seed companies had demanded a reduction of the "trait fee" in view of different federal states in India passing price control orders fixing the retail price of seeds as well as the "trait fees". In October 2015, a group of Indian seed companies stopped paying royalties to Monsanto, as it had refused to lower the trait fee. Monsanto responded by terminating its contracts with the seed companies and initiated arbitration proceedings for recovery of the royalties payable to them. They also filed a patent infringement suit before the Delhi High Court against the defendants, Indian seed giant NSL and several other Indian seed companies, alleging, among others, that the defendants are continuing to market and sell hybrid cotton seeds containing its patented Bt Cotton technology, despite the termination of the contracts.

The defendants filed a counter claim challenging the validity of the suit patent and claiming that such grant is in contravention of various provisions of the patent law, especially section 3(h) and 3(j) which respectively deal with exclusions to patentability of methods of agriculture or horticulture and *inter alia*, plants *per se* or parts thereof, including seeds. Further, it was claimed that their acts were protected by Section 30 of the Plant Varieties Act and at best, Monsanto is only entitled to claim, "benefit sharing" under the said Act, as the suit patent did not protect "seeds". The defendants argued that the claims in the suit patent relating to "plants" and "plant tissue" comprising the transgenic nucleic acid were deleted while prosecuting the application in India and hence the scope of protection under the grant could not extend to plant or seeds.

A brief summary of the Court's observations is as follows:

a) It is the mandate of law that the text of patent applications and claims in India be identical to the international application. Since some other jurisdictions permitted patents on plants, the International application under PCT was based on what was allowable elsewhere. The claims pressed for grant before the Indian Patent office (IPO) had to be, therefore, restricted to what was permissible under Indian law;

b) The counter claim is based on the grounds that Monsanto's technology was wrongly patented and not based on the conflict of suit patent with the scheme of Plant Varieties Act. Thus, the argument that Monsanto's patent ran afoul of the Plant Varieties Act, does not hold good. Further, the Patents (Amendment) Act, 2005, had repealed the then existing Section 5 of the Patents Act concerning *"inventions where only methods or processes of manufacture patentable"* and the definition of the expression "invention" in Section 2(1)(j) thereof was changed to include *"a new product or process involving an inventive step and capable of industrial application".* Thus, the legislative intent was to remove the embargo on grant of patents to "products" of biological or microbiological processes;

c) While Section 3(j) of the Patents Act excludes from patentability, *"plants and animals in whole or any part thereof other than micro-organisms but including seeds, varieties and species and essentially biological processes for production or propagation of plants and animals",* the legislative intent behind changes to Section 2(1)(j) and repeal of Section 5 was clearly not to deprive the patentee of due reward of human intervention and innovations over and above what occurs in nature. Thus, claims directed to nucleic acid sequences, being products or processes of biotechnology, seem to have been rightly entertained by the Indian Patent office;

d) The Plant Varieties Act was enacted to provide an effective system for protection of plant varieties, the rights of farmers and plant breeders and to encourage the development of new varieties of plants. The word "variety" relates to a "plant grouping" which is not further clarified. However, the 1991 Act of International Convention for the Protection of New Varieties of Plants (UPOV Convention 1991), provides the definition of the expression "variety" which is *pari materi*a identical to the one given in Section 2(za) of Plant Varieties Act. It particularly highlights that the disease resistant trait or a chemical or other substance like DNA are not meant to be covered within the meaning of the expression "variety". Thus, the invention in the suit patent was not the same as the development of a variety under the Plant Varieties Act;

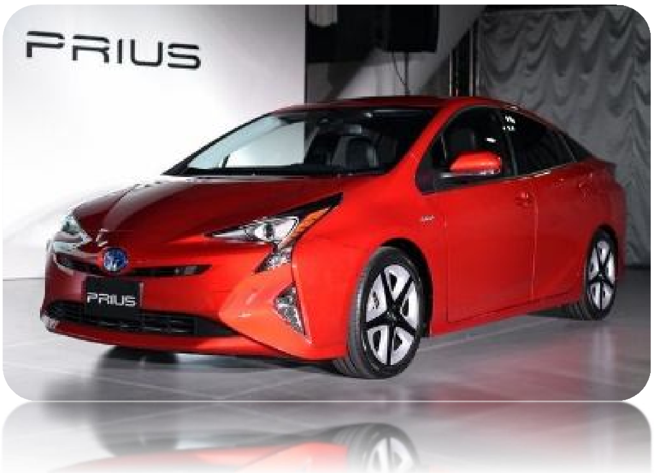
e) The defendants' argument based on Section 30 of the Plant Varieties Act which recognizes the researchers' rights whereby any breeder (seed company) can use any other variety for creation of a new variety was meritless. Such a right it did not extend to the right to use the genetic material covered by a patent in general and Section 48 of the Patents Act, in particular;

f) The defendants' argument that the "use" of the suit patent attributed to them, did not infringe the process claims in as much as they generate hybrid varieties of cotton seeds through biological processes, in contrast to the chemical process which is the subject matter of the suit patent cannot be accepted. Relying on the judgment of Supreme Court of Canada in the matter of *Percy Schmeiser vs. Monsanto*, the Court held that the said contention is *prima facie* unacceptable. The said judgment had held that the plain meaning of the word "use" denotes utilization and further, *"the question in determining whether a defendant has used a patented invention is whether the defendant's activity deprived the inventor in whole or in part, directly or indirectly, of full enjoyment of the monopoly conferred by law. A contextual examination shows that if there is a commercial benefit to be derived from the invention, it belongs to the patent holder"* and still further that, *"a defendant infringes a patent when the defendant manufactures, seeks to use, or uses a patented part that is contained within something that is not patented, provided the patented part is significant or important".*

While the proceedings on the issue of validity of patent in the counter claim or the issue of termination of license agreements by Monsanto being arbitrary and illegal continue, this is the first time in a patent infringement matter, questions pertaining to the scope of protection extended by claims directed to products of biotechnology are being addressed by an Indian Court. It gives a positive indication that patent rights on biotechnological inventions are as enforceable as on any other technology.

TRADEMARKS

TOYOTA LOSES APPEAL IN THE PRIUS TRADE MARK CASE



An interim injunction granted by a Single Judge of the Delhi High Court in July 2016 to Toyota Jidosha Kabushiki Kaisha ("Toyota"), restraining the Indian companies, Prius Auto Industries Ltd., Prius Auto Accessories Pvt. Ltd. and their officers (hereinafter collectively referred to as "Prius Auto") from using the mark PRIUS, was set aside in appeal (*Prius Auto Industries Ltd. and Ors. Vs. Toyota Jidosha Kabushiki Kaisha*) by a Division Bench thereof. The Division Bench found that Toyota failed to establish any trans-border reputation in respect of its mark PRIUS in India at the time when Prius Auto had adopted the same.

Toyota's case hinged on two grounds, one being trans-border reputation of the mark PRIUS and the other being dishonest adoption of the trade mark and trade name by Prius Auto.

Regarding the argument on trans-border reputation, while Prius Auto claimed to have adopted the trademark and trade name PRIUS in 2001 for its business of manufacture and sale of spare automobile parts, the Division Bench noted that the first car under the mark PRIUS was sold in India by Toyota only in 2010. It also noted that Toyota was neither able to produce any evidence of the advertising or promotional expenses incurred by it in India prior to 2010 nor were the news reports and articles dating back to 1997 that reported the launch of PRIUS in

Japan, substantial or prominent enough to establish trans-border reputation.

The other argument of Toyota that Prius Auto's adoption of the mark PRIUS was in bad faith because Prius Auto was selling auto parts under the trade marks TOYOTA, Toyota device and INNOVA (which was injuncted by the Single Judge), was also rejected by the Division Bench. In the interim order passed in the appeal, based on Prius Auto's argument that the said use was to inform customers that these goods were suitable for Toyota's cars, Division Bench had directed Prius Auto to ensure that TOYOTA and INNOVA were not written in the same font as that of Toyota and that the Toyota device should not be used. Countering the bad faith argument, Prius Auto explained the adoption of PRIUS along these lines - that it believed that it was the first to set up a manufacturing unit to produce add-on chrome plated accessories in India; that it, therefore, coined the mark "Pehla Prayas" in Hindi language meaning 'first attempt'; that it wanted a catchy English word that matched the word 'Pehla'; that since the word 'first' was not catchy enough, it looked up the dictionary for synonyms and came across 'Prior'. The Division Bench seems to have accepted this labored explanation for adoption as 'probable and likely' and dismissed Toyota's bad faith argument.

DESIGN INFRINGEMENT & INTERMEDIARY LIABILITY

In *Kent RO Systems Ltd & Anr v. Amit Kotak & Ors*, the plaintiffs, Kent RO and others ("Kent") sought an injunction before the Delhi High Court, inter alia, against eBay, an intermediary, for permitting sale of products infringing the registered designs of Kent on its portal.

Kent contended that, as an intermediary, before hosting any product for sale on its website, eBay was required to devise a mechanism to verify whether the same infringed the intellectual property rights of any other person. It was further argued that once Kent had intimated eBay of their registered design and pointed out the URLs on which infringing products were listed, not only was eBay obligated to remove the said URLs, it was also obligated to ensure that no other infringing products are hosted on its portal.

In defense, eBay argued that immediately on receipt of complaints from Kent, it had been removing the offending products from its website and that in future also it would continue the same practice.

The Court rejected Kent's contentions and referred to Section 79 of the Indian Information Technology Act, 2000 (IT Act), which exempts an intermediary from any liability in relation to any third party information, data, or communication link made available or hosted by him. It held that, to hold that an intermediary, before posting any information on its computer resources, is required to satisfy itself that the same does not infringe the intellectual property rights of any person, would amount to converting the intermediary into a body sitting in judgement of infringement of intellectual property rights.

The Court, while referring to the Information Technology (Intermediaries Guidelines) Rules, 2011 (IT Rules) framed under the IT Act, held as follows:

- While the IT Rules obliged an intermediary to remove or disable the information hosted on the portal on receipt of a complaint, they do not oblige an intermediary to, on its own, screen all information being hosted on its portal for infringement of the rights of all those persons who have at any point of time, complained to the intermediary.
- Merely because an intermediary has been obliged under the IT Rules to remove the infringing content on receipt of a complaint, it could not be read as

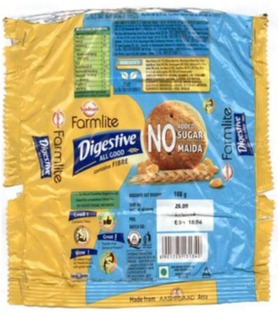
vesting in the intermediary, *suo motu* powers to detect and refuse hosting of infringing content.

To require an intermediary to do such screening would be an unreasonable interference with the rights of the intermediary to carry on its business.

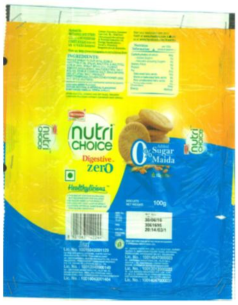
SHORT USAGE SUFFICIENT TO ESTABLISH TRADE DRESS RIGHTS IN COLOR COMBINATIONS?

In the instant case (Britannia Industries Limited v. ITC Limited), ITC Limited (ITC), and Indian FMCG giant, filed a passing-off suit against Britannia Industries Limited (Britannia) challenging the packaging of its "Nutri Choice Digestive Zero" biscuits (offending packaging). It was ITC's case that the offending packaging was deceptively and confusingly similar to the packaging of its product "Sunfeast Farmlite Digestive All Good" biscuits.

ITC's packaging



Offending packaging



The Single Judge of the Delhi High Court granted an interim injunction restraining Britannia from using the offending packaging. The Judge, however, clarified that it would be open for Britannia to retain the yellow colour and substitute the blue colour in the offending packaging with any other distinctive colour other than variants of blue.

Britannia's appeal against that order was allowed by a Division Bench which set aside the order passed by the Single Judge and held as follows:

- ITC failed to establish that the get-up of its product (the yellow-blue combination) had become distinctive of ITC's biscuits, as an independent source identifier, to the exclusion of biscuits of any other proprietor;
- Since ITC, in its advertisements, mainly relied on its trademarks and business name rather than its get-up, ITC would have greater difficulty in establishing its claim based on general get- up and particularly, on the combination of yellow and blue;
- A trader, who introduces a new feature into the get-up of his goods, does not thereby acquire any proprietary interest in it so as to be able to prevent its use by competitors, until it has become so identified with his goods that its use by others is calculated to deceive;
- In a given case, very little evidence of user may be sufficient to establish distinctiveness where the get-up is not only novel but striking, even though it consists of a combination of commonly used parts. However, the get-up and specifically the yellow-blue combination in ITC's Packaging did not fall in this category;

Appropriation of and exclusivity claimed vis-à-vis a get-up and, particularly, a colour combination stands on a different footing from a trade mark or a trade name because colours and colour combinations are not inherently distinctive. It should, therefore, not be easy for a person to claim exclusivity over a colour combination especially when the same has been in use only for a short while. It is only when it is established, may be even *prima facie*, that the colour combination has become distinctive of a person's product, that an order may be granted in his favour.

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