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Intellectual Property Attorneys

INDIA IP UPDATE

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IP News at a glance!

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LEGISLATIVE UPDATE

Draft Design (Amendment) Rules, 2019 announced

The Department of Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, Government of India, notified the draft Designs (Amendment) Rules, 2019 on October 18, 2019. Comments were invited from the public by November 17, 2019.

The key highlights of the proposed amendments are as follows: -

- Rule 2 of the Designs Rules, 2001 ("2001 Rules") to be amended to include the term "Startup" with the following meaning:

(a) an entity in India recognised as a startup by the competent authority under the Startup India initiative; and

(b) in case of a foreign entity, an entity fulfilling the criteria for turnover and period of incorporation/ registration as per Startup India Initiative and submitting declaration to that effect.

The proposed amendment further provides an explanation namely, "*In calculating the turnover, reference rates of foreign currency of the Reserve Bank of India shall prevail*".

- FORM-1 (Application for Designs) and FORM-24 (For claiming Startup status) to be amended to include the appropriate proposed changes;
- Fee for filing and prosecution of design applications by Small Entity is proposed to be reduced, and the applicable fee for Startups and the Small Entity will be the same as that for a natural person;
- Rule 2(e) proposes that if there are any changes in ownership in a design/application from a natural person, Startup or small entity, to an entity other than these (such as a large entity), then a difference in the fees would have to be paid by the new owner/applicant; and
- Rule 10 of the 2001 Rules is proposed to be amended to the effect that, articles shall be classified as per the current edition of "International Classification for Industrial Designs (Locarno Classification)".

Accordingly, **Class 32** (Graphic symbols and logos, surface patterns, ornamentations) is proposed to be introduced. This is a welcome addition to pursue designs in the area of Graphic User Interface (GUI), which are currently a grey area in India.

CASE LAW UPDATE

PATENT

Injunction not maintainable in patent infringement proceedings if patent is revoked

The Delhi High Court recently affirmed in *Novartis AG & Anr Vs. Natco Pharma Limited* that, injunction in a patent infringement proceeding is not maintainable if the patent is revoked.

Novartis AG ("Novartis") sued Natco Pharma Limited ("Natco") in May 2019, accusing the latter of infringing its patent rights. Novartis sought reliefs by way of injunction (interim and permanent), damages, rendition of accounts and delivery up in respect of its patent. On the very first date of hearing, the Court granted an *ex parte ad interim* injunction against Natco, restraining it from infringing Novartis' granted patent. However, taking note of the pending post grant opposition against the suit patent filed by Natco before the Controller of Patents, the Court directed the Controller to pronounce its orders before the next date of hearing in the suit. The Controller subsequently passed an order in the post grant opposition proceedings in August revoking the patent on the ground of lack of novelty.

Natco accordingly informed the Court about the revocation of the Novartis's suit patent and pleaded that since the patent was revoked, the injunction order against Natco was not maintainable. Novartis contended that since they have appealed the Controller's order of revocation of patent before the Intellectual Property Appellate Board (IPAB), the Court should not vacate the injunction order.

Hearing both the parties, the Court held that even though the appeal has been filed by Novartis immediately after the passing of the order dated 16th August 2019, rights in a patent are only for the life of a patent which remains granted and not revoked. Since patent infringement actions are maintainable only in respect of granted and live patents, the continuation of an injunction, even for a day, would not be permissible once the patent is revoked. Accordingly, the Court suspended the injunction order granted against Natco.

Delhi High Court vacates temporary injunction based on "coverage vs. disclosure" precedent

AstraZeneca AB and another ("AstraZeneca"), the plaintiffs in this case (*AstraZeneca and anr. Vs. P Kumar; AstraZeneca and anr. Vs. T Rao; AstraZeneca and anr. Vs. Dr. Reddys, Delhi High Court*) filed separate patent infringement suits against the defendants, Dr. Reddy's Laboratories Limited and two others ("Reddys"), seeking a decree of permanent injunction to restrain them from marketing, selling, distributing, etc., of any product that infringes three of AstraZeneca's Indian patents covering the compound species, polymorph and formulation. Earlier in 2018, the Delhi High Court had immediately granted an injunction order in favour of AstraZeneca, upon being satisfied that Reddys were planning to launch generic versions of TICAGRELOR, claimed to be covered under the suit patents.

Reddys contended that TICAGRELOR is expressly covered and disclosed in AstraZeneca's earlier patent covering the broad genus compound structure ("Markush"), which had already expired. Any party is, therefore, free to manufacture or sell generic versions of TICAGRELOR in India. Reddys further contended that by obtaining further patents on the same Markush, namely, TICAGRELOR, AstraZeneca had illegally extended the monopoly in its first patent (evergreening).

Reddys raised the issue of the suit patents falling within the prohibitions of Section 3(d) which does not allow new forms of a known substance unless therapeutic efficacy vis-à-vis the known substance is established.

AstraZeneca contended, among others, that the genus patent only disclosed certain compounds without any enablement or disclosure of TICAGRELOR, which was discovered much later and that mere structural similarity would not be sufficient to invoke section 3(d). AstraZeneca further relied on the expert affidavit, to make the point that TICAGRELOR has greater therapeutic efficacy than the substances disclosed in their first patent, due to its enhanced metabolic stability.

Relying on the judgment in *Novartis v. UOI* (Glivec matter) wherein the Supreme Court rejected the dichotomy between coverage and disclosure in a patent, the Court held that the non-disclosure about the "genus patent" by AstraZeneca in their plaints amounted to suppression of material facts. The Court found that the plaint was completely silent about any enhancement of known therapeutic efficacy of the suit patents and the expert affidavit also failed to establish so. The Court held that only those properties of a drug which directly relate to therapeutic efficacy, were relevant in a case involving section 3(d).

Hearing the arguments of both the parties, the Court set aside the interim injunction against Reddys. The Court, however, directed Reddys to continue maintaining accounts with regard to the sale of the impugned drugs and to file account statements of sale figures of the impugned drug, duly authenticated by their chartered accountant.

Importance of expert evidence in patent infringement cases

Expert evidence could play a determinative role in patent infringement suits. This was recently observed in a patent infringement suit (*Sulphur Mills Limited vs Ms. Seema Rathi*), where the Madras High Court allowed an interim injunction against the defendant therein on the basis of expert evidence. The patent was in respect of a novel agricultural composition owned by the plaintiff and sold under the brand name "Sulfa Fert". The plaintiff argued that even after notifying the defendant about its patent, the defendant continued to manufacture the same and simply denied infringement. The plaintiff filed an expert report of an independent expert in order to establish infringement by proving that the composition of the defendant's product is same as that of the plaintiff's patented product.

Accordingly, the interim injunction was granted. Thereafter, the parties arrived at a settlement of INR 15,00,000 (~ USD 21,000) to be paid to the plaintiff in addition to providing royalty for the remaining term of the patent.

While the aforesaid compromise between the parties was one among the several obtained by the plaintiff against several other local manufacturers of agricultural products across India, it clearly highlights the importance of obtaining an interim injunction in the initial stages and the benefit of establishing infringement conclusively by filing expert reports along with the suit, thereby discharging the most important onus in any patent infringement suit.

Patent cases picking up speed in Indian Courts

In a patent infringement case (*Innoviti Payment Solutions Pvt. Ltd. Vs. Pine Labs Pvt Ltd., Delhi High Court*) decided in July 2019, Innoviti Payment Solutions Pvt. Ltd. ("Innoviti"), filed a suit against Pine Labs Pvt Ltd. ("Pine Labs") before the City Civil Court, Bangalore, seeking injunctive and other reliefs against infringement of its patent entitled, "System for Establishing Secure Communication Between Terminal Device and Target System". The Court granted a temporary injunction restraining Pine Labs from manufacturing, selling, distributing, advertising, exporting, offering for sale, procuring and dealing, any other manner directly or indirectly, with any system/product/ technology covered by Innoviti's patent. This also included preventing Pine Labs from using for any of the purposes listed above, the patented technology directly or indirectly with the product "Plutus Smart" or any other device with a communication verification system capable of generating a transaction specific unique QR-code on Point of Sale (POS) terminal. Aggrieved by this, Pine Labs challenged the validity of Innoviti's patent by filing counter claims and sought vacation of interim injunction on the same day. The injunction granted on July 16, 2019 was extended by one day and the matter was heard at length on the very next day. Further on July 24, 2019, the Court was ordered to continue the injunction, whereas by operation of law, the suit got transferred to the High Court of Karnataka. The High Court of Karnataka has further extended the injunction as granted by City Civil Court, Bangalore till the next date of hearing.

The proceedings in this case are a good example of how Indian Courts are expeditiously dealing with IP cases and providing immediate relief to the patent holders. Innoviti is being represented by K&S Partners in this matter.

TRADE MARKS & COPYRIGHTS

Delhi High Court imposes costs for delayed filing of LPC

It is a requirement of the law that in a trademark infringement suit, the plaintiff must file Legal Proceeding Certificate (LPC) obtained from the Trade Mark Registry to prove the registration status of the mark. In *Amrish Agarwal v. M/s Venus Home Appliances Pvt. Ltd*, the defendant, Amrish Agarwal ("Agarwal") challenged the trial court's order that permitted the plaintiff, Venus

Home Appliances Pvt. Ltd., (VHA), to place on record the LPC relating to its trademark “VENUS” post-trial, at the stage of final arguments. VHA had only filed a renewal certificate at the initial stage. The Delhi High Court noted that in trademark infringement cases, though the trademark registration, which is a matter of public record, is accessible on the Trade Mark Registry’s website, either the trademark registration along with the journal extracts or the LPC, must be filed at the initial stage itself along with the plaint. However, in the interest of doing substantive justice, the Court permitted the said document to be taken on record subject to payment of costs amounting to INR 50,000 (~US$ 700).

The Court further directed that, in trademark infringement cases, if the LPC is not available while filing of the suit seeking urgent orders of injunction, the plaintiff must:

a. file a copy each of the trade mark registration certificate and the trade mark journal along with the latest status report from the website of the Trade Mark Registry;
b. make an averment in the pleadings that LPC is applied for, that there are no disclaimers imposed on the mark and that the mark stands renewed;
c. file any licences and assignments in respect of the mark; and
d. file the LPC prior to the commencement of the trial if any aspect of the registration is disputed by the defendant.

The Court further directed that the order be communicated to all trial courts as well as the Controller General Patents, Designs & Trademarks so that LPCs are issued within 30 days.

E-commerce platforms restrained from violating Direct Selling Guidelines

On July 08, 2019, Delhi High Court restrained (*Amway India v. 1MG Technologies*) Amazon and other e-commerce platforms, Flipkart, Snapdeal etc. from selling certain skin care products, health care products, nutrition and supplement and other related products in violation of the Direct Selling Guidelines of 2016 (the 2016 Guidelines) issued by the Government of India.

These Guidelines regulate the direct selling business of Direct Selling Entities (DSEs) by making it mandatory for them to make their products available only through direct sellers who then undertake to distribute and sell these to consumers. Among other conditions, the 2016 Guidelines require the DSEs to:

(i) be the owners of the trademarks/service marks used on such products;
(ii) enter into contractually binding arrangements with the direct sellers, among others, for a product refund/buyback guarantee on reasonable terms within 30 days;
(iii) not to sell their products on any e-commerce platform or marketplace except with prior consent of the DSEs.

In separate suits filed before the Delhi High Court, certain DSEs such as Amway, Oriflame and Modicare claimed that their respective products were being made available through Amazon and other e-commerce platforms without their consent and in violation of the 2016 Guidelines. It was further contended that such unauthorized sales not only constituted infringement and passing-off in respect of the DSEs’ intellectual property rights but also amounted to tortious interference and inducement of breach of confidential arrangements with their direct sellers.

On its part, Amazon and other e-commerce platforms raised the defenses, among others, that:

(i) they are merely intermediaries under Section 79 of the Information Technology Act;
(ii) that they are mere facilitators and not active participants and do not manufacture, procure, produce, list, advertise, sell or price any of the product made available on their respective platforms;
(iii) that the additional services provided by way of storage, shipping and delivery on behalf of the third-party vendors are all as facilitators, and these services cannot operate to take away the safe harbours available to these platforms as intermediaries under Section 79 of the Act;
(iv) that the products sold on Amazon and other e-commerce platforms were genuine and thus their re-sale could not be objected under the doctrine of exhaustion of trade marks rights (akin to the ‘first sale” doctrine under the US law). India follows the principles of international exhaustion which recognize that a registered proprietor of a trademark cannot object to legitimate dealings in the re-sale of

its products once these have been released into the stream of commerce in any part of the world by or with its consent. The only caveat to this is where the condition of the products has been impaired or tampered with.

Before proceeding to decide the issues at hand, the High Court appointed local commissioners to visit the premises of the defendants including the warehouses belonging to the e-commerce platforms and those belonging to its third-party vendors. During these visits, the local commissioners found that the e-commerce platforms such as Amazon were allowing their own warehouses to be used by multiple sellers where these products were being stacked, reopened and re-sealed by their own employees; that thinners and glue-stickers were being applied to remove the original manufacturers' codes and their inner seals.

Taking account of the commissioners' report, other facts and circumstances, the High Court found Amazon and other e-commerce platforms liable and held that: -

(i) the 2016 Direct Selling Guidelines constitute law and equally apply to "any person who sells or offers for sale, including on e-commerce platform/market-place, any product or service of a Direct Selling Entity" without prior written consent of such entities;
(ii) Amazon and other e-commerce platforms were not entitled to the safe-harbours as intermediaries under Section 79 of the IT Act because the threshold test of due diligence expected of them was not being met in that (a) in violation of their own policies, they did not insist on any of the sellers obtaining consent of the plaintiffs for sale of their products on their respective platforms; (b) they decided the return/refund policies of the sellers in breach of the DSEs' own policies; (c) they helped sellers to mask their identity by not insisting and not providing all the details of the sellers in a transparent manner;
(iii) the argument of exhaustion completely failed as there was large scale impairment of the goods as also misrepresentations being made on the platforms.

Accordingly, the Delhi High Court has injuncted Amazon and other e-commerce platforms during pendency of the suits from offering any of the products manufactured by the plaintiffs in pursuance of the 2016 Guidelines.

Closing the gaps in the IPAB appointments

The Intellectual Property Appellate Board (IPAB) is a quasi-judicial body that has been entrusted to hear and adjudicate appeals against the decisions of the Controller of Patents & Designs and the Registrar of Trademarks, Geographical Indications and Plant Varieties. Also, effective June 21, 2015, IPAB has been entrusted with the functions of the Copyright Board, including adjudication of disputes pertaining to copyright registration, assignment of copyright, grant of licenses in respect of works withheld from public, unpublished Indian works, production and publication of translations and works for certain specified purposes.

In a much needed relief for litigants, the Delhi High Court held in *Mylan Laboratories Limited v. Union of India* that the Chairman, IPAB along with the Technical Member (Plant Varieties Protection) were competent to hear urgent matters relating to Patents, Trade Marks and Copyrights till the vacancies of other Technical Members were filled up and that the orders passed by the Chairman would not suffer invalidity on the ground of lack of quorum.

The Court expressed its pain that no Technical Member (Copyright) had been appointed till then, and that the posts of Technical Member (Patents) and Technical Member (Trade Marks) had been lying vacant since May 04, 2016 and December 05, 2018, respectively. The Court also noted that there are about 3935 cases pending before the IPAB and that due to lack of Technical Member, many cases, where the patents have expired, have become infructuous without being heard, thereby causing severe prejudice to the parties.

Invoking the *doctrine of necessity*, the Court held that the Chairman, IPAB could proceed to hear urgent matters pertaining to patents, trademarks and copyrights along with the Technical Member (Plant Varieties Protection). The Court further held that if the Technical Member (Plant Varieties Protection) is also not available or if he recuses himself, then the Chairman could independently proceed to hear urgent matters. Regarding patent matters, the Court permitted the Chairman to take expert opinion of a scientific advisor from the panel of scientific advisors notified under Section 115 of the Patents Act.

Although the Delhi High Court has not clarified as to which matters would be deemed "urgent", the judgment certainly comes as a welcome relief to several litigants waiting for adjudication of their matters that have been pending before the IPAB for a considerable period.

However, the woes of IP litigants continue as the Chairman of IPAB retired in September this year.

What constitutes infringement of the copyright in a cinematograph film?

Under Section 2(m)(ii) of the Indian Copyright Act, an infringing copy of a cinematograph film is defined as, "a copy of the film made on any medium by any means". In 2003, the Bombay High Court had the occasion to interpret this provision in *Star India Private Limited v. Leo Burnett (India) Private Limited and Another*, when it held that copyright in a cinematograph film is infringed if the recorded moving images were directly or indirectly copied, but not if the same or similar images were recorded independently, for example, by re-shooting the subject matter of the film.

However, the Delhi High Court recently resorted to a different interpretation in *MRF Limited v. Metro Tyres Limited*. The plaintiff, MRF Limited (MRF), a prominent tire manufacturer in India, had filed the present suit alleging copyright infringement against the defendant, Metro Tyres Limited (MTL), another tire manufacturer.
MRF alleged that MTL's audio-visual advertisement, which had a similar sequencing, form, treatment and expression was nothing but a substantial and material copy of its audio-visual advertisement. In defense, MTL relied on Section 2(m)(ii) as well as the 2003 judgement of the Bombay High Court and argued that the expression "*to make a copy of the film*" meant to make a physical copy of the film itself and not another film which merely resembled the original film.

While the Delhi High Court disagreed with the Bombay decision, it cited with approval a decision of Calcutta High Court in the *Shree Venkatesh Films Pvt. Ltd v. Vipul Amrutlal Shah & Ors*, which held that in the context of a cinematograph film, the word 'copy' must be given a broad meaning. It was hence noted by the Court that a cinematograph film is greater than the sum of its component parts. It held that the words, "*to make a copy of the film*", do not mean just to make a physical copy of the film by a process of duplication, but it also refers to another film which substantially, fundamentally, essentially and materially resembles/reproduces the original film. It was further observed that the Court would have to compare "the substance, the foundation, the kernel" of the two advertisements to consider whether one was "by and large a copy" of the other and whether an average viewer would get an unmistakable impression that one work was a copy of the other.

However, the Court did not grant an interim injunction in this case as it found the respective advertisements to be dissimilar.

Delhi High Court on Section 18(5) of the Trade Marks Act

Recently, the Delhi High Court had the occasion to interpret Section 18(5) of the Trade Marks Act, 1999 in a manner that made it easier and quicker for applicants to appeal a decision of the Registrar of Trade Marks arising from a refusal or partial acceptance of a trademark. The said section reads as follows:

> *(5) In the case of a refusal or conditional acceptance of an application, the Registrar shall record in writing the grounds for such refusal or conditional acceptance and the materials used by him in arriving at his decisions.*

This was a constitutional writ (*Intellectual Property Attorneys Association v. Controller General of Patents, Designs, Trade Marks & Anr*) that challenged the non-speaking orders passed by the Registrar of Trade Marks while refusing trademark applications. The petitioner, Intellectual Property Attorneys Association (IPAA), argued that such orders were in violation of Section 18(5) and that Rule 36 of the Trade Marks Rules, 2017 was inconsistent with the said section. Rule 36 reads as follows:

> ***36(1) Decision of the Registrar**: The decision of the Registrar under Rules 33, 34 & 41 shall be communicated to the applicant in writing at his address of service and if the applicant intends to appeal from such decision he may within thirty days from the date of such communication apply in Form TM-M to the Registrar requiring him to state in writing the grounds of, and the materials used by him in arriving at his decision.*

The Court agreed with IPAA and held that Rule 36 was arbitrary, unreasonable and inconsistent with section 18(5), in so far as it empowers the Registry to communicate the decision without the grounds of refusal or conditional acceptance. Accordingly, it held that Section 18(5) would prevail over Rule 36.

This decision not only reduces one procedural step in the appeal process, namely, applying to the Registrar, seeking the grounds of refusal or conditional acceptance, but also saves the time of an aggrieved applicant in waiting for the written communication of the Registrar of the grounds of refusal or conditional acceptance before it can file an appeal.

PLANT VARIETY PROTECTION

DNA testing of plant varieties to determine infringement of rights

In a first of its kind judgement in the matter of *Pioneer Overseas Corporation Versus Chairperson, Protection Of Plant Varieties And Farmers Rights And Ors, and Pioneer Overseas Corporation Versus Union Of India & Ors*, the Delhi High Court approved DNA testing of plant varieties to determine infringement and misappropriation of plant germplasm under 'The Protection of Plant Varieties and Farmers' Rights Act, 2001'.

The controversy in the case involved the acceptance of an application made by Kaveri Seeds ("Kaveri") for registration of a variety of maize before the Protection of Plant Varieties and Farmers' Rights Authority (PPV&FRA). Pioneer Overseas Corporation ("Pioneer"), who had also filed an earlier application for registration of a maize variety, claimed that Kaveri's variety was identical/similar to Pioneer's. Pioneer filed an opposition against Kaveri's application alleging that it had misappropriated the germplasm of Pioneer's variety. Pioneer also filed an application for conducting special test (DNA Test) for determining the genetic profile of both varieties in support of its claim, and also presented evidence establishing similarity between the DNA of the two maize varieties being in the range of 99.45% to 99.80%.

The Registrar, PPV&FRA rejected Pioneer's application for conducting the special test on the sole ground that the two varieties of maize were found to conform to the criteria of distinctiveness, uniformity and stability (DUS). The Registrar, referring to Rule 29(1) of the 2003 Rules, opined that such special test could be conducted only at the instance of the applicant, and that too, only in cases where the DUS test had failed to establish that the plant varieties conform to the DUS criteria.

Aggrieved by this, Pioneer challenged the order of the Registrar that rejected the special tests, as well as the order dated September 09, 2014, that closed its opposition and directed Kaveri's variety to be registered.

The Court set aside the order dated September 09, 2014 opining that the decision of the Registrar in rejecting petitioner's opposition solely on the ground that Kaveri's variety had qualified the DUS criteria, was erroneous.

Referring to the reliance placed by the Registrar on Rule 29(1), the Court remarked that the same is misplaced, as it does not preclude any person opposing the registration of a variety from seeking a special test to establish misappropriation of germplasm. Coming down heavily on the opinion of the Registrar that conducting a DNA test would be futile, the Court acknowledged the importance of examining the genotype of a plant in order to determine whether it is distinct in cases of serious dispute as to the IPR rights regarding the variety.

Pioneer's application for conducting the special DNA profiling test for both the varieties was thus restored, directing the Registrar to consider it afresh.

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