

Newsletter - March 2016

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Back to Basics

Intellectual Property rights are specialized concepts and guidance from experts is necessary to understand the underlying basic principles of IPR. Dr. Niti Dewan, head of Patents at R.K. Dewan & Co. on 27th February, 2016, addressed the Department of Microbiology at Modern College in Pune, regarding various types of Intellectual Property Rights. Dr. Niti herself is a medical practitioner and has been actively engaged with IP laws for the last 15 years. Her knowledge and expertise on the subject helped students understand and become aware of the importance of IP laws particularly, patent rights.

This lecture was a part of R.K. Dewan & Co.'s constant efforts and initiatives towards increasing awareness among the masses specifically, the student community. We will continue our endeavors towards creating a more IP vigilant India.



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Exhausted? Not yet!

Patent laws grant the patent holder with an absolute right to exploit the patent in any manner as it may deem fit, subject to certain limitations. The principle of exhaustion comes into play once the patent holder sells the patented product; after such first sale, the patent holder cannot restrain the purchaser from further selling such product. In the case of *Lexmark International Inc v Impression Products, Inc*, Lexmark (Plaintiff) had patent for the ink cartridges for its printers. The Plaintiff was selling two cartridges (1) Discounted cartridges, sold in the U.S., which restricted the resale rights of the purchasers; and (2) Cartridges sold abroad without any discount and no restriction on resale. The Defendant purchased the used cartridges of the Plaintiff Company and resold them in the U.S. The Plaintiff filed a suit for patent infringement against the Defendant. The Defendant argued that the Plaintiff was estopped from claiming infringement because it had exhausted its right to regulate the sale of the product after making a 'legitimate' first sale in the U.S. Furthermore, the Defendant claimed that by selling its product abroad, the Plaintiff had also exhausted its rights in the U.S.; the Defendant cited few copyright related cases to support its claims. The District Court, agreed with Defendant's contention of exhaustion of rights by sale in the U.S. however, the second argument pertaining to exhaustion of rights in the U.S. by sale abroad was rejected. The matter was appealed before the Federal Circuit Court.

The Appellate Court upon hearing the two parties, the Government representatives and amicus curiae for the matter, concluded that the Plaintiff was correct in claiming patent infringement. It was ruled that the patent holder had the right to impose limitations on resale and reuse. It was further held that patent rights are territorial in nature and if an article patented in the U.S. is sold abroad without any restrictions imposed on resale and/or reuse, it would not result in exhaustion of patent rights in the U.S. The Court observed that cases of copyright exhaustion were not applicable to patents because of differences in the statutory provisions. This ruling broadens the rights of patent owners in the sense that they can regulate the resale and reuse of their patented article, also this decision does not discriminate between practicing and non-practicing entities (NPE's). While this decision benefits patent holders, it also gives the patent trolls more opportunity to bring frivolous suits. It will be interesting to see the impact of this decision on the U.S. patent system.



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INTA's Initiatives

Awareness is the greatest agent for change¹ and to bring about an effective change it is necessary to garner the support of the key members of the society –the youth. In a young country like India, where there has been a considerable increase in brand awareness it is necessary to educate the young shoppers and future technology developers about the ‘unreal’ brands i.e. fake products floating openly in the markets. The sale of counterfeits is not only illegal but also unethical; it snatches the original brand owner’s right to profit from its creation and also cheats the consumers into buying a possibly lower quality product while they are under the impression of purchasing the real product. The differentiation of right from wrong has to be instilled at the influential age of 16-18 and it is because of this reason that INTA has initiated this unreal campaign.

This is a worldwide initiative, with the brightest minds in the world of Intellectual Property rights addressing students and educating them about their duty as a responsible citizen to choose wisely while purchasing goods. Dr. Mohan Dewan, an eminent personality in the International as well as Indian Intellectual Property community, will be participating in this event embarking change. He is also addressing INTA’s 2016 delegation to India on March 2nd, 2016 in Mumbai, and will be sharing his views on India’s emergence as global economic powerhouse and the need for awareness among trademark owners to successfully protect their marks. It is necessary for the people to learn from experiences of enriched speakers and make the choice of being vigilant about intellectual property rights.

In the words of Alfred (Batman), “He can make the choice that no one else can make, the right choice.” These initiatives of INTA can be stepping stones towards greater awareness and hence, change in the society.

China: OEM activities and trademark law

The Trademark laws of China have undergone revision three times, the most recent one being in 2013. In addition to this, China is not a common law country therefore; the Doctrine of stare decisis (precedents) is not followed by the Courts leaving room for uncertainty on the legal position on various issues. One such issue is whether the use of a mark for Original Equipment Manufacturer (OEM), exclusively for export, should be construed as ‘use’ in China. The Supreme People’s Court of China has provided some clarity on this issue in its recent decision.



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In the case of Focker v Ya Huan, Focker Security International Ltd (hereinafter, Focker) a Hong-Kong based company filed a suit against Zhejiang Ya Huan Lockset Co Ltd (hereinafter, Ya Huan) for infringing its registered trademark 'PRETUL' and its oval shape. Ya Huan claimed that the mark 'PRETUL' was being used by them for the OEM pack locks that were processed for the Mexico based company – Chu Bo and were also meant to be exclusively exported to Mexico. The Courts of first and second instance ruled that Ya Huan was infringing Focker's trademarks and was liable to pay 50,000-80,000 Yuan as compensation to Focker for economic losses. The Supreme Court however, was of a different opinion; it held that since the product manufactured by Ya Huan had never been and was not even intended to be sold in China there could be no likelihood of confusion between the OEM products and products of Focker. In light of these observations it was held that there was no trademark infringement committed by Ya Huan.

China is a manufacturing hub for a large number of companies in the world and therefore, this decision (though not binding) is in the interest of such companies that give their orders for manufacturing to Chinese companies. Therefore, for the companies that do not intend to enter the Chinese market but only use it as a center for manufacturing, this decision allows them to continue their activities without allegations of trademark infringement.

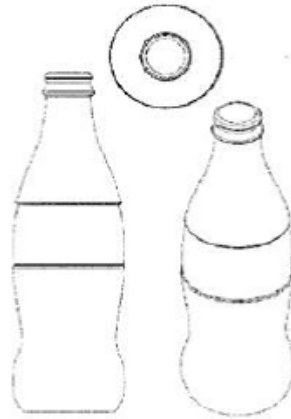
General Court to Coca-Cola: Not 'shapely' enough!

Coca-Cola, commonly known as Coke is the soft-drink most of us have loved as children and continue to like as adults still. The drink has been in circulation since last one century making it one of the globally reputed brands. Coca-Cola has several word and device related trademark registration. However, it wanted to increase the ambit of its rights and applied for shape registration of metallic, glass and plastic bottles before the Office for Harmonization of Internal Market (OHIM).

The OHIM rejected this application on the grounds that the shape 'contour bottle with fluting' was not distinctive enough in relation to the goods for which the application had been submitted. This order was appealed before the General Court. The General Court upheld the OHIM's decision and ruled that the shape of the bottle was simply a variant of the bottles available in the market; no evidence had been submitted to show that the shape had gained any secondary meaning among the consumers therefore, the application was rejected.



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This decision of the General Court is in consonance with the guidance that the CJEU had given in Nestlé's quest for trademark registration for the shape of Kit-Kat chocolates. In that guidance the CJEU had emphasized on the shape mark being distinctive enough to indicate only one source i.e. Nestlé. Similarly, in Coca-Cola's case the bottle shape was common therefore not qualified for trademark registration. It is interesting to note that despite the popularity a brand enjoys, it might be difficult to obtain shape mark registration unless the shape stands out in itself i.e. even if the brand name is absent on the product, the consumer would only recall one proprietor e.g. a series of mountains as the shape of chocolates immediately reminds of Toblerone chocolates. It is time that proprietors of marks, shape up to gain an extra layer of protection in the form of shape mark.

Evidence and Trademark Registration

An often neglected area during the filing of a Trademark application is the filing of evidence to prove the use and the secondary meaning (if any) associated with the mark in the minds of the public. The evidence filed should be exhaustive, conclusive and convincing, if these elements are absent it could cost a proprietor the registration of such mark.

A non-alcoholic beverage giant like Coca-Cola too made the error of filing flimsy evidence before the OHIM and Board of Appeals when claiming that its 'contour bottle with fluting' had acquired a distinctive character through its usage. The flaws in their evidence were apparent for instance, though the application had been filed for registration throughout EU (via OHIM), the survey showing association of the shape mark, exclusively with Coca-Cola, in the minds of the public was conducted only in 10 member states. Therefore, the survey was not conclusive and did not lead to the inference that in all



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member countries, the masses associated the shape of the bottle with Coca-Cola alone. Further, instead of employing the services of a known market research company, Coca-Cola hired its erstwhile director to conduct the research hence; questions were raised on the reliability of the results submitted. Also, the surveys submitted contained leading questions and the data submitted as turnover, sale volume figures was inclusive of Coca-Cola's other brands as well (Fanta, Fresca, Minute Maid etc.) The Board of Appeals also pointed out that the advertisements submitted did not exclusively refer to the mark applied for but also other bottles and cans as well and specifically the contour bottle with fluting. The Board opined that the public's perception of shape mark could be different from that of verbal marks.

In light of the abovementioned defects the Board of Appeals rejected Coca-Cola's application for registration of shape mark. This case is a lesson for proprietors to not take evidence submission as a trivial issue; the evidence submitted does not have to be voluminous but reliable so as to establish the distinctiveness of the mark thereby proving registerability of the mark.

When the going gets tough

The Trademark Act, 1999 is quite clear on the substantive rights of the parties however, the procedural aspect is often ambiguous particularly regarding the jurisdiction of the Trademark registrar, the IPAB and the Courts. In the case of Jagajit Industries Limited v IPAB, the Appellant (Jagajit) had applied for registration of the mark 'BLENDER's PRIDE' and the same was advertised in October, 2003. The registration of this mark was opposed by Austin Nichols (Respondent 2) which operates in India through its licensee Seagram's India (Respondent 1). Respondent 2 filed TM-44, one day before expiry of 3 month statutory period for filing opposition, seeking an extension of one month to file its opposition. Respondent No. 2 was not intimated if their request under TM-44 was accepted by the Registrar; nevertheless, their opposition was served upon the Appellant in February, 2004. In January, 2005 Respondent No. 2 learnt that despite the opposition the Appellant's mark had been registered. Simultaneously, in 2005 the Appellant filed a trademark infringement suit against Respondent 1 before District Court in Jalandhar.

Respondent 2 informed trademark registry about the error in registering Appellant's mark despite pending opposition proceeding, contrary to S. 23 of the Trademark Act. In February, 2005 the Registrar of Trademark issued a show cause notice, under Section 54(7), to Appellant admitting that the registration had been granted erroneously and the same ought to be cancelled. Respondent 2 had filed a writ petition before the Delhi High Court and the court directed that the matter should be heard and disposed off by the Registrar. In



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the proceedings before the Registrar, the Appellant contended that the show cause notice was not maintainable, on account of conflict of jurisdiction, since it had been issued by Registrar of Bombay not Delhi. It was further contended that opposition was filed by Respondent 2 after expiry of 3 months statutory period. After perusing the response of the Appellant, the Registrar directed the Appellant to return the registration certificate. The Appellant filed a writ petition before Delhi High Court to obtain a stay against this order of the Registrar. The Court passed an interim order of stay and directed the Registrar to dispose off the proceeding. The Registrar recalled the show cause notice and ruled that the matter ought to be heard by the IPAB and not him as the matter would fall under S. 125 since an infringement proceeding had already been instituted (Jalandhar court) and after that a rectification application had been filed. The IPAB ruled that the TM 44 of Respondent 2 had been taken on record, this was implied from the fact that the same was served upon the Appellant, therefore, registration before completion of opposition proceedings would be invalid. Furthermore, the infringement suit had been filed against Seagram's whereas, the rectification Application was filed by Austin Nichols therefore, the Registrar was directed to hear the proceedings and set aside the Registrar's order.

The Appellant filed an appeal against IPAB's order before Delhi High Court and the IPAB's order was set aside. This was followed by an appeal before the Division bench which in turn set aside the Single judge's order. Finally, the matter was appealed before the Supreme Court. The apex Court ruled that the registration of Appellant's mark was an error. Furthermore, the contention of the Appellant that Registrar of Bombay did not have the jurisdiction to hear the matter was held to be incorrect since, the Trademark Registry is located in Mumbai and the Assistant Registrars aided the Registrar in Mumbai therefore, there was no conflict of jurisdiction. Finally the Appellant's contentions relating to S. 125 were rejected on the grounds that for applying S. 125 it was necessary to show that the parties to the infringement suit and rectification application were the same. In the present case the infringement suit was against Seagram's whereas, rectification application had been filed by Austin Nichols. It was concluded that S.125 was only concerned with rectification application and not concerned with the suo-motu powers of the Registrar. The decision of the Division Bench and IPAB was upheld.

This decision gives much needed clarity on the jurisdiction of Registrar and IPAB as well as the powers of the Registrar to issue suo-motu show cause notice.

¹Eckhart Tolle.