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THOUGHT LEADERSHIP ... APPLIED

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NEWSLETTER-IP

This Newsletter brings to you the IP updates during the first quarter of this year. The first quarter saw remarkable changes in trademark practice and procedure in India. With substantial changes in fees and with the introduction of a new register to record well known trademarks, the new Trade Marks Rules are in place and give hope for trademark registrations to happen at a much faster pace.

In addition to the above, the High Court of Delhi (the "**Court**") yet again passed noteworthy judgements. In a judgment involving a high profile dispute between Novartis AG and Cipla Limited, the Court clarified that the working of a patent in India is not limited to mere manufacturing, but also includes the import and sale of products with patented technology in India. In two separate matters, the Court held that intermediary portals are not bound to screen information for potential infringement of intellectual property rights.

These judgments passed by the Court essentially defend safe harbor immunity provided to intermediaries under the Information Technology Act. In another matter involving Exon Mobile, the Court drew a clear distinction between the rights of a 'permitted user' and a 'registered user' under the Trade Marks Act.

The important legal updates from the previous quarter are summarized below:

LEGAL DEVELOPMENTS

Trade Marks Rules, 2017 Notified

Significantly, the Trade Marks Rules, 2002 were repealed and replaced with the Trade Marks Rules, 2017 (the "**New Rules**"), notified by the Trade Marks Registry on 6 March 2017. In addition to defining *Small Enterprises and Start Ups*, the New Rules have just 8 new Forms that are exhaustive and substitute the 74 older Forms. This should make trademark registrations much simpler.

Under the New Rules, there is also a substantial change in the fees charged for most actions, with e-filings being cheaper by 10%. In particular, for filing an application for registration, an Individual, Startup or Small Enterprise will be charged INR 4,500 for e-filing of trademarks and INR 5,000 for physical filing. All other types of applicant will be charged INR 9,000 for e-filing and INR 10,000 for physical filing of an application for one mark in one class.

The New Rules also specify the process to determine a well-known trademark. Under Rule 124, any *interested person* may request the Trade Marks Registry to determine its trademark as a *well-known trademark*. While determining the trademark as a *well-known* mark, the Registrar may consider the provisions of section 11 of the Trade Marks Act, 1999, call for documents (if necessary) and also invite objections from third parties. In case the trademark is determined as *well-known*, it shall be published and included in the list of *well-known trademarks*. The Registrar may also remove it from the list if the registration is not justified at a future time.

Under the New Rules, the intention to expedite the trademark registration process is made clear. In order to speed up the process, the following changes have also been made:

- the examination time for an application has been reduced;
- the process of expedited examinations will now extend up to the registration of a trademark;
- the New Rules have mandated the addition of an e-mail address in order to allow the Registry to serve notices and documents by email; and
- hearings may also be held through video-conferencing or through any other audio-visual communication device, in which cases the hearing shall be deemed to have taken place at the appropriate office.

NOTABLE CASE LAWS

P.K. Sen V. Exxon Mobile Corporation and Another

A Division Bench of the Delhi High Court in its above judgment reversed the decision of a Single Bench and held that a "*permitted user*" of a trademark cannot institute a suit for trademark infringement under the Trade Marks Act, 1999 (the "**Act**") and that a foreign "*registered proprietor*" (having no office or principal place in India) cannot institute a suit for trademark infringement in the location of the "*permitted user*" and claim benefit of Section 134(2) of the Act, which allow for the institution of a trademark infringement suit in the principal place of business of the "*registered proprietor*" or "*registered user*".

Section 134(2) of the Act recognizes the plaintiff's principal place of business or residence as an additional territorial forum, where a suit for trademark infringement could be instituted.

Facts in brief:

US-based Exxon Mobile Corporation ("**Exxon**"), the registered proprietor of the trademark *EXXON* in India (but without an Indian office) filed a suit for trademark infringement and passing off against the user, P.K. Sen, of EXON ENGINEERING CORPORATION before the High Court of Delhi (the "**Court**").

The Court was chosen as the forum for the suit as its wholly owned subsidiary ("**Exxon India**") was a "*permitted user*" of its marks in India and had its registered office in Delhi.

P.K. Sen's offices were located in Kolkata and the cause of action arose in Kolkata. Exxon and Exxon India jointly instituted the suit. At first instance, a single judge allowed the suit on the ground that the explanation to Section 134(2) of the Act (the "**Explanation**") states that for the purposes of section 134(2) of the Act, a "*person*" (instituting the suit) includes the "*registered proprietor*" and the "*registered user*". The judge therefore permitted the suit on the basis that the provision was inclusive in nature and would include a "*permitted user*" too.

However, the reasoning of the judge in effect went against Section 53 of the Act, which specifically prohibits the institution of a suit for trademark infringement by a "*permitted user*". Aggrieved by the decision of the judge, Sen filed an appeal before the Division Bench.

Division Bench's findings:

The Division Bench reversed the decision of the judge on the grounds that even though the definition of a "*person*" given in the Explanation, cannot be restricted to a "*registered proprietor*" and a "*registered user*", it would not include a "*permitted user*" suing for an infringement of a trademark, as there is an express prohibition under Section 53 of the Act.

The Division Bench held that if the word "*person*" in the Explanation includes a "*permitted user*", then it would mean that on the one hand, Section 53 bars a "*permitted user*" from instituting any proceeding for infringement, yet on the other hand, Section 134(2) would regard him as a "*person*" instituting the suit for determining jurisdiction.

This interpretation would be contrary to the terms of the legislation. It was held that since Exxon India, a "*permitted user*", is outright disentitled to institute a suit for trademark infringement in India, it cannot be covered by the expression "*person instituting the suit*" under the Explanation to determine territorial jurisdiction.

Consequently, it was held that the Delhi courts would not have the territorial jurisdiction to entertain the present suit.

Super Cassettes Industries Limited V. MySpace Inc.

The High Court of Delhi (the "**High Court**") reversed the previous single judge's order in the matter of *Super Cassettes Industries Limited v. MySpace Inc.* and upheld the '*safe harbour'* immunities available to intermediaries in cases of intellectual property infringement under information technology law. The single judge had previously found copyright infringement by Myspace Inc.

Facts in Brief:

In 2008, Super Cassettes Industries Limited (the "**Plaintiff**") filed a suit against MySpace Inc. (the "**Defendant**"), alleging primary and secondary copyright infringement under the Copyright Act, 1957 (the "**Copyright Act**") respectively.

The Plaintiff contended that the Defendant was guilty of primary infringement under Section 51(a)(i) of the Copyright Act, for communicating copyrighted works to the public without a license. Further, the Plaintiff claimed that the Defendants were guilty of secondary infringement under Section 51(a)(ii) of the Copyright Act, since they were providing a place for communication of the copyrighted works of the Plaintiff to the public through their social media website and were aware of the infringing material being shared and were additionally benefitting commercially from such publication.

The single judge had held that a valid *prima facie* case was made out under Section 51(a)(ii) of the Copyright Act against the Defendant and concluded that the Defendant could not take benefits of 'safe *harbour*' immunity afforded to intermediaries under Section 79 read along with Section 81 of the Information Technology Act, 2000 (the "**IT Act**").

The Single Judge issued an interim direction and order, holding the Defendant liable for copyright infringement, injuncting them from using any of the content of the Defendant. The Defendant appealed before the Division Bench.

Division Bench's findings:

In the appeal, the High Court made the following observations.

The standard of awareness contemplated in Section 51(a)(ii) of the Copyright Act is *actual knowledge* and not *general awareness or mere suspicion*. The Hon'ble High Court clarified copyright infringement to mean the doing of any unauthorized act, which violates the exclusive rights of the copyright owner. Illuminating the circumstances of the case, the Court held that to attract liability for secondary infringement, the Defendant would be required to have *actual knowledge* and not *mere awareness* of the infringement.

Section 79 of the IT Act provides '*safe harbour*' immunity to the intermediaries by specifying instances where intermediary liability will not arise. The difficulty in interpretation arose because Section 81 of the IT Act contains a *proviso*, which is a *non-obstante* clause, to the effect that the provisions of the IT Act would override any law. The High Court clarified that the *proviso* does not override the '*safe harbour*' immunity and such defense cannot be denied to intermediaries in case of copyright infringement actions.

In conclusion, the High Court held that Sections 79 and 81 of the IT Act have to be read together with Section 51 of the Copyright Act because rights granted under the IT Act are in *addition* to the rights granted under the Copyright Act. Thus, an infringement by a subscriber cannot be attributed to the service provider, who acted as the intermediary.

Accordingly, the Division Bench of the High Court set aside the single judge's earlier order and granted relief to the Defendant.

Kent RO Systems Ltd. and Another V. Amit Kotak and Others

Following the decision in *Super Cassettes Industries Limited V. MySpace Inc.*, a single-judge bench of the High Court of Delhi (the "**Court**"), in its judgment in *Kent RO Systems Ltd. and Another V. Amit Kotak and Others* ruled that e-commerce portals are not bound to screen information for potential infringement of intellectual property rights before posting content on their websites. This was a suit for design infringement before the Court.

Facts in Brief:

Kent RO Systems Ltd (the "**Plaintiff**"), a well-known manufacturer of water purifiers, filed a suit against Mr. Amit Kotak ("**Defendant 1**") and eBay India Private Limited ("**Defendant 2**") alleging infringement and piracy under the Designs Act, 2000 (the "**Designs Act**").

Defendant 1 advertised and offered for sale on Defendant 2's website, certain water purifiers whose shape, look and appearance were deceptively similar to purifiers sold by the Plaintiff and for which the Plaintiff had obtained registration under the Designs Act.

The Plaintiff had previously brought to the attention of Defendant 2 that Defendant 1 was offering and selling water purifiers, which infringed the Plaintiff's design rights.

In line with its obligations as an intermediary under the Information Technology Act, 2002 (the "**IT Act**") read with the Information Technology (Intermediaries guidelines) Rules, 2011 (the "**IT Rules**"), Defendant 2 took down the listings for such products from its website. However, the Plaintiff thereafter found that a large number of other infringing products continued to be advertised and sold on Defendant 2's website by Defendant 1 among others.

The Plaintiff argued that under the IT Rules, Defendant 2 was expected to: (i) notify its users that they were not permitted to post information that violated or infringed the intellectual property rights of any other person; (ii) take down any infringing material within 36 (thirty six) hours of being informed of the same; and (iii) ensure that thereafter no other infringing material would be uploaded or displayed on its website.

Defendant 2's failure to abide by these requirements would cause it to lose *safe harbour* protection granted to intermediaries under the IT Act, and therefore be liable under Section 19 of the Designs Act for permitting Defendant 1 to sell infringing items on its website.

Defendant 2 countered that as an *intermediary* under Section 79 of the IT Act, as long it observed due diligence and other compliances as required under the IT Act, it would not be liable for any third party information, data or communication posted on its website and it could avail *safe harbour* protection, as its function was *limited* to providing access to such information, and not selection or modification of such information.

Additionally, Defendant 2 informed the Court that immediately upon the receipt of the complaint from the Plaintiff in relation to infringing content, it removed such content from its website. Defendant 2 also assured the Court that it would follow the same practice in future as well in relation to any further complaints received.

Court Findings:

In line with the view taken in *Super Cassettes Industries Limited V. MySpace Inc*., the Court was of the view that under the IT Act, the obligation of an intermediary to remove or disable information hosted on its portal arises only upon receipt of a complaint.

The intermediary would not be required to screen all information prior to posting, as this would have the effect of making the intermediary a body to determine if there was any infringement of intellectual property rights.

Any expectation to do so would unreasonably interfere with the rights of the intermediary to carry on its business. The Court was of the opinion that under the IT Rules, the intention of the legislature was only to require intermediaries, to declare their policy against infringement, advise users not to post infringing material, and remove any such material only after receipt of a complaint.

In this regard, the Court drew a parallel to a publisher of a newspaper and observed that such publisher is not required to screen advertisements for infringement of intellectual property rights *prior* to publishing of such advertisements, and an intermediary should be treated similarly. Accordingly, an intermediary would not lose its *safe harbour* protection for failing to screen products prior to their posting.

Cipla Limited V. Novartis AG and Another

Another Division Bench of the High Court of Delhi (the "**Court**"), in the matter of *Cipla Limited v. Novartis AG and Another*, ruled that it is not necessary for a patentee to manufacture its patented product in India to prove the working of patent under the provisions of the Patents Act, 1970 (the "**Patents Act**") and that a patent can be worked[1] in India even through imports.

In a patent infringement suit filed by Swiss-based *Novartis AG* ("**Novartis**"), manufacturer of '*INDACATEROL*' (a bronchodilator that provides symptomatic relief to patients suffering from chronic obstructive pulmonary disease (COPD)) along with its Indian importer and seller of the drug, Lupin Limited ("**Lupin**"), a permanent injunction was sought restraining Cipla Limited ("**Cipla**") from infringing patent no. 222346 granted to Novartis in relation to INDACATEROL.

A single judge of the Court found the patent rights of Novartis to be valid and restrained Cipla from *inter alia*, using, manufacturing, importing, selling any pharmaceutical products containing '*INDACATERO*L' or '*INDACATEROL Maleate*', alone or in combination with any other compound or active pharmaceutical ingredients, until the pendency of the suit and also until the time Cipla was granted a compulsory license (if it preferred to obtain) by making an application before a competent authority.

Cipla appealed before the Division Bench contending that the patent was not worked in India, as the patented product was imported and sold, and not actually manufactured in India.

Cipla also contended that the injunction granted against it was against the public interest, as the imported quantities of the drug were not sufficient for demand in India and Cipla's version of the patented product was better able to address the needs of Indian COPD patients.

The Court, however, found merit in the claims of Novartis - that [the working of a patent in India includes importing as well. With regard to the '*limited quantities'* defence taken by Cipla, the Court again agreed with the arguments of Novartis – that Cipla did not have a compulsory license and that the subject patent was valid and had to be enforced against infringers under the Patents Act.

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[1] The Indian Patents Act, 1970, mandates that a statement regarding the working of a patented invention on a commercial scale in the country be submitted to the Patents Office in prescribed manner. Section 143 read with Rule 131 governs the same.

The Court held that Section 48 of the Patents Act (that describes rights of patentees) was not subject to the provisions of the Section 83 of the Act, that provides general principles applicable to [the working of] patents in India.

The Court also noted that '*INDACATEROL*' was not a life-saving medicine and was available in sufficient quantities for Indian patients. Relying on landmark judgment in *F. Hoffmann La Roche Limited and Another v. Cipla Limited: 2009 (40) PTC 125 (Del) (DB)*, the Court observed that the '*public interest*' is a fourth factor, and not the sole factor, in considering the grant of an injunction in cases of patent infringement (besides a plaintiff establishing a *prima facie* case, balance of convenience and irreparable losses).

As Novartis was able to make out a valid case for the grant of a temporary injunction, the Court dismissed the appeal and upheld the order passed by the Single Judge.

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