Newsletter

April - May 2015 Edition

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News from the Controller General of Patents, Designs and Trade Marks (CGPDTM)

Applications for JPO / IPR Training Courses invited by CGPDTM

Applications have been invited for training courses to be conducted by the JPO in Japan. The program is funded by JPO and operation is undertaken by Japan Institute for Promoting Invention and Innovation (JIPII) and The Overseas Human Resources and Industry Development Association (HIDA). Courses that are proposed by the JPO are suitable for Intellectual Property (IP) trainers, IP protection lawyers and practitioners specializing in Patents, Designs and Trade Marks. The main focus would be on managing IP and anti-counterfeiting measures for practitioners.

Certificate awarded to the Geographical Indications Registry, Chennai

BSI India has honoured the Geographical Indications Registry, Chennai with ISO 9001-2008 certificate for its quality management system.

Updates from the Ministry of Corporate Affairs

Clarification on Loans and Advances to Employees

Section 186 of the Companies Act, 2013 imposes restriction on companies from giving loans to any person more than the prescribed threshold. The Ministry of Corporate Affairs vide General Circular No. 04/2015 dated March 10, 2015, clarified that loans and/or advances made by companies to their employees, other than managing and whole time directors, are not governed by the requirements of Section 186. It is further clarified that such loans/advances to employees should be in accordance with the conditions of service applicable to employees and in the remuneration policy, where applicable.

Easing of DSC Deactivation Norms

At present, the Digital Signature Certificate (DSC) is deactivated once any director of a company resigns by submitting e-form DIR-11. However, in case where all the directors of a company resign together, before appointment of new directors, the company cannot do any filing due to lack of an authorized signatory Director. In order to solve this difficulty, the Ministry vide General Circular No. 03/2015 dated March 03, 2015, has clarified that the Registrar of Companies are authorized to allow one of the directors who has resigned to file DIR-12, which is required to be filed for appointment of new directors.

Remuneration to managerial person under Schedule XIII of the Companies Act, 1956

The Ministry of Corporate affairs has issued a General Circular no. 07/2015 dated April 10, 2015 to provide clarification on the payment period to the managerial personnel in accordance with Schedule XIII of the Companies Act, 1956 (now Schedule V of the Companies Act, 2013).The matter has been examined in light of the earlier clarifications on transitional matters. It is clarified that a managerial person may continue to receive remuneration for his remaining term in accordance with the terms and conditions approved by the company as per relevant provisions of Schedule XIII of earlier Act even if the part of his/her tenure falls after April 01, 2014 (i.e. the date of which Schedule V came into force).

Does India need a separate legislation on trade secrets?

As reported in the Economic Times, India has asked Washington DC to provide data to ascertain feasibility of law before enacting a separate legislation on protecting trade secrets. The Indian government wants to know the number and types of cases filed in each US State and whether India's legal system could handle such issues.

An American lobby of technology giants, including Microsoft and Intel, has in the past pitched for strengthening of trade secret laws in India to encourage investments in research and development. The lobby demanded criminal sanction to discourage theft of data and trade secrets in India. Unlike patent rights, which eventually expire, trade secrets can be protected for an unlimited duration.

Supreme Court upholds the decision of the Division Bench in Merck- Glenmark

The Supreme Court restrained Indian firm Glenmark Pharmaceuticals from manufacturing and selling its anti-diabetes drug Zita and Zita-Met which was a big sigh of relief for US pharma major Merck Sharp and Dohme.

Merck Sharp and Dohme Corporation had filed a suit against Glenmark Pharmaceuticals to restrain them from using its patented product, Sitaglipt in (covered in our *Feb-March, 2015 newsletter*). The interlocutory application of the plaintiff was dismissed by the Single Bench of the Delhi High Court and the plaintiff preferred an appeal to the Division Bench, which restrained the defendant from manufacturing and selling the generic version of the anti-diabetic drug. The defendant aggrieved by the order of the Division Bench had approached the Apex Court.

The Apex Court, however, allowed Glenmark to continue selling existing stock in the market. The Hon'ble Court did not go into the merits of the Order of the Division Bench and expressed its concerns to balance the equities between the parties while maintaining public interest. The court also fixed the schedule for trail and listed the matter on July 22, 2015 for further consideration.

Posh rubbed by expert

The plaintiff, *RSPL Health Pvt. Ltd.*, engaged in the business of manufacturing and selling washing soaps, washing powder, detergent cakes, toiletries and other related goods, under the trademark XPERT and/or EXPERT Label, filed a suit for permanent injunction restraining infringement of copyright, passing off, rendition of accounts, delivery-up against the defendant, *Deep Industry*. The defendant was also engaged in a similar business under the trademark/label POSH and alleged to be violating plaintiff's rights. An *ex parte* order was passed against the defendant restraining it from manufacturing, marketing, supplying etc. of any artistic work/packaging/label etc. identical with or deceptively similar to the plaintiff's label/packaging. But, the same was challenged by the defendant.

The plaintiff averred that its trademark/label and the punch line '*Pehle Istemal Karen Phir Vishwas Karen*" have become distinctive of the plaintiff. It submitted that the defendant had adopted a similar mark with the label 'POSH', with all its features and artistic work, colour combination (pink), layout design, lettering style, get up and idea thereof. As a result, it has been suffering huge losses both in business and reputation.

On the other hand, the defendant claimed that the present suit is not maintainable for the want of jurisdiction, as the defendant operates under the mark POSH only in the State of Maharashtra. It also emphasised that the plaintiff cannot claim any monopolistic proprietary right on colour pink used as a trade practice and as a get-up in several similarly placed goods. Further, the colour combination is common to the detergent trade and cannot be owned by any particular business concern.

On perusal of the two labels/packaging, the court observed that the layout design, colour scheme, get up, arrangement of artistic features, lettering style are almost similar except that the brand names of the parties were different. Also, it had not been denied on behalf of the defendant that the label/packaging material is not dissimilar. Thus, it was evident that the label/packaging used by the defendant is deceptively similar to that of the plaintiff.

Addressing the issue of jurisdiction, the court observed that since the plaintiff has presence in Delhi, by virtue of Section 62(2) of the Copyright Act, the court had the jurisdiction to entertain and try the present suit. The court held that no grounds have been made by the defendant for vacation of the *ex-parte* order and all the conditions of granting the injunction in the present case are satisfied.

Battle between Oyo Rooms and Zo Rooms

In a recent decision, the Delhi High Court issued a stay order against Zostel, the hostel chain for backpackers at the instance of Oravel Stays Private Limited (Oyo Rooms) on the allegations of theft of its copyright material.

Allegedly, the defendant had launched 'Oyo Rooms' like concept called 'Zo Rooms', which the plaintiff alleged to be based upon copied data. Oyo Rooms reportedly produced evidence in the court such as emails, CCTV footage and theft of its 'software' by few of its former employees who joined Zostel.

The court in its stay order restrained Zostel from using 'confidential information and software' of Oyo Rooms, on the ground that access to confidential information such as documents for operations and central reservation systems software by external parties especially the defendant can impact revenue of the plaintiff.

‘OSWAL’ held to be common to the trade by Intellectual Property Appellate Board (IPAB)

In the present case,the applicant preferred a rectification application before the Board, challenging the grant of registration of the trade mark ‘Oswal Classic’ in the name of the respondent who is engaged in the business of various kinds of shawls, lohies, blankets and such other textile/hosiery goods. While the applicant claimed use of ‘OSWAL’ since August 1, 1963, respondent claimed adoption of the trademark ‘OSWAL CLASIC’ in 1970.

The applicant claimed that he/his father had been using the trademark ‘Oswal’ for the last 40 years and it has become a well-known mark within section 11(6) of the Trade Marks Act. He also submitted that the adoption of the mark ‘Oswal Classic’ is dishonest and not *bonafide*. The applicant claimed that the mark had been registered as its opposition had been treated as abandoned and there was litigation pending between the sister units of the applicant and the respondent.

The respondent however, argued that the applicant could not claim monopoly over the use of the mark ‘Oswal’ as the word ‘Oswal’ has attained the status of *publici juris* and is common to the trade. Further, many applications have been registered or are pending before the Trade Marks Registry containing the word ‘Oswal’. The civil suit filed by the applicant before the District Court, Ludhiana was dismissed as withdrawn and as such the applicant had acquiesced in the use of the mark by the respondent.

The learned IPAB while adjudicating upon the petition, crystalized three notable issues. Firstly, whether the trademark “OSWAL” attained the status of *publici juris* and is common to trade? Secondly, whether the applicant is entitled to claim monopoly over the use of the trademark “OSWAL”? and, thirdly, whether the application of the applicant is barred under the principles of acquiescence, delay, latches, waiver and estoppel?

Upon hearing the arguments advanced and perusing the evidence filed by the parties, the learned IPAB held that “*In our view, the grant of registrations to the trademark “OSWAL” with prefix or suffix has lost its exclusivity tag and can be termed as common to the trade*”.On the question of monopoly over the use of “OSWAL”, it was held that due to multiplicity of the ownership of the trademark, the applicant’s claim for monopoly or exclusivity over the word ‘OSWAL’ is not tenable. Further, it was observed that abandoning opposition proceeding (against the subject mark by the applicant) as well as not opting for appeal and subsequent withdrawal of civil proceeding is an act of abandoning rights half way. This clearly fall under the ambit of acquiescence and filing of rectification action after a gap of almost 4 years comes under the ambit of delay and latches. Thus, the rectification application was dismissed.

Midas Hygiene Industries Pvt. Ltd. v. Sudhir Bhatia

The appellant, *Midas Hygiene Industries Pvt. Ltd.*, preferred appeals against the decision of the Copyright Board. The respondent raised a preliminary objection as to the maintainability of the appeals which were preferred by the appellant. He based his arguments on the interpretation of the expression ‘carries on business’ mentioned in Section 72(2) of the Copyright Act, 1957. Section 72(2) deals with the appellate jurisdiction whereby, the appeal preferred to the High Court against an order of the Copyright Board requires that the appellant should either be residing, or carrying on business within the jurisdiction of the High Court.

In the present case, the appellant, a resident of Mumbai, operated in Delhi through an agent, M/s S.S. Agencies. Several advertisements placed by M/s S.S. Agencies at various points of time in its capacity as the appellant’s agent were adduced before the court.

The respondent, in furtherance of his argument, placed reliance on the judgment in *Dhodha House v S. K. Maingi*, where it was held that *“a person is situated i.e. where he carries on business through an agent, only if, the agent is a special agent who attends exclusively to the business of the principal.”* The respondent argued that since the appellant operated through an agent and not a special agent, the Delhi High Court did not have jurisdiction over the matter.

The appellant’s submission was that a suit was filed in 1999 in which clearly stated that M/s. S.S. Agencies was stated to be exclusive agent of the appellant, and it was also impleaded as a second plaintiff. Further, advertisements issued from time to time by M/s. S.S. Agencies clearly showed that it was seeking to market the appellant’s products.

The Hon’ble Court rejected the respondent’s submission and held that even if the appellant resided in Mumbai and worked for gain there, it cannot impliedly mean that the appellant did not have an exclusive dealer in Delhi. The institution of the suit in 1999 and the various advertisements annexed with the suit establish that the exclusive agent was in Delhi. Therefore, respondent’s contentions with regard to jurisdiction were unfounded and he was directed to bear the costs of the hearing at INR 25,000 for each appeal.

Hawkins defeats Khaitan in pressure cookers

The plaintiff, Hawkins Cookers Ltd., filed a suit against the defendant, Khaitan Pressure Cooker Pvt. Ltd, seeking permanent injunction and damages under the Copyright Act, 1957 for the infringement of its logo.

The plaintiff and the defendant are manufacturers of pressure cookers. The plaintiff had registered its logo with the copyright registry and alleged that the defendant had been selling its products with an identical/deceptively similar label/logo. While the plaintiff's label had two semi-circles with the colour red and a white patch in between bearing the word 'Hawkins', defendant's logo had two semi-circles which were also red with white patch in between, highlighted with a white colour around it. The defendant was using the photograph of Lord Krishna in the top semi-circle and the word 'Shyam' in the white patch. Though the defendant entered the market subsequent to the plaintiff, the pressure cookers of both the parties were sold in the market in the same shop side by side.

The defendant contended that the logo of the plaintiff is not entitled to protection as the same has been used more than fifty times in accordance with Section 15 of the Copyright Act, 1957. Also, that the plaintiff's label is not an original work of art. The plaintiff had abandoned its label and had adopted a dissimilar label. It was further alleged by the defendant that there was no valid case of infringement since, there were a number of differences between the plaintiff's label and the label used by the defendant.

Some of the questions before the Hon'ble Court were:

- Whether the mark in question is an original work of art;
- Whether the defendant has infringed the copyright of the plaintiff;
- Whether the use of the label by the defendant amounts to passing off;
- Whether the logo of the plaintiff is entitled to protection under section 15 of the Copyright Act, 1957;
- Whether the plaintiff is entitled to damages and, if so, to what extant.

The court while, deciding on the issue of Section 15 of the Act, relied on *Microfibres Inc. V. Girdhar and Co. and Ors*, in which the appellant was a manufacturer and seller of upholstery fabrics with designs derived from the original and unique artistic works either conceptualized or drawn by employees. The copyright in such artistic works remained with the appellant.

In such context it was held that, "*if the artistic work such as a painting has been used as the basis for designing an industrial produced object, such as the furnishing in that case, although the original painting would enjoy full copyright protection, the result of the industrial application of such painting, namely, the design used in the industrial production of the ultimate product shall enjoy lesser period of protection as stipulated under the Designs Act, 2000 provided it is registered as a design under the Designs Act, 2000.*Thus, the court held that Section 15 of the Copyright Act, 1957 will not operate in this case and therefore, does not prevent the owner of copyright from claiming protection for the artistic work or the label even if the same may have been used more than fifty times.

Regarding the contention of similar logos, the court applied the test laid down in *M/S Anglo-Dutch Pain*t. The court after comparing the two logos held that the colour combination, get-up and layout of the two labels are sufficiently similar from the stand point of a man of average intelligence having imperfect recollection to allow the product of the defendant to be passed off as the product of the plaintiff. The court opined that the two pressure cookers when displayed side by side in the shop would look similar.

The court, while awarding damages, relied on the case of *Time Incorporated v. Lokesh Srivastava*, to held that the plaintiff is entitled to three types of damages, namely, compensatory damages, nominal damages and punitive damages. The defendant was directed to pay INR 10,00,000 as punitive damages to the plaintiff and the court granted an order of permanent injunction against the defendant. Further, the court appointed a special referee to enquire into the accounts submitted by the defendant and directed the parties to cooperate with the special referee to accomplish the exercise.

Battle of the Noodles

As reported in the Economic Times, Nestle India is planning to appeal against Madras High Court's interim order over its product, 'Maggi Magical Masala', in a case filed by ITC.ITC had filed a suit against Nestle in 2013 when the latter had launched Maggi Magical Masala. It was alleged that the Maggi variant was launched at the back of the success of ITC's 'Yippee! Magic Masala', thereby infringing its intellectual property rights.

The order said "When the word is only descriptive of the character of the goods, no protection can be claimed for use of such word, but if the word is known for its distinctiveness (and) secondary meaning, such word is entitled to get protection". The Court further observed that the words 'Magic Masala' indirectly suggest magical change by consuming the plaintiff's product and, therefore, the words 'Magic' or 'Magical' cannot be considered as descriptive. It further stated that ITC's instant noodle was marketed under the Sunfeast 'Yippee' brand, which was popularly known as Magic Masala and hence, it not only used the term first, but also established that it had won market share against its rival with the product. Such a favourable ruling may provide ITC headroom to grab additional market share in the instant noodle market. At present, it has estimated that ITC's instant noodle market share has been growing at three times the market rate.

Developments surrounding the National IPR Policy

After the release of the first draft of the policy, comments were invited from academicians, stakeholders and the civil society. Reportedly, the policy has been criticized by various experts, who pointed out that it is not balanced and nothing has been mentioned *vis-à-vis* health, food-security and environment in the policy. Further, pharmaceutical companies expressed their concern over the lack of focus on the pharma sector.

It is believed that several public interest groups also complained about the working of the Think Tank. Many were of the view that the members of the Think Tank are faced with conflict of interest. Also, the policy does not reflect the development realities and needs of India and seriously undermines India's technological progress in critical areas to address the development challenges of the nation.

Following the criticism, the Centre for Internet and Society (CIS) filed three requests under the Right to Information Act with the Department of Industrial Policy and Promotion. Broadly, it questioned the composition of the IPR Think Tank, the process that the said Think Tank followed to formulate the policy, details and documents of meeting held to draft the policy and the suggestions and comments received by the IPR Think Tank from different stakeholders on the policy. The responses to the requests showed that the stakeholders have not been adequately represented in the meeting which constituted the Think Tank (The first draft of the policy was discussed in our *Dec 2014-Jan 2015 newsletter*).

Citigroup wins over Citicorp

The present suit was initiated by *Citigroup Inc.*, a company existing under the laws of USA and its wholly owned subsidiary. The plaintiffs provide banking and financial services and own the trademark CITI and several CITI formative marks including CITICORP. The plaintiffs sought injunction and damages for infringement of its registered trademark, passing off and unfair trade competition against the defendant, *Citicorp Business and Finance Private Limited*. An *exparte* order had earlier been passed directing it to keep on hold the domain name www.citicorpbiz.com till the next date of hearing. The defendant was also restrained from using the trademark of the plaintiffs 'CITI' and 'CITICORP' or any other mark which is deceptively or confusingly similar to the plaintiff's registered trademark.

The plaintiffs submitted that their marks were renowned brands in India as well as worldwide and they were registered proprietors of the same. Their retail banking network consists of more than 4600 branches across the globe and holds deposits exceeding $ 300 billion. They also emphasised that they were bestowed with many awards in 2011 including the 'Best Consumer Internet Bank in India' by Global Finance for the third year in a row and 'Best Foreign Bank Brand' in India by the Economic Times Brand Equity.

The plaintiffs came across the defendant's website www.citicorpbiz.com in 2013 which revealed that it was not only using the mark 'CITICORP' as its domain name but also using it as part of its corporate name, 'Citicorp Business and Finance Pvt. Ltd.' providing services such as financial services, broking distributions, mutual funds and insurance, loan syndication, real estate, financial education, research and advisory and finance consulting which were identical to the services in relation to which the plaintiffs' trademark CITI is used. By such use, the defendant was misrepresenting itself as having some connection with the plaintiffs, thereby deriving illegal benefits and financial gain out of the plaintiffs' good will.

The defendant submitted that the disputed domain name 'www.citicorpbiz.com' was a valid domain name since it was obtained legally. It contended that the present suit was not maintainable because the Delhi High Court had no jurisdiction since, the defendant's place of business was Kolkata and the address mentioned by the plaintiffs in the plaint was that of New York, USA. In this respect, the Court opined *prima facie* that it had the territorial jurisdiction to entertain the suit. It further observed that the plaintiffs have made out a strong case for infringement of trade marks and established a classic case of passing off thereby entitling them for injunction. The Hon'ble Court confirmed the interim order passed earlier and granted the defendant six months' time to change its corporate name to some other name.

Cipla offers 'reasonable' royalty to Novartis

Recently, Cipla offered to pay a reasonable royalty to Novartis AG, a Switzerland based drug major if it was allowed to sell a generic version of Onbrez.

Pursuant to the Delhi High Court's order of January 2015 (covered in our *Dec-Jan, 2015 Newsletter*), Cipla was restrained from manufacturing its indacaterol -based drug sold under the name of 'Indaflo' until it obtained a compulsory license, though the Court had allowed it to sell the existing stock. The order was passed on the interim application of Novartis seeking to restrain Cipla from selling its product during pendency of the patent infringement suit filed by the Swiss company. Cipla based its offer on the contention that "public interest outweighs everything" and if given the license, Cipla's cheaper generic version would benefit patients immensely.

Madras High Court passes revised order in Shamnad Basheer v. Union of India

We had discussed the notable decision of the Madras High Court (covered in our *Feb-March 2015 Newsletter*), where it had declared certain key provisions of the Trade Marks Act, 1999 relating to the IPAB as unconstitutional and laid down criteria for appointment of a Technical Member under the Trade Marks Act, 1999 *vide* order dated March 10, 2015.

A revised order has now been passed by the Madras High Court, which takes into account issues related to Technical Members under the Patents Act which were not considered by the court in the original order. The same was brought to the attention of the Hon'ble Court by the petitioner's counsel.

It was observed by the Hon'ble Court that there is a fundamental difference between the qualifications prescribed for Technical Member under the Patents Act and the Trade Marks Act. The criteria of appointment of a Technical Member under the Patents Act is technical knowledge (Section 116(2)) while under the Trade Marks Act, even a Technical Member is required to have legal knowledge as a basis for his appointment. The legislative intent behind Section 116(2) was for the Technical Member to have an expertise in the technical field and throw light on technical matters. Thus, the qualification of a Technical Member under Section 116(2) of the Patents Act, 1970 was held to be constitutionally valid.

It was noted by the Court that a Technical Member under the Trade Marks Act has a greater role in the decision making process in comparison to a Technical Member under the Patents Act whose primary function is to impart technical knowledge. Further, the Hon'ble Court directed that Technical Members appointed under the Trade Marks Act cannot act as such to decide a dispute under the Patents Act and *vice versa*, and such a situation is unconstitutional.

Also, it was ruled by the Hon'ble Court that the role of a Technical Member under Section 116(2) is restricted to technical aspects while the Vice-Chairman and Chairman deal with judicial functions. Hence, a Technical Member under Section 116(2) shall not be appointed to the post of Vice-Chairman unless the criteria prescribed under Order dated March 10, 2015 is met.

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