Singh & Associates
Founder - Manoj K. Singh
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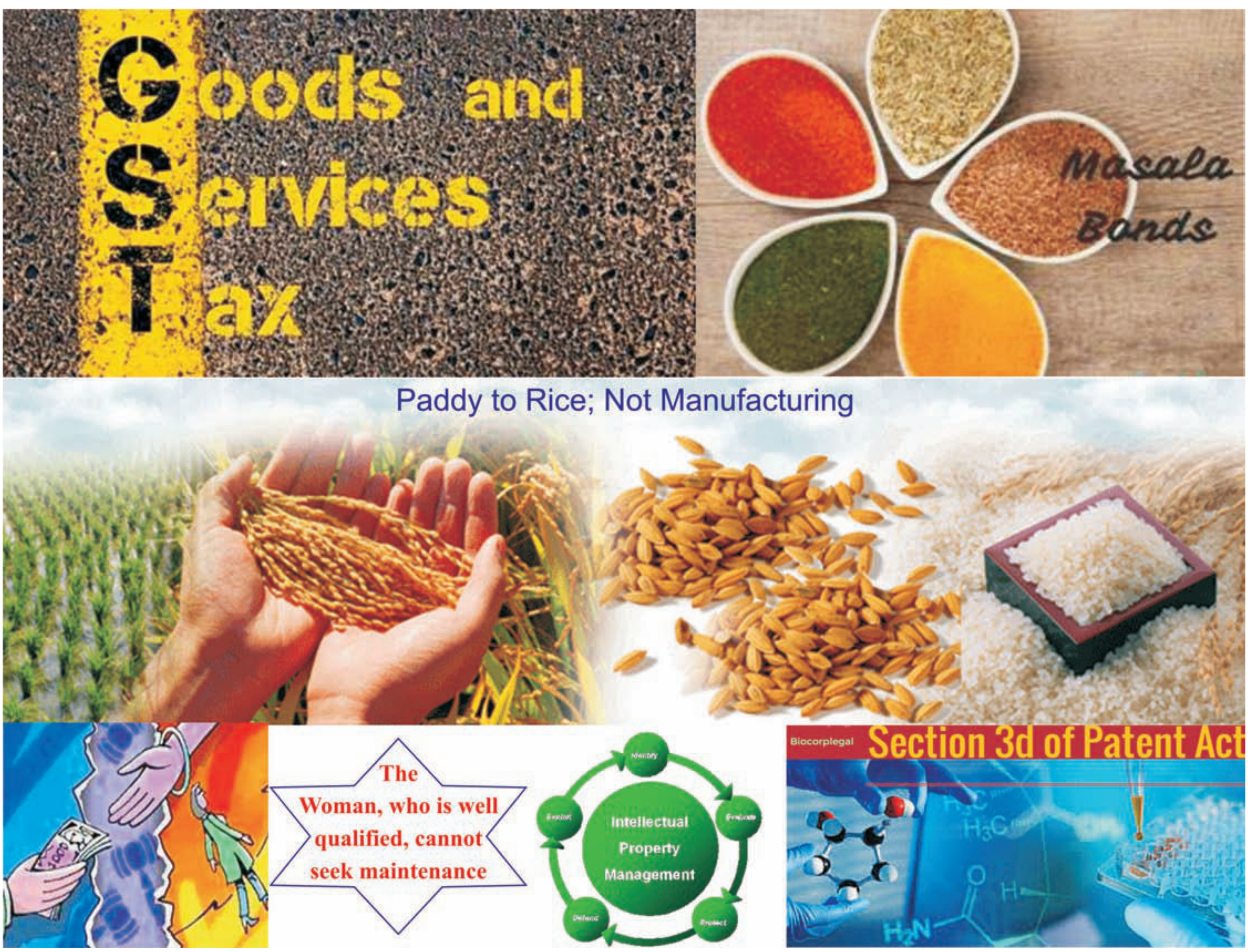

EDITORIAL

Manoj K. Singh
Founding Partner

Singh & Associates has always been very active at the international platform including various conferences and seminars. The firm always encourages its professionals to attend and be a part of these forums so as to meet people of the legal fraternity from all over the world and gain knowledge. The firm was recently represented by its able team at **International Bar Association (IBA) Annual Conference 2016** held from 18th Sep - 23rd Sep, 2016 in Washington DC, USA. We hereby, extend our gratitude to all those who met us during the conference.

Legal arena has always been dynamic and ever evolving, with judgment, legislations and new technologies being introduced time and again. While keeping the same in mind the latest edition of our monthly newsletter Indian Legal Impetus includes articles on topics from diverse fields of Law.

The cover article of this edition is GOODS AND SERVICES TAX- a REALITY brings forth the burning issue of one of the most significant tax reforms in India post independence. The article actively brings brief description related to GST formation in India. We also present another article ADVANCE RULING UNDER GST REGIME which actively describes an Advance ruling mechanism for the companies or individual assesses to seek clarification with respect to the position of a transaction under the GST. Our next article THE CHANCELLOR, MASTERS & SCHOLARS OF THE UNIVERSITY OF OXFORD & ORS vs. RAMESHWARI PHOTOCOPY SERVICES & ANR, enunciates the recent, much awaited, and landmark judgment delivered by Hon'ble Delhi High Court throwing light on the important provisions of the *Copyright Act, 1962*. This case tries to draw the line between the rights of the author, publishers of the work and competing rights of society.

Our next article shows the ray of an achievement recently made in litigation regime S&A SUCCESSFULLY ASSISTED DFL IN a LEGAL BATTLE AGAINST REVENUE. This article highlights Singh & Associates, under the leadership of its Founding Partner Manoj K. Singh, successfully assisted DFL, a Company involved in the food grain industry, to win a legal battle against the Revenue. Moving ahead, the next article MEETING NATURAL JUSTICE IN CASES OF MASS COPYING highlights judgment delivered by Hon'ble Supreme Court that the educational institution must scrupulously follow the principles of natural justice. NON-APPLICABILITY OF CERTAIN PROVISIONS ON '*MASALA BONDS*' an article presents certain provisions issued by the Ministry of Corporate Affairs, in consultation with the Reserve Bank of India (RBI), shall not be applicable on the rupee denominated bonds (commonly known as 'Masala bonds') which are issued exclusively to the persons resident outside India.

Our set of articles describes the raising issues of the Patents in the country. The articles are 'DESIGN ENFORCEMENT IN INDIA', DOCTRINE OF EQUIVALENTS: AN IMPORTANT GROUND FOR PROVING INFRINGEMENT and SECTION 3(d): INDIAN PATENT OFFICE REJECTS PATENT APPLICATION FOR SOLIFENACIN. This edition in the form of another article "JOINT OWNERSHIP OF TRADEMARKS" describes the brief introduction of jointly owned trademarks along with its challenges upon dissolution of a jointly owned trademark, case laws and their advantages. The entire universe of commerce in a big way is affected by the MONOPOLY. There are natural monopolies and the sanctioned monopoly. Now a question arise what patent has to do with this? Our next article AN INSIGHT TO PATENT PORTFOLIO MANAGEMENT' describes in detail the added impact of Patent Portfolio management on the Patents and how Portfolio management is good for the industry.

'A HEALTHY REFORM IN THE INDIAN PATENT STRUCTURE states the benefit and its impact on the IPR by the various reforms made in the recent Patent Amendment Rules, 2016.

Last but certainly not least, we present an article which draws attention towards a recent judgment made by the Double Bench of Hon'ble High Court of Delhi that the appellant/wife who is qualified Chartered Accountant and is in profession since the year 2003 need not be granted interim maintenance under Section 24 of the Hindu Marriage Act, 1955.

It has always been our endeavor to bring forth the latest developments in India in the field of law, with the objective of achieving clarity in concept and enrichment of legal knowledge. With this in mind, we present the latest developments in the field of law in the form of Newsbytes towards the end of this edition. Few of the newsbytes are highlighted herein as Taxation laws (Amendment Bill, 2016), Guidelines on the up gradation of sim card, Non-resident without pan not subject to higher rate of TDS, Maintenance and preservation of records by all commodity derivatives exchanges and their members, permanent residency status to foreign investors and lastly the developments in public debt management cell.

We also take this opportunity to wish our esteemed readers, Happy Diwali. May this festival of light bring new hopes, achievements and happiness in life.

Candles to enjoy life;

Decorations to lite life;

Presents to share success;

Fire crackers to burn evils;

Sweets to sweeten success;

And Pooja to thank God!

Singh & Associates wishes a Happy Diwali!

We welcome all suggestions and comments for our newsletter, and hope that the valuable insights provided by our readers would make "Indian Legal Impetus" a valuable reference point and possession for all. You may send your suggestions, opinions, queries or comments to *newsletter@singhassociates.in*.

Thank You!

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GOODS AND SERVICES TAX- A REALITY

Vijay K. Singh

The "Goods and Services Tax" (GST) is one of the most significant tax reforms in India post independence. The idea of a uniform Goods and Service Tax was debated for more than a decade before it became a reality with the passage of the Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014. The President of India has approved it post its passage in the Parliament (Rajya Sabha and Lok Sabha) and ratification by more than 50 percent of State legislatures.

GST is proposed to be a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. The rationale of GST is that there should not be multiplicity of taxes. It will replace all indirect taxes levied on goods and services by the Central and State Governments. It will convert India into one uniform economic market with a uniform tax rate. The GST will subsume most of the indirect taxes of the centre and the states including excise duty, service tax, value-added tax, entertainment tax, luxury tax and octroi. However, petroleum products, tax on alcohol/liquor consumption, stamp duty, custom duty and tax on sale and consumption of electricity are not covered under the purview of GST.

After the approval and ratification by the States, GST Council has come into existence. It will be the key decision-making body that will take all important decisions regarding the GST. It will inter-alia decide the rates of tax, slabs/bands for different classes of goods and services, goods and services exempted from tax, mechanism for dispute resolution etc.

Now, the next stage is passing three enabling laws; two by the Parliament and One by the State legislatures. The Two Central Laws would be in relation to the Central GST and Inter-State GST. The State Legislation would be with regard to State GST. The Council itself would discuss the drafts of those laws. The Council has huge responsibilities to discuss various modalities including taxation structure and operational models. The next important decision which the Council has to take is to decide the rate of tax. In India, the indirect tax revenue component is 62.3%. The indirect tax affects the entire population. Therefore, the fixing of rate of GST by taking everyone on board is a big challenge for the Council.

Some of the States had reservations on the GST owing to adverse financial implications. Some of the manufacturing States felt that GST was based on the destination principle and therefore, consuming States will benefit more. The manufacturing States wanted an adequate mechanism for their own compensation. There is a provision for five-year compensation to the states for possible loss of revenues.

About 140 countries across the world have implemented the GST. Thus, introduction of GST in India would be at par with the world order. It is expected that implementation of GST will contribute substantially to the Gross Domestic Product (GDP). It will contribute to ease of doing business and also give boost to investment in the country.

If the formalities with regard to passing of three enabling laws by the Parliament and the State legislatives are completed within this year, there is every possibility that GST will be a reality effective April 1, 2017.

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ADVANCE RULING UNDER GST REGIME

Daizy Chawla

An Advance Ruling is a mechanism for the companies or individual assesses to seek clarification with respect to the position of a transaction under the relevant tax laws. The transaction can be a proposed transaction or if the particular tax law permits it can be the transactions already concluded. By means of advance ruling a written interpretation is received on the basis of the companies or individuals as the case may be strategies its particular transaction including as to how to manage taxes.

As per Section 94 of Advance Model CGST Act [*hereinafter referred to as Act*], an advance ruling means a written decision provided by the Authority/Appellate Authority as the case may be to an applicant on matters or on questions relating to the supply of goods and/or services proposed to be undertaken or being undertaken by the Applicant.

It is to be noted that only those questions/issues will fall under the ambit of advance rulings which are on the proposed transactions of supply of goods and/or services and not with respect to the concluded transactions.

The advance ruling given by an authority would be binding only on the applicant as well as jurisdictional tax authority of the applicant (Section 102). An advance ruling under GST is not applicable to any other similarly placed taxable persons in the State. The advance ruling shall continue to be binding unless the law, facts or circumstances supporting the original advance ruling have changed (Section 102 (2)).

OBJECTIVE OF HAVING A MECHANISM OF ADVANCE RULING

The board objective for setting up such authority is to[1]:

i) Provide certainty in tax liability in advance in relation to an activity proposal to be undertaken by the applicant;

ii) Attract Foreign Direct Investment (FDI);

iii) Reduce litigation;

iv) Pronounce ruling expeditiously in transparent and inexpensive manner.

The 'Authority' referred in Section 94 is defined under Section 95 and refers to the authority which will be formed in each state and will comprise of two (2) members i.e. one (1) member CGST as appointed by Central Government and one (1) member SGST to be appointed by State Government. At the moment under the Model CGST the qualifications, eligibility conditions, method and the process of appointment of the members are not prescribed and will be prescribed and notified in due course of time.

The Appellate Authority referred in Section 94 is defined under Section 96. The Appellate Authority will be located in each state and shall comprise of Chief Commissioner of CGST as designated by Board and the Commissioner SGST having the jurisdiction over the Applicant. Board here refers to the Central Board of Excise and Customs constituted under the Central Boards of Revenue Act, 1963.

The Model CGST under Section 97 (2) has enlisted the questions on which any person registered under CGST or desirous of obtaining registration can make an application for seeking an Advance Ruling.

THE ISSUES ON WHICH THE ADVANCE RULING CAN BE SOUGHT ARE AS FOLLOWS:

a) Classification of any goods and/or services under the Act;

b) Applicability of a notification issued under provisions of the Act having a bearing on the rate of tax;

c) The principles to be adopted for the purposes of determination of value of the goods and/or services under the provisions of the Act;

d) Admissibility of Input Tax Credit of tax paid or deemed to have been paid;

e) Determination of the liability to pay tax on any

1 FAQ's on GST-www.cbec.gov.in

goods and/or services under the Act;

f) Whether applicant is required to be registered under the Act;

g) Whether any particular thing done by the applicant with respect to any goods and/or services amounts to or results in a supply of goods and/or services, within the meaning of that term.

MANNER OR PROCEDURE OF ADJUDICATION OF APPLICATION (SECTION 98):

On receipt of the application from the Applicant, a copy of the said Application along with all the annexure will be forwarded to concerned officer under whose jurisdiction the matter will fall. The Authority after examining the applications and records will conduct a hearing of the Applicant or authorized representative of the applicant as well as the authorized representative of prescribed officer. On being satisfied, it will either admit or reject the said application. It is to be noted that no application will be admitted where the questions raised in the said application is[2]:

a) already pending in the applicant's case before any First Appellate Authority, the Appellate Tribunal or any court;

b) the same as in a matter already decided by the First Appellate Authority, the Appellate Tribunal or any court;

c) the same as in a manner already pending in any proceedings in the applicant's case under any provisions of the Act.

d) the same as in a manner in the applicant's case already decided by the adjudicating authority or assessing authority, whichever is applicable.

However, in all above cases also before rejecting the application an opportunity of being heard will be given to Applicant and also the reasons for rejecting the application will be given in the order.

In cases where an application admitted, the Authority after examining further material by the Applicant or obtained by the Authority and after providing an opportunity of being heard to the applicant or the Authorized Representative of the applicant as well as to the authorized representative of the prescribed or the jurisdictional CGST/SGST officer, will pronounce its advance ruling on the questions as specified in the Application.

2 *Section 98(2) proviso*

APPEAL (SECTION 99)

The Appeal against the order of the Authority can be filed with Appellate Authority within the period of thirty (30) days from the date on which the ruling sought to be appealed against is communicated. The appeal can be filed by the prescribed or jurisdictional CGST/SGST Officer or an Applicant. The Appeal so filed needs to be decided (i.e. confirming or modifying the ruling so appealed) within ninety (90) days from the date of filing.

DIFFERENCE IN OPINION OF MEMBERS OF THE AUTHORITY

If the members of the Authority differ on any question on which the advance ruling is sought, they shall make a reference to the Appellate Authority w.r.t to the point(s) on which they differ (Section 98(5)). The Appellate Authority will convene hearing and pronounce the advance ruling in writing within ninety days of the receipt of application (Section 98(6)).

DIFFERENCE IN OPINION OF MEMBERS OF THE APPELLATE AUTHORITY

It would be worth mentioning that in case the members of Appellate Authority differs on any point or points it shall be deemed that no advance ruling can be issued in respect of the question of the Application (Section 98(7)). This will be also being applicable in case there is an appeal before Appellate Authority and the members differs on any point or points (Section 100(3)).

RECTIFICATION OF ADVANCE RULING

The Authority or Appellate Authority as the case may be amends any order passed by them within a period of six (6) months from the date of order. The amendment is applicable if there is any mistake apparent from the record which has been noticed by the Authority or the Appellate Authority on its own accord or is brought to its notice by the prescribed or the jurisdictional CGST/SGST officer or the applicant (Section 101).

2 *MANU/IC/0007/2013*

It is to be noted that while rectifying any mistake apparent from record, the Authority or Appellate Authority should not amend substantive part of its order[3]. Further, where the rectification has the effect of enhancing the tax liability or reducing the amount of admissible input tax credit, this will not be done until and unless the notice is been given to the Applicant and has allowed him a reasonable opportunity of being heard[4].

ADVANCE RULING TO BE VOID IN CERTAIN CIRCUMSTANCES:

Advance ruling pronounced will be considered as *void ab initio* if the Authority or Appellate Authority finds that the Applicant/Appellate had obtained the same by fraud or suppression of material fact. Though before passing an order of *void ab initio* an opportunity has been given to the applicant of being heard.

CONCLUSION:

Above, was a brief as to how the concept of Advance Ruling will look under the GST regime. The important feature is that the Advance Ruling taken under CGST will not bind any other Assesse except the Applicant and also will not be applicable to any other tax administration then the jurisdictional tax authority of the applicant. Accordingly, unlike in other tax laws where one can rely on an existing advance ruling, one cannot rely on the GST Advance Ruling but can only take guidance as to how make tax arrangements for particular transactions at its own risk. Advance Ruling under CGST can even increase the scope of interpretation w.r.t a particular issue as different jurisdictional tax authorities can give different interpretation to the same subject. What we need to do at the moment is to wait and watch as to how the advance ruling which is also considered as means for limiting the tax litigations will help in doing so in case of GST.

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3 Explanation to Section 101, proviso

4 Section 101, proviso

THE CHANCELLOR, MASTERS & SCHOLARS OF THE UNIVERSITY OF OXFORD & ORS VS. RAMESHWARI PHOTOCOPY SERVICES & ANR.

Himanshu Sharma & Martand Namana

"Copyright, especially in literary works, is thus not an inevitable, divine, or natural right that confers on authors the absolute ownership of their creations. It is designed rather to stimulate activity and progress in the arts for the intellectual enrichment of the public." – The lines from the latest landmark judgment on 16th September, 2016 by Justice Rajiv Sahai Endlaw, Hon'ble High Court of Delhi, has proved to be an eye opener in several aspects.

FACTS OF THE CASE:

The whole issue of the case revolved around a photocopying house in the vicinity of the Delhi University, which made photocopies from the original books and in turn sold them off as "course pack" for easy access and reference to the students. This act was seen to be an act of infringement under The Copyright Act, 1957 in India by the publishers of the said books. Accordingly, the five plaintiffs, namely i) Oxford University Press, ii) Cambridge University Press, United Kingdom (UK), iii) Cambridge University Press India Pvt. Ltd., iv) Taylor & Francis Group, U.K. and, v) Taylor & Francis Books India Pvt. Ltd., being the publishers, including of textbooks, instituted this suit for the relief of permanent injunction restraining the two defendants namely Rameshwari Photocopy Service (Defendant No. 01) (carrying on business from Delhi School of Economic (DSE), University of Delhi) and the University of Delhi (Defendant No. 02) from infringing the copyright of the plaintiffs in their publications by photocopying, reproduction and distribution of copies of plaintiffs' publications on a large scale and circulating the same and by sale of unauthorized compilations of substantial extracts from the plaintiffs' publications by compiling them into course packs / anthologies for sale.

The plaintiffs, in the plaint, have given particulars of at least four such course packs being so sold containing photocopies of portions of plaintiffs' publication varying from 6 to 65 pages. It is further the case of the plaintiffs that the said course packs sold by the defendant No.1 are based on syllabi issued by the defendant No.2 University for its students and that the faculty teaching at the defendant No.2 University is directly encouraging and recommending the students to purchase these course packs instead of legitimate copies of plaintiffs' publications. It is yet further the case of the plaintiffs that the libraries of the defendant No.2 University are issuing books published by the plaintiffs stocked in the said libraries to the defendant No.1 for photocopying to prepare the said course packs.

The suit along with IA No.14632/2012 under Order XXXIX Rules 1 & 2 of Code of Civil Procedure, 1908 (CPC) for interim relief restraining photocopying/reproducing copies of plaintiffs' publication and sale of course packs came up before High Court of Delhi first on 14th August, 2012 when summons of the suit and notice of the application for interim relief were issued and though no *ex-parte* ad-interim relief granted but a Commissioner was appointed to visit the premises of the defendant No.1 without prior notice and to make an inventory of all the infringing and pirated copies of the plaintiffs' publication found and to seize and seal the same.

The counsel for the plaintiffs raised the contention that the defendant No. 2 University has institutionalized infringement by prescribing chapters from the publications of the plaintiffs as part of its curriculum / syllabus and permitting photocopy of the said chapters and sale thereof as course packs which amounted to infringement.

MAJOR CONTENTIONS RAISED BY THE PLAINTIFFS:

1. That the Defendants have not taken permissions from the publishers to make photocopies of the work.
2. That the Defendants in association were mak-

ing profits from the said photocopying business together.

3. That the Defendants were encouraging the students to use the course pack made by them rather than the purchasing the original books.

4. That the blatant copying of the books was taking the substantial elements (from 5% to 33%) of the content of the books (for educational purposed) and thus making this going beyond the percentage of relaxation provided for using content from a copyrighted substance on the basis of judgments relied on this point.

5. That the Defendants were in carrying on this act with a motive of seeking profit and selling the photocopies of the copyrighted materials at a higher price without any permission from the publishers or the authors, hence amounting to infringement.

SUBMISSIONS MADE BY THE DEFENDANTS (UNIVERSITY OF DELHI):

1. The defendant no. 02 has not prescribed or expressly restricted the students from purchasing the original copies of the books; rather it is the students who have taken the initiative and freedom to act on their own will.

2. The defendant no. 01 were a mere facilitator of services as desired by the students. The so called "Course Pack" had evolved over a period of time to be an assimilation of all the relevant pieces of information prescribed from the curriculum to be a complete part of the course.

3. The students had been copying mere amount of information which in respect to the complete volume of the books, would hardly constitute for 1-5%, which was well within the prescribed limit on the basis of various judgment relied on this point, in reference to use for educational purposes. Hence, there was no damage which was being caused by the use of the photocopy information.

4. Strong emphasis had been laid down on the fact that the education is constitutional right hold superior importance than copyright, which is just a statutory right and not natural one.

A major event in the duration of the case as the inspection carried out by the Local Commissioner, which was instructed upon the request of the Plaintiffs. The Defendants were not given any notice of information regarding the said inspection. However, during the course of the investigation, the Local Commissioner, could only find a few photocopying machines, spiral binding machines and few copies of the allegedly mentioned course-pack and cover of cover copies of a works by the publishers. Based on the findings in the said inspection the Plaintiffs thereafter, proceeded to court with a demand for permanent injuction on the photocopying services by the defendants and also claimed damages to the tune of Rupees Sixty Lakhs. The defendants in response to the claims made by the plaintiff ascertained that given their mere stature of existance and establishment, the amount of damages was beyond their reach and capacity and could never have been furnished by any wildest level of imaginations.

The defendants further highlighted and emphasized upon the points that the books made by the publishers were not pocket-friendly, i.e. they are too expensive for the students to afford, given the amount of use which can be derived out of the investment. In said curriculum prescribed by the defendants no.02 the students are required to refer to around 35-40 books for the competition of course, which in light of the huge individual costs of the books turns out to a huge economic burden to the students apart from on-going expensive education; which is beyond the bearing capacity of an average Indian Student.

OBSERVATIONS OF THE HON'BLE COURT:

The **Indian Copyright Act 1957** provides an exception to infringement of copyrights in the context of educational use. As per **Section 52** the following acts will not be counted as infringement of Copyright as laid down in Article (h) of the Section; which reads:

(h) the reproduction of a literary, dramatic, musical or artistic work-

(i) *by a teacher or a pupil in the course of instruction; or*

(ii) *as part of the questions to be answered in an examination; or*

(iii) *in answers to such questions" does not* *amount to an infringement of copyright.*

The Hon'ble Court recognized the notion that Copyright is a statutory right and that according to the provisions of the Copyright Act, 1957, photocopying of an original literary work is the exclusive right of the owner of the specific copyright and that in the instant scenario, making copies of the original text book by the defendants would amount to infringement under Section 51 unless such is listed under Section 52 of the Copyright Act. The Court further elaborated on the difference between the "*to issue copies of the work to the public*" and "*making copies of the work*". The Court stated that "*to issue copies of work to the public*" under Section 14 (a) (ii) cannot be interpreted as "making copies of the work". The court further stated that *"The defendant No.2 University thus, though entitled to issue the books, published by the plaintiffs and purchased by it and kept by the defendant No.2 University in its library, to whosoever is entitled to issuance of the said books from the library, per Section 14(a)(i) and Section 51(a)(i) would not be entitled to make photocopies of substantial part of the said book for distribution to the students and if does the same, would be committing infringement of the copyright therein."*.

The court further interpreted Section 52 of the Copyright Act, where certain acts are listed, that are not be considered as infringement of copyright. In light of the contention of the defendants, their said acts, under Section 52 were not to be viewed as a proviso or exception to Section 51, also the Court has further in the present judgment stated that

"*Similarly here, to hold that inspite of the legislature having declared the actions listed in Section 52 to be not amounting to infringement, the same have to be viewed putting on the blinkers of being infringement would amount to holding that the Copyright Act which allows actions listed in Section 52 to be done without the same constituting infringement and consequences thereof not constituting infringing copy, cannot be done to the extent permitted by the language of Section 52. I thus agree with the contention of the senior counsel for the defendant no.2 University that the rights of persons mentioned in Section 52 are to be interpreted following the same rules as the rights of a copyright owner and are not to be read narrowly or strictly or so as not to reduce the ambit of Section 51, as is the rule of interpretation of statutes in relation to provisos or exceptions*"

Further the court focused on the much important matter whether making of the course pack falls under the ambit of sub-sections under Section 52. It was interpreted that Section 52 that the reproduction of a work by a "*teacher/pupil in the course of instruction*" would not be valid grounds to constitute infringement. The Hon'ble Court noted that the same would fall under Section 52 (1) (i). The Court then considered whether the making of course packs falls under one of the sub-sections of Section 52. While the Court noted that the same would not fall under Section 52(1) (h) or 52(1) (j), it would fall under Section 52(1) (i).

References have also been made to the discussions and debates in the Lok Sabha; where it was expressly stated that the use of copyrights materials for the purpose of research or education shall not be charged. The verbatim as mentioned in the judgment is: "*attention was drawn to the Lok Sabha Debates of 22nd May, 2012 relating to the Amendment w.e.f. 25th June, 2012 to the Copyright Act, where it was stated that if a student wants to do research in copyrighted material he cannot be charged; if somebody wants to do research in copyrighted material, he cannot be charged; if somebody wants to teach copyrighted works, he cannot be charged*" The court had also taken into account of the matter from an Indian perspective, where it held that, it is important to be taken into consideration that India is still a developing country and doesn't yet possess resources like the developed countries, and hence it would be a considerable amount of time before being eligible to compete which the sense of copyright held by the publishers in the present case.

Further, another point of discussion was in respect to the interpretation of the term *"course of instruction"*. The plaintiffs strongly submitted that the term should be strictly be limited only to lectures and tutorials, where the instructor/teacher in using the copyrighted work while directly interacting with the students. The court however, had a different course of interpretation which where it laid down difference between the terms "instruction" and "lecture". The court further relied on various judicial interpretations of the phrases "instruction" and "in course of" and laid down the following:

"Applying the tests as aforesaid laid down by the Courts of (i) integral part of continuous flow; (ii) connected relation; (iii) incidental; (iv) causal relationship; (v) during (in the course of time, as time goes by); (vi) while doing; (vii) continuous progress from one point to the next in time and space; and, (viii) in the path in which anything moves, it has to be held that the words ―in the course of instruction within the meaning of Section 52(1)(i) supra would include reproduction of any work while the process of imparting instruction by the teacher and receiving instruction by the pupil continues i.e. during the entire academic session for which the pupil is under the tutelage of the teacher and that imparting and receiving of instruction is not limited to personal interface between teacher and pupil but is a process commencing from the teacher readying herself/himself for imparting instruction, setting syllabus, prescribing text books, readings and ensuring, whether by interface in classroom/tutorials or otherwise by holding tests from time to time or clarifying doubts of students, that the pupil stands instructed in what he/she has approached the teacher to learn. Similarly the words ―in the course of instruction, even if the word ―instruction have to be given the same meaning as ―lecture', have to include within their ambit the prescription of syllabus the preparation of which both the teacher and the pupil are required to do before the lecture and the studies which the pupils are to do post lecture and so that the teachers can reproduce the work as part of the question and the pupils can answer the questions by reproducing the work, in an examination. Resultantly, reproduction of any copyrighted work by the teacher for the purpose of imparting instruction to the pupil as prescribed in the syllabus during the academic year would be within the meaning of Section 52 (1)(i) of the Act."

DECISION:

After going through contention of both Plaintiff and Defendant, and giving ample thoughts to the case laws cited by both parties wherein the interpretation of the Copyright laws taken by Courts of the other countries were discussed, the Hon'ble High Court held that the said action of defendants is not infringement of Copyright under the provision of Indian Copyright Act, 1957 in the following words:

"In accordance with the aforesaid international covenants, the legislators of some other member / privy countries in the context of their respective countries have worded the exceptions differently and on an interpretation of which legislation, the Courts of those countries have adjudicated and which judgments have been cited by the counsels. I am however of the opinion that the said judgments in the context of different legislations on the basis of perception by the legislators thereof of the purpose of teaching and unreasonable prejudice to the legitimate interest of the author cannot form the bedrock for this Court to interpret the Copyright Act of this country. I am therefore not proceeding to discuss the said judgments. The reference hereinabove by me to some foreign judgments is only to demonstrate the diversity. I therefore conclude the actions of the defendants to be not amounting to infringement of copyright of the plaintiffs."

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S&A SUCCESSFULLY ASSISTED DFL IN A LEGAL BATTLE AGAINST REVENUE

Nilava Bandyopadhyay & Shweta Vashist

INTRODUCTION:

Singh & Associates, lead by its Founding Partner Manoj K. Singh, successfully assisted Dunar Foods Limited (DFL), a Company involved in the food grain industry, to win a legal battle against the Revenue. An interesting question came up before the Hon'ble CESTAT, Chandigarh, whether conversion of paddy into rice by a 100% Export Oriented Unit ("EOU") amounts to manufacture and would be subject to excise duty in terms of the proviso to Section 3 Central Excise Act, 1944.

DFL, being a 100% EOU, engaged in the export of Basmati Rice, appealed against the Order passed by the Commissioner of Central Excise, whereby it was held that DFL had made Domestic Tariff Area (DTA) clearances without the payment of duty which was required to be paid in terms of Section 3 of the Central Excise Act, 1944 read with Section 12 of the Customs Act, 1962.

The mandate of Section 3 of the Central Excise Act is that the duty shall be levied and collected only on those goods, which are both:

i. Produced or Manufactured and

ii. Excisable.

Therefore, before subjecting any DTA clearance by an EOU to excise, the twin test of excisable goods and manufacturing must be satisfied.

NO MANUFACTURING PROCESS INVOLVES WHILE MAKING RICE OUT OF PADDY

Mr Singh on behalf of DFL argued that DFL neither produces nor manufactures rice. The rice which was already in existence in the paddy is simply taken out from the husk by the process of milling. It was submitted that the process of conversion of paddy into rice does not amount to manufacture as paddy and rice remain in their natural form even after dehusking. The rice which was already in existence in the paddy is simply taken out by the process of milling and therefore, no new or distinct product can be said to have emerged. Mr Singh heavily relied upon the decision passed by the Hon'ble Supreme Court of India, in the case titled as "The Commissioner of Income Tax vs. M/s Cynamid India Ltd."; (*C.A. Nos. 4403-4404 of 1996)* wherein it was held that:

"5. …Having referred to the definition of 'agricultural product' in Black's Law Dictionary, the High Court has held that the operation of dehusking paddy is not an industrial or manufacturing operation as commonly understood; it is essentially an agricultural operation and such changes as are brought about in the product are an outcome of agricultural operation. Both rice and husk remain in their natural form as a result of dehusking and are covered by the term 'agricultural product."

It was further submitted that if the Revenue claims that there is manufacturing involved, then the burden of proving the same, is entirely on the Revenue, by relying upon the judgment passed by the Hon'ble Supreme Court of India in the matter titled as "Metlex (India) P Ltd. vs. CCE"; *[(2005) 1 SCC 271].*

Mr Singh also relied upon by the decision passed by the Hon'ble Supreme Court of India in the case of "Hyderabad industries and Anr. vs. Union of India and Ors.; [*(1999)5 SCC 15]* whereby it was held that the process of the removal of asbestos fiber from the parent rock by manual or mechanical means does not amount to manufacture as the asbestos was embedded in the said rock and no new or distinct commodity has been realized there from. It was submitted that the case of the Appellant was similar to the said case as the case of asbestos as the rice is already in existence in the husk and it is simply separated from the husk by the process of milling. Such a process can by no stretch of imagination amount to manufacture.

It was further argued by Mr Singh by relying on the decision passed by the Hon'ble Supreme Court of India in "Union of India vs. Delhi Cloth Mills"; (*Civil Appeals Nos. 168-170 of 1960)* whereby it was clarified that mere "processing" does not amount to "manufacture" and the decision passed by the Hon'ble High Court of Bombay in the case of "Hindalco Industries limited vs. The Union of India"; *[(1995) 5 SCC 338* wherein it was held that merely because the goods satisfy the test of being marketed and saleable, it does not mean that the test of being manufactured in India has been satisfied.

RICE PER SE IS NOT EXERCISABLE

Mr Singh on the second limb of argument, urged on the question that arose for determination was whether rice is an excisable good at all. Mr Singh taking reference of Section 2(d) of the Central Excise Act argued that the expression "excisable goods" as defined, means as the goods specified in the First Schedule and Second Schedule of the Central Excise Tariff Act, 1985 as being subject to duty of excise and includes salt. The eight digit classifications code was introduced in the case of Customs with effect from 01.02.2003. Thereafter, in order to bring parity this Harmonized System of Nomenclature was introduced in Excise with effect from 28.02.2005. This eight digit classifications code was adopted in the Central Excise tariff Act with the purpose of bringing parity with the Customs Tariff, so as to facilitate easy identification of the goods. It was argued that the Statement of Objects and Reasons of the Excise Tariff Amendment Bill, 2004 (Bill No. 47 of 2004) categorically states that the changes proposed did not make any changes in the existing rate of central excise duties and hence the said changes did not involve any revenue implications. Further, by various Circulars and Notifications, it had been clarified by the Central Government that the numbering scheme introduced by way of the Amendment was merely technical in nature and involved no substantive change.

Mr Singh argued that prior to the Amendment to the Central Excise Tariff Act, the Chapter 10 did not even specify "rice". In fact, Chapter 10 itself was left blank. Even though after HSN, Chapter 10 does specify the commodity 'rice', however the said Chapter has been left blank. On the other hand, there is no such deviation or omission in the Customs Tariff, even though both, Customs Tariff and the Excise Tariff are based on the same HSN. Rice has never been subjected to any kind of excise duty. Therefore, it is the legislative intention is not to subject the goods to excise. Mr Singh further argued that the said intention to not levy excise duty on rice was clear from the practise that neither is any rice mill getting itself registered with the Central Excise Department, nor is the Department pressing for such registration under the Central Excise Act, 1944. In order to support its stand, Mr Singh relied upon the decision passed by the Hon'ble CESTAT, Principal Bench, New Delhi in the matter titled as "Commissioner of C. EX. vs. Sesame Foods Pvt. Ltd; (*Final Order No. 91/2011-EX(PB) in Appeal No. E/635/2005-EX and Cross Objection No. E/CO/165/2005-EX),* wherein it was held that:

"5….The Respondents contention is that the Sesame Seeds are specifically covered by Chapter 12.07 of HSN and since the Central Excise Tariff is based on HSN and in the Central Excise Tariff, Chapter 12 has been left blank, the goods, in question are not covered by any heading of the Central Excise Tariff and have to be treated as non-excisable goods. The HSN based Central Excise tariff has been adopted for classification of the goods manufactured in India for the purpose of charging Central Excise Duty. Though the Central Excise Tariff Act, 1985 does not say so explicitly, from the comparison of first Schedule to Central excise Tariff, 1985 with Harmonized system of Nomenclature (HSN), it is clear that except for a few deviations, it is based on the HSN. However, while adopting the HSN based nomenclature system for Central Excise Tariff, a number of chapters including Chapter 12 of HSN have been left blank. On the other hand, in the Customs Tariff, which except for a few deviations, is also based on the HSN, there are no such omissions. When the scheme of classification in Central Excise Tariff is based on HSN and in HSN the product, in question, is classifiable under Heading 12.07 but in the Central Excise tariff though there is a Chapter 12, but the same is left blank, in our view, the intention of the legislature is not to subject goods mentioned in Chapter 12 of HSN to central excise duty, and the goods covered by Chapter 12 of HSN cannot be classified under some other headings. We find that the same view has been taken in the Respondent's own case decided by this Tribunal vide order dated 6-1-2010. In view of this, there is no merit in the revenue's appeal and the same is dismissed. The Cross objection filed by the Respondent stands disposed of. "

It was further argued by Mr Singh that rice falls under Tariff Item 1006 (Chapter 10) of the Central Excise Tariff Act and that no rate of excise has been mentioned against the said entry and the same has been left blank. In the absence of any rate of duty, the goods cannot be said to have been "subject to duty of excise" in terms of Section 2(d) of the Central Excise Act. Therefore, the goods falling under tariff Item 1006 would not fall in the category of "excisable goods".

Mr Singh relied upon the example of "cut flowers" which fall under Chapter 6 of the Central Excise Tariff Act. The Tariff entry against Cut flowers has been left blank. The Hon'ble CESTAT, Chennai in "Commissioner of Central excise, Tirunelveli vs. Ramesh Flowers (P) Ltd." (*2008-TIOL-2445-CESTAT-MAD)* which was a case involving DTA sale by a 100% EOU unit has held that:

"8. In light of the above discussion, we uphold the finding of the Commissioner (Appeals) that "potpourris" are classified under Chapter 6 of the Customs Tariff Act, 1975. Equivalent heading in the Central Excise Tariff is Chapter 6 which is left blank. Hence they are non-excisable."

Mr Singh also relied on the decision passed by the Hon'ble CESTAT, Mumbai in "CCE vs. Valpus Biotech Ltd. and Praj Agro Vision Ltd." [*Appeal Nos. E/3040 to 3042/04-Mum (Arising out of Order-in-Appeal no. P I/70 and 71/2004 dated 06/07/2004 passed by the Commissioner of Central Excise and Customs (Appeals), Pune]*, wherein it was held that:

"3.1 As per section 2(d) of the Act, "excisable goods" means 'goods specified in the First Schedule and the Second Schedule to the Central Excise Tariff Act, 1985 as being subjected to a duty of excise and includes salt". The period involved in these appeals is April 1998 to September 1999. During this period, the Central Excise did not specify "cut flowers" as excisable goods nor any rate of duty was prescribed for "cut flowers". Even in the amended tariff effective from 2008 where the excise tariff has been aligned with the customs tariff cut flowers fall under Chapter 6 and there is no rate of duty mentioned against cut flowers and the column regarding rate of duty is left blank. This implied that even after amendment to the Central excise Tariff in 2008 cut flower remains a noon-excisable goods. If these goods are non-excisable goods, the question of levy of excise duty would not arise at all. Therefore, there is absolutely no merit in the appeals filed by revenue. Accordingly the same are dismissed."

It was further submitted by Mr Singh that the Hon'ble Supreme Court has in various cases, come to the conclusion that "mere tariff entry does not make the product excisable". In the case titled as "Union of India vs. Ahmedabad Electricity Co. Ltd. and Ors." *[AIR (2004) SC 11]* it was held that:-

"16….Therefore, simply because the goods find mention in one of the entries of the First Schedule does not mean that they become liable for the payment of excise duty. Goods have to satisfy the test of being produced or manufactured in India"

The Hon'ble Supreme Court of India in the case tiled as CCE, Lucknow vs. Wimco Ltd.; (*2007 (122) ECC 1)* held that:

"12 It is to be noted that merely because there is a tariff entry it does not become excisable unless manufacture in involved."

Lastly, it was concluded by Mr Singh that in order to become any goods to be an 'excisable goods', it has to fulfill the following conditions:

1) Goods must be manufactured
2) Must be specified in the first or the Second Schedule of the Central Excise Tariff
3) It must be subjected to tariff

As the aforementioned conditions were not attracted as even though rice has been specified under Chapter 10 of the Central Excise Tariff Act, the rate of duty has been left blank. Furthermore, rice is neither produced nor manufactured by DFL. Therefore, Rice falling under Chapter 1006 of the Central Excise tariff Act cannot be said to be an "excisable good" and consequently, the question of levy of duty does not arise.

ARGUMENT OF REVENUE

On the other hand, the stand taken by the Department was that the process undertaken by DFL amounts to manufacture as a new and different article had emerged, which had a different name, character and use from that the raw material used by DFL, i.e. paddy.

DECISION OF HON'BLE CESTAT

The Hon'ble CESTAT, while considering the submissions made by both the parties, relied upon the decision passed by the Hon'ble Supreme Court of India in the decision passed by the Hon'ble Supreme Court of India in "The Commissioner of Income Tax vs. M/s Cynamid India Ltd." to hold that the test of manufacture as per Section 2 (f) of the Central Excise Act, 1944 had failed as the conversion of paddy into rice did not amount to manufacturing. It was held that the conversion of paddy into rice is not a distinct operation and the rice and husk remain in their natural form as a result of dehusking. It was further held that as the rate of duty in then tariff is left blank, rice is not an excisable good.

In view of the above, the Hon'ble CESTAT was pleased to allow the Appeal of DFL and set aside the order passed by the Commissioner.

CONCLUSION

This judgment of Hon'ble CESTAT has provided a much needed relief to DFL who was suffering very much due to the wrong imposition of Excise Duty.

At the same time, the present judgment of Hon'ble CESTAT will help the similarly situated companies. It can be fairly concluded that although there was various judgment of the Hon'ble Supreme Court and various Hon'ble High Court regarding the manufacturing process and excitability of goods, however, regarding rice, this judgment is unique and clearly lays down the law for the time being, which will help the rice industry, which is presently under going some financial crisis in India.

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MEETING NATURAL JUSTICE IN CASES OF MASS COPYING

Avneet Jha

Examination malpractices, academic fraud or cheating in the examination is as old as the examination itself. Study made by the educationist has revealed that these malpractices are gradually on the rise across the world and has caused a threat to public trust in reliability and credibility to the system as a whole. These malpractices occur within and outside the examination halls and are perpetrated by the candidates, staff and other external agencies before, during and after the examination. Various kinds of strategies are innovated and then applied to enable the candidate to clear the examination anyhow. It has, therefore, destroyed the piousness of the examination. Though the Supreme Court has held that the educational institution must scrupulously follow the principles of natural justice" the scope of judicial review was held to be very limited and "it would not be reasonable to import into these enquiries all considerations which govern criminal trial.

Principles of natural justice, it is well settled, are not codified Rules of procedure. Courts have repeatedly declined to lay down in a strait jacket, their scope and extent. The extent, the manner and the application of these principles depends so much on the nature of jurisdiction exercised by the Court or the Tribunal, the nature of the inquiry undertaken and the effect of any such inquiry on the rights and obligations of those before it.

It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and leveled.

However, the same may be hard to substantiate in cases of mass copying. In a recent judgment (in the case of Nidhi Kaim vs. State of Madhya Pradesh and Ors.), the Supreme Court discussed the issue of mass copying and evidence required to prove allegations, and laid down that, normally, the Rule of audi alteram partem must be scrupulously followed in the cases of the cancellation of the examinations of students on the ground that they had resorted to unfair means (copying) at the examinations. But the abovementioned principle is not applicable to the cases where unfair means were adopted by a relatively large number of students. The fact that unfair means were adopted by students at an examination could be established by circumstantial evidence.

The Supreme Court has on many occasions dealt with the question of the importance of the requirement to comply with the Rule of audi alteram partem as an aspect of the guarantee contained in Article 14 of the Constitution. But the courts have in equally good number of judgments demonstrated that there are well known exceptions to the application of the principles of natural justice. And mass copying is one such exception.

The Supreme Court held that if there is some reasonable material before the body to come to the conclusion that unfair means were adopted by the students on a large scale, neither such conclusion nor the evidence forming the basis thereof could be subjected to scrutiny on the principles governing the assessment of evidence in a criminal court. The very fact that both the candidates gave identical answers was sufficient evidence of adoption of unfair means in the examination. While coming to the conclusion, this Court observed that it would be inappropriate in such cases to require direct evidence and in cases where direct evidence is not available the questions will have to be considered in the light of probabilities and circumstantial evidence.

In laying down the aforesaid principle, the Supreme Court assumed for the sake of argument that even if there are some cases where the students can demonstrate (if an opportunity is given to them) that the circumstantial evidence is not foolproof, the Board of the educational institution would still be entitled in law to conduct afresh enquiry after giving notice to each of the Appellants.

Keeping in view the state of affairs and the difficulty in ascertaining each student's case individually, in law, students who have done no wrong may be punished for no fault of theirs. The educational bodies/Institutions need to ponder over and evolve a uniform policy in a comprehensive manner to firmly deal with such activities in the larger public good. It is hoped that effective remedial steps would be taken in that regard.

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NON-APPLICABILITY OF CERTAIN PROVISIONS ON 'MASALA BONDS'

Arpita Karmakar

The Ministry of Corporate Affairs, in consultation with the Reserve Bank of India (RBI), on August 3, 2016, issued a circular clarifying that unless otherwise provided in the circular/directions/regulations issued by the RBI itself, the provisions of *Chapter III* and *Rule 18 of Chapter IV* of the Companies Act, 2013 (Act) shall not be applicable to the for issuing the rupee denominated bonds (commonly known as *'Masala bonds'*) made exclusively to the persons resident outside India.

While *Chapter III* of the Act deals with the provisions under the Companies (Prospectus of Securities) Rules, 2014, *Rule 18 of the Chapter IV* deals with the provisions governing the issue of Debentures. Pursuant to this, Ministry of Corporate Affairs issued a notification [F. No. 01/04/2013-CL-V- Part-II] dated August 12, 2016 wherein vide Companies (Share Capital and Debentures) Fourth Amendment Rules,2016, sub-rule 11 was inserted in Rule 18 specifying that " Nothing contained in this rule shall apply to rupee denominated bonds issued exclusively to overseas investors. All other provisions of the Companies Act will continue to apply to Masala Bonds.

What are 'Masala Bonds'? Masala Bonds are rupee denominated bonds and are similar to foreign currency bonds in certain aspects namely:

i. They are issued by Indian companies under the external commercial borrowing route,

ii. They are issued to persons resident outside India and has to comply with disclosure norms as applicable in the jurisdiction of foreign investors, and

iii. Also, if listing is contemplated, they are listed on offshore stock exchanges.

Apart from the above, they are governed by the provisions framed for them by the Reserve Bank of India (RBI). RBI in its Fourth Bi-monthly Policy Statement for the year 2015-16, Dated September 29, 2015 had permitted Indian corporate to issue Rupee denominated bonds overseas within the ceiling of FPI investments in Corporate debt. RBI, vide A.P. (DIR Series) Circular No.17 dated September 29, 2015 had put in place the framework for issuance of Rupee denominated bonds overseas.

Accordingly, the INR 244,323 crore Corporate debt limit for Foreign Portfolio Investors (FPIs) shall be redefined as the Combined Corporate debt limit for all foreign investments in Rupee denominated bonds issued both onshore and overseas by Indian corporate.

Further, to provide a better streamline for the above, Securities Exchange Board of India (SEBI) issued a circular SEBI/HO/IMD/FPIC/CIR/P/2016/67 dated August 4, 2016, highlighting the following facts with respect to Masala Bonds:

a. Foreign investments in Overseas Rupee denominated bonds shall now be reckoned against the Combined Corporate debt limit of INR 244,323 cr .However, these investments shall not be treated as FPI investments and hence shall not come under the purview of the SEBI (Foreign Portfolio Investor), Regulations, 2014.

In partial modification of the SEBI circular CIR/IMD/FIIC/6/2013 dated April 01, 2013, it has been decided that the entire Combined Corporate debt limit of INR 244,323 cr shall be available on tap for investment by foreign investors. All other extant terms and conditions with respect to FPI investments in Corporate debt shall continue to apply.

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DESIGN ENFORCEMENT IN INDIA

SUCHI RAI & NIDHI YADAV[1]

"Design" means only the features of shape, configuration, pattern, ornament or composition of lines or colours applied to any article whether in two dimensional or three dimensional or in both forms, by any industrial process or means, whether manual, mechanical or chemical, separate or combined, which in the finished article appeal to and are judged solely by the eye; but does not include any mode or principle of construction or anything which is in substance a mere mechanical device, and does not include any trade mark as defined in clause (v) of sub-section (1) of section 2 of the Trade and Merchandise Marks Act, 1958 or property mark as defined in section 479 of the Indian Penal Code or any artistic work as defined in clause (c) of section 2 of the Copyright Act, 1957[1]

An 'article' as stated in the designs act, 2000 infers as 'any article of manufacture and any substance, artificial, or partly artificial and partly natural and includes any part of an article capable of being made and sold separately'.[2] Now for a design to be registered it should have the ingredient of novelty or originality in it i.e. the proposed design should not be formerly proclaimed or pre-owned in any country prior to the date of its application for registration. However, the novelty may be intrinsic to a known shape or pattern in the application but to a new subject matter.

When the application of a design or its transcription to any article in association to class of articles, where the design has been registered with the prospect of sale or importation of such articles is without written acquiescence of the registered proprietor amounts to design infringement. A design registration is infringed by the off base manufacture or importation for sale (or commercial use) or unauthorized sale or hire (or offering for sale or hire) of articles assimilating or exhibiting the registered design. While a design infringement shelters assorted aspects of the appearance of an article, such as its shape, configuration, pattern or ornamentation. A design registration does not purely shield the functional aspects of an article unless they also contribute to its appearance. Design protection is usually assessable due to the ingredient of designer choice.

The register of Designs is a document guarded by the Patent Office, Kolkata which is a statutory mandate. The document specifies the details regarding the design number, class number, date of filing (in India) and reciprocity date (if any), name and address of proprietor and other details affecting the validity of proprietorship of the design and is also open for public scrutiny on payment of prescribed fee & on the request with the prescribed fees, extract can be obtained from the register.

Design once registered, put forwards the legal right to bring an action against the infringers of the design right, whether natural / legal entity in the court not lower than that of the District Court so as to cease perversion and claim damages to which the registered proprietor is legally subtitled. Registered proprietor is legally entitled. On the other hand, where the design is not registered under the Designs Act, 2000 no legal action arises under the said Act against the person copying the design. Matters related to enforcement of right arising out of registration and issues related to that of exploitation or commercialization of the registered design do not fall within the ambit of the Patent Office. Anyone who encroaches the copyright in a design, is liable to pay a sum not exceeding Rs.25,000/- to the registered proprietor subject to a maximum of Rs. 50,000/- [3] recoverable and such suit can be filed in any court not below the court of District Judge for the recovery of damages for any such contravention and for injunction against repetition of the same.

The perk of registration of a design confabulates upon the registered proprietor a copyright in the design for the period of registration, the duration of which initially is ten years from the date of registration which may be further protracted for a period of five years on an application made in Form-3 to the controller along with the prescribed fee of Rs. 2,000/- before the expiry of the said initial period of copyright. The application can be made for such extension parallel to the registration of

1 *Legal Intern amity Law School Gurugram*
2 Section 2 (a) of Designs Act, 2000
3 Section 22(2) of Designs Act, 2000

the design. The date of application for registration save the cases of priority is the factual and actual date of filing of the application. Whereas, when the case of priority application comes in picture, the date of registration tends to be the date of making an application in the reciprocal country. Per contra, where the copyright of a registered design has expired, it cannot be re-registered. 'Copyright' connotes the exclusive and absolute right to apply a design to the article belonging to the class in which it is registered.

Considering the following grounds the registration of a design may be called off or cancelled at anytime after the registration by filling a petition for cancellation in Form 8 along with a fee of Rs.1,500/- to the Controller of Designs[4]. The grounds being the following:

1. The said design has been previously registered in India
2. It has been published in India, or in any other nation, preceding the date of registration
3. The said design has no ingredient of novelty or originality
4. The design cannot be registered
5. It is not a design within the purview of clause (d) of Section 2.

However, stamps, labels, tokens, cards do not fall within the ambit of an article for the purpose of registration of design as once the questionable Design or the embellishment is evacuated. What remains is only a piece of paper, metal or like material and the existence of referred article culminates .The article requires an independent existence as to the designs correlated to it.[5]

Therefore, the design applied to an article should be in-built in the article itself.

Now, as to the ascertainment of endurance of registration in terms of a design, a request has to be made to the Patent Office, Kolkata. In case the serial number of the registered design is known, the request is made on Form 6, or else on Form 7, along with a fee of Rs. 500/- or 700/- respectively. Such request should be bottled up to the information in terms of a single design only.

For the registered proprietor to be entitled to claim damages from the infringer it is always expedient for him to imprint the article so as to demonstrate the number of the registered design. Without endowing that all the necessary steps to mark the article were taken by the registered proprietor and in another case the registered proprietor has to show that the infringement took place subsequently when the infringer knew or had received the notice of the existence of the copyright in the design, or else the registered proprietor is not entitled to claim damages from any infringer.

In a recent case under the Delhi High Court,[6] the question raised by a registered proprietor was whether suit for infringement was maintainable against another registered proprietor of the design under the Designs Act, 2000?

Where it was held that on composite reading of the provisions of the Designs Act, 2000 promptly displays that the plaintiff had the right to approach the court and entitled to plead that his registered design was unique as the defendant registrant who had obtained registration although his design was neither new or original and also notably not distinguishable on comparison to the plaintiff's registered design. Asservation is a right of monopoly in the suit. The defendant as a part of pleading in his defence on the grounds available under section 19 of the Act seeking cancellation of the plaintiff's registration may also entrench that his registered design is new and original and is also distinguishable to that of the plaintiff's registered holder. Therefore, one registered design holder can sue another registered design holder.

Thus, the owner of the registered design has the exclusive right to work the registered design or any design identical to it. In any case where a third party manufactures or sells, the registered design or any design congruent to it for commercial purposes, out casting the private or domestic use and also is not licensed by the owner of the registered design right, such activity amounts to design right infringement. The application submitted for design registration contains all the specifications about the design along with attached drawings. However, there lies an issue

4 *Section 19 of Designs Act, 2000*

5 Design with respect to label was not held registrable by an order on civil original case No. 9-D, Punjab HC

6 MANU/DE/1254/2013

when it comes to the determination of design infringement as the ambit of design right is not only limited to the registered design but extends to that of any similar design.
While constructing an actual judgment in terms of 'similarity' it is banal or casual for two designs to be reckoned to be similar on comparing the two designs and finding them to be identical or similar on considering the following:

1. The overall constitution and the specific constitution of the designs
2. The features of the designs which constitutes the characteristic creation, outstanding part when the article is being used.
3. Common dominant constitution in both the designs
4. A mere or slight difference, whether notable or not in both the designs.

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DOCTRINE OF EQUIVALENTS: AN IMPORTANT GROUND FOR PROVING INFRINGEMENT

Priyanka Rastogi

INTRODUCTION

Patent infringement is also a strict liability offence like Torts matters. Power is conferred on patent owners by law for not just to prevent others from infringing the patented product or process but also to control those who independently develops the same product or process with no knowledge of the patented product or process. In order to prove the patent infringement, the patentee must prove along with the evidence that all elements of the claimed patent are present in the alleged product or process. The language of both written description and patent claims are necessary and plays the most important role in determining the extent and scope of rights. The claim legally defines the patent's scope of protection.

In order to investigate the case of patent infringement, the Courts generally perform two stages of analysis to investigate the infringement. The first stage is Literal Infringement test and next is Doctrine of Equivalents test. In literal infringement test it is examined whether the alleged process or product falls exactly within the periphery of the claims of the patent by comparing the features of the infringer's product or process with the literal meaning of the claims. One reason that literal infringement of a patent is a dull form of infringement is that where the potential infringer knows of the patent and takes steps to avoid infringement by making slight changes from the exact thing which is and disclosed claimed in the patent. At the same time, the individual may copy as much of the patent as thought possible without becoming liable for infringement. In this situation, the issue raised is whether the accused structure or process is the equivalent of what is claimed in the patent.

DOCTRINE OF EQUIVALENTS

Doctrine of equivalents is an equitable doctrine that may apply in situation, where despite the absence of literal infringement, there still may be infringement if the product or process in question has a structure or performs a function that is an equivalent of an element recited in the claims. Equivalence means that a claim element and its counterpart in a product do substantially the same thing in substantially the same way to achieve substantially the same result. So from this definition the basic rule of equivalence has been laid down is-

"If two devices do the same work in substantially the same way, and accomplish substantially the same result, they are the same, even though they differ in name, form or shape." [1]

The basic tenet of this doctrine is that the difference between invention and the accused device must be insubstantial. To determine the substantiality three pronged test has to be implemented, according to this test.

(i) Whether persons with skills in the art actually first stage is Literal Infringement test and next is know of the equivalence of the claimed and accused inventions.

(ii) Whether a person with skills could have known of the equivalence.

(iii) Whether he had intended to copy, or, rather intended to design around or inadvertently arrived at the same result.

APPLICATION OF DOCTRINE OF EQUIVALENTS

There are two tests by the help of which the doctrine can be applied. These are

(i) **Function-way-result test: -** In this test it is considered that whether the elements in the accused device does substantially the same way to achieve substantially the same result as the patented invention. The function-way-result test however cannot be applied to the ac-

1 *Pumfrey, Dave, Basheer et al, The doctrine of Equivalents in various Patent Regime, 11 YALE J.L. & TECH. 261 (2009)*

cused products generally but must be applied on a limitation-by-limitation basis.

(ii) **Substantiality of difference test: -** It is an objective test wherein proof of substantiality rests on objective considerations rather than subjective conclusions. Known interchangeability is strong evidence that those skilled in the relevant art would have considered the change insubstantial. By this test the Courts usually try to strike a balance between the scope of patent and the rights of patentee.

SCOPE AND DEVELOPMENT OF DOCTRINE OF EQUIVALENT IN U.S.A

The doctrine of equivalent is mainly developed by U.S Judiciary to determine the infringement claim in a patent case. In the case of ***Winan v. Adam***[2] as one of the earliest case regarding the doctrine, which involved a patent for an improved railcar for carrying coal or other similar materials. In the specification, the patentee described his invention as having "the form of a frustum of a cone" whereas the accused have the infringing patent not having similar frustum of a cone but having some octagonal or pyramidal shaped structures. The Supreme Court explained that a Patent would be valueless if the defendant can simply change the form of the invention claimed. While the Court not directly used the term, but by this judgment the doctrine of equivalent has been established. Thus where the patentee claims it in the form that most perfectly embodies it, the patentee is eligible to claim every form that most perfectly embodies it unless there is manifest intention not to claim something.[3]

Finally in 1950 , Supreme Court established the doctrine in the case of ***Graver Tank & Manufacturing Co. v. Linde Air Products Co***.[4] where the question was regarding the similarities of compound of flux material in the welding process. The Court again reiterated that a patent would be useless if other persons would be allowed to copy the patented invention although not copying every minute detail of the invention. The Court also recognized that such a limitation would encourage infringers to make unimportant and insubstantial changes and without adding anything he can get the patent. The Court also reiterated that equivalency must be determined in the context of the patent, the prior art and the particular circumstances of the case.

The Court further considered the doctrine in the case of ***Warner-Jenkinson Co. v. Hilton Davis Co.***[5] and held that in order to accumulate the doctrine in the garb of Patents Act, 1952 the scope of the doctrine has to be narrowed and observed that in order to determine the equivalency of each and every part of a claim should be compared and not only the invention or claims as a whole. Accordingly to be an infringement each claim must be present either literally or equivalently.

Further in ***Festo Corpn. v. Soketshu Kinzhoku Kabushiki Co.***[6] the Court clarified the ambiguity of the Warner-Jenkinson case. In this case the Court held that a substantial reason related to patentability is not limited to overcoming prior art, but includes other reasons related to the statutory requirements for a patent will give rise to prosecution history estoppels with respect to the amended claim. So, when a claim amendment creates prosecution history estoppels with regard to a claim element, there is no range of equivalents available for the amended claim element. Application of the doctrine of equivalence to the claim element is completely barred.

SCOPE AND DEVELOPMENT OF DOCTRINE IN INDIA

In the case of ***Biswanath Prasad Radheshyam v. Hindustan Metal Industries***[7], Supreme Court observed "that the proper way to construe a specification is not to read the claim first and then see what is the full description of the invention, but first is to read the description in order that the mind may be prepared for what it is, what is to be claimed, as the patentee cannot claims more than he desires to patent". In the case of ***Lalubhai Chakubhai Jariwala v. Chimanlal Chunnilal***[8], the Court held that "patentee must particularly describe and ascertain the nature of his invention in the specification, as the ambit of his invention is circumscribed by the claims. The

2 56 US 330 (1853)
3 56 U.S. at 343
4 56 U.S. at 343
5 339 US 70 SC 854 (1950)
6 520 U.S. 17 (1997)
7 535 U.S. 722 (2002)
8 AIR 1982 SC 1444

construction of a specification is a matter of law and is for the Court. It must be construed as a whole". Finally Delhi High Court in the case of ***Raj Prakash v. Mangat Ram Chowdhury***[9] observed "that in order to properly construe a specification, one should give ordinary meaning to the words, a sphere in which the invention is sought to have been made. The Court further held that in order to find out whether the Patent has been infringed the patented article has to be compared with the infringing article. If the infringing article or process is made with the object which is attained by the patented article, then the minor variation does not mean that there is no piracy and a person is guilty of infringement if he makes what is in substance the equivalent of the patented article".

In the above mentioned cases the Indian Courts have reiterated some principles relating to doctrine of equivalents but in the year 2008 the Bombay High Court in case of ***Ravi Kamal Bali v. Kala Tech***[10] particularly considers the doctrine of equivalents. This case is considered as the first case wherein doctrine of equivalents is looked by the Court. Here, the Court tried to deduce whether defendant acts are amounted to induced infringement or contributory infringement or both. As per the facts, one of the defendants was a former employee of the plaintiff and had unrestricted access to every technical details of the patented product and has been immorally assisting other defendants in the manufacture and sale of the infringing material. In order to prevent fraud on the patent, the court applied the doctrine of equivalence. Such is invoked when patent claims are not literally infringed. The Court emphasized on section 54 of the Indian Patent Act, 1970 and held that only the patentee of the main invention is entitled to improve or modify the main invention and claim patent for such or else it would permit anybody to benefit from it by exploiting the main invention. The court opined that mere carrying forward of an existing product involving change of form, proportion or degree or the substitution of an equivalent is not an invention.

Finally fraud on the patent, the court applied the doctrine of equivalence. Such is invoked when patent claims are not literally infringed. The Court emphasized on Section 54 of the Indian Patent Act, 1970 and held that only the patentee of the main invention is entitled to improve or modify the main invention and claim patent for such or else it would permit anybody to benefit from it by exploiting the main invention. The court opined that mere carrying forward of an existing product involving change of form, proportion or degree or the substitution of an equivalent is not an invention.

9 AIR 1978 Del.1

10 2008(38) PTC435 (Bom.)

CONCLUSION

This doctrine of equivalents is although designed or deduced to prevent fraud in the patent claims however the same is now widely being used as a secondary method for proving infringement. Now days this doctrine is widely used in order to prove infringement of Patents. However the same has its negative consequences as the doctrine expands the proprietary rights of the Patentee.

In India there are very few instances regarding the application of this doctrine but with the rapid globalization of technology the Indian Courts will definitely face similar cases in near future.

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JOINT OWNERSHIP OF TRADEMARKS

Himanshu Sharma & Martand Namana

INTRODUCTION

An average common consumer always relates to a product based upon the comfort, compatibility and satisfaction which is derived from the use of the same; these traits evolve over a considerable period of time, and are known as the "goodwill" of the product. The manufacturers and merchants have to endure fierce competition in providing their goods and services to the consumers, which makes it difficult to sustain in the market.

Given the fierce competition, any entity providing goods and services shall always aim at being the best in order to maintain the established goodwill and reputation. Going a step ahead in order to portray consumer centric approach, companies come together to establish themselves as a new joint entity to provide goods and services in collaboration with each other which they're individually well known for in the market. In order to get a local face which is closer and easily acceptable by the local customer base, most entities/ business houses come up with a local name which is used as a business name in a particular jurisdiction and hence apply with a joint ownership of Trademark. With the emergence of this new joint entity the companies try to provide goods and services which shall together garner reputation and goodwill based on the established market standards.

As per the TM law, all the joint owners of the trademark will be treated as owner of the TM jointly and no quantification of rights is possible as per the provision of Trademark Marks Act, 1999. Whereas, the financial outcome arising out of the use of jointly used TM, can be quantified, as per the terms & conditions agreed upon while entering in to the said joint ownership.

WHAT ARE JOINTLY OWNED TRADEMARKS?

When more than one legal entity come together to act as proprietor of a trademark, either for a joint entity created by both or to share and act in accordance for the good and services provided jointly by them; they're said to be joint owners of trademark. As per **Section 24** of **The Trade Marks Act, 1999 -** Joint ownership of trademark is a mutual agreement between both the entities/parties to hold the mark together, but neither of them shall be said to be the absolute owner of the mark and the then registered trademark shall be registered in favour of both the parties, held together. While entering into joint ownership/proprietor-ship of Trademarks as per **Section 18** of **The Trade Marks Act, 1999** it has been laid down that the either of the Applicant necessarily needs to have principle place of business in India, and if not then, it would be mandatory for them have their address for service in India.

Apart from the intellectual property, the joint ownership also witnesses' joining of the economic value of the trademark is crucial to each individual joint owner. The proceeds generated from any business from the said joint ownership/venture shall have to be divided equally or as per the terms of the contract agreement. The balance of interest thus established shall also be helpful in determining the obligation and share of responsibility of each individual entity.

NECESSARY GUIDELINES TO BE FOLLOWED WHILE REGISTRATION

As per the Indian Trademark Law, while registra-tion of a jointly owned trademark, description of mention should be given in the following format:

In case of joint owners, the full name of each of the joint owners, whether individuals or companies, is essentially required. A trading style or business name is not acceptable as the name of the joint owners and, if given in addition to the joint owners, such names will be recorded separately.

"*M/s XXXXXXXXXXXX, A Company registered in India under the Indian Companies Act, 2013*

AND

M/s YYYYYYYYYY, A Company registered in India under the Indian Companies Act, 2013... Are claiming to be the joint ownership of trademarks."

The registered mark shall thereby be used jointly **only** by all the applicants mentioned in the application.

CONDITION AS TO JOINT USE OF TRADEMARKS:

In a case of jointly owned trade mark, the condition should be "The mark shall be used jointly by all the applicants mentioned in the application"; or

"The mark shall be used only in relation to goods or services with which all the applicants mentioned in Section 24 of the applications are connected in the course of trade with all the joint applicants and it shall not be used against each other.

ADVANTAGES OF JOINTLY OWNED TRADEMARKS

SURETY OF USE

The joint proprietors of the jointly owned trademark shall be responsible for the use and for the goods and services provided under the trademark. However, no single user of the jointly owned trademark can exercise total control over the mark or the good will generated from the same.

COMPLETE DISSOLUTION

In a case of dissolution of the jointly owned trademark no single owner can claim complete ownership over the trademark; the complete bundle of rights shall be dissolved instantly and shall not be available for single use, thus preserving the generated trust and goodwill of the mark over the period of usage.

CHALLENGES UPON DISSOLUTION OF A JOINTLY OWNED TRADEMARK

CLOUD OVER JOINT OWNERS TO EACH CONTINUE TO USE THE MARK AFTER TERMINATION

Upon dissolution of the trademark each joint owner of the mark, shall not be eligible to use the mark any further on an individual basis. As per the conditions mentioned during the time of registration, the rights of use are vested in the owners strictly with the condition precedent that the use of the trademark would be on a joint basis, and thus this nullifies the aspect of single owner using the mark.

ONE OWNER PURCHASES THE MARK AND LICENSES IT THE OTHER OWNER

Irrespective of the grounds of dissolution, if both the joint owners of the trademark mutually agree, to transfer the rights vested in them as per the provisions of the Trade Marks Act, 1999 (through assignment), to either of them, to carry forward the business individually under the same joint trade-name, the same can be carried out by the conditions mutually agreed upon by them at the time of dissolution.

As per the general practice, full-fledged licensing is carried out to avoid complexities further. However, an option of mutual settlement in private is also open to the joint owners. The parties involved in the joint ownership of the mark can transfer the mark to each other on basis of "buy me/buy you" clauses. Further, the parties together can sell/license/assign the mark to a new party which may be interested to carry out business under the trade-name. These kinds of settlements are seen when the parties have no interest left to completely use the mark upon dissolution. The proceeds from these kinds of transactions are generally shared equally between the parties involved in the joint ownership.

DISSOLUTION OF INDIVIDUAL IMAGE / CREDITS

In case of dissolution of a jointly owned trademark, the individual image generated by the prolonged use of the mark shall be dissolved accordingly which would in turn dissolve the goodwill of the mark. No individual owner of the mark shall be allowed to use the mark or any related mark either individually or in association unless clear permission has been given by all the joint owners of the earlier mark. Also, neither of the party shall be individually allowed to take any credit for the mark or the goodwill or revenue generated by use of the jointly owned trademark.

EXAMPLES OF JOINTLY OWNED TRADEMARKS:

- In 2014, Hero Honda Motors Limited, a joint involvement between Hero and Honda motors was dissolved and a new Indian entity Hero MotoCorp Limited was established which got to carry out business using the earlier established tradename.
- In 1999, VOLVO sold its Car manufacturing automotive division to FORD MOTOR COMPANY, yet still had rights over all other automotive divisions such as its truck business. This cause called for a sharing of rights of trademark and

the hence VOLVO gave control of its car manufacturing automotive division to FORD.

- In a 2001 joint venture between Sony and Ericsson to make cellular communication devices, the parties combined their respective trademarks, while maintaining their separate identities.

CASELAWS ON JOINT OWNERSHIP

ELLIOT OPTICAL COMPANY LTD.'S [APPLICATION (1952) 69 RPC 169]

In the scenario where the goods manufactured, have been sold under a specific mark by the applicant directly to certain customers and partly by the opponent to certain customers, joint ownership of trademark in such scenario shall then be refused.

POWER CONTROL APPLIANCES V. SUMEET MACHINES PVT. LTD. 1994 AIR SCW 2760; (1994) 2 SCJ 644: 1994 (2) SSC 448

As per law relating to trademark, there can only be one source and proprietor of one trademark and the trademark cannot have two origins. Hence, when the defendant proclaimed himself as a rival of the plaintiff, the joint owner, it was not permissible under the law. Joint ownership cannot be used in rivalry or in competition with each other.

GUDAKHU STAR & LABEL TRADE MARK [1990 PTC 216];

The Trademark was the property of one of the partners, and thus became the property of the firm. In other words all the partners became the owners of the trade mark and the copyright. Earlier dissolution of the earlier partnership had completely dissolved the rights of the partners over the trademark. Though having formed a different partnership and using the trademark similar to the earlier, the partners and the firm are not eligible for using the mark due to lack of rights.

RAMAPPA V. MONAPA [AIR 1957 MAD: ILR (1957) MAD 206]

The Madras High Court has held that where the application for rectification of the Registrar was made on the basis that the registration of the mark was obtained by fraud, and it is found that the allegations are correct, the court must direct the entry to be expunged from the register and the order of joint registration should be annulled.

IN RE PALMOLIVE [(1932) 49 RPC 269, 278]

It has been laid down that before a mark could be registered in the joint names of the parties to the joint ownership, as engaged in a joint adventure, it must be established that all the goods which would be traded under the name of the mark are to be placed and should pass through the hands of both the parties, i.e. joint owners. For examples, if the joint proprietors were sharing the profits, all of them would be connected in the course of trade with the trade mark.

JOINT OWNERSHIP AND FINANCES

Observing from a global perspective, instances have iterated the where clear demarcation has been laid down between ownership and sharing of finances. All the joint owners of the trademark shall have no quantification of their rights over the ownership of the mark. However, the financial outcome from the use of the trademark can be quantified and be controlled by the conditions laid down and mentioned either in the contract or the agreement for joint ownership. Joint Ownership of trademark is mostly confused with Co-Ownership and hence it has been seen on various occasions that licensing of the rights of the parties to each other acts as an escrow guarantee to safeguard the interest involved in the ownership.

CONCLUSION

The inception of Intellectual Property was seen only to be as a set of rights to safeguard the vested interests of the owners. Given the evolution in the changing course of time and in light of the developments which have taken place all through the era, we now witness various concepts which require higher threshold of interdependence and trust. The joint ownership of trademark is a result of one such evolution which has proved to be a multi faceted boon for the IP industry. Despite having its share of negativity, joint ownership of trademark shall always be the preferred way of creating a new face of the mark of a single company based on the geographical boundaries. The amount of benefit vested shall be a prerogative of the user and the owner of the mark.

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AN INSIGHT TO PATENT PORTFOLIO MANAGEMENT

Monika Shailesh

The entire universe of commerce in a big way is affected by the MONOPOLY. There are natural monopoly and the sanctioned monopoly. Sanctioned monopolies are the legal permission granted by the state, in which a firm can control the degree of freedom in the market. Direct control of market results in higher gains and hence a profitable proposition. Now a question arise what patent has to do with this? So patents can be considered as an indirect sanctioned monopoly. So if a firm holds the patents to manufacture a product it may prevent other competitors to offer a similar product. So the market for the firm, holding patent is now very big. Patents can be considered as a tool for rewarding innovation. Formal granting of patent for inventions (Sanctioned monopoly) can be considered as the outcome of corrupt and informal system where domination honors were granted by head of state where seen fit.

It is because of the added benefit of acquiring granted monopoly, managing the patent portfolio efficiently can be highly rewarding. Today the entire world is driven by technology and innovations, so the value of a company is directly reflected by the quality of the patent portfolio held by it. The old business rules of investing in assets, scaling up, diversification as well as buy and hold are now also applicable on the patent portfolio. Having many patents in one technology enables a firm to influence the entire market and may provide regulatory interest in that market. Patent portfolio can also be used for defensive as well as offensive purposes. A sound patent portfolio enables a company to prevent itself from patent trolls or defer the competitors to file a law suit. The ongoing patent war in the world of telecommunication is a perfect example of both offensive and defensive use patents.

The real proposition of patent portfolio depends on the collective value of patents and like a team no individual patent can prove effective. For a firm with small patent portfolio it is easy to identify the high value and effective patents however for firms having thousands of patents the task of identifying and developing useful patents becomes very complex. Understanding the underlying purpose of managing a patent portfolio is very important before taking the task of portfolio management. Both legalities as well as business atmosphere shall be analyzed in context to the prevailing market conditions. The optimal size of the patent portfolio for a company shall be determined with due considerations. Patenting every idea that comes along can be detrimental for the company, a duly evaluated strategy considering the basic area of risk allocation and reduction can prove to be very useful.

Scale of patent is an important aspect in portfolio management, scale may be defined as the total number of patents owned by a company or applied for in all the countries. Scale defines the market category and leadership of a company in a given technology. Leadership in a particular proves be beneficial in driving the profitability. However a very large scale Patent Portfolio Can also be troublesome as the patents with high value may get hidden. Portfolio with a proper scale proves to be very effective defensive tool against unnecessary and derogatory litigations. On the flip side a good scale may also act as an offensive tool by demotivating competitors to enter into that field of business and lets the firm to create an entry barrier. This also enables the bargaining power of a firm, and setting up the industry standards.

MONETARY BENEFITS:

Patents are excellent source of monetary benefit even if the owner is not using it for the actual production. There has been a paradigm shift where patents are not used for actual manufacturing rather they are leased out to investors upon some upfront payment and recurring future royalty deals.

VARIETY:

Analogous to financial assets variety has its own importance in the world of patent portfolio. Obtaining or owning patents in different areas of technology helps to mitigate the risks of non performing patents. While the patent in area of technology may not get monetary or other incentive others may help to reduce the risk of failure. Diversity may be complementary to scale but should not replace it. A perfect balance should always be maintained between scale and diversity.

EQUILIBRIUM:

Based on companies area of operation, expected time frame of a given technology and current needs, portfolio must be rebalanced from time to time. Balancing the patent portfolio includes carefully analyzing the patents and then taking decisions if the patents need to be continued or discarded, what new patents shall be pursued and which patents needs to be maintained. A patent related to old or discontinued technology shall be discarded while a patent for promising future technologies shall be pursued for. Also the company should make efforts to gain patents for existing technologies which can complement the existing patent and result in better products and gaining competitive edge. Timing is very important in the field of patents as entering in market late or too early with a given technology may result in loss of sanctioned monopoly.

PATENT FREE ZONE:

It is very important to identify the countries where patents shall be filed. Apart from United States and Europe most of the world is considered as patent free zone. Even if there are patent law existing in a particular country very few companies file patents there, so that means all are free to manufacture a similar product by copying patents. The primary reason for this is basically the size of existing market in that country. As a small market does not make sense to spend fortunes in filling and maintaining patents while the monetary benefit is minimal. So for example Apple may not find it interesting to file a patent in Africa as the market there is too small to make any reasonable

CONCLUSION:

To protect a company's intellectual assets a sound and effective patent portfolio is very important. A suitable strategy considering both scale as well as the diversity help a business attain competitive leverage and category leadership. As the cost and time to file and get a patent is significantly rising a patent manager is the need of the hour to time to time balance the patent portfolio of a business. The size and variety of patent owned by a company must be properly chosen based on the operational magnitude, revenue and R&D expenditure of the company. Some may say that building and managing a patent portfolio is time and resource consuming affair, however it is a significant help to deter patent trolls and setting industry standards.

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SECTION 3(D):INDIAN PATENT OFFICE REJECTS PATENT APPLICATION FOR SOLIFENACIN

Saipriya Balasubramanian

The Indian Patent Office on August 31, 2016 denied MSN Laboratories (Applicant) limited a patent for its drug comprising solifenacin succinate used in the treatment of overactive bladder, involving the patent application **1161/CHE/2008** entitled, "**An Improved process for the Preparation of Solifenacin and its pharmaceutically acceptable salts thereof**". The IPO rejected the Patent Application on the grounds of lack of inventive step in view of the prior published documents as well as on basis of Section 3(d) of the Patents Act.

BRIEF BACKGROUND

MSN Laboratories Limited filed Indian patent application **1161/CHE/2008** [1] entitled ""**An Improved process for the Preparation of Solifenacin and its pharmaceutically acceptable salts thereof**"" in the Indian Patent Office (IPO) on May 12, 2008. The '1161 application describes an improved process for the preparation of solifenacin and its pharmaceutically acceptable salts thereof especially succinate for treating overactive bladder, such as urinary urgency and increased urinary frequency. A request for examination was filed for the '1161 application on January 18, 2010, and a first examination report was issued on December 16, 2014. In the examination report, all 10 claims were found to lack novelty and inventive step over the prior art.

The examiner cited the prior art documents as follows, D1 (WO 2008/011462), D2 (WO 2007/076116), D3 (j. Med.Chem.2005, 48, 6597-6606 Synthesis and Antimuscarinic Properties of Quinuclidin-3-yl 1, 2, 3, 4-Tetrahydroisoquinoline-2-carboxylate derivatives as Novel Muscarinic receptor Antagonists1);

According to the Examiner D1 discloses the process as claimed in claim 1 and dependent claims of the '1161 application. D1 discloses further steps such as follows;

Those suitable bases which can be used for the reaction include, but are not limited to alkali metal hydrides such as lithium hydroxide, sodium hydride and the like. Further, it is mentioned the molar ratio of the base used is important since it determines the percentage of (1,S)-1-phenyl-1,2,3,4 tetrahydro-isoquinoline of Formula III remaining as an impurity in the product. Excess base results in breaking of the alkyl chain in (1S)-alkyl-1-phenyl-1,2,3,4-tetrahydro-2-isoquinolinecarboxylate of Formula IV giving back the starting material (1S)-alkyl-1-phenyl-1,2,3,4-tetrahydro-2-isoquinoline as an impurity in the product. An optimized ratio of the base which results in the completion of the reaction and does not lead to impurity formation ranges from about 0.5 to 1 mole per mole of (1S)-alkyl-1-phenyl-1,2,3,4-tetrahydro-2-isoquinolinecarboxylate.

The Examiner further quotes the metal hydride used in the reaction which is the same as the one mentioned in '1161 application. The alkali metal hydride which is used as the base in the reaction helps in forming the alkali metal analogue of quinquidinol. A quantity of base which is sufficient to initiate the reaction is enough. Since thereafter the alkali metal alkoxide which is formed in-situ in the reaction acts as the base and serves the purpose. Hence the molar ratio of base used need not be 1.0 molar equivalent, even a lower amount is sufficient to initiate the reaction.

The mention of suitable bases that can be used in the above mentioned step (b) include, but are not limited to: alkali metal anhydrides such as lithium hydride, sodium hydride and the like alkali metal hydroxides such as lithium hydroxide, sodium hydroxide, potassium hydroxide and the like; carbonates of alkali metals such as sodium carbonate, potassium carbonate and the like bicarbonates of alkali metals such as sodium bicarbonate, potassium bicarbonate, and the like: ammonia; and the mixtures. It is clearly mentioned in D1 that these bases can be used in the form of solids or in the form of aqueous solutions. It is to be noted from D1 examples 8 and 9 that the purity of Solifenacin succinate is above 99% by weight.

1 http://ipindiaservices.gov.in/decision/1161-CHE-2008-22244/1161%20refusalpdf.pdf

With regards to D2 which describes a process for the preparation of solifenacin and solifenacin succinate by reacting haloalkyl 1,2,3,4-tetrahydroisoquinoline carbamate with (3R)-3-quinuclidinol in the presence of a suitable inorganic base (such as sodium hydride; page 10: lines 1 and 2) and an organic solvent (viz. toluene, xylene, dichloromethane; claims 8,10 and 11). The second base is selected from the group consisting of: metalalkyls, metal alkoxides and sodium hydride. More preferably, the second base is sodium hydride.

D3 discloses Compound 9b was selected as a clinical candidate in the form of its monosuccinate salt, solifenacin succinate. And it uses aqueous sodium hydroxide solution in the entire document in different process steps.

The Controller being not satisfied with the Applicant's reply issued a hearing notice to the Applicant on 24/06/2016 and a hearing was appointed on 18/07/2016. The hearing was not attended by the Applicant on the scheduled date. The Applicant had filed a letter dated 12/07/2016 which was received by the IPO on 18/07/2016 mentioned that the Applicant weren't able to attend the hearing and thereby requested the Controller to consider the amended claims and response to the hearing notice and allow the claims for grant.

THE CONTROLLER'S DECISION WITH REGARDS TO SECTION 2(1)(JA):

The above cited prior art documents D1-D3 clearly mention the use of sodium hydroxide in the process for the preparation of Solifenacin succinate. A person skilled in the art can easily conceive the teachings of D1 that excess base results in breaking of the alkyl chain, a quantity of base which is sufficient to initiate the reaction is enough hence can choose alkali metal hydroxides such as lithium hydroxide, sodium hydroxide, potassium hydroxide and from D3 teachings which mention the uses of aqueous sodium hydroxide solution in different process steps, it is very evident that there exists a motivation to replace sodium hydroxide instead of sodium hydride.

The controller further mentioned that the Applicant's argument that usage of such mild bases avoids the unwanted side reactions and provides the final compound with the higher yield and purity wasn't accepted since D1 precisely describes that the necessary precautions while selecting the quantity of the base to be taken. Further, while Sodium hydride is used the purity of Solifenacin Succinate is above 99% by weight (as explained in examples 8 and 9 of D1). Hence the Controller maintained with the Examiner's opinion that the process as claimed ***in amended claims 1 to 8 cannot be considered as technical advance as*** **compared to the existing knowledge and it makes the invention obvious to the person skilled in the art.**

The Controller quoted the decision taken for application T 1566/14 (CATALYTIC DEWAMING PROCESS) regarding inventive step – " ***an obvious combination of features disclosed in the closest prior art document is merely one of several solutions equally obvious to a skilled person seeking to solve the problem of providing an alternative dewaxing process. Hence, in the board's judgment the subject-matter of claim 1 does not involve an inventive step***." Therefore in view of the above facts and finding the amended claims 1 to 8 lack inventive step and do not constitute invention under section 2(1)(j) of the Indian Patents Act, 1970.

SECTION 3(D):

According to the Examiner the process as claimed in amended claims 1 to 8 is a mere use of a known process. The known process does not result in a new product. Since the product of formula I (Solifenacin) and I(a) (Solifenacin succinate) are well known in the prior art (D1 to D3).The aforesaid known process does not employ atleast one new reactant

1. (R)-3-quinuclidinol compound (**refer D1 claim 1**)
2. (S)-ethyl-1-phenyl-1,2,3,4-tetrahydro-2-isoquinoline carboxylate (**refer D1** (1S)- ethyl-1-phenyl-1,2,3,4-tetrahydro-2-isoquinoline carboxylate of Formula IV
3. Inorganic base selected from hydroxides of alkali and alkaline earth metals, carbonates of alkali metals and bicarbonates of alkali metals in a solvent selected from aromatic hydrocarbon solvents halogenated solvents their mixtures thereof (**refer D1,D2,D3**).
4. The usage of mild base NaOH as replied by the Applicant is mentioned in D3. Moreover the result obtained by the process as replied

by the Applicant that the higher yield and purity is already achieved in the prior art (**refer D1 examples 8 and 9 the purity of Solifenacin Succinate is above 99% by weight; mentioned in claim 8**)

After analyzing the reply submissions of the Applicant, the Controller maintained that the claimed subject matter did not clearly show any advantage or technical advance over the prior art. In addition, the Controller argued that the claims in the present application related to a mere use of a known process, and thus were not patentable under Section 3(d) of the Patents Act. Section 3(d) states that "the mere discovery of any new property or new use for a known substance or of the mere use of a known process, machine, or apparatus, unless such known process results in a new product or employs at least one new reactant" do not constitute a patentable invention.

CONCLUSION:

The claims of the present invention consider the process related to a mere use of a known process, which are not considered as being patentable under Section 3(d) of the Indian Patents Act. Therefore the subject matter of claims 1-8 were rejected as it falls under the aforementioned Section of the Act. Also, in view of the aforesaid disclosures, it would have been obvious for a person skilled in the art to combine the teachings of D3 with that of D1 and D2 .Hence the claims 1-8 lack inventive step and do not constitute invention under section 2(1)(j) of the Indian Patents Act, 1970. Based on companies area of operation, expected time frame of a given technology and current needs, portfolio must be rebalanced from time to time.

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A HEALTHY REFORM IN THE INDIAN PATENT STRUCTURE

Aayush Sharma

India has a very robust, clear, dynamic and strong TRIPS compliant IPR regime, pervaded with state of the art infrastructure, think-tanks, healthy innovation incubators and ample innovative energies. In spite of such features, Indian Intellectual Property law have always strived hard to keep pace with the other IP jurisdictions. With continuous improvements in IP law in the year 2005, again in 2016, the Indian Patent office has made numerous arrangements in the form of amendment in rules as ***"The Patents Amendment Rules, 2016"***. These rules are designed for revamp of the IP back bone in the country and around the world. By adopting the new arrangements in the Patents, design and trademark, India has safeguard his interest in IP around the globe giving a clear signals to major IP jurisdiction countries, that India has a great potential to leverage his IP and can match with them in all aspects of the IP. It further seeks to encourage innovation and research and facilitate effective enforcement mechanisms.

Understanding the need of an hour in the IP arena, the Indian ministry of commerce and industry in collaboration with Indian Patent office has introduced *Patent amendment rules, 2016*. The Patent amendment rules, 2016 has prominent features such as

- Deletion of claims at the time of national phase entry
- expedite examination
- remote hearing
- reversal of examination fees
- procedural changes
- Introduction of fresh entity i.e. start up

In this article, we will discuss regarding a very important amendment which refresh the Patent grant timeline after an Applicant obtains first examination report (FER).

Earlier, under sub rule 4 of rule 24B of Patent Rules, 2003, the time for putting the application in order for grant under section 21 was twelve months from the date of receiving of first examination report.

The said rule read as under:

24B. EXAMINATION OF APPLICATION.—

(4)The time for putting an application in order for grant under section 21 shall be twelve months from the date on which the first statement of objection is issued to the applicant to comply with the requirements.

As per rule 24B, the Applicant was having 12 months time frame for reply to objections raised in the FER. The prescribed time frame was non extendable and expiration of such time line automatically puts the application to go abandoned. As and when the applicant submits the response to the IPO, the IPO will take further more time for examine the application i.e. after expiration of 12 months and if the Ld. Controller was not satisfied with the response as submitted, then an opportunity of being heard was given to Applicant or second examination report. Such procedural arrangement used to take another more years before the application actually gets granted or rejected. Hence forth, the total time for grant of Patent will keep on increasing or may stuck in the compliance of procedural requirements. In order to overcome this long period, and for limiting the office action time frame and to put the application for grant, the IPO has made amendment in the *Patent amendment rules, 2016* where in the time for putting an application in order for grant in terms of Section 21 of the Act has been reduced **from 12 months to 6 months** from the date on which the First Examination Report is issued to the applicant. This shall be applicable for applications for which the First Examination Reports are issued on or after 16th May 2016.

PROCEDURE

Rule 24C requires the examiner to make the report under Section 12(2) ordinarily in 1 month (but not exceeding 2 months) from the date for reference of the application to examiner by the Controller. The Controller must then dispose of the examination report within in 1 month from receipt and issue the first objections within 15 days such disposal. Thereafter, the applicant has to put the application in order for grant within 6 months from the receipt of the first examination report. Accordingly, the overall time for putting the application in order or grant under section 21 shall be six months from date of receiving FER by the applicant. Apart from reducing the time line from 12 months to 6 months, the IPO has provided extension to the Applicant in case, the Applicant fails to furnish the reply to the objections within 6 months timeline. The IPO provides extended period of 3 months for those applicants who will request on Form 4 to provide further extension of 3 months. Therefore, the total time line for putting the application to grant including the extension time will be 9 months. The three months time will be only provided, if the applicant submits such request on Form 4 before the expiration of 6 months only.

As compare to the previous arrangement of the time line for putting the application for grant which was 12 months, the amended time line will be fruitful step for the Applicant and for Patent office because such reduction in time will help the applicant to timely submit the response and put the application ready for grant thereby in less time as compare to the previous arrangement. Further, such step will also be examine good for Patent office for the reason that reducing the time line will help the IPO to examine more applications in same time and thereby reducing the back log of the Patent applications.

In this era of modern IP, the Indian Patent office has made remarkable reforms by way of the *Patents Amendment Rule, 2016*. These amendments are not only beneficial for the Patent office but more relatively to the Applicant. The Patent inventions which are generally delayed by the 12 months time line are now processed within 6 months time line and such arrangement will really helps the Applicant to enjoy the longer Patent rights, licensing royalties etc.. At last, it will be truly accepted that such amendments are the need of the hour and a beneficial step taken by the Patent office in the welfare of healthy Intellectual Property atmosphere in India.

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QUALIFIED WOMEN NOT ENTITLED TO MAINTENANCE

Vijaya Singh

From Long time, there has been differences of opinion that whether a woman who is a qualifies professional is earning well, is entitled to maintenance from Husband. The Double Bench of Hon'ble High Court of Delhi in the matter Rupali gupta v/s Rajat Gupta, MAT.APP. (F.C.) 143/2014 had passed the Judgment that the appellant/wife who is qualified Chartered Accountant and is in profession since the year 2003 need not be granted interim maintenance under Section 24 of the Hindu Marriage Act, 1955.

The Section 24 of the Hindu Marriage Act, 1955 reads as:

"MAINTENANCE PENDENTE LITE AND EXPENSES OF PROCEEDINGS.-

Where in any proceeding under this Act it appears to the court that either the wife or the husband, as the case may be, has no independent income sufficient for her or his support and the necessary expenses of the proceeding, it may, on the application of the wife or the husband, order the respondent to pay to the petitioner the expenses of the proceeding, and monthly during the proceeding such sum as, having regard to the petitioner's own income and the income of the respondent, it may seem to the court to be reasonable: 54 [Provided that the application for the payment of the expenses of the proceeding and such monthly sum during the proceeding, shall, as far as possible, be disposed of within sixty days from the date of service of notice on the wife or the husband, as the case may be.]"

Section 24 is enacted to provide relief by way of maintenance and litigation expenses to a spouse unable to maintain itself during the pendency of the proceedings; it is a benevolent provision; Lata v. Dhanpal[1].

That in the cited matter Rupali Gupta versus Rajat Gupta, the appellant/wife was aggrieved by the Order dated 06.09.2014 of the Ld. Judge Family Court, whereby the Ld. Judge Family Court awarded a sum of Rs. 22,900/- per month towards maintenance to the two Children of the Parties but declined to award interim maintenance to the appellant/wife as she is a qualified Chartered Accountant. Accordingly, filed the appeal before HC.

The brief facts of the matter Parties were married in the year 2005 at Delhi in accordance with Hindu Rites and Ceremonies and out of the Wedlock they had two kids born in the year 2006 and 2008 respectively. The appellant/wife is a qualified Chartered Accountant and working in that capacity since the year 2003 whereas the Respondent/husband is an Electrical Engineer but running his own business.

The respondent/husband filed a petition for dissolution of marriage under Section13(1)(ia) of the Hindu Marriage Act. In the Divorce petition the Appellant/wife filed an application under Section 24 of the Hindu Marriage Act seeking interim maintenance for a sum of Rs. 3,00,000/- per month for herself and the two Children and Rs. 1,00,000/- towards litigation cost.

In the Context of award of interim maintenance under Section 24 of the hindu marriage Act to a well qualified spouse having the earning capacity but desirous of remaining idle has been deprecated in the decision reported as 2003 (3) MPLJ 100 *Smt. Mamta Jaiswal Vs. Rajesh Jaiswal* observing as under:

"6. In view of this, the question arises as to in what way Section 24 of the Act has to be interpreted. Whether a spouse who has capacity of earning but chooses to remain idle, should be permitted to saddle other spouse with his or her expenditure? Whether such spouse should be permitted to get pendente life alimony at higher rate from other spouse in such condition? According to me, Section 24 has been enacted for the purpose of providing a monetary assistance to such spouse who is incapable of supporting himself or herself in spite of sincere efforts made by him or herself. A spouse who is well qualified to get the service immediately with less efforts is not expected to remain idle to squeeze out, to milk out the other spouse by relieving him of his or her own purse by a cut in the nature of pendente life alimony. The law does not expect the increasing number of such idle persons who by

1 (1995) 2 D.M.C. 440 (Madh. Pra)

remaining in the arena of legal battles, try to squeeze out the adversory by implementing the provisions of law suitable to their purpose. In the present case Mamta Jaiswal is a well qualified woman possessing qualification like M.Sc. M.C. M.Ed. Till 1994 she was serving in Gulamnabi Azad Education College. It impliedly means that she was possessing sufficient experience. How such a lady can remain without service? It really puts a big question which is to be answered by Mamta Jaiswal with sufficient congent and believable evidence by proving that in spite of sufficient efforts made by her, she was not able to get service and, therefore, she is unable to support herself. A lady who is fighting matrimonial petition filed for divorce, can not be permitted to sit idle and to put her burden on the husband for demanding pendente lite alimony from him during pendency of such matrimonial petition. Section 24 is not meant for creating an army of such idle persons who would be sitting idle waiting for a 'dole' to be awarded by her husband who has got a grievance against her and who has gone to the Court for seeking a relief against her. The case may be vice-versa also. If a husband well qualified, sufficient enough to earn, sits idle and puts his burden on the wife and waits for a 'dole' to be awarded by remaining entangled in litigation. That is also not permissible. The law does not help indolents as well idles so also does not want an army of self made lazy idles. Everyone has to earn for the purpose of maintenance of himself or herself, atleast, has to make sincere efforts in that direction. If this criteria is not applied, if this attitude is not adopted, there would be a tendency growing amongst such litigants to prolong such litigation and to milk out the adversory who happens to be a spouse, once dear but far away after an emerging of litigation. If such army is permitted to remain in existence, there would be no sincere efforts of amicable settlements because the lazy spouse would be very happy to fight and frustrate the efforts of amicable settlement because he would be reaping the money in the nature of pendente lite alimony, and would prefer to be happy in remaining idle and not bothering himself or herself for any activity to support and maintain himself or herself. That can not he treated to he aim, goal of Section 24. It is indirectly against healthyness of the society. It has enacted for needy persons who in spite of sincere efforts and sufficient efforts arc unable to support and maintain themselves and arc required to fight out the litigation jeopardising their hard earned income by toiling working hours."

Further the Supreme Court in the case reported as (2000)4SCC 266 *Padmja Sharma Vs. Ratan Lal Sharma* has dealt with the issue of maintenance and obligation of the mother having earning capacity to maintain the children.

Thus the Hon'ble Court was pleased to dismiss the appeal observing that the Ld. Judge family Court has taken a balanced view in the matter.

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TAXATION LAWS (AMENDMENT) BILL, 2016 PASSED BY LOK SABHA

Lok Sabha has passed the Taxation Laws (Amendment) Bill, 2016[1] **("Amendment Bill")** on August 10, 2016. The Amendment Bill has been introduced to further amend the Income Tax Act, 1961 **("Principal Act")** and the Customs Tariff Act, 1975. The Amendment Bill will be notified after passing the same by Rajya Sabha in coming days.

The highlights of the changes provided under the Amendment Bill may be presented are under:

I. **Amendment of section 2 of the Principal Act with respect to demerger of public sector companies:**

The Amendment Bill provides that in section 2, in clause (19AA), after Explanation 4, the following Explanation shall be inserted, with effect from the 1st day of April, 2017, namely:—

"Explanation 5.—For the purposes of this clause, the reconstruction or splitting up of a company, which ceased to be a public sector company as a result of transfer of its shares by the Central Government, into separate companies, shall be deemed to be a demerger, if such reconstruction or splitting up has been made to give effect to any condition attached to the said transfer of shares and also fulfils such other conditions as may be notified by the Central Government in the Official Gazette.".

Accordingly, the provisions relating to reconstruction or demerger will apply in case a public sector company demerges, and the resultant company is no longer a public sector company.

II. **Amendment of section 80 JJAA with respect to employment of new employees:**

The Amendment Act shall insert the following new proviso in the Explanation, after clause (ii) of sub-section (2) of section 80JJAA of the Principal Act to be effective from the 1st day of April, 2017:—

"Provided that in the case of an assessee who is engaged in the business of manufacturing of apparel, the provisions of sub-clause (c) shall have effect as if for the words "two hundred and forty days", the words "one hundred and fifty days" had been substituted."

Therefore, in order to obtain a deduction on taxable income on account of recruiting new employee, such new employee should have been employed for a minimum period of 150 days as against 240 days in the previous year. This relaxation will be applied to assesses which are in the business of manufacturing of apparel.

III. **Amendment of First Schedule of the Customs Tariff Act, 1975 with respect to increase of maximum import duty on marbles and granites from 10% to 40%.**

The Amendment Bill provides an increase of the import duty on granite and marble used for certain purposes from existing rate of 10 % to 40% by providing following changes in the Customs Tariff Act, 1975, in the First Schedule of the Customs Tariff Act, 1975:

1. *in Chapter 25, for the entry "10%" in column (4) occurring against tariff items 2515 11 00, 2515 12 10, 2515 12 20, 2515 12 90, 2516 11 00 and 2516 12 00, the entry "40%" shall respectively be substituted;*
2. *in Chapter 68, for the entry "10%" in column (4) occurring against tariff items 6802 10 00, 6802 21 10, 6802 21 20, 6802 21 90, 6802 23 10, 6802 23 90, 6802 29 00, 6802 91 00, 6802 92 00 and 6802 93 00, the entry "40%" shall respectively be substituted.*

Therefore, the Amendment Bill will enable the Government to fix appropriate effective rate of customs duty on marble and granites.

1 http://164.100.47.4/BillsTexts/LSBillTexts/PassedLoksabha/215C_2016_LS_Eng.pdf

GUIDELINES ON UP-GRADATION OF SIM CARD

The Department of Telecommunication ("**DoT"**) vide File no. 800-09/2010-VAS(part) dated 01.09.2016[2] has issued Guidelines for issuance of new SIM card in case of up-gradation of SIM cards from 2G to 3G or 4G. Earlier to this, DoT had issued instructions[3] dated 01.08.2016 for issuing new SIM card in case of Swapping/ Replacement/ Up-gradation of old SIM card, which provide that new SIM card may be issued and activated on verification of the proof of identity documents submitted by the subscriber alongwith declaration for such upgradation of SIM card to the telecom operator. However, as per new guidelines dated 01.09.2016, the new upgraded SIM card can be activated only with a clear consent from the subscriber and only on the request cannot be considered.

The new guidelines of 01.09.2016 provide a procedure to be followed by the telecom companies in case of any request made by the subscriber for upgradation of SIM from 2G to 3G or 4G. The said process included:

i) The subscriber has to generate request for SM up-gradation to the telecom operator through customer care/online via website or at point of sale of the operator;

ii) A new SIM card to be provided by the telecom operator to the subscriber on receipt of his/her request;

iii) The subscriber has to convey the new SIM number to the telecom operator via SMS or IVR by using the current working SIM;

iv) The telecom operator shall send a system generated SMS to the subscribers after a period of atleast two hours to obtain the consent of subscriber with respect to up-gradation of SIM.

v) The process of deactivation of the old SIM card and activation of the new SIM card will be done by the telecom operator after receiving affirmative confirmation from the subscriber only.

vi) After completion of the above procedures, the telecom operator send a confirmation SMS to the subscriber.

Therefore, the generation of request for SIM upgradation and obtaining of affirmative consent from the subscriber is must for upgradation of SIM card from 2G to 3G or 4G.

2 http://www.dot.gov.in/access-services/subscriber-verification

3 http://www.dot.gov.in/access-services/subscriber-verification

SEBI EASES EXPOSURE LIMIT FOR DEBT MUTUAL FUNDS

The Securities and Exchange Board of India ("**SEBI**"), for the promotion of affordable housing sector has relaxed exposure norms for debt mutual funds which are investing in Housing Finance Companies ("**HFCs"**) only. A HFC means a company registered in India which primarily transacts or has one of its principal objects, the transacting the business of providing finance for housing whether directly or indirectly.

As per existing guidelines of SEBI, total exposure of mutual fund debt schemes in a particular sector has been limited to 25% of the net asset value of such debt schemes with an additional exposure of up to 5% in the financial services sector involving HFCs.

SEBI, vide circular[4] dated August 10, 2016 had decided to increase the additional exposure limits provided for HFCs in financial services sector from 5% to 10%. Accordingly, debt mutual funds can now invest an additional 10% in housing finance companies above the 25% of sectoral limit.

However, such additional exposure to securities issued by HFCs is subject to the following conditions:

i) the additional exposure should be rated AA and above;

ii) HFCs should be registered with National Housing Bank ("**NHB"**). NHB is an institution set up by the Reserve Bank of India on July 9, 1988 under the National Housing Bank Act, 1987 to promote housing finance system and regulate the activities of HFCs. ;

iii) the total investment/ exposure in HFCs

4 http://www.sebi.gov.in/cms/sebi_data/attachdocs/1470825723028.pdf

shall not exceed 25% of the net assets of the scheme; and

iv) appropriate disclosures shall be made in Scheme Information Document (SID) and Key Information Memorandum (KIM) of debt schemes.

NON-RESIDENTS WITHOUT PAN NOT SUBJECT TO HIGHER RATE OF TDS

The Central Board of Direct Taxes (CBDT) vide notification dated June 24, 2016, inserted new rule 'Rule 37BC' in the Income-tax Rules, 1962 (hereinafter referred to as 'Rules'). wherein relaxation from deduction of tax at higher rate was provided to non-residents not having Permanent Account Number (PAN) under section 206AA of the Income-tax Act, 1961(hereinafter referred to as 'the Act').

As per Section 206AA of the Act, any person entitled to receive an amount on which tax is deductible, needs to furnish his Permanent Account Number (PAN), failing which tax shall be deducted at the *higher rate* of the following:

i. At the rate specified in the relevant provision of this Act; or

ii. At the rate or rates in force; or

iii. At the rate of twenty per cent.

With respect to the above, the Central Board of Direct Taxes (CBDT) has issued a notification dated June 24, 2016 wherein it has introduced a new rule 'Rule 37BC' in the Rules.

As per the aforesaid notification, in the case of a non-resident deductee, not being a company, or a foreign company, ***not having PAN***, the provisions of section 206AA shall not apply in *respect of payments in the following nature:*

a. Interest;

b. Royalty;

c. Fees for technical services and

d. Payments on transfer of any capital asset,

provided the deductee furnishes the details and the documents, specified in sub-rule itself, to the deductor.

Accordingly, in sub-rule 2 of Rule 37BC, in order to forego the requirement of PAN, the non-resident, shall furnish the following details and documents to the deductor namely:

1. *Name, e-mail id, contact number;*

2. *Address in the country or specified territory outside India of which the deductee is a resident;*

3. *A certificate of his being resident in any country or specified territory outside India from the Government of that country or specified territory if the law of that country or specified territory provides for issuance of such certificate;*

Tax Identification Number of the deductee (i.e. Euro Apex) in the country or specified territory of his residence and in case no such number is available, then a unique number on the basis of which the deductee (i.e. Euro Apex) is identified by the Government of that country or the specified territory of which he claims to be a resident.

MAINTENANCE AND PRESERVATION OF RECORDS BY ALL COMMODITY DERIVATIVES EXCHANGES AND THEIR MEMBERS

Securities and Exchange Board of India (SEBI/the board) had issued a circular on 30.08.2016 wherein it made it mandatory for all the Commodity Exchanges and their members to follow the manner of preservation of records as per the earlier circular issued by the board on 09.12.2009 (MRD/DoP/SE-21/2009). It is to be noted that the earlier circular was for recognized stock exchanges and its members.

As per the said circular of 2009, every recognized stock exchange (now including commodity exchanges) and their members are required to maintain and preserve the specified books of account and documents for a period ranging from two (2) years to five (5) years. Further, w.r.t stock brokers, as per regulation 19 of SEBI (Stock Brokers and sub-brokers) Regulations, 1992, every stock broker is required to preserve the specified books of account and other records for a minimum period of five (5) years.

Wherein the specified books of account and documents are maintained in electronic form, provisions of Information Technology Act, 2000 in this regards are required to further complied with.

In case due to any reason if the records are required by enforcement agencies like CBI, Police, Crime Branch, etc during the course of their investigation then if the copy of the specified books of account and documents as maintained in original either in physical or in electronic form or in both the forms then irrespective of the period mentioned in the circular/regulation 19 referred above, these will be required to be kept in original till the trial or investigation proceedings have concluded.

SPECIAL INVESTIGATION TEAM (SIT) ON BLACK MONEY ASK RBI TO DEVELOP INSTITUTIONAL MECHANISM TO TRACK ILLICIT FINANCIAL FLOWS OUT OF COUNTY IN LIGHT OF IDENTIFIED GAPS IN THE REGULATORY FRAMEWORK.

The press information bureau has 5th September 2016 released a press release wherein it informed the various observations taken by Special Investigation Team (SIT) constituted by Supreme Court of India to look into Black Money. As per the press release the SIT had requested the apex bank i.e. Reserve Bank of India (RBI) to prepare mechanism wherein it can share data with respect to various identified areas with other Enforcement Authorities so that the data could be cross checked by those Authorities and unlawful financial flows could be curbed. F The areas identified by SIT are:

a) **Export Outstanding data**

It is to be noted that as per Foreign Exchange Management (Export of goods and services) Regulations, 2000 as amended from time to time, the exporters are under an obligation that the export proceeds w.r.t the goods/services exported be released within nine months from the date of such export. Further, in case the export proceeds are not released within the time stipulated, an extension is taken from the Reserve Bank of India. The SIT had observed that huge amounts are still outstanding beyond the stipulated period or even more than a year which is a clear cut violation of the relevant provisions of FEMA.

Further, in some cases the exporters are those who have otherwise claimed duty drawback. Duty Drawback refers to the scheme wherein an exporter is eligible to get the refund of duty which had been paid at the time of import. This is applicable only in cases where there is an export of the product imported. Similarly, there are other schemes like EPCG, EOU etc wherein in order to promote exports the exporters are provided with various benefits including no duty on import of capital goods, no excise duty on certain inputs, etc.

It has been asked by SIT that Enforcement Directorate, Directorate of Revenue and Ministry of Commerce to scrutinize the details and data of export outstanding and take necessary action in this regard. Further, it is also suggested that the shipping bills be confirmed from the banks from the EDPMS database maintained for this purpose. It is important to confirm it from EDPMS instead of Bank Realization Certificate (BRC) i.e. the data which banks submit.

b) **Monitoring of Advance Remittances against Imports:**

As per Foreign Exchange Management (Current Account Transactions) Rules, 2000 as amended from time to time wherever there is an advance remittance w.r.t imports it is the obligation of the purchaser of Foreign Exchange to submit the Bill of Entry within the stipulated time with AD Category Bank. In recent past there are cases wherein there has been fraudulent remittances been done against import. In order to curb these, SIT had asked RBI to institutionalize the mechanism for cross checking of advance remittances against Bill of Entry irrespective of value of advance remittances sent. At present there are huge amount of advance remittances which are outstanding for which Bills of Entry correlation has not been completed. For the purposes of matching theimport with Bills of Entry, SIT has suggested RBI to set up at IDPMS (Import Data Processing and Monitoring System) so that cross checking of each advance remittance irrespective of value against the Bill of Entry can be done in order track down the illicit remittances made in grab of import.

c) **Foreign Exchange Transactions Electronic Reporting System (FET-ERS)**

At present all the Authorized Dealers are under an obligation to report each foreign exchange transactions (inward and outward remittances) through Electronic Report System also known as FET-ERS. SIT has suggested that FET-ERS data should also capture apart from other details the PAN number of importer or exporter. In this regard, RBI has been directed to do needful arrangements at the earliest. The access to this data base will be available to investigative agencies including Enforcement Directorate of Revenue Intelligence so that they can analyze the same.

SIT had requested that the Department of Revenue, Ministry of Finance, Government of India should develop an institutional mechanism wherein the data which is managed by RBI w.r.t export proceeds, advance remittances for import and all kind of foreign exchange transactions can be easily shared. Further a single point agency (which can act as data warehouse) be identified which can have access to these data and which can further disseminate it to various Enforcement Agencies in case need be.

If all the recommendations of SIT is implemented it will be easy for RBI as well Enforcement Agencies to track down black money which though is easily escaped at present by defaulters due to various loops in the execution.

FOREIGN INVESTMENT IN OTHER FINANCIAL SERVICES SECTOR.

The Union Cabinet has given its approval to amend regulation for Foreign Investment in the Non Banking Finance Companies (NBFC). At present in existing Foreign Exchange Management (Transfer or Issue of Security by the Person Resident Outside India) regulations the following activities are allowed to be conducted by NBFC under Automatic Route.

(i) Merchant Banking;

(ii) Under Writing;

(iii) Portfolio Management Services;

(iv) Investment Advisory Services;

(v) Financial Consultancy;

(vi) Stock Broking;

(vii) Asset Management;

(viii) Venture Capital;

(ix) Custodian Services;

(x) Factoring

(xi) Credit Rating Agencies;

(xii) Leasing & Finance;

(xiii) Housing Finance;

(xiv) Forex Broking;

(xv) Credit Card Business;

(xvi) Money Changing Business;

(xvii) Micro Credit;

(xviii) Rural Credit.

All the above activities are with 100% Sectoral limit. Now with amendment the Foreign investment in 'other activities' which are in the nature of financial services will also be allowed under automatic route however, these other activities should be regulated by any financial sector regulator like SEBI, IRDA, PFRDA, etc. The other financial services which are not regulated by any regulators/Government agency would require the approval and will considered under approval route of investment.

In addition to the introduction of new activities, the minimum capitalization norms provided under FDI have also been eliminated. This has been done keeping in view the fact that the regulators have already fixed minimum capitalization requirement for different activities. The minimum capitalization requirement under FDI was an additional requirement which now been dispensed with. The other conditions as prescribed under FDI policy will remain same.

INITIATIVES TO REVIVE THE CONSTRUCTION SECTOR

The Cabinet Committee on Economic Affairs (CCEA), chaired by the Hon'ble Prime Minister had approved on 30th August 2016, various measures to revive the construction sector which has been undergoing financial stress. In recent years, as per the Government data, the construction sector has been affected by the large number of projects which got stalled during the period of stagnation between 2011 and 2014. The banking sector has a large exposure to construction, estimated at over Rs. 3 lakh crores. 45% of the bank loans in the sector are under stress.

To revive the growth in the construction sector, the Cabinet Committee approved the proposal put forward by NITI Aayog. The main points of the proposal which the Committee approved are as follows:

a) To pay 75% of the arbitral award amount to an escrow account against margin free bank guarantee, in those cases where in the arbitration proceedings the award is against the Government Agency even though the award is challenged. As per the NITI Aayog studies a key factor behind the difficulties facing the construction sector is the pendency of claims from Government bodies. An estimated Rs. 70,000 crores is tied up in arbitration. Over 85% of the claims raised against Government bodies are still pending of which 11% is pending with the Government agencies, 64% with arbitrators and 8.5% with courts. A majority of arbitration awards have gone against the Government agencies. In the case of the National Highways Authority, out of a total of 347 arbitral awards, 38 went in favour of the authority and 309 went in favour of the contractor/concessionaire. Out of the arbitral awards in NHAI cases, more than 90% were unanimous awards in which all arbitrators including the one appointed by NHAI had concurred in the decision. In many cases, arbitration awards are contested in the courts, even though a large majority of arbitration decisions are upheld by the courts;

b) The amount kept in the escrow account can be used by the Construction Company (including Infrastructure Company) to repay bank loans or to meet commitments in ongoing projects. The idea behind this initiative is to allow recovery of loans by banks and allow construction companies to speed up execution of their ongoing projects. This will also increase the ability of construction companies to bid for new contracts and the resulting competition will be beneficial in containing the costs of public works. As per the PIB release, this measure will provide a stimulus to the construction industry and to employment;

c) The Government Departments and PSUs have been instructed to transfer cases under arbitration to the amended Arbitration Act which has an expedited procedure, with the consent of the contractors. At present the average settlement time for claims is estimated at more than seven years.

Apart from the above measures, as per the press release issued by Cabinet Committee, in the long run the government is also working on the measures including changes to bid documents and model contracts, increased use of conciliation, creation of "claim take out funds" financed by private sector investors, scheme for addressing stressed bank loans in the construction sector, etc.

While announcing the above, the Cabinet Committee also mentioned that the above steps have been proposed in the light of contribution of Construction Sector to economic activity accounting for about 8% of GDP. Further, Construction Sector is the largest creator of direct and indirect employment, employing about 40 million people. As per the data of Cabinet Committee, Construction Sector is a highly employment intensive sector with a strong multiplier effect, creating an estimated 2.7 new jobs indirectly for every Rs. 1 Lakh invested. Further the sector has major forward linkages to sectors like real estate, infrastructure and manufacturing and backward linkages to steel, cement, etc. Thus, this sector is critical for stimulating employment and economic activity. However, of late, the construction sector has been several challenges leading to decline in the overall investments and growth.

While formulating the above measures, the issues ailing the sector were discussed with the representatives of construction companies, banks, NHAI, concerned Departments/ Ministries. Based on detailed discussions, larger economic importance and multi-sectoral nature of the issues, NITI Aayog had put forward the above proposal to suggest various initiatives required for addressing the issues ailing the construction industry.

The Government is hopeful that with the above steps will contribute to the growth of construction sector and will take out the sector from distress it is facing from long time.

PERMANENT RESIDENCY STATUS TO FOREIGN INVESTORS

The Union Cabinet in its meeting held on 31.08.2016 had approved the scheme for grant of Permanent Residency Status (PRS) to foreign investors subject to the relevant conditions of Foreign Direct Investment as provided in the FDI policy notified by Government of India from time to time.

The Scheme has been introduced to encourage foreign investment in India and to facilitate Make in India programme. The main features of the PRS scheme are as follows:

a) The PRS will be granted for a period of 10 years with multiple entry without any stay stipulation and PRS holders will be exempted from registration requirement. These will be reviewed for another 10 years if the PRS holder has not come to adverse notice;

b) The scheme will be applicable only to Foreign investor, his/her spouse and dependants, if the minimum investment made is of Rs. 10 Crores and is brought within the time span of 18 months or Rs. 25 Crores to be brought within 36 months;

c) The foreign investment so made should also result in generating employment to atleast 20 resident Indians every financial year;

d) The PRS holders will be allowed to purchase one residential property for dwelling purpose;

e) The spouse/dependants of the PRS holder will be allowed to take up employment in private sector (*in relexation to salary stipulations for Employment Visa*) and can also undertake studies in India.

PUBLIC DEBT MANAGEMENT CELL

The Ministry of Finance, Department of Economic Affairs (DEA), vide office memorandum dated 4th October 2016 had announced one major step forward towards establishment of independent and statutory debt management agency, namely Public Debt Management Agency of India (PDMA). At the moment, Reserve Bank of India (RBI) is managing the market borrowing programmes of Central and State Governments. Further, the external debt is been managed directly by the Central Government. Establishing a dedicated debt management office would consolidate all debt management functions in a single agency and bring in holistic management of the internal and external liabilities. With this thought in mind in the budget speech of 2015, the Hon'ble Finance Minister introduced the concept of PDMA.

The DEA as an interim arrangement before establishing PDMA has decided to set up a Public Debt Management Cell (PDMC) in the budget division, Department of Economic Affairs. As per the office memorandum, this has been done to separate debt management functions from RBI to PDMA in a gradual and seamless manner, without causing market disruptions. The timelines to upgrade PDMC into PDMA has been kept as two (2) years.

The PDMC will only have an advisory functions to avoid any conflict with the statutory functions of RBI. Some of the functions as notified in the office memorandum which PDMC will perform are reiterated below:

a) Undertake requisite preparatory work for PDMA;

b) Manage Central Government liabilities, including Internal debt, guarantee proposals and contingent liabilities and National Small Saving fund;

c) Monitor cash balances of the Government, improve cash forecasting and promote efficient cash management practices;

d) Foster a liquid and efficient market for Government Securities;

e) Analyze and advise concerned divisions of DEA on the proposals of External Commercial borrowings (ECB) as regards cost, tenure, currency, hedging requirements, etc and monitor development in foreign exchange markets;

f) Plan borrowings of GoI, including market borrowings, other domestic borrowing activities of GoI through specific products, including sovereign Gold Bond issuance;

g) Develop an Integrated Debt Database system (IDMS) as a Centralised data base for all liabilities of GoI, on a near real time basis. This will be an integral part of the PDMC.IDMS is expected to be a centralized Debt data base of Internal Debt (Dated securities, Treasury bills etc, External debt and other liabilities (NSSF Schemes, bonds issued in lieu of subsidies etc). It will also keep record of contingent liabilities;

h) Advise on matters related to investment, Capital Market operations, Guarantee proposals, administration of interest rates on Small savings, and various loans and advances given by GoI;

i) Undertake requisite market interface with various stakeholders, including Government departments, Central Bank, investors, primary dealers, financial market regulators, market participants, etc. to carry out assigned functions efficiently;

j) Undertake such research work, including those relating to new products development, market development, risk management, debt sustainability assessment, and other debt management functions, as and when required by Ministry of Finance;

The in-charge of the PDMC will be Joint Secretary (Budget), DEA, Ministry of Finance. There will be a Joint Implementation Committee (JIC) which will undertake the transition process from PDMC to PDMA. This Committee will also be chaired by JS (Budget) along with the members from GoI and RBI. JIC would operate under the guidance and supervision of the Monitoring Group on Cash and Debt Management (MGCDM) who would act as coordinating platform in the interim arrangement of PDMA to ensure smooth conduct of fiscal, monetary and liquidity management, along with the debt management. MGCDM will be co chaired by Secretary, DEA and Deputy Governor, RBI

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Singh & Associates was recently represented at the International Bar Association's Annual Conference at Washington DC from 18 to 23 September 2016. The Firm reserved two meeting rooms at the Washington Marriot Wardman Park (conference hotel) for having personal meetings with law firms across the globe. Below are a few glimpses from the Annual Conference:

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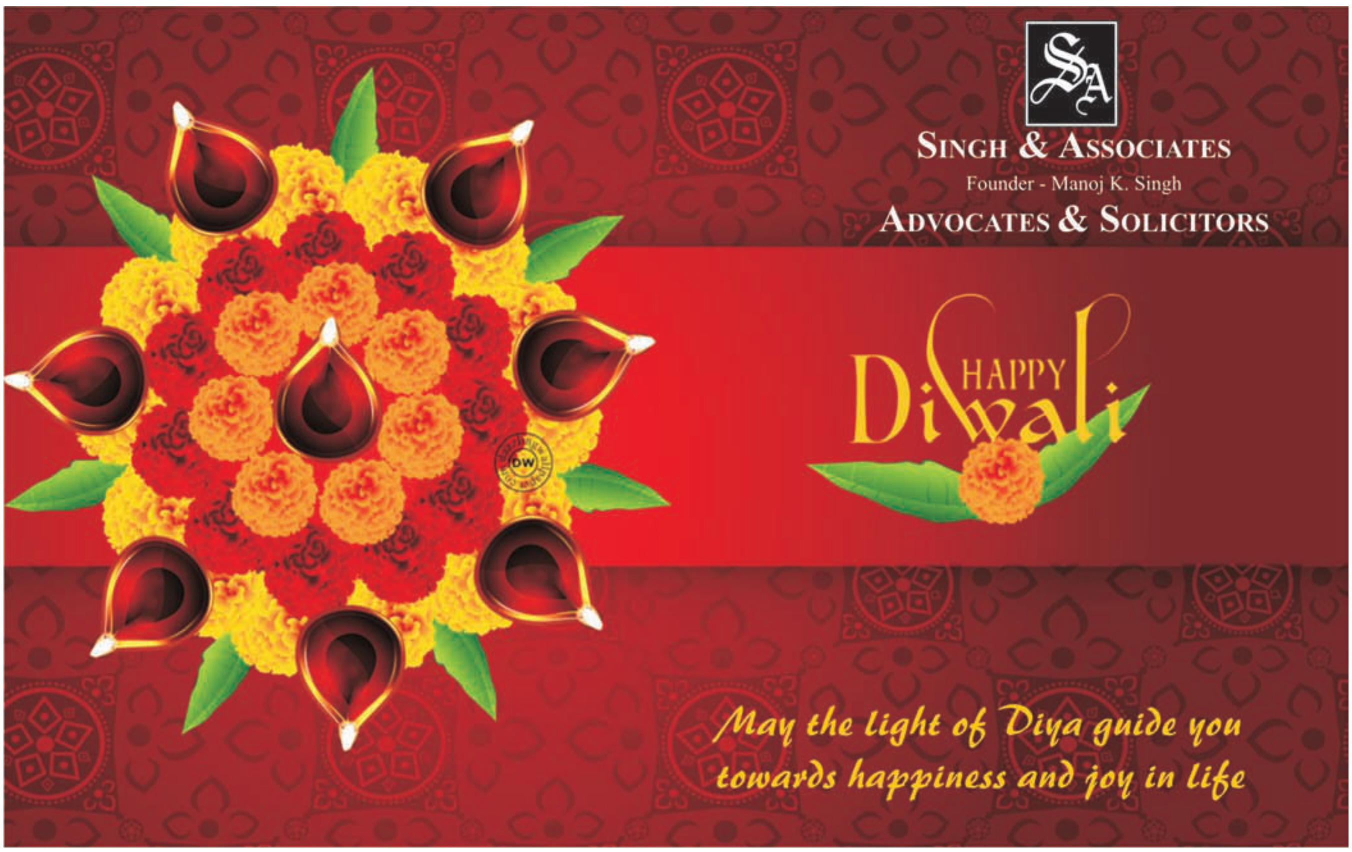
Singh & Associates
Founder - Manoj K. Singh
Advocates & Solicitors
Happy Diwali
May the light of Diya guide you
towards happiness and joy in life

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Founder - Manoj K. Singh

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