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S&A IP-Tech

AUGUST 2017

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TAXING PROVISION RELATED TO IP RIGHT IN INDIA: A BRIEF LOOK

By: Himanshu Sharma

INTRODUCTION

Tax on income is a way to finance the public expenditure. With the passage of time as the ways of earning have changed so have the type of taxes levied. In the modern business structure, transactions related to intellectual property are taking the center stage and have tendency to be the biggest money spinner in business transactions. The Income Tax Act 1961, has added certain provisions related to the taxation of the income accrued through Intellectual Property Rights transaction. The basis of tax for IP Rights transactions is different as per the provision of the Act. The nature of the expenditure is of utmost importance. Once the nature is determined it is easy to identify whether the amount paid is taxable or would be allowed as deduction.

PROVISION IN INCOME TAX ACT 1961

The various provisions for taxation of income related to Intellectual Property Rights are:

Section 9(1) (VI) of the Income Tax Act 1961 provides for taxation of income by way of royalties. If the royalty is payable in respect of any right, property or information used or

services utilized for the purposes of a business or profession carried on by such person outside India or for the purposes of making or earning any income from any source outside India it is not taxable. Income by way of royalty as a lump sum consideration for the transfer of rights outside India, or the imparting of information outside India in respect of, any data, documentation, drawing or specification relating to any patent, invention, model, design, secret formula or process or trade mark or similar property, if such income is payable in pursuance of an agreement made before the 1st day of April 1976, and the agreement is approved by the Central Government, is not taxable.

Section 32(1) (ii) of the Income Tax Act 1961 explained Depreciation of assets. Depreciations are allowed in the case of know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of a similar nature, being intangible assets acquired on or after the 1st day of April 1998. Deductions are available for expenditure (other than capital expenditure) on scientific research.

Section 35A of the Income Tax Act 1961 explained the expenditure on acquisition of patents and copyrights rights. If they are purchased for a lump sum consideration with

an enduring benefit, the purchaser is entitled to claim depreciation over a period of time. If it is paid as periodical payments, then it can be claimed as expenditure fully incurred for the purpose of business. Upon any expenditure which was incurred after the 28th day of February 1966 but before 1st April 1998, on the acquisition of patent rights or copyrights for the purpose of business, deductions will be allowed for each of the previous years on an amount equal to the appropriate fraction of the amount spread over 14 years. In the case of amalgamations, if the amalgamating company sells or otherwise transfers the rights to the amalgamated company (being Indian company) the deductions are not applicable to the amalgamating company.

Section 35AB of the Income Tax Act 1961 explains the deductions on expenditure on know-how. Where the assessee has paid in any previous year, any lump sum consideration for acquiring any know-how for the use of his business, one-sixth of the amount so paid shall be deducted in computing the profits and gains of the business for that previous year, and the balance amount shall be deducted in equal installments for each of the five immediately succeeding previous years. It means that the expenditure will be deductible in six equal installments for six years.

In case of Scientific Engineering House (P) Ltd. v. CIT¹ the Hon'ble Supreme Court held that *"The underlined portion, namely, 'likely to assist in the manufacture or processing of goods' clearly suggests that know-how covered by this section is which would assist in manufacture or processing of goods. It does not include, in our opinion, the know-how acquired by the assessee for setting up the plant and machinery. Therefore, the assessee was justified in capitalizing the same to the plant and machinery and claiming depreciation thereon."*

In case of IFFCO v. Commissioner of Central Excise² the Central Excise Tribunal held that *"know-how" is a parcel of closely-held information relating to industrial technology, sometimes also referred to as trade secret which enables its user to derive commercial benefit from it. "Know-how" as an intellectual property, would mean a proprietary series of practical, non-patented knowledge, derived from the owner's experience and tests, which is secret, substantial, and identified.... "Know-how" must be described in a sufficiently comprehensive manner in order to verify whether it meets the secrecy and substantiality criteria."* In other words, according to the Tribunal, know-how which was out in the public domain and which

¹ MANU/SC/0158/1985

² ((2007)7VST 6 CESTAT)

did not need special knowledge or training for it to be put to use was not intellectual property.

If, where the know-how referred to in sub-section (1) is developed in a laboratory, university or institution referred to in Sub-Section (2B) of Section 32A, one-third of the said lump sum consideration paid in the previous year by the assessee shall be deducted in computing the profits and gains of the business for that year, and the balance amount shall be deducted in equal installments for each of the two immediately succeeding years.

There are certain other deductions for scientific research which are provided under Section 80 GGA under the head **“deduction in respect of certain donation for scientific research or rural development”**

- *Any sum paid to for scientific research or to a university, college or institution to be used for scientific research.*

Section 80QQA provides deduction for income from copyrights. “In the case of an individual resident in India, being an author, the gross total income of the previous year relevant to the assessment year commencing on April 1, 1980, or to any one of the nine assessment years next following that assessment year or April 1, 1992 or to any one of the next four assessment years following that assessment

year, any income derived by him in the exercise of his profession on account of any lump sum consideration for the assignment or grant of any of his interests in the copyright of any book, or of royalties or copyright fees (whether receivable in lump sum or otherwise) in respect of such book, a deduction to the amount of 25 per cent will be allowed on such amount.”

No deduction will be allowed if the book is either in the nature of a dictionary, thesaurus or encyclopedia or is one that has been prescribed or recommended as a text book, or included in the curriculum, by any university, for a degree or post-graduate course of that university. Also, no deduction is allowed if the book is written in any language specified in the Eighth Schedule to the Constitution or in any such other language as the Central Government may, by notification in the Official Gazette, specify in this regard having the need for promotion of publication of books of the nature referred to in clause (a) in that language and other relevant factors.

Section 80-O provides for income from patents

Where an Indian Company receives any income from foreign state or foreign enterprise in consideration for using any patent, registered Trademark, invention, design etc and the income is received by way of convertible foreign exchange in India or having been received as

convertible foreign exchange outside India or having been converted into convertible foreign exchange outside India is brought into India, a deduction of 40% for an assessment year beginning on the 1st day of April, 2001, a deduction of 30% for an assessment year beginning on the 1st day of April, 2002, a deduction of 20% for an assessment year beginning on the 1st day of April, 2003 and 10% for an assessment year beginning on the 1st day of April 2004 should be allowed. But no deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and for subsequent years.

Section 80 OQA provides for income from Copyrights. Any income derived by the author in exercise of his profession on account of any lump sum consideration for the assignment or grant of any of his interests in the copyright of any of his books or of royalty or copyright fees, a deduction of 25% from that income shall be allowed. No deduction shall be permitted when the book is in the nature of dictionary, thesaurus or encyclopedia or any book that has been added as textbook in the curriculum by any university for a degree of graduate or post graduate course of the university. Also no deduction will be allowed for a book which is written in any language specified in the 8th schedule of the constitution or in any other

language as the Central Government by notification in the official gazette specifies for the promotional need of the language.

Section 80QQB – Deductions in respect of royalty income, etc., of authors of certain books other than text-books; *“any income derived by [the author] in the exercise of his profession on account of any lump sum consideration for the assignment or grant of any of his interests in the copyright of any book, or of royalties or copyright fees (whether receivable in lump sum or otherwise) in respect of such book, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction from such income of an amount equal to 25% thereof.”*

Deduction in respect of Royalty on Patents is provided under Section **80RRB**. “Where in the case of a patentee -an assessee, being an individual, who is resident in India, , in receipt of any income by way of royalty in respect of a patent registered on or after the 1st day of April, 2003 under the Patents Act, 1970, and his gross total income of the previous year includes royalty, be allowed a deduction, of an amount equal to the whole of such income or three lakh rupees, whichever is less.” In the case of compulsory license is being granted in respect

of any patent under the Patents Act, 1970, the income by way of royalty for the purpose of allowing deduction under this section shall not exceed the amount of royalty under the terms and conditions of the license settled by the Controller under that Act.

GREAT DEBATE OF REVENUE VS CAPITAL EXPENDITURE OF THE INCOME TAX ACT 1961

The treatment of capital expenditure and revenue expenditure is always a contentious issue. Capital expenditure refers to expenditure on the procurement or enhancement of non-current assets (assets that the business intends to keep for 12 months or longer). Revenue expenditure refers to expenditure that the business incurs either for the purpose of trade or for maintenance of the earning capacity of non-current assets. This question is also of importance while we talk about the expenditure on Intellectual Property Rights. The difference between Revenue and Capital expenditure is critical while establishing tax liability as well. A revenue expense is deductible from a business' chargeable income, while capital expenditure is not. The idea is that it is unfair to tax a business on revenue, when there were expenses incurred in generating that revenue. As a result, taxes are levied against net profits as opposed to gross profits.

The Hon'ble Supreme Court in case of Alembic Chemicals Ltd. v. Commissioner of Income Tax³

held that *'There is also no single definitive criterion which, by itself, is determinative as to whether a particular outlay is capital or revenue. The "once for all" payment test is also inconclusive. What is relevant is the purpose, of the outlay and its intended object and effect, considered in a common sense way having regard to the business realities. In a given case, the test of "enduring benefit" might break down.'* Consequently the decision of the High Court to not to allow tax deduction to the appellants were reversed. The Court concluded that even though the procurement of technical know-how with lump sum payment was considered as capital expenditure, it cannot be treated as an asset of enduring benefit and it can be treated as revenue expenditure.

The Hon'ble Supreme Court in case of Assam Bengal Cement Companies Ltd. v. CIT⁴ observed that *"If the expenditure is made for acquiring or bringing into existence an asset or advantage for the enduring benefit of the business it is properly attributable to capital and is of the nature of capital expenditure. If, on the other hand, it is made not for the purpose of bringing into existence any such asset or advantage but*

³ (1989) 177 ITR 377 (SC).

⁴ [1955] 27, ITR 34 SC.

for running the business or working it with a view to produce the profits, it is a revenue expenditure. The aim and object of the expenditure would determine the character of the expenditure whether it is a capital expenditure or revenue expenditure.”

It is clear from these decisions that the purpose and object of transaction will determine the nature of expenditure.

CONCLUSION

Taxation of income is necessary in a developing country like India as it is the main source of financing the public expenditure. Intellectual Property Rights are of great value and the holder of these rights has to invest a great amount of labour and money in creating these rights. Regarding, how to charge the money invested and the value of these rights for taxation purpose is a question, whose answer depends upon the nature of the transaction. Once the nature is determined then it is easy to charge the income or expenditure according to the various provision of the Income Tax Act. For charging tax it is necessary to determine whether the transaction is revenue or capital in nature. All the decisions will depend upon the facts and circumstances of each case.

**CASE STUDY: COMPARATIVE ADVERTISING AND
PRODUCT DISPARAGEMENT IN THE LIGHT OF
HINDUSTAN UNILEVER LIMITED VS GUJARAT
COOPERATIVE MILK MARKETING FEDERATION.**

By: Shrabani Rout

INTRODUCTION

Over the years, comparative advertising has become a popular tool among companies to promote their products by comparing them to a competitor's products. Comparative advertising is said to be done when one company advertises its products by comparing itself to the products of its competitors. Honest and non-misleading comparisons are fair play to advertise your products and give them an edge over others. However, when the comparison results in defaming and disparaging the goods of the competitors, it results in product disparagement.

One such case of comparative advertising that is currently in the limelight is *Hindustan Unilever Limited vs. Gujarat Cooperative Milk Marketing Federation*⁵ which is dealt with below:

FACTS:

1. Anand District Milk Producers Union Ltd (referred to hereinafter as 'Amul') aired two

advertisements that compared Amul's 'ice cream' with other 'frozen desserts'. The storyline follows a young girl who shows courage in the dentist's office thereby qualifying her for an ice cream as a reward. This then leads to a visual showing two cups – one labeled 'Amul' and the other labeled 'Frozen Desserts – is made of edible vegetable oil'. While the former cup has milk flowing into it, the latter has a thick, semi-solid liquid resembling 'Dalda' flowing in. With this visual in place, the voice-over then clarifies that Amul "ice cream" is made out of "real milk" as opposed to "frozen desserts" which are made out of vanaspati (the semi-solid substance). It also instructs that children should be given pure, '*real milk*' made '*ice creams*' instead of '*frozen desserts*' made out of '*vanaspati/vanaspati tel.*'

2. The advertisement also made an appeal to the customers to check the packaging for ingredients before making a purchase. The disclaimer is entirely illegible and notes the following "*FSSAI – the apex body of food safety and regulatory norms in India defines Ice-cream as milk based product that has not less than 10% milk fat and Frozen Dessert as vegetable oil based product that*

⁵ SUIT (L) NO. 204 OF 2017 BOM HC

has not less than 10% vegetable oils. It also prohibits any misleading practices of presenting frozen desserts as ice-creams.” Vanaspati tel mentioned in the voice over refers to vegetable oil. In the second advertisement, the voice-over and disclaimer both substitute the words ‘*vanaspati ten*’ for ‘*vanaspati*’.

3. Hindustan Uniliver Limited, owner of Kwality Wall’s, who is the market leader in the frozen desserts category at 51.3% market share, took issue with this depiction that frozen desserts contain ‘*vanaspati/vanaspati tel*’ – which is admittedly bad for health. It joined other players in the frozen desserts market as parties to the suit, as defendants 3 & 4 (Vadilal). HUL claimed that the advertisements (TVCs) disparaged all the products sold under the category ‘*frozen desserts*’ and by extension disparaged HUL’s products.

The Bombay High Court raised several pertinent issues but the subject of this article and the issue dealt with herein is whether the television commercials aired by Amul amounted to product disparagement of frozen desserts in general.

CONTENTIONS OF THE PARTIES

The main contentions of Amul were that while comparing television advertisements, a frame by frame analysis of the advertisements should be avoided as in comparative advertisement, puffery of its own products is allowed. Amul also contended that an alert and aware customer can easily understand that ‘*vanaspati tel*’ refers to vegetable oil and not ‘*Dalda*’.

HUL contended that by showing vanaspati flowing into a cup, Amul wanted to portray that all frozen desserts contain only vanaspati/vanaspati oil which translates to Dalda and is admittedly bad for health. HUL clarified that Kwality Wall’s range of ‘frozen desserts’ do not contain vanaspati. In fact, Kwality Wall’s range of frozen desserts contains milk/milk solids. The only difference is that frozen desserts use vegetable fat instead of dairy fat, which actually makes them healthier as they have lower saturated fat and do not have cholesterol.

OBSERVATIONS OF THE COURT

To understand the case, the Court had to differentiate between 2 points:

1. The difference in contents of ice-cream and frozen desserts.

2. The difference between comparative advertising and product disparagement.

To address the 1st point the Court looked into the Food Safety and Standards Regulations Rules, 2011.

Section 2.1.7 sub sections (1) and (3) of the Rules note –

“Ice Cream means the product obtained by freezing a pasteurized mix prepared from milk and /or other products derived from milk.”

“Frozen Dessert means the product obtained by freezing a pasteurized mix prepared with milk fat and /or edible vegetable oils.”

The Court held that by indicating that all frozen desserts use only vanaspati/vanaspati oil, which is admittedly bad for health, Amul had disparaged the entire category of frozen desserts in general. HUL and Vadilal, being the market leaders for frozen desserts, had produced substantial evidence to assert that they did not in fact use vanaspati or vanaspati oil in making their products. The advertisements that were aired led the public to believe that frozen desserts were of an inferior quality than milk-based ice creams.

Therefore, the Court held that the entire concept and intent of the commercials was disparaging.

To address the 2nd point, the Court looked into various other landmark decisions on comparative advertisement. Few notable ones include Reckitt and Colman of India Limited vs M.P Ramachandran and Another⁶, Dabur India Ltd vs Colgate Palmolive⁷ and Godrej Consumer Products Ltd. Vs Initiative Media Advertising.⁸

For there to be product disparagement, there has to be three key ingredients,

- a. a false/misleading statement regarding the goods,
- b. that deceived consumers and
- c. was likely to influence consumer behavior.

In the present case, Amul’s TVCs had not only made a false statement regarding the constituents of frozen desserts but had done so with the intention to potentially deceive ordinary customers who are aware of the health issues associated with vanaspati.

Therefore, in light of the above, the Court held that:

⁶ 1999 PTC(19) 741

⁷ 2004 (29) PTC 401 (DEL)

⁸ 2012 (52) PTC 260 (Bom)

1. a manufacturer or a tradesman is entitled to boast that his goods are the best in the world, even if such a claim is factually incorrect, and
2. that while a claim that the goods of a manufacturer or the tradesman are the best may not provide a cause of action to any other trader or manufacturer of similar goods, but the moment the rival manufacturer or trader disparages or defames the goods of another manufacturer or trader, the aggrieved trader would be entitled to seek relief including redressal by way of a prohibitory injunction.

The Court granted an injunction to HUL and restrained AMUL from airing the TV commercials and upheld the generic disparagement of 'frozen desserts'.

It held that "the content, intent, manner and storyline of the impugned TVCs seen as a whole, convey a false, untruthful, malicious and negative message" thereby disparaging "the entire category of products known as Frozen Desserts of which the Plaintiff is a market leader" and "also disparaging the products manufactured and sold by the Plaintiff and adversely affecting the business of the Plaintiff."

According to a report by The Business Standard, a leading financial daily, Amul is set to appeal

the decision. However, it seems unlikely that the Order will be reversed as the Court has not only comprehensively formulated the issues but has used sound reasoning to address them.⁹

⁹ http://www.business-standard.com/article/companies/ice-cream-ad-war-amul-to-challenge-high-court-order-117061901144_1.html

CALCUTTA HIGH COURT REVISITS THE TESTS FOR NOVELTY IN A DESIGN IN VIEW OF PRIOR PUBLICATION

By – Shrimant Singh

In its recent judgment in *Anuradha Doval vs. the Controller of Patents and Ors.*, the Hon'ble High Court of Calcutta delved into the tests and requisites for assessing novelty in a design. The case was related to an appeal filed by the registered proprietor of a design registration No. 222799 relating to a "bottle cap" in class 09-01 against the order of cancellation of the said design by the Controller of Patents & Designs.

FACTS OF THE CASE:

The Petitioner applied for cancellation of the registered design of the Appellant on 24th December 2012. The Petitioner contended that the said registered design shall be cancelled on the basis of following grounds:

- that the shape and configuration of the impugned design was conventionally used by the liquor industry since many years, thereby the design features are not new or original;
- that the impugned design is previously registered in India;

- that impugned design is stated to be common feature of all plastic caps having been published in various documents including a magazine titled 'Ambrosia' issue of January/February, 2009 and in view of this prior art documents, the impugned design is neither new nor original;
- that the cylindrical shape of the impugned design is absolutely dictated by the nature of the product.

The Assistant Controller after considering the contention of both parties observed that with reference to the pictures of bottles on rear page of front covers as well as back covers of the magazine issue of January 2009 (Vol. 16 No.8) and February 2009 (Vol.16 No.9), the designs are substantially identical. The Controller also noted that the said magazine was available in India and worldwide upon payment of subscription and there is no condition mentioned in those issues of the magazine about non disclosure of secrecy to be maintained by the subscriber readers.

Further, the Controller referred to the Delhi High Court judgment in **Wimco Limited Vs. Meena Match Industries** whereby it was held that "...It is not, however, necessary to prove

that large number of copies of the specification have been actually sold or circulated. It is sufficient to show that the design was so described in the specification and some persons may fairly be supposed to have known of it”.

In view of the said publication, it was held that the impugned design was published prior to its date of registration and upon comparison it has to be avowed that nothing new in terms of design has emerged from the impugned registration.

In view of the above, the Assistant Controller allowed the petition for cancellation of the impugned design.

The present appeal was filed by the registered proprietor *Anuradha Doval* challenging the said order by the Assistant Controller. In this case the Appellant has asserted that the Controller has committed a fundamental error in arriving at the said finding with regard to the novelty or originality of the design without the actual article being produced in reliance whereof prior publication has been alleged. A design cannot be cancelled as reproduction of a design on a piece of paper will have a different eye appeal as compared to viewing the actual product itself. The Appellant went on to state that

registrable design must have a reference to some specific article to which it is applied and the Controller having held that the 'bottle cap' which is an article, should have considered the features and configuration of the said article along with the other bottle caps in order to find out whether there has been any novelty or originality. It was submitted that in the impugned order, there is no finding that the design lacks novelty or originality, per se, but registration was cancelled on the ground of prior art documents without insisting for the production of the other similar bottle caps and examination thereof.

In *Gopal Glass Works Limited v. Assistant Controller of Patents & Designs & Ors.*, it was observed that it is significant that Parliament consciously, made publication in a country other than India a ground of cancellation, in addition to publication in India, but expressly restricted the embargo of prior registration to registration in India. Registration in a country other than India has not been made a ground for the cancellation of a registered design. Moreover, in order to destroy the novelty of a design registration, prior disclosure whether by publication or use or any other way, must be of the pattern, shape and/or configuration applied to the same article. The relevant observations

can be found in Paragraphs 39 to 46 of the said judgment:

"39. The next question, in issue before this Court, is whether the finding of the respondent No. 1 that the document downloaded from the internet from the website of the Patent Office of the United Kingdom, might be taken as prior publication of the impugned design, is legally sustainable.

40. It is true that publication has not been defined in the 2000 Act. Yet, for reasons discussed above, mere publication of design specifications, drawings and/or demonstrations by the Patent Office of the United Kingdom, or for that matter, any other foreign country, in connection with an application for registration, would not, in itself, amount to publication that would render a design registered in India liable to cancellation.

41. To constitute prior disclosure by publication to destroy the novelty of a registered design, the publication would have to be, in tangible form, of the design applied to the same article. Prior publication of a trade catalogue, brochure, book, journal, magazine or newspaper containing photographs or explicit picture illustrations that clearly depict

the application of the design on the same article, with the same visual effect would be sufficient.

42. When the novelty of an article is tested against a prior published document, the main factor required to be adjudged is the visual effect and the appeal of the picture illustration.

43. If the visual effect of the pattern, the shape or the combination of the pattern, shape, dimension, color scheme, if any, are not clear from the picture illustrations, the novelty cannot be said to have been destroyed by prior publication, unless there are clear and unmistakable directions to make an article which is the same or similar enough to the impugned design.

44. In the case of *Rosedale Associated Manufacturers Ltd. v. Airfix Ltd.*, reported in 1957 RPC 239, Lord Evershed M.R. held as follows:

"In this respect the test of prior publication of an alleged invention, should, in my judgment, be no less applicable in the case of a registered design, and as regards the former, I venture to cite once more the oft-

quoted language of Lord Westbury in *Hills v. Evans* : '*The antecedent statement must, in order to invalidate the subsequent patent, be such that a person of ordinary knowledge of the subject would at once perceive and understand and be able practically to apply the discovery without the necessity of making further experiments.*' By a like reasoning, to my mind, if a document is to constitute prior publication, then a reader of it, possessing ordinary knowledge of the subject, must from his reading of the document be able, at least, to see the design in his mind's eye and should not have to depend on his own originality to construct the design from the ideas which the document may put into his head."

45. The illustrations in the form of drawings downloaded from the website of the United Kingdom Patent Office depict the patterns that may be applied to glass sheets. The patterns may be same but the illustrations do not give the same visual effect as the samples of the glass sheets produced by the appellant in Court. There are also no clear unmistakable instructions or directions for production of glass sheets of the pattern illustrated.

46. The visual effect and/or appeal of a pattern embossed into glass sheets by use of embossing rollers could be different from the visual effect of the same pattern etched into glass sheets manually. The respondent No.1 has not considered these factors."

Based on the above, the appellant submitted that when a design is sought to be applied to an article unless two articles are simultaneously produced for examination, the Controller could not have held that there was no novelty or originality in the design of the petitioner.

With regards to aforesaid *Gopal Glass Works* judgment, the Hon'ble Calcutta High Court cited paragraphs 21 & 22 of *Reckitt Benkiser India Ltd. v. Wyeth Ltd*¹⁰ noting that in *Gopal Gas Works* case, the the Supreme Court has in no manner laid down an absolute rule that there can never be prior publication although in the public record of the Registrar of Design abroad a particular design is found to be registered. The Supreme Court in fact, has specifically held that facts in each case have to be very minutely examined and Courts have to be extremely cautious, by thoroughly scrutinizing the evidence in each case, for deciding whether the public record available in Registrar of Design

¹⁰ AIR 2013 Delhi 101 (FB)

abroad could or could not be taken as prior publication, and in the peculiar facts of the case before the Supreme Court when we refer to paragraphs 45 to 47 [of *Gopal Gas Works* case] it becomes clear that the Supreme Court approved the view of the learned Single Judge of the Calcutta High Court because even the Supreme Court found that sufficient evidence was not led on behalf of the objector to the registered design and that the documents downloaded through internet from the website of U.K. Patent Office did not add that amount of clarity for the same to be said to be prior publication for seeking cancellation on the basis of such alleged prior publication of a design registered in India.

Accordingly, it was observed that in cases of publication of a design by prior use as applied to an article, normally the questions which arise are whether it has been published at all (i.e. whether the articles to which it has been applied have been disclosed to the public), and whether the design is similar enough to the design in suit to destroy the latter's novelty. But where the novelty of a design is tested against a prior published document, a number of additional questions can arise which do not arise in the case of a prior use.

First, it may not be clear whether or not the document discloses a design as applied to an article at all. A trade catalogue containing photographs or illustrations of articles to which a design has been applied may be a clear enough case.

But the publication in a document of a pattern or picture does not as such destroy the novelty of a design which consists of applying that pattern or picture to an article. For it to destroy the novelty of such a design, the paper publication must suggest explicitly or implicitly by context that the pattern or picture should be applied to an article.

Secondly, the pattern (if it is two-dimensional) or shape (if it is three-dimensional) of the design may not be clear from the document. Particularly in a case where it involves a written description rather than an explicit picture or illustration, there may be room for argument as to the precise nature of the design which the document discloses, before one can go on to ask whether or not it is similar enough to the latter design to destroy novelty.

Thirdly, a paper publication may be shielded from destroying the novelty of a later design

registration by the special provisions and specific exceptions, as available in the Act.

Further, referring to the Rosedale judgment, the court in *Dart Industries Inc. and Another v. Techno Plast and others*¹¹, at p.140 observed that "a person with ordinary prudence while seeing the designs/documents in question is able to relate, in his mind's eye, the same antecedents designs/statements without the necessity of making further experiments i.e., the moment he sees the designs, he is able to at once say 'Oh! I have seen before'."

After citing several judicial decisions and authorities, the Calcutta High Court observed that in the event, it is found that the impugned design has substantial identity with the prior published design, it is liable to be cancelled. In order to claim novelty, there has to be a significant change or difference in the design, although, it may have a common source. A mere trade variant without significant and substantial noticeable features would destroy novelty. A drawing or publication of a design in any form must suggest explicitly or implicitly by context that the pattern or picture should be applied to an article.

In the instant case, it was held that it cannot be said that the impugned design is new in its application. The prior published documents show almost similar features if not identical and it cannot be doubted that both the designs are substantially identical and the impugned design has been already taught by the publication prior to its registration. "Oh! I have seen before" would be the immediate and prompt reaction of a man looking at the impugned design.

Further, the Calcutta High Court emphasized that it has to be remembered that the respondent No.1, i.e., the Controller of Patents & Designs, is an expert body and has the required expertise to decide the matter. The said authority on consideration of all aspects of the matter clearly observed that the design features of the impugned registration no.222799 have been already taught by said publication prior to the date of registration of the impugned design. Similar advertisement showing the design of the bottle cap of impugned design can also be seen from the internal page 15 of the Vol.16 No.9 issue of the said magazine. This issue was published in February 2009 which is prior to the date of registration of the registered design. Comparing the bottle cap of impugned registration with those of previous publications, it has to be

¹¹ 2007 (35) PTC 129 (Del)

avowed that no new design has emerged from the impugned registration.

In view of the above, it was held that the impugned design is devoid of newness and originality and upheld the order of the Controller cancelling the registered design.

INTRODUCTION TO FORM 30

By- Aayush Sharma

Amended **Rule 8(2)** of the Patent Rules, 2003 indicates Form 30, as specified in the second schedule, where no form is so specified for any purpose, the Applicant may use Form 30 for submission of the details and or documents, with or without fee at the patent office. Earlier no such provisions were mentioned in the Patents Act, 1970, where an applicant had the facility to transmit the details or the documents in a specified form. Where no provisions are mentioned in the Act, the Applicant needs to furnish the documents/ details following with the letter at the Patent office. These letters are sometimes disregarded by the Patent office, misplaced or fails to met the purpose Instances have been noticed where Form 30 was used to make requests that were otherwise prohibited under the law. Form 30 is also being used for purposes for which forms/entries are already available in the comprehensive e-filing. Such actions may be held to be in contravention of law. It also causes mismanagement of documents within the Patent Office as the documents do not reach the corresponding division/section. In view thereof, the format of Form 30 has been re-structured to accommodate fee bearing and non-fee bearing

documents as per the respective sections/rules/entry number of fee schedules under The Patents Rules, 2003. Due to the unavailability of any prescribed/ suitable form, the Applicant has to either write a letter or verbal communication with the IPO. In such cases, there have been chances of negligence. Also, sometimes IPO will consider the document or unable to collect the document. In view of such problems, requirement of a provision was much needed. Now, in the current scenario, the Form 30 has been introduced for submission of extra page fee at the patent office. Like this there are numerous actions which can be completed on Form 30. It is also pertinent to mention that there will be no official fee for submission of Form 30 at the patent office.

In the e-filing module, the actions as specified to be filed under Form 30, are highlighted below:


Pic 1: With fee

[illegible]


Government of India
Ministry of Commerce & Industry
Department of Industrial Policy & Promotion
Controller General of Patents Design & Trade Marks

Online Filing Of Patents

Welcome Ayush Singh



<p>Quick Form Filing And Enquiry to Application Number All form New Application PCT National Phase Application File Form 2 File Form 9 File Form 13 File Form 18 File Form 26 Form 26 (M) Fifth Schedule Renewal of Patent Report to Examination Report</p>	<p><input type="radio"/> With Fee <input checked="" type="radio"/> Without Fee</p>	<p>Select Form</p> <p>SEARCH R14248 : R24C+FER/ISR Response R1411, R1422+Retyped pages and marked copies R1412 : R122+Section R22 Information R1413 : R122+Section R22 Information R13822+Verified English translation R13830, R1212+Submission of documents by applicant in P-gram S172/R+Proof of Right S172/R+R25A+Submission of documents by applicant in P-gram S221/R+R25A+Submission of documents by applicant in P-gram S222/R+R25B+Submission of English statement and evidence by opponent S223/R+R25C+Submission of English statement and evidence by opponent S247/R+R1212G+R125+Submission of English statement and evidence by opponent S8111, 6122/R25G+R125+Submission of English statement and evidence by opponent S812/R25G+R125+Submission of English statement and evidence by opponent S829/R69+R125+Submission of English statement and evidence by opponent S831/R75+R125+Submission of English statement and evidence by opponent S849/R1211/R125+R25B+Submission of English statement and evidence by opponent S851/R210G+R125+Submission of English statement and evidence by opponent S852/R124/R24+R125+Further evidence with the leave of Controller S853/R124/R24+R125+Further evidence with the leave of Controller S854/R124/R24+R125+Further evidence with the leave of Controller S855/R124/R24+R125+Further evidence with the leave of Controller S856/R41R1017/R125+R25B+Further evidence with the leave of Controller S857/R75+R125+Further evidence with the leave of Controller S829/R69+R125+Further evidence with the leave of Controller S832/R75/R25G+R125+Further evidence with the leave of Controller S141R21/R75+Written submissions and relevant documents R14+R25A+Applicant Submission R26A+R25+Reply the Controller whether he will attend the hearing</p>
<p>Payments/Submission Pending CBRT Control Panel User Panel Downloads</p>		<p>Home</p>

 Department of Commerce and Industry Ministry of Commerce and Industry Department of Industrial Policy and Promotion Controller General of Patents Design & Trade Marks	Online Filing Of Patents	
	<input type="radio"/> With Fee <input checked="" type="radio"/> Without Fee	
Quick Form Filing Ask Email to Application Number All Form New Application PCT National Phase Application File Form 2 File Form 9 File Form 13 File Form 18 File Form 26 FORM 30 (NEW) Fifth Schedule Renewal of Patent Reply to Examination Report Form History	Select Form 502/512/513-Section 8(2) Information 521(1), 521(1)-Submission of certified copy of priority document 513(2)-Verified English translation 520(3)(a), 512(2)-Submission of certified copy of translation 517(2) R10-Proof of Right 525(1) R55(4)-Submission of documents by applicant in Pre-grant opposition 525(1) R55(1)-Submission of documents by opponent in Pre-grant opposition 525(2) R59-Submission of Reply statement and evidence by opponent 5138(3)-Certificate of the official chief or head of patent office 557(4) R81(3)(c) R59-Submission of Reply statement and evidence by opponent 561(1), 517(2) R65(2) R59-Submission of Reply statement and evidence by opponent 563(3) R87(3) R59-Submission of Reply statement and evidence by opponent 569(1) R59-Submission of Reply statement and evidence by opponent 551(1) R78 R59-Submission of Reply statement and evidence by opponent 551(1) R78 R59-Submission of Reply statement and evidence by opponent 558(4) R10(17) R59-Submission of Reply statement and evidence by opponent 594 R12(6) R59-Submission of Reply statement and evidence by opponent 578(5) R12(4) R59-Submission of Reply statement and evidence by opponent 578(5) R12(4) R59-Submission of Reply statement and evidence by opponent 594 R12(6) R59-Submission of Reply statement and evidence by opponent 594 R12(6) R59-Submission of Reply statement and evidence by opponent 558(4) R10(17) R59-Submission of Reply statement and evidence by opponent 551(1) R78 R59-Submission of Reply statement and evidence by opponent 528 R59 R59-Submission of Reply statement and evidence by opponent 563(3) R87(3) R59-Submission of Reply statement and evidence by opponent 514 R28(7)-Written submissions and relevant documents NA-ABA Approval Submission P28(4)-Notify the Controller whether he will attend the hearing 506 R84(2)-Request for Hearing U8(4)(2) 539(3)-Conversion of Complete Specification to Provision Specification under section 114(3)(c)-Statement for Withdrawal NA-Response to office action	

- FER/ SER response: Earlier there was no provision to submit the response in a proper format or with any form. Due to this gap, sometimes the Patent office was unable to

- Submission of certified copy of priority documents;
- Verified English translation along with certified translation verification certificate;
- Proof of right;
- Written submission and relevant document:
Upon conclusion of hearing at the patent office, now written submission can be submitted in Form 30;
- Section 8(2) -Now the Applicant can furnish the search or examination reports, allowed claims, notification of allowance for all the corresponding Application as required under section 8(2) of the Act at the Patent Office.

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- Submission of petition under rule 137 and rule 138;
- Submission of extra page or claim fee;

All the above 58 provisions are now supported with Form 30 and could now be submitted at the patent office. The process for the submission of Form 30 is as follows:

1. The entry of a 12-digit India Patent application number for which form 30 needs to be filed.
2. After the entry of application number, the page as shown in pic. 3 will pop-up.

Pic 3:

Pic 4:

3. The page mentions the application number, relevant section/ rules of the Act and details of request. Details of

request must contain the detailed description mentioning the nature of forms, request. After successful submission, save the form.

4. Upload the document in respect to which request for Form 30 has been raised, submits the form and official filing/ acknowledge receipt has been generated.

Subsequent to the e-filing and as per the public notice dated 18th May, 2016, issued by the Controller, the IPO requires the applicant to furnish the original of the documents within 15 days of submission via e-filing (as laid in sub rule 6(1)(A) of Patents (Amendments) Rules, 2016.

- i. Proof of Right
- ii. Power of Authority,
- iii. Deed of Assignment/agreement, certificate regarding the change in name of the applicant, license agreement etc.
- iv. Declaration regarding inventorship
- v. Priority document

The demand of a provision/ facility like Form 30 has been long pending and various efforts have been made by the stake holders during meetings with patent office to bring about this

provision. Now, it will be convenient for the applicant as well as the patent office to access and record the document submitted along with Form 30. In view of the above, it can be concluded that the submission of the document (*where no provisions have been mentioned in the act*) has been made easy. Now it will be much easier and will take lesser time to submit the document at the IPO records.

BITCOINS: CAN WE REALLY USE A CRYPTO-CURRENCY?

By: Martand Nemana

INTRODUCTION

Crypto currency was first introduced in 2007, a sort of an experimental digital platform to transfer money using the digital medium in a format of its own. A decade later, given the multitude of developments which have been brought about by technology in recent times, the significance of crypto currency has grown.

The major reason for the growth in significance of the digital form of currency lies in its nature since it can be used with ease and without any geographical or political boundaries. While the changing times have witnessed a mammoth rise in the manner of use of the crypto-currency, we still need to ascertain the feasibility this currency and what kind of stability it can offer?

Various leading national banks of several countries including the Reserve Bank of India (RBI) have raised their concern over similar factors like stability and regulation of the currency. While, no clear guidelines are available on the use of Bitcoins or any other digital or Crypto Currency it is also difficult to ascertain legal implications and accountability of the same.

WHAT IS BITCOIN?

Technically, Bitcoin is a set of computer codes based on an algorithm which was designed by a mysterious person Satoshi Nakamoto (no clear information or whereabouts have been able to ascertain the correctness of this information). The creation, transfer and trade of Bitcoins are based on an open source cryptographic protocol managed in a decentralized manner.

The network of bitcoin shares a public account book called the “block chain” which contains information about the transactions which are carried out thereby allowing other users to verify the authenticity of the same. Every transaction is trailed using a digital cryptic signature which contains all the crucial information about the person initiating the sequence of trade. The level of security is essential to people and the process is completed using a specifically designed computer hardware, the process known as “mining”.

INTERNATIONAL USE OF BITCOIN

Bitcoins are traded in several countries even where their exchange is banned. However, some countries where bitcoin usage is allowed are:

1. China

2. Japan
3. United States
4. Poland

In India, although notices have been issued by the RBI regarding the trade of Bitcoins, it is noteworthy to see that people in India are using the currency. Though India doesn't have a bitcoin exchange of its own but people have around 25000 wallets which they use for trading Bitcoins online.

LEGAL POSITION IN INDIA

At present, there are no regulations governing virtual currencies like Bitcoins in India. RBI, on December 24 2013, issued a press release on virtual currencies like Bitcoins, litecoins, bbqcoins, dogecoins - stating that creation, trade and usage of virtual currencies as a medium for payment is not authorized by any central bank or monetary authority.

Further, the RBI has started to monitor the use and trade of virtual currency traders and users as they pose various security risks such as hacking, malware attack etc.

In India, Bitcoins are neither legalized nor are they authorized to be used via official channels.

THREATS

As per the information available, the use of such currencies poses the following threats and risks:

1. Unregulated currencies in any format shall be taken down for irrationally affecting the trade sector.
2. Crypto-currencies are viable threats from insurgence which could directly/indirectly inflate or deflate the value of currency leading to severe impact over the economy of any nation.
3. The lack of geographical boundaries make the crypto currency a safe haven for money launders as no trails of the transaction can be found after it has been completed.

SPAN OF USE

As the Bitcoins are not authorized for use, as a source of currency, there are certain provisions regarding the legalization of their use. Under the Foreign Exchange Management Act, 1999, currency is defined as "*all currency notes, postal notes, postal orders, money orders, cheques, drafts, travelers' cheques, letters of credit, bills of exchange and promissory notes, credit cards or such other similar instruments, as may be notified by the Reserve Bank.*" According to the definition, RBI has the power to include Bitcoins within the definition of currency.

Currency other than "Indian currency" is termed as "foreign currency", and regulated by foreign exchange laws. Most likely Bitcoins can be governed by foreign exchange laws. Further, Bitcoins can also be included within the definition of "security" which states that "such other instruments as may be declared by the Central Government to be securities".

Further, the Indian Copyright Act, 1957, defines the term "computer programme" as *"a set of instructions expressed in words, codes, schemes or in any other form, including a machine readable medium, capable of causing a computer to perform a particular task or achieve a particular result"*.

Having gone through the various definitions, it can be concluded that there is enough scope for legalizing Bitcoins. We need to watch out for the approach the Indian government takes.

CONCLUSION

As Bitcoins continue to gain importance and recognition; certain issues need to be answered:

1. Is bitcoin an investment?
2. Can it become a viable currency?
3. Can other "crypto currencies" compete with or supplant bitcoin?

As the Bitcoins involve a high level of ambiguity, the usage cannot be deemed to be fool proof.

Although the Bitcoins are available for use in the digital sector, the peer to peer payment mechanism seems way too volatile to incorporate the essence needed for the existence of the currency.

India will need to upgrade the technical infrastructure in order to commence the use of such currencies in the country.

NEWSBYTES

A SPEEDY PROCESS BY IPO: PATENT GRANTED IN 9 MONTHS FROM REQUEST FOR EXAMINATION

Indian Patent Office (IPO) has now started granting patents under expedited examination system (*Rule 24C of the Patent Amendments Rule 2016*) within 9 to 12 months.

One such patent granted is IN285091 for “A PROCESS FOR THE PREPARATION OF APIXABAN”. A request for expedited examination was filed on 24th October 2016 and the same was converted into an expedited request on 21st March 2017. A patent has been granted to Optimus Drugs Private Limited on 12th July 2017 - within 9 months of filing of request for examination and within 4 months of converting it into an expedited request..

PATENT APPLICATIONS INVOLVING BIOLOGICAL RESOURCES FILED IN INDIA

The National Biodiversity Authority has granted permissions to patent Applicants using Indian Biological resource in their inventions for obtaining Intellectual Property Rights. There are several patent applications filed in this category and are pending before the Indian Patent Office.

The National Biodiversity Authority has recently clarified that all such patent applications which are pending but were filed before 1st July 2004 i.e. when the Biological Diversity Act and Rules came into force, would be exempted from taking permission from the National Biodiversity Authority.

The Indian Patent Office can, therefore, now clear the entire back log for those biological resource involving applications which were filed before aforementioned date and have been awaiting grant, but have been withheld only for the sake of permission pending from the National Biodiversity Authority. More clarification with respect to the applications filed after 1st July 2004 is awaited for speedy grants and permissions.

PATENT OFFICE NOW ISSUES BILINGUAL FIRST EXAMINATION REPORTS OF APPLICATIONS

Recently, the Indian Patent Office has made procedural changes in issuing bilingual First Examination Reports; in both English and Hindi. This move could be a result of the larger policy objective of promoting Hindi as the language for official government communication.

AUTOMATIC GENERATION AND ISSUANCE OF PATENT CERTIFICATES

In a recent move towards Digital India, the IPO has automated the process for generation and issuance of the patent grant certificate online. Accordingly, from 3rd July 2017, the patent certificates will be generated through an automated system after the patent has been granted by the Controller. The certificate shall be transmitted to the applicant or their concerned agent on records to their registered email id and subsequently shall be made available on the official website.