

INTELLECTUAL PROPERTY

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I INTRODUCTION

AS IN other years trademark litigation dominated the Intellectual Property (IP) field, measured in sheer numbers. Most of them followed the established principles, one decision this survey covers is on the exhaustion principle. The question was whether Indian Trademark law follows the principle of national exhaustion or international exhaustion. The division bench of Delhi High Court ruled in favour of international exhaustion and allowed parallel importation. The decision discusses the meaning of 'market' in the Trademark Act, 1999.

Consumer product companies are using non traditional areas of IP like the Designs Act, 2000 to ensure their niche positioning in the market. Bombay High Court has protected a unique design of a washing machine and enjoined the competitor manufacturer who was producing and marketing product with infringing designs.

A significant development in the field of Copyright in 2012 is the Copyright Amendment Act, 2012, amending the Copyright Act, 1957. The amendments will have impact on some of the precedents in the field. The amendment which has been introduced in section 18 of the Copyright Act prevents the author from assigning or waiving the right to receive royalties while transferring rights to a sound recording producer or a cinematograph producer. In *Indian Performing Rights Society v. Aditya Pandey*,¹ the Delhi High Court had held that separate permissions are not required from the underlying rights holders. Sporting events have become major entertainers and, therefore, money spinners. The practice in the sporting industry is for the organisers of the events, to license the broadcasting rights. News channels use such broadcast in news and other programmes. In a case involving the popular news channel NDTV the issue of fair use and freedom of expression under article 19 has been discussed. The court laid out detailed guidelines on what can be termed as fair use defence and what cannot be. One surprising decision is that of Bombay High Court which held that copyright registration is mandatory for enjoyment of copyright. The Supreme Court held that copyright board's interim orders on compulsory licenses are not valid. Henceforth the board will have to give conclusive decisions.

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1 2012 (50) PTC 460 (Del).

The emerging complexities on product patents on pharmaceutical products can be seen in the dispute of *Roche v. Cipla*.² The decision involved a complex issue, which is detailed and matches the standard of some of the noted international decisions. Since it is by Delhi High Court having original jurisdiction, the decision gives a peep into the examination and cross examination of witnesses. Customs authorities in India have promulgated rules to stop the import of infringing goods at the border. It appears that many right holders have been using this to protect their products. In the case of patents, such decisions are not easy. The Delhi High Court has dealt with this issue at length and the decision seem to be calling for a review of the circular which seems to be 'TRIPS plus'.

II TRADEMARK

As in other years, trademark disputes dominated the intellectual property field in sheer number. These are mostly in the nature of *lis* between traders relating to mark demanding mostly the application of established principles of jurisprudence. There is one decision that stands out because of the subject matter and the quality of analysis reflected in the decision which is discussed below.

The exhaustion principle

What is the meaning of market in the Trademarks Act, 1999 (TMA) does it imply national market or international market? Does Indian Trademark law apply national exhaustion or international exhaustion of rights? The second question depends on the answer to the first. This is the issue in the decision of the division bench in *Kapil Wadhwa v. Samsung Electronics Co. Ltd.*³

The court itself noted that the issue involved in this case has immense bearing on trade and commerce in India. The judge had, in a lengthy decision decided that the Indian trademark law follows national exhaustion principles. The division bench overturned this decision holding that 'the market' contemplated in section 30 (3) of the TMA is the international market and thereby the legislation in India adopts the principle of international exhaustion of rights.

The respondents in the appeal are Samsung group of companies, renowned worldwide manufacturers of electronic consumer goods. Their grievance is that the respondents are purchasing, from foreign market, printers manufactured and sold by them under the trade name Samsung and after importing them to India, selling them in the Indian market thereby infringing their registered trademark. The plaintiffs pleaded the cause of action by relying on their registered trademark in India.

The court noted that the action is for infringement, and not passing off where different principles of law would apply. The court noted that the word 'market' finds a place, five times in the TMA under sections 29(6) (b), 30(2) (b), 30(3), 30(3)(b) and section 30(4).

As per section 29 of the TMA, a registered trade mark is infringed by a person who is not a registered proprietor or a permitted user when he uses, in the course of trade, the said mark (sub section 1) or uses a mark which is likely to cause confusion

2 MANU/DE/4182/2012.

3 MANU/DE/4894/2012.

or which is likely to have an association with the registered trade mark (sub section 2) or uses a mark which is identical or similar to the registered trade mark (sub section 3) or uses a registered trade mark as his trade name or part of his trade name or name of his business concern while dealing in goods or services in respect of which the trade mark is registered (sub section 5), or affixes the mark to goods or packaging thereof or exposes the goods for sale by putting them on the market or imports or exports goods under the mark (sub section 6). In sub-clause (c) of sub section 6 of section 29 reference is to import as well as export of goods. Therefore, in the context of section 29 of the TMA even import of genuine goods under a trade mark which is registered in India would constitute an act of infringement. It is based on this reasoning that single judge arrived at the principle of national exhaustion. The division bench held that this conclusion should have been arrived at after analyzing section 30, which acts as an exception to section 29.

Section 30 stipulates conditions where the use of a mark by a person who is not the registered proprietor of the trade mark is not an infringement. Sub sections of section 30 contemplate different situations where, notwithstanding section 29, the proprietor of the registered trade mark cannot prevent the use of the registered mark by other persons. Section 30 acts as a defence against the charge of infringement, *i.e.*, use of a registered trade mark in the situations contemplated by various sub sections of section 30 shall be a good defence to an action brought by a registered proprietor of a trademark. Section 30 does not give additional rights to some other person to import genuine goods from the international market but only provides defence against infringement charges by making them non- actionable. The court noted thus:⁴

We may only say that it is altogether one thing to say that a right is conferred upon a person and it is altogether another thing to say that the act of a person is not actionable.

The various sub sections of section 30 have to be construed with reference to the situation contemplated with respect to the use of the registered trade mark. As per sub clause (b) of sub section 2 of section 30 the use of a registered trade mark in relation to goods to be exported to ‘any market’ would not constitute an infringement. The court held that the reference of ‘any market’ in the context of goods to be exported means global market.

The sub section 3 is the core section on which the issue would be resolved. It is reproduced below:⁵

4 148 (2008) DLT 598.

5 The court has pointed out an apparent printing error in the section hoping that the legislature would rectify itself, but noting that patent printing errors can always be rectified and this would not be legislation by the court:

We may highlight that there is an apparent printing error in sub- section (3), even the Gazette Notification issued by the Central Government contains the same. ‘Not infringement of a trade by reason only of’ should read ‘Not infringement of a trade mark by reason only of’. The reason is obvious. After being lawfully acquired by a person of goods bearing a registered trade mark, the further sale may be debatable as infringement of a trade mark, but there can be no further debate whether there is an infringement of a trade.

30 (3) Where the goods bearing a registered trade mark are lawfully acquired by a person, the sale of the goods in the market or otherwise dealing in those goods by that person or by a person claiming under or through him is not infringement of a trade by reason only of –

- (a) the registered trade mark having been assigned by the registered proprietor to some other person, after the acquisition of those goods; or
- (b) the goods having been put on the market under the registered trade mark by the proprietor or with his consent.

The single bench had interpreted that permitting imports based on sub-section (b) and ignoring sub-section (a) will make subsection (a) ineffective. The division bench disagreed on the following reasons: ⁶

(S)ub clause (a) of sub Section 3 of Section 30 deals with a situation where the registered proprietor of a trade mark sells the goods bearing the trade mark to a person and thereafter assigns the registered trade mark to another person. Said another person cannot oppose further dealing in those goods by the person who has acquired those goods bearing the trade mark. The sub clause operates in a well defined territory of its own. The situation contemplated by sub clause (b) is the goods having been put on the market under the registered mark by the proprietor or with his consent and are lawfully acquired by a person and the further sale of the said goods in the market. It is here, where the issue of lawful acquisition of the goods, when put in the market and further sold in the market arises for consideration, and whatever be the view taken i.e. the market contemplated being the international market or the domestic market, would not make sub clause (a) otiose.

The division bench held that the single judge's view that the scope of the expression 'the market' in section 30(3) is limited to domestic markets and, therefore, import of products requires the consent of the registered proprietor is incorrect. The division bench said thus: ⁷

There is no law which stipulates that goods sold under a trade mark can be lawfully acquired only in the country where the trade mark is registered. In fact, the legal position is to the contrary. Lawful acquisition of goods would mean the lawful acquisition thereof as per the laws of that country pertaining to sale and purchase of goods. Trade Mark Law is not to regulate the sale and purchase of goods. It is to control the use of registered trademarks.

The court also looked at international legislations. It found that seven jurisdictions abroad has clearly indicated the legislative intent to either follow the principle of international exhaustion or national exhaustion. In the Indian law there

⁶ *Kapil wadhwa, supra* note 3 at para 34.

⁷ *Id.*, para 41

is a lack of clarity. Therefore, the external aid to interpret the statute *i.e.*, ‘statement of objects and reasons’ was a most appropriate tool to be used. The ‘statement of objects and reasons’ mentioned that the intention of the section is to prevent the trademark owner from prohibiting on ground of trademark rights, the marketing of goods in any geographical area, once the goods under the registered trademark are lawfully acquired by a person. This reflects international exhaustion. The court noted India’s position to permit parallel imports at the Uruguay round of trade negotiations which concluded in the Agreement on Trade Related Aspects of Intellectual Property (TRIPS Agreement). It also noted the submission of the concerned department of the government that section 30 (3) followed international exhaustion.

The court thus concluded that ‘the market’ contemplated by section 30(3) of the TMA is the international market, *i.e.*, that the legislation in India adopts the principle of international exhaustion of rights.

III DESIGN

As in the previous year, one can see non traditional areas of Intellectual Property like designs coming up in litigation. Big companies are using the Designs Act, 2000 (DA) to protect the market exclusivity of their industrial designs. *M/s Whirpool of India Ltd. v. M/s Videocon Industries Ltd.*⁸ is an illustrative example of the importance of industrial designs in today’s world.

At the centre of the dispute is the design washing machine, ubiquitous in Indian middle class households and thereby a key representative of the great Indian middle class market. The design in dispute has unique features with its one side having a semicircular shape and the other side having a rectangular shape with jettisoned panel for the knobs. The product is a registered design with registration numbers 223833 and 223835 on 15.07.2009. They have been selling this washing machine since 2010, with a turnover of Rs 308 crores. They pleaded that in view of section 2 (c) and (d) read with section 11 of the DA they have the exclusive right to apply its designs to any article in any class in which its designs are registered.

The case of the plaintiff is that the defendant Videocon has imitated the design after it became popular in the market and is manufacturing and selling washing machine which are deceptively similar, thereby violating section 22 of the DA and sought to restrain them. The defendants pleaded that the plaintiffs themselves have registered two designs which are identical, with some variations and, therefore, in view of section 4 of the Act, their designs cannot be said to be new or original and, therefore, the defendants who are manufacturing its product with major variations like color scheme, composition of lines, pattern and ornamentation is entitled to manufacture its product.

The defendants pleaded that since the plaintiffs themselves have registered two designs with minor variations, defendants who are manufacturing their product with major variations can very well do so. The registration entitles only protection of shape and configuration, based on section 2 of the DA. Their innovation has

8 2012 (52) PTC 209 (Bom).

added various features like the ornamentation, composition of lines and combination of colors. While comparing the two articles the claim of the plaintiff should be limited to the shape and configuration, however, while looking at the product of the defendant the other properties should also be looked into like color scheme, ornamentation, pattern *etc.*, which will show that their product is different. The designs of the plaintiffs are not new or original and are previously known and used in India and worldwide.

The court looked at two precedents that laid out the principles in such cases, one unreported, but well reasoned decision of Bombay High Court in the case of *GorbatschowWodka KG v. John Distilleries Ltd.*⁹ and the judgment of Calcutta High Court in the case of *Castrol India Ltd v. Tide Water Oil Co (I) Ltd.*¹⁰ The court considered the deceptive similarity of two Vodka bottles in the former case. Discussing other precedents it was held that the court must consider the broad and salient features of the rival shapes. A meticulous attempt to find differences in the two shapes on a comparison side by side is impermissible. In the latter case the Calcutta High Court held that the court must address its mind as to whether the design adopted by the defendants was substantially different from the design that was registered.

The court found that the uniqueness of its design is rectangular shape on one side and semi-circular shape on other side of the machine with a jettison panel where knobs are placed. The very uniqueness of the shape, *i.e.*, having semi-circular shape on the other side with jettison panel, is a novel and unique object of the plaintiff's designs. The court did not find merit in the contention of the defendant that the product is nothing new or original but an imitation of what was available in the market since 1935, therefore, the argument that registration itself is bound to be cancelled was held to be without any substance.

On the contention that the plaintiff itself has registered two designs, the court noted that the section 6 of the DA permitted this. Sub-section (3) of section 6 specifically provides that if a proprietor of the registered design can apply for registration in respect of other articles comprised in that class of articles. Such registration cannot be invalidated on the ground that the design is not new or original design, by reason of it being previously registered or on the ground of previous publication of the said design in India or any other country. Therefore, the court held thus: ¹¹

... the 'statute itself permits the registered proprietor of the design to make an application for registration of one or more other articles comprised in that class of articles. It further provides that such an application cannot be rejected on the ground that the design is not new or original since it was so previously registered. The registration also cannot be refused on the ground that the design was previously published in India or any other country on account of its application to article in respect of which it was previously

9 Notice of Motion No. 3463/2010 in Suit No 3046/2010, decided on 04.05.2011.

10 1996 PTC (16) 202.

11 *Supra* note 8 at para 14.

registered. It can, thus, clearly be seen that section 6 of the said Act specifically reserves the right of the registered proprietor to make an application for registration of one or more designs in the said class.

For determining the novelty of the design, the precedents hold that the test to be applied is “judged solely by eye”. The perusal of the photographs revealed that the uniqueness of the plaintiff’s design lies basically in its rectangular shape on one side and semi-circular shape on the other side as compared to the rectangular shape on both the sides of the products of rest of the manufacturers. Rejecting the contention of the defendant that plaintiff’s design is not a new or original and in view of the fact that the plaintiff’s designs are registered, the court held that the plaintiff is entitled to exclusive application of the registered designs to its product.

On the question of deceptive similarity the court disagreed with the defendant’s plea that while comparing both the products, the court will have to restrict the comparison to the configuration and shape for which plaintiff is having registration, whereas defendant’s product will have to be looked at its entirety including colour scheme, ornamentation, composition of lines *etc.* The defendant pleaded that the colour scheme of the defendant’s product and ornamentation and composition of lines thereof are totally different, there is striking difference between the product of the plaintiff and the product of the defendant and though there may be some similarity in the shape and configuration, the same would not amount to infringement of the plaintiff’s product. The court examined this argument and found that though there is deceptive similarity in the colour scheme also, it is not necessary to go into that matter, as the *lis* is on registered design. The defendant has not been in a position to point out any washing machine which has been available in the market prior to the registration of designs of the plaintiff having rectangular shape on one side and semi-circular shape on the other side. The uniqueness of having rectangular shape on one side and semi-circular shape on the other side makes the designs of the plaintiff to fall in the term capricious.¹² The defendant by merely using some different colour scheme and putting some different lines or having some different ornamentation but imitating the basic shape and configuration of the plaintiff’s design, *i.e.*, rectangular shape on one side and semi-circular shape on the other side with jettison panel for knobs for which the plaintiff has registered designs, has imitated the registered designs of the plaintiff and infringed their rights.

12 “Capriciousness” is a character where an article is shaped in an unusual way not primarily for giving some benefit in use or for any other practical purpose, but capricious in order purely to give an article a distinctive appearance as per *Gorbatschow Wodka KG. v. John Distilleries Limited* (supra). The court further observed in that case that ‘in such a case the manufacturer might be able, in the course of time, to establish that he has a reputation and goodwill in the distinctive appearance of the article itself which will give him a cause for action in passing off if his goods were copied’. It was further held that in such circumstances, the putting of a copy on to the market with the distinctive feature or combination of features in question would amount to a misrepresentation that it emanated from the plaintiff leading to an action for ‘passing off’. Also, see Copinger and Stone *James on Copyright* 757-58 (13th edn.).

The next question was whether the plaintiff was entitled to an action on the ground of passing off. The defendants pleaded that even if the plaintiff proves that the defendant had manufactured by imitating plaintiff's products, unless it is proved that this was done with the intention of passing off, an injunction for passing off cannot be granted. Anyone is entitled to copy and sell an article in the market, provided that he does not make a false representation suggesting that the article which he is selling is, in fact, of the plaintiff. It was also contended that in order to establish goodwill in a particular get up, there must be something more than mere similarity between the goods themselves.

The court held that due to uniqueness of its product by virtue of a distinctive and novel design given to it, the plaintiff has achieved substantial goodwill in the market. The court observed thus:¹³

Undisputedly, the plaintiff's product is designed to give a distinctive appearance. The perusal of the photographs would reveal that all the washing machines are having rectangular shape. It is the first product of the plaintiff which is having rectangular shape on one side and semi-circular shape on the other side. In my considered view, the distinguishing character that is provided by the plaintiff is in order to distinguish its product from the others and show it to be a unique one. It is to be noted that the plaintiff is manufacturing the product with these designs from September, 2010. The sale by the plaintiff for this particular product from September, 2010 till the filing of the suit is in the tune of about Rs. 308 crores. It can be anybody's guess, as to why defendant has woken up almost after a period of two years from the introduction of the plaintiff's product and manufactured the machines with the so called dissimilarities. It is to be noted that it is nobody's case that uniqueness of the plaintiff's designs is having something to do with functional utility of the product.

The defendant further contended that the product is high price product and, as such the consumers are discerning and would make enquiry in the market and only after their satisfaction would buy such a product. On this submission it may be pertinent to note that the High Court of Delhi in, *Whirpool* case..... made an interesting observation as under:¹⁴

The submission involves a basic fallacy. The fallacy lies in assuming that while those who are educated or affluent have the ability to discern, since they have higher disposable incomes, persons who do not belong to that category are more likely to be deceived. Gullibility as a trait of human character does not necessarily possess social or economic attributes. The ability of a consumer to discern is not necessarily relatable to social class or economic status and to make such an assumption would lead the Court to an unwitting stereotype. At least the Court must not accept such stereotypes.

13 *Supra* note 8 at para 20.

14 *Supra* note 8 at para 24.

Rejecting the defendant's argument the court observed that if this argument is stretched to its logical conclusion, it would lead to a result where the remedy in passing off becomes available only in respect of goods which the average consumer purchases for the daily necessities of life. The remedy of passing off will be illusory in such cases. It further observed thus: ¹⁵

The Court will not readily assume that because consumers of premium goods and services have higher disposable incomes or, as the Defendant states are educated, that the likelihood of deception is minimal. If the law were to accept such a position, it would only open a pathway for deceit. Less than honest competitors in business would carefully grind away at the features of an existing mark with an established reputation so that eventually nothing will be left of the uniqueness of the mark. The protection of intellectual property will be a writ in sand if such a submission is accepted. The class of purchasers is undoubtedly a relevant consideration, but the Court must have due regard to all the relevant circumstances including that.

Therefore, the protection of the remedy in passing off is as much available to a manufacturer who invests capital, time and ingenuity in producing premium goods or services or fast moving consumer goods as in other cases.

The court held that if the injunction as sought by the plaintiff is not granted, an irreparable injury will be caused to the plaintiff as it would be deprived of having the exclusive use of its registered designs. The plaintiff enjoys this exclusivity for the period of concurrency of the registration, *i.e.*, till 2019. The defendant is free to manufacture washing machine of any other shape and no irreparable injury would be caused to the plaintiff, and therefore, an injunction was granted.

IV COPYRIGHT LAW

The copyright and the licensing of the rights in music involve fairly complex issues. A recorded song involves three distinct authors who hold separate and independent rights. The author of the lyrics (literary work), the composer of the musical score (musical work), and the sound recording rights holder. The rights granted to each of the authors are a bundle of rights as detailed in section 14 of the Act, each capable of being licensed.

This complexity was presented to the Delhi High Court in *Indian Performing Rights Society Ltd. v. Aditya Pandey*.¹⁶ The Indian Performing Rights Society (IRPS) which is a copyright society of authors and composers asserted that communication to the public of a sound recording involves the communication to the public of the underlying musical and literary works and, therefore, each time a sound recording is played, permission will have to be taken from both these rightholders in addition to the sound recording right holder. The single judge had concluded that once a license is obtained from the owner or someone authorized to give it, in respect of a

¹⁵ *Supra* note 8 at para 24.

¹⁶ 2012 (50) PTC (Del) (DB).

sound recording, for communicating it to the public, including by broadcasting, a separate authorization or license is not necessary from the copyright owner or author of the musical and/or literary work.

The complexity of the matter can be seen from the fact that this issue, in its many hues, had been subject of dispute earlier though the exact questions presented were, of course, of different nature. The prima donna of such past decisions is the decision of the Supreme Court in *Indian Performing Rights Society v. Eastern India Motion Pictures Association*¹⁷ (hereinafter, Eastern MPA). This decision, cited for several aspects of the issue, is also often noted for the melodic prose of the concurring opinion of Krishna Iyer J. Encountering ‘the moving romance between the words and the music’, Pradeep Nandrajog J speaking on behalf of the division bench, has followed this tradition and burst into a poetic exuberance in introducing the topic. While this may confound the students of law, the decision delineates the legal complexities as you read ahead.

The appellant *Indian Performing Rights Society* (IPRS) is a copyright society registered under section 33 of the Copyright Act 1957. It has about 1478 members who are either authors of the lyrics or composers. IPRS holds the right to maintain an action on behalf of these right holders in case of infringement. Phonographic Performances Ltd (PPL) is another copyright society registered under section 33 of the Act with sound recording right holders as its members.

The contention of IPRS is that section 14 of the Act grants the authors of the lyrics and composers of the musical score a series of exclusive rights including the right to perform the work in public or communicate the work to the public as well as to make sound recordings of the work. If the authors of musical and literary works exploit their right under section 14 (a) (iii)¹⁸ by permitting a third party to make a sound recording, the separate copyright in such sound recording shall not affect the copyright of their works as per 13 (4)¹⁹ of the Act. The right of owners to perform the work in public or communicate the work to the public, as per section 14 (a) (iii) is distinct from and not a subset of the right to make a sound recording

17 1977 (2) SCC 820.

18 14. (1) Meaning of copyright. For the purposes of this Act, ‘copyright’ means the exclusive right, by virtue of, and subject to the provisions of, this Act,

(a) in the case of a literary, dramatic or musical work, to do and authorise the doing of any of the following acts, namely:-

(i) to reproduce the work in any material form including the storing of it in any medium by electronic means;

(ii) to issue copies of the work to the public not being copies already in circulation;

(iii) to perform the work in public, or communicate it to the public;

(iv) to make any cinematograph film or sound recording in respect of the work;

(v) to make any translation of the work;

(vi) to make any adaptation of the work;

(vii) to do, in relation to a translation or an adaptation of the work, any of the acts specified in relation to the work in sub-clauses (i) to (vi);

19 13. (4) The copyright in a cinematograph film or a sound recording shall not affect the separate copyright in any work in respect of which or a substantial part of which, the film, or as the case may be, the sound recording is made.

[as per 14 (a) (iv)]. The copyright in lyrics and music are distinct categories with its own rights. Therefore, public performance or communication to the public of a sound recording will require separate permission from the right holders of literary and musical work.

The three classes of works referred to in section 2(y) of the Copyright Act, 1957, viz., (a) literary, dramatic, musical and artistic works; (b) cinematographic films and (c) sound recording are mutually exclusive. Section 13(4) recognizes that there is separate copyright in the underlying musical and literary works which are embodied in a cinematographic film or sound recording. Such underlying works do not lose their existence once a sound recording is made. The three works remain mutually exclusive and the ownership therein can be exercised to the extent prescribed by the Act. According to IPRS, a contrary view will lead to 'merger principle', i.e., underlying copyrights will merge in the sound recording, which is not as per the scheme of the Indian Copyright Act. This would mean that when owner of a literary or a musical work allows the making of a sound recording, it would give birth to a distinct right, unhampered by any rights in the literary and musical works. They urge that those who obtain the permission from the owner of the sound recording to 'broadcast or communicate to the public the sound recording' must obtain a similar permission from the owner of the underlying copyright works. They disagreed with the order of the single bench that once a license is obtained from the sound recording right holders a separate authorization or license is not necessary from the copyright owner or author of the musical and/or literary work. The single bench had followed the decision of *Eastern MPA* and held that a similar treatment should be afforded to sound recording copyright as afforded to cinematographic film copyright and separate permissions are not required.

The counsel for IPRS sought to distinguish the decision of the Supreme Court in *Eastern MPA* stating that it dealt with the a contest between authors and composers on the one hand and that of film producers on the other with respect to authorship of rights of literary and artistic works incorporated in the sound track of the film and not with the issue of exploitation of the works. The court was dealing with the question of ownership in the context of the music and the lyrics being composed by persons engaged to create them, in other words, commissioned works. IPRS argument was predicated in section 13 (4) and section 22 that gives different terms of copyright for sound recordings.

The division bench observed that when a song is recorded, there is homogenization of the lyrics with the musical score there certainly is integration:²⁰

The Act, recognizing the separate existence of the three copyrights, requires it to be held that creating of a sound recording is through the simultaneous integration of the differentiated and notwithstanding the constituent differentials existing, the integrated whole i.e. the sound recording when broadcasted to the public is an exercise of the ownership right on its own strength. The situation may be dichotic, but it has to be so. The three works exist, independent of each other, and do not co-exist - joined by an umbilical cord.

20 *Supra* note 16 at para 36.

In view thereof, the argument predicated upon Section 13(4) and Section 22 with reference to the difference in the terms of copyrights in literary and musical works on one hand and sound recording on the other advanced by the learned senior counsel appearing for IPRS which proceed on the premise that to hold to the contrary would result in merger, in the sound recording, of the underlying copyrights and hence lose their separate existence is incorrect.

The court held that there is subtle difference between the rights of the rights of owners of literary and musical works on one hand and sound recording on the other. Section 14 (a) of the Act authorizes the owner of copyright in literary and musical works to perform the work in public or communicate it to the public. On the other hand, section 14 (e) of the Act authorizes the owner of copyright in sound recording only to communicate the work in public. The court held thus:²¹

Copyright Act draws a distinction when communication to the public is by way of live performance and when it is by way of diffusion. Thus, whereas the owner of copyright in literary and musical works enjoys the right to communicate said works to the public by way of live performance the owner of copyright in sound recording does not enjoy similar right to communicate the sound recording to the public by way of live performance. A necessary corollary to the aforesaid is that the communication of a sound recording to the public by the owner of the recording in no way encroaches upon the right of the owner of the underlying literary and musical works to perform said underlying works in the public, as correctly held by the learned Single Judge...

The court followed the decision of the Supreme Court in *Eastern MPA* wherein it was held that once the author of a lyric or a musical work parts with his copyright by authorising a film producer to make a cinematograph film, thereby gets the work incorporated or recorded on the sound track of a cinematograph film, the latter acquires by virtue of section 14(1)(c) of the Act on completion of the cinematograph film a copyright which gives him the exclusive right to cause the film to be seen in public and the acoustic portion including a lyric or a musical work to be heard in public without securing any further permission of the author (composer) of the lyric or a musical work for the performance of the work in public.

IPRS had pointed out that the international practice was to treat the rights separately requiring separate permissions and relied on the UK Copyright Designs and Patents Act, 1988 to illustrate the point. The court held that had the intention of the legislature was that the owner of sound recording should not communicate the sound recording to the public without obtaining the permission of the owners, or that two such permissions had to be obtained, it should have specifically manifested such intention in the Copyright Act 1957, particularly when the UK Copyright Designs and Patents Act, 1988 manifests it.

21 *Supra* note 16 at para 38.

While referring to the decision of the Madras High Court in *Muthoot Finance Pvt. Ltd. v. IPRS*,²² wherein it was held that Muthoot, who owned an FM station, had to take permission from IPRS, the division bench of Delhi High Court disagreed with the said decision, noting that the view was taken at the interim stage.

The division bench concluded that two separate permissions will not be required, one from PPL (copyright society representing right holders of sound recording) and other from IPRS (representing literary and musical right holders) to publicly perform a work.

The effect of amendment

Copyright Act, 1957 was amended in 2012. The amendment had introduced the following provisions under section 18 as below:²³

Provided also that the author of the literary or musical work included in a cinematograph film shall not assign or waive the right to receive royalties to be shared on an equal basis with the assignee of copyright for the utilisation of such work in any form other than for the communication to the public of the work along with the cinematograph film in a cinema except to the legal heirs of the authors or to a copyright society for collection and distribution and any agreement to contrary shall be void

Provided also that the author of the literary or musical work included in the sound recording but not forming part of any cinematograph film shall not assign or waive the right to receive royalties to be shared on an equal basis with the assignee of copyright for any utilisation of such work except to the legal heirs of the authors or to a collecting society for collection and distribution and any assignment to the contrary shall be void.

Sporting events and news broadcasts

News becoming entertainment and entertainment becoming news are common. Televising of sports events have ceased to be mere sports broadcast, but a multimillion dollar business where live feeds of the sporting event is embellished by statistics, graphics, analysis and several other value added inputs going beyond mere broadcast of a live event. *ICC Development (International) Ltd. v. New Delhi Television Ltd.*,²⁴ deals with the rights of the news organizations in reporting the current sport events. The issues brought up in this case include constitutional rights under article 19 (1) (a), statutory rights under, sections 37 and 52 of the Copyright Act, 1957 and so on.

The plaintiffs held the exclusive broadcasting rights for ICC events. They had the exclusive right to record, use and edit the footage for showing on television. One of the plaintiffs runs a sports channel. According to the plaintiffs all rights, including copyright and the right to sublicense vests with them. Plaintiffs claim to have made substantial investment in time, skill, labour and money, for organizing

22 2010 (42) PTC 52 (Mad).

23 As amended by Act No. 27 of 2012.

24 193 (2012) DLT 279.

such event. Since the stadium where the matches are held have limited capacity, television is the primary source of disseminating such events. They claim that the television production of the ICC Cricket World Cup 2011 (ICC CWC 2011) alone cost more than US\$ 10 million.

The defendant company is running a number of TV news channels. It is alleged in the plaint that during ICC CWC 2011 the defendants violated News Access Guidelines framed by the plaintiff and infringed the copyright and other rights. The guidelines framed by the plaintiff permit the usage of fresh feed for five and half minutes per newscast, two minutes of fresh footage per hour of broadcasting and two repeat exhibition per broadcast hour. The defendant far exceeded this limit and placed logos of ICC CWC 2011 adjacent to logos of third party who were not sponsors of the event.

The defendant while not denying the telecast took the stand that it had constitutional and statutory rights. Usage of footage in news amounts to fair dealing covered in exceptions provided under 39 (b) and 52 (1) (a) (iii) of the Copyright Act, 1957. Though primarily guided by principles of fair dealing they were also guided by the guidelines issued by National Broadcasting Association (NBA).

The court noted that neither the guidelines framed by the plaintiff nor the guidelines of NBA have statutory backing and can only be used as an aid to determine the usage that is consistent with fair dealing with the work. A reproduction of the work (footage) for excessive duration may amount to infringement of copyright and broadcasting rights. If the sponsors will not patronize ICC by paying huge sums if they can directly strike deals with news channels by paying much less amounts and this would affect the revenue of the plaintiffs thereby impairing their capacity to organize such events and to broadcast them to the viewers.

The court noted that the defendant is running news channels and not a sport channel. Presenting special programmes is a part of its right to report the event to the public. But if the footage of the plaintiff is used, and if the defendant carries an advertisement immediately before, during or after, then it amounts to commercial exploitation of the work of plaintiff, not protected under article 19 (1) (a) of the Constitution nor under fair dealing provisions. The defendant cannot use the name, logo *etc.*, of any advertiser while carrying the footage of plaintiffs in a manner that gives the impression that the advertiser is a sponsor or is associated with the event. The defendant cannot be allowed to earn commercial advantage at the cost of the plaintiffs.

The interest of the viewer of news channels is not confined to cricket and so it is free to show advertisements on tickers when the footage is being shown. The private channels cannot survive without advertisements. They carry advertisements on tickers not only when they telecast the footage of the plaintiffs but even when they telecast other works upon which copyright subsists. The obvious reason is that such advertisements are not commercial exploitation of such work and this concept is in accordance with fair dealing enshrined in sections 37 and 52 of the Copyright Act, 1957. But it should not carry any advertisement, even on tickers if a special programme using plaintiff's footage is being shown.

The court placed restrictions only on the usage of live footage of plaintiffs. The newschannels are free to report the event without any restrictions, so long as

live footage is not shown. Newsreaders and reporters can inform the viewers of every important development in the match, besides showing the live score of the match. The restrictions are only on using the live footage of the plaintiffs.

Based on these reasonings, the court has issued detailed guidelines as what can actually be shown by news channels, how advertisements can be shown, how sponsored programmes involving defendant's footage can be carried out, and advertisements thereon *etc.*

Copyright board and interim orders

FM stations play a significant role in energizing radio movement and have now become ubiquitous. They are thriving primarily on music and are often faced with copyright issues. The issue of compulsory license and the operation of section 31 of the Copyright Act, 1957 became active after the emergence of FM Radio stations that were seeking permissions of copyright holders to play music. There is significant commercial interest as FM stations thrive on advertisement revenue and right holders try to maximize their returns. This has become one of the important areas of adjudication of the copyright board.

The Supreme Court was faced with the issue whether the copyright board on a complaint made under section 31 of the Act can pass interim orders in the pending complaint. It was brought to the notice of the court that copyright board is deemed to be a civil court for the purposes of section 345 and 346 of the Cr PC and the proceedings before it shall be deemed to be judicial proceedings within the meaning of sections 193 and 228 of the IPC. Elaborate submissions were made on the powers of the board to grant interim compulsory licenses.

The court held that the language used in the section clearly contemplates a final order after a hearing and after holding an enquiry as to whether the ground for withholding the work from public is justified or not. There is no power given to the board to make interim arrangements. The only relief contemplated under section 31 is the final relief. Granting an interim compulsory licence during the pendency of proceedings would amount to granting final relief at the interim stage.

It is true that tribunals discharging *quasi* judicial functions have trappings of a court and are generally considered to be vested with incidental and ancillary powers to discharge their functions. Even in matters under order XXXIX rules 1 and 2 and section 151 of the CPC, an interim relief amounting to granting of final relief should be given after great caution and in rare and exceptional cases. Such incidental powers could at best be said to exist in order to preserve *status quo*, but not to alter the same. If the legislature intended that the board should have power to grant interim relief, it would have vested it with such authority. The presence of power cannot be inferred from the absence thereof.

The decision of the court was pronounced by Altamas Kabir J. There is an interesting concurring opinion to this decision by Chelameswar J. The concurring opinion dissects the principles behind section 31 of the Copyright Act, 1957. The basic premise of the concurring opinion is that the jurisdiction and authority of courts and tribunals are structured by the statutory grants and limitations. Whether copyright board has jurisdiction to grant *ad hoc* compulsory license by an interim order pending adjudication has to be examined through section 31 of the Act.

Copyright in a work is a valuable right subsisting in its owner. Such a right may be commercial or non commercial (e.g., moral rights). It is the right of the owner to decide on what terms and conditions he would part with the copyright of his work. Section 31 creates an exception to this absolute right of the owner. In substance, the section deprives the copyright of the owner against his volition. By section 31, the state is authorised to deprive the owner of his or her copyright in a work. In view of the constitutional mandate under article 300A, such a deprivation can only be under the authority of law. It is well settled constitutional principle that such deprivation can only be for a public purpose. For the issue of compulsory license under section 31, it has to be established that (i) the work is withheld from public, because of the owner's refusal; (ii) the owners refusal is on grounds that "are not reasonable" in law. The reasonableness or otherwise of owners refusal to republish a work can only be decided only after affording a complete hearing to the owner of the work.

The power under section 31 is essentially for the benefit of the public. A power to grant interim compulsory license can be implied only if it is demonstrated that failure to imply such power to direct immediate republication or performance of the work in public would be detrimental to the public interests. The concurring opinion concludes that in the absence of an express statutory grant power to grant an *ad hoc* compulsory license by way of interim order cannot be implied.

This concurring opinion is noteworthy not only for the delineation of nuances of section 31 but also for the exposition of property right jurisprudence to the intellectual property case determination.

Is copyright registration mandatory?

Most students of law will shout a loud no to this question. Berne Convention for the Protection of Literary and Artistic Works, 1886, of which India is a signatory and which has also been adopted in the TRIPS Agreement states in its article 5(2) that enjoyment and exercise of the rights shall not be subject to any formality (of registration).

Sections 13 and 14 of the Copyright Act, 1957, which defines the copyright and its meaning does not require registration. Section 45 provides that the author 'may' apply to the registrar for entering the particulars in the register of copyrights.

But, according to the Bombay High Court, registration of copyright is compulsory in order to invoke the provisions of the Copyright Act or the remedies provided therein. This is according to the decision of A B Chaudhari J in *Dhiraj Dharamdas Diwani v. Sonal Info systems Pvt. Ltd.*²⁵

The court noted that section 44 of the Act provides for register of copyrights in which the registrar may enter names and titles of owners of copyright and other particulars. The court held that the word may used in this section 44 casts a duty on the registrar to make entry if everything is in order. It went on to note that section 48 provides that the register shall be *prima facie* evidence of the particulars entered therein. Section 50 A requires publication of the works entered into the register.

What seems to have exercised the mind of the court is section 51 that defines when copyright is infringed and section 63 that provides for penalty for the offence

25 2012 (2) BomCR 842, 2011 (114) Bom LR 2251.

of infringement. To make a person liable criminally, it will have to be shown that such a person was fully aware of the owner of the copyright and infringement was done despite knowledge of such ownership. If the registration is not made and published in the official gazette, an infringer would not have knowledge about ownership of copyright of a particular copyright owner and the criminal court will not be able to convict such a person. In the absence of registration, a police officer cannot be expected to take cognizance of copyright infringement.

A person infringing the copyright must be deemed to have knowledge about the owner of copyright and such knowledge cannot be attributed unless the provisions in the Act regarding the registration of copyright, publication, *etc.* are complied with. Otherwise, an innocent person can be an infringer which can never be the intention of the legislature.

Therefore according to the court the word 'may' in section 45 (1) means that of anyone wants to invoke civil and criminal remedies provided in the Act, he must have registration. The word 'may' used in section 45 of the Act will have to be read as 'shall' considering the scheme of the Act. To arrive at this conclusion the court based the rationale on the decision of the Supreme Court of India in *Exphar Sa v. Eupharma Laboratories*²⁶ where the apex court stated that if a person does not want to register a copyright he may omit to do so, but he will not be entitled to seek remedy under the Copyright Act, 1957, for want of registration.

It is not the first time that a court handed down a decision that registration of copyright is necessary for copyright protection. The Madhya Pradesh High Court had held in *Mishra Bandhu Karyalay v. Shivratn Lal Koshal*²⁷ that registration was mandatory. This decision was considered and rejected in many other cases. In the instant decision the Bombay High Court cited these decisions and noted that they dissented with the Madhya Pradesh decision and the prominent reason was the section 45 used the word 'may' and that section 13 and section 14 of the Act does not provide for compulsory registration. These decisions had also highlighted that section 48 providing for presumption was only to indicate rule of evidence of rebuttable presumption and *prima facie* evidence.

If this decision holds, the state of Maharashtra probably has a copyright law that is essentially different from the rest of the world.

V PATENT

The controversy in *F. Hoffmann-La Roche Ltd v. Cipla Ltd.*,²⁸ was around a pharmaceutical product for treating non-small cell lung cancer. This dispute between a global pharma major and a generic giant fought in the High Court of Delhi has all ingredients of a complex patent litigation. As Delhi High Court is having original jurisdiction, the parties led evidence before it and there is a detailed discussion of the outcome of examination and cross-examination of the witnesses. In a judgment running to 208 printed pages, the Court held the patent valid, but the defendant not

26 2004 (3) SCC 688.

27 AIR 1970 MP 261.

28 MANU/DE/4182/2012.

guilty of infringement of the patent as they were making a polymorphic form of the salt.

The plaintiffs held the Indian patent for 'Erlotinib Hydrochloride'. These are marketed as Tarceva. The plaintiff sought injunction against the manufacture by the defendants of the drug Tarceva or any other generic version of it. The defendants claimed that the patent in question is liable to be revoked as it is only an improvement over the known Quinazoline compounds, which are used in various anti cancer treatments. The patent is granted for the derivative of this known compound and hence not patentable under section 3 (d) of the Act. The defendant's counter claimed that the compound in the suit patent is a mixture of two polymorphs, A and B compounds, and need to be separated to get the claimed compound for acceptable efficacy. The Plaintiff's capsule costs Rs 4.800 per tablet and equivalent tablet of defendant costs Rs. 1600. Since these are life saving drugs, in public interest no injunction can be granted.

The court first took up the issue of the lack of inventive step of the suit patent. The defendants in their counter claim contended that the suit patent is obvious from a European patent of Zenecca Ltd., which had the Markush structure of Quinazoline derivative claiming the pharmaceutically acceptable salts thereof, of which one example is a close prior art. The plaintiffs pleaded that the defendants failed to provide any reason or motivation for a person to choose one particular example over five such other examples mentioned in the same patent with similar biological properties. Essentially the change made in the compound involves the substitution of a methyl group with an ethynyl group of the example in the zenecca patent. The defendant laid out detailed arguments on the lack of inventive step, the onus of proof being on them being the counter claimant, while the plaintiff pointed out the anomalies on the defendant's arguments.

The court delved into the scientific complexities of this issue with deftness. For the purpose of this review, only the legal issues are discussed. Suffice to say, this judgment demonstrates the ability of Indian courts to examine and decide a complex patent dispute, with a professional approach comparable to any other jurisdiction in the world.

Appropriately, the court set out as a first step to find out the true tests on the basis of judging the 'obviousness' or the 'inventive step' as per the Patents Act, 1970. The definition of inventive step is under section 2 (1) (ja) of the Act. In order to qualify inventive step, section 2 (ja) mandates two conjoint requirements:

- a) the invention involves a technical advancement as compared to existing knowledge or economic significance or both
- b) that makes the invention non obvious to a person skilled in the art.

The court observed that beyond the above two ingredients there is no further ingredient which should be read into to enlarge or limit the scope of the section.

The test of obviousness has been minutely discussed by a three bench of the Supreme Court of India in the case of *Bishwanath Prasad Radhey Shyam v. Hindustan Metal Industries*.²⁹ The court noted that this landmark decision is followed

29 AIR 1982 SC 1444.

by courts across the country and all matters relating to patent infringement are decided on its basis. The definition laid out therein still hold the ground as the wordings of the relevant provision post 2005 amendment remain the same. The test is that the invention should not be obvious to a person skilled in the art. The observations made in foreign judgments ascribing qualities to the said person like unimaginary nature or other distinct qualities cannot be read into this section. The Indian Patent Act does not ascribe further qualities of the person skilled in the art. The observations of these foreign decisions are not guiding factor on the qualities of the person skilled in the art as it would mean qualifying the test laid down by the Supreme Court.

The court laid out the test of obviousness in the following manner:³⁰

Normal and grammatical meaning of the said person who is skilled in the art would presuppose that the said person would have knowledge and the skill in the said field of art and will not be unknown to a particular field of art and it is from that angle one has to see that if the said document which is prior patent if placed in the hands of the said person skilled in the art whether he will be able to work upon the same in the workshop and achieve the desired result leading to a patent which is under challenge. If the answer comes affirmative, then certainly the said invention under challenge is anticipated by prior art or in other words, obvious to the person skilled in the art as a mere workshop result and otherwise it is not. The said view propounded by the Supreme Court in *Biswanath Prasad (supra)* holds the field till date and has been followed from time to time by this court till recently without any variance.

The court held that while interpreting the provisions of Patent law in India, particularly relating to the test of obviousness or inventive step, the practices of other jurisdictions should not be automatically followed:³¹

It is also not disputed that the Courts internationally have laid down certain other criterion while dealing with the patents relating to chemical compounds and the tests are somewhere seem to be different from what has been governing the field in Indian context as per the Indian Patents Act, 1970 as amended in 2005. However, the said tests laid down by courts either in Europe or in US cannot be as a matter of natural consequence applied in the Indian context on the mere insistence of the parties. This is more so when the observations of Hon'ble Supreme Court earmarking "inventive step" and defining the scope and ambit of the same are governing the field with no caveat or exception to any particular kind of patents.

The court concluded that there exists a jurisprudential difference between the patent law in India and that of US and European countries. The tests on inventiveness shall vary accordingly from country to country. While considering the decisions of

30 *Supra* note 28 at 49.

31 *Id.* at para 51.

foreign courts the correct approach will be to consider only those decisions that are in consonance with the Indian patent law and the judgments of the Supreme Court of India. The aid taken from American and English decisions shall be from such decisions as are consistent with Indian law.

The Supreme Court has held in *Biswanath Prasad* that the question of 'obvious to a person skilled in the art' is a mixed question of fact and law. Therefore, anyone challenging a patent must aver so and establish the material facts to establish obviousness, which are a bundle of facts comprising of a chain of events making the invention obvious to a person skilled in the art. Based on these observations the court culled out the principles to be applied to determine 'obviousness' determination. The onus is on the person challenging the patent to show that the patent is obvious. The following material facts are required to be established:

- a. The selection of the impugned invention is taken from the examples of known prior art.
- b. That the selected invention is not far removed from the known range illustrated in the example. Rather, it is closer to the known range.
- c. That the selection area is not on the basis of any purpose of the inventor and is merely an arbitrary picking up the compound.

The above are some broad criterion based on which it can be tested whether the challenger has discharged the onus of establishing the material facts necessary. The existence of the above events is a question of fact and shall vary from case to case. These factors are inclusive and not exhaustive and there may be other chain of events peculiar to the specific cases. The onus of proof required to be discharged in revocation and infringement proceedings are based on normal standard required in civil proceedings, namely, the balance of the probabilities. It is not the burden of proof in criminal cases, which is proof beyond reasonable doubt.

The court went on to apply the principles enunciated above to determine if the patent involved an invention which is not obvious. Based on the evidences led by both sides the court found the following:

- i. There is a structurally similar compound in the prior art patent document (except that the methyl in the suit patent has been replaced with ethynyl at the particular position)
- ii. There is similarity in the abstracts and specification with some patent documents
- iii. There is the possibility of treatment of ethynyl instead of methyl as they are related to same group of alkyl, which is done in other prior patents.

The court found that the defendant has been able to show that the selection of the compound is from a known range. But it could not lead evidence to establish that the said range is not far removed from the known range and how the selection was arbitrary in nature. There should have been depositions to the effect that the selection of the range was arbitrary and not purposeful. In the absence of positive evidence to establish that the selection of the range is arbitrary by non application of mind which is a crucial factor in determining if the patent is obvious or not, it

cannot be assumed *a priori* based on structural similarities of molecules that replacement of ethyl with methyl was a normal thing to do for a person skilled in the art.

The court also took into consideration that the plaintiffs are engaged in drug discovery and their inventors are persons skilled in the art. The following analysis reflects a clear understanding of the reality:³²

The plaintiff's inventor being a conscious person is equally aware of the defects in the pre-existing medicine or compound and its inability to cure the disease properly and therefore would select the range from the point where the last research ended. Therefore, there is no harm so far as taking the compounds from the previous state of the art is concerned unless it is further backed by evidence that the said selection and the working is arbitrary in nature. On the other hand, it indicates that inventor was conscious about the existing state of the art. Accordingly, even if the range from EP226 was selected by the plaintiffs to conduct further workings on the same, unless shown contrary, it cannot be said that the selection is an arbitrary one.

The court also considered the commercial success of the medicine worldwide. Though commercial success is *per se* not determinative, it shows an attending circumstance that purposeful research led to narrowing down the compounds resulting in a single compound that has been widely successful and effective. The observation of the court is relevant in the context of section 2 (I) (a) which treats commercial success as one of the parameters for determining obviousness.

On the balance of probabilities the court held that the defendant was not able to discharge the onus of establishing a bundle of facts or chain of events leading to the inference of obviousness. The initial onus of satisfying the three requirements was on the defendant and that it failed to discharge.

Various English, US and European decisions were referred to by the bench. The application of the test of motivation, teaching and suggestion by these courts leads to the conclusion that challenge to the patents in pharmaceuticals are tested on stricter grounds and dismissed unless those tests are qualified by the person setting up the challenge. But this is not the position in India:³³

Thus, due to the operation of the said doctrinal tests like motivation, suggestion and teaching and others existing in US which gives a kind of presumption of validity to the patent but similar position does not happen to the Indian jurisdiction where the patent is always vulnerable to challenge unless discarded by positive evidence.

The court noted that this view was supported by the English decision in the case of *Dr. Reddy's Laboratories (UK) Ltd. v. Eli Lilly and Co. Ltd.*,³⁴ where the

32 *Supra* note 28 at para 85.

33 2012 (52) PTC 103.

34 [2009] EWCA civ 1362.

court of appeal held that the ordinary approach to obviousness determination should be followed even in cases relating to patents involving chemical compounds rather than what has been followed by other European courts and patent offices and that no such special approach is warranted in law.

... the tests laid down (by the) Supreme Court in Biswanath Prasad (*supra*) relating to ordinary jurisdiction relating to patents which have also been applied by the courts in England in the case of Court of Appeal in Dr Reddy (*suprs*). Therefore, the decisions referred to by both sides delivered by District Court whatsoever value they hold do not persuade me to change my decision.

The court has thus enunciated a distinct jurisprudential approach of India in determining the key question in patent litigation of obviousness determination. The laying out of this philosophy is bound to make this judgment a landmark one which is likely to be cited many times in the times to come.

Based on the evaluation of evidences the court held that the patent is valid, as the defendant has not been able to establish the challenge through positive evidences.

The court noted that the innovation and invention in chemical compound is not merely to innovate a new set of compound *per se* but also making improvements in the existing state of the art by taking the aid of the already existing compound through research. Therefore, the court cannot be satisfied by mere reliance of similar structure in the prior art and thereafter assuming slight substitutions are inconsequential. Due to the failure of the defendant to establish the material fact on the lack of inventive step as per section 64 (1) (f), the challenge fails and patent remains valid.

Challenge relating to section 3 (d) of the Act

The defendants in their counterclaim argued that the suit patent is another form of the compound cited in an earlier European patent and, therefore, a new form of a known compound, hit by section 3 (d) of the Act. According to the court:³⁵

It is one thing to say that the Patent lacks the inventive step in as much as the same is obvious to the person skilled in art as the same may amount to workshop result which is per say not patentable. However, it is another thing to say the patent is a new form of the old substance which is pre existing. The line may be blurred between the two but there lies a subtle difference. This is the reason why even the legislature thought it appropriate to insert and define both the concepts separately under section 2 (j) (a) and section 3(d).

The challenge of 3 (d) will require proof as to what was the old substance, how it can be said to be the same as the subject invention or the new use of the same substance. Though the defendant contended that the substance is known from a pre existing patent, it could not provide positive evidence to show that the suit patent coincides with that compound or a new form of that compound. In chemical

35 *Supra* note 28 at para 120.

substances research is common, there will be structural similarities and the mere fact of grammatical similarity in the description of the invention in abstract or in middle cannot lead to inference as the same substance or new form of the old substance. The court held that the defendants could not discharge its onus of proof to establish with clarity that the invention is a new form of the old compound. On the other hand, the court noted that the plaintiffs have been able to prove enhanced efficacy.

The challenge of violation of section 8 of the Patents Act

One of the grounds raised in the counter claim of the defendant is that the patentee is guilty of not disclosing material facts which are required to be given to the patent office as per section 8 of the Act. Section 8 mandates the applicant for a patent to disclose the information to the controller of patents regarding any patent application which is pending in a country outside India in respect of the same or substantially same invention. The non filing of such information would lead to revocation of patent under section 64 (1) (m) of the Act. The obligation cast upon the patent applicant relates to any application which he is prosecuting either alone or jointly in foreign countries including applications which are filed subsequently during the time when the prosecution before the Indian patent office is underway.

The court observed that the section 8 is aimed to provide the controller true and faithful disclosure of all the information relating to patent applications which are about the same or substantially the same invention. This is to enable the controller to adjudge matters relating to prior art, title, obviousness or other related issue in the patent, and the views the foreign offices take on these matters. Therefore, it is the bounden duty of the patent applicant to keep the controller informed from time to time the information relating to patent prosecution, title etc, and any violation of the same may attract section 64 (1) (m) of the Act upon the instance of the adverse party.

The challenge in the counterclaim of the defendant is that the plaintiffs has not disclosed before the Indian patent office about a US patent which was filed subsequently, relating to the same or substantially the same invention. There are agreements in relation to the ownership of patent that has not been filed before the patent office. Information about the ownership of patent would have enabled an opponent to set up a challenge. The plaintiff's contention is that the subsequent US patent is a polymorphic version of the original compound that does not come under the meaning of the same or substantially the same invention.

The relevant facts are these: the suit patent contains the compound which comprises of combination of polymorphs A and B. The plaintiffs filed a subsequent patent in US for polymorph B as the earlier patent containing combination of polymorph and A and B is unstable. The medicine that is sold in the Indian market is in consonance to this subsequent patent. This subsequent patent on polymorph B version has been rejected in India.

The requirement of law is disclosure in respect of inventions that are the same or substantially the same. The court stated that the plaintiffs who claim to be one of the leading companies in medical research cannot be oblivious of the fact that conversion of one compound to another polymorph version may be either the same

or similar to the earlier version of the compound. The court concluded that the disclosure was not made and consequentially the ground of violation of section 8 read with section 64 (1) (m) of revocation due to that default was made out.

However, the court noted that there is discretion in its hands in such matters: ³⁶

... even in case the said compliance of section 64 (1) (m) of the Act has not been made by the plaintiffs, still there lies a discretion in the court not to revoke the patent on the peculiar facts and circumstance of the present case. The said discretion exists by use of the word “may” under section 64 of the Act. Thus, solely on one ground of non compliance of Section 8 of the Act by the plaintiffs, the suit patent cannot be revoked.

Other claims

The defendant raised several other grounds in the counter claim. They challenged the patent on the ground of concealment of facts while prosecuting the patent application and also improper examination by the patent office. The challenge was on ownership title and other concealments. The court held that the defendant was unable to marshal evidence to establish these claims.

Likewise, the ground of lack of proper examination by the patent office was also rejected. While discussing this ground the court observed that the process of examination and investigation is a matter between the examiner and the applicant till the time third party objection are received. It would be unjust to look at the examination process from a third party perspective. The third party comes into picture later during pre grant opposition stage. No right of third party is affected till the examination and investigation are completed. While challenging the examination process, the counterclaimant had raised some incidental objections like the specification does not explain the working of the invention in respect of formulation, dosage etc, the court held that these would cover separate ground for revocation of the patent, but it cannot be used to say that the examination is bad in process.

On the overall plea of revocation by the counterclaimant only the ground of violation of disclosure norm under section 8 inviting 64 (1) (m) was found correct. That being the only ground for revocation, the court exercised the discretion in favor of the plaintiff and held the patent valid.

Claim of infringement of patent

The suit sought permanent injunction against the infringement of the legal rights in the drug Tarceva (Erlotinib) and also from manufacturing, marketing the generic version of the drug Tarceva. It is to be noted that the plaintiffs, had not, perhaps rather cleverly, mentioned the chemical composition involving the patent but mentioned the tradename of the drug. It may be that at the time of institution of the suit, the plaintiffs understood that the drug Tarceva corresponded to that of the patent and therefore the infringement was sought of the legal rights of the medicine or drug Tarceva (Erlotinib).

The defendant in its counterclaim maintained that while the impugned patent is an admixture of the polymorph A and B, the drug Tarceva which has been

36 *Supra* note 28 at para 155.

manufactured in the market is based on the stable version of the patented drug, polymorph B form, for which patent has been refused in India. They led evidence to show that the plaintiffs' product which is being manufactured and sold as Tarceva is polymorphic B version of the compound.

The plaintiffs pointed out that the packaging of the defendant's product stated that the drug contained erlotinib hydrochloride, the patented compound and also in their declaration before the regulatory authorities that their medicine contained erlotinib hydrochloride.

The court noted that no clinical tests were placed by attorney of the plaintiffs which show and analyzes as to what are the exact constituents of their drug Tarceva and the defendant's drug Erlolcip. No evidence was led on the specific question whether the same corresponds with the Indian Patent in the entirety or whether it is the polymorphic version B of the suit patent compound. Plaintiff relied fully on what has been shown in the physical literature of the drug of the defendant. The court noted that such evidences only demonstrated that the drug contained Erlotinib Hydrochloride. Its expert witnesses deposed mostly on the aspects of efficacy and how the suit patent is not anticipated and not on the question of the exact constituents of the drug Tarceva. On the other hand, the defendant showed through the expert evidence of an X-Ray crystallographer that the plaintiff's product Tarceva is polymorphic B version of the patented compound. Another expert witness of the defendant stated through an affidavit that the tablet of form of Erlotinib Hydrochloride cannot be made by way of simply following the suit patent. The witness was cross examined by the plaintiffs on this aspect.

The court examined plaintiff's attempt to show infringement and showed how it did not discharge the onus of proof one by one. The plaintiffs attempted to establish infringement on the basis of what has been written by the defendant on its packaging of the drug which is erlotinib hydrochloride and what has been declared by the defendant before the authority. It has been contended that the defendant has not made any reference any polymorphic version of the compound anywhere on the product and therefore the court should find that the onus as to establishment of the infringement to be proved. The court held that the existence of the said fact by itself does not establish infringement. The claim of the plaintiffs is premised on the the patent of a chemical compound, therefore, the infringement of the same has to be established by corresponding chemical analysis of the defendant's product and not by mere comparison of the labels, strips or what is written thereon to show that there is an infringement. The label of the defendant's product does not indicate the form of the compound. The defendant has categorically stated, and led evidence to show that it is making polymorph B version which corresponds to the Tarceva product. The mere comparison of trade description, label and drug approvals are insufficient to arrive at the conclusion as to infringement of what is claimed in the suit patent.

Plaintiffs maintained time and again that the polymorphic version is subsumed in the underlying patent. Defendants content that polymorphic B version of the compound was never intended to be included in the patent and does not correspond with the patent claim. The plaintiffs pleaded that the defendant's polymorphic version B shall still fall within the ambit of the suit patent. The court held that the onus is on

the plaintiffs to show that the product of the defendant corresponds with the patent claim. That onus is independent of what position defendant's take in the proceedings. The court followed the principle laid down in the decision of the House of Lords in *Catnic Components Ltd. v. Hill & Smith Ltd.*³⁷ As per the catnic principle, whether the patent claim subsumes the product or the process impugned is a matter to be examined from the standpoint as to whether the patentee could have reasonably included the said product or process in question on the fair reading of the invention. This onus is on the plaintiffs who are alleging that there is an infringement of the patent claim and not the defendant. In case, the plaintiffs were able to prove before court that the defendant's products are not polymorph B version but under the patented product of suit patent, the position would have been different. The plaintiffs have a duty to explain what exactly is contained in the drug and how the patent is being infringed in the said product by taking from what is contained in the drug.

Following the catnic principle the plaintiffs have to explain from the purposive construction of the claim that the inventor intended at the time of framing of the patent to include polymorphic B form of the suit patent in the suit patent. The said onus of the plaintiffs is not discharged. The specifications of plaintiff's US patent application for polymorph breveal that there are number of steps involved in arriving at the polymorphic version B. Therefore, the argument of the plaintiffs that the compound patent will take care of the polymorphic version in absence of the positive evidence was rejected. The court held that the polymorphic version B of the compound falls outside the scope of the patented compound as it was never intended by the plaintiffs to be included at the first place.

The plaintiffs raised another interesting argument. They relied on the order of the controller of the patent in the pre-grant opposition wherein it was held that the polymorphic version B is a new form of old substance not patentable under section 3 (d). Therefore, the same polymorphic version has to be considered as the same substance which is subject matter of the suit patent. When there is a deeming fiction in law to treat the suit patent compound and polymorphic version B as a same substance the court should treat them likewise. The court held that it is 'well-settled principle of interpretation that the fictions engrafted under the statute are to be given effect to by the courts but by confining the scope, ambit and purposes for which the said fictions are enacted in the statute and not beyond the same. It is impermissible to extend the scope of the fiction beyond the purpose for which the said fiction has been enacted. The court held thus:³⁸

Applying the said principle of law to the present case, even if the fiction is engrafted under Section 3(d) to treat the Polymorphic version as a same substance, the said treatment has been accorded by the law only for the purposes of applicability of Section 3(d). The said limited fiction nowhere states and construed to mean that for all other reasons too including for the purposes of measuring the infringement of the patent, the said Polymorphic version B shall be deemed to the same substance.

37 (1982) RPC 183 (the Catnic principle).

38 *Supra* note 28 at para 273.

The court held that reading section 3 (d) in the manner in which the plaintiffs are reading would amount to extending the scope of the fiction beyond the purpose which is impermissible in law.

The defendant has not denied that its products are polymorph B version for which patent was rejected. Since the controller of patents in India has rejected the patent, the defendant is entitled to manufacture and market its product under polymorph B version.

The court held that in the absence of the discharge of onus of proof by the plaintiffs which was independently lied upon them, the plaintiffs have not been able to establish the infringement of the suit patent. On the other hand, the defendant has been able to discharge the onus to show that the plaintiffs' suit compound is a combination of A and B and the compound need to be converted or separated in order to arrive at the polymorphic version B. On the balance of probabilities the issue of infringement was answered against the plaintiffs and in favour of defendant.

Border measures

*LG Electronics India Pvt. Ltd. v. Bharat Bhogilal Patel*⁶⁹ involved a suit seeking declaration and consequential reliefs of injunction on the premise that the complaint preferred by the defendant no. 1, Bharat Bhogilal Patel against the plaintiff before the defendant no. 2, Commissioner of Customs, on the basis of which the customs department interdicted the consignments which were imported by the plaintiff LG Electronics, a leading consumer goods manufacturer. The Plaintiff's plea that this action without preferring an infringement action in accordance with Patents Act, 1970 amounts to groundless threats and ought to be prevented by the court. The defendant claimed to hold patent on using laser marking and engraving process which they claimed that GSM handset phone manufacturers are violating. They preferred a complaint before the customs department at Mumbai stating that the plaintiffs LG Electronics and other companies like, Sony India, Motorola India Private Ltd., Nokia India, Samsung India Electronics Pvt. Ltd., Videocon Mobile Phone Division, Spice Mobiles Ltd., Bharti Airtel Ltd. are importing GSM handsets (phones), which infringe his patent rights. The plaintiffs allege that the defendant no. 2, the customs department, is restricting clearance of plaintiff's imported consignments. Upon its goods being detained the plaintiffs obtained a copy of the impugned patent from the customs department and filed an appeal before intellectual property appellate board alleging that the patents lack novelty and inventiveness.

The court noted that the jurisdiction to determine the infringement of a patent lies with the civil court under section 104 of the Patent Act, 1970. The jurisdiction further vests with high court once the validity of the patent is assailed in the infringement proceedings as per the statutory mandate. The defendant no.1 filed no such suit, instead they filed a complaint before defendant no.2, customs department, which led to the impugned action. The court also noted that section 106 of the Patent Act, 1970 provides the power to the court to grant the relief in cases of groundless threat of infringement of proceedings.

The plaintiff pleaded that the defendant no. 2 cannot act upon the complaint once they are informed about the *prima facie* lack of novelty. It is averred the

actions by the customs department at the behest of the defendant no. 1 are neither in the exercise of the power conferred upon them nor are they permitted under the governing law of Patents Act, 1970 to proceed to adjudicate the same, the jurisdiction of which exclusively vests with the civil court. The Intellectual Property Rules of 2007 and the circular issued thereafter make it apparent that the customs department is an implementing authority which will only act consequent upon the orders of the court and cannot keep on interdicting the consignments and proceed to adjudicate the infringement claims before the same. The actions of the defendants are causing damage to the reputation of the plaintiffs, frivolous and vexatious leading to groundless threats, when no such powers exist under the law.

At the heart of this controversy is the intellectual property rights (Imported Goods) Enforcement Rules of 2007 under the custom act and the circular issued thereunder giving the powers to the Commissioner of Customs to interdict the consignments that infringes patent. The Commissioner of Customs is empowered to suspend the clearance of the goods when “he has a reason to believe”, on the basis of the notice given by the right holder that the goods are infringing the rights of the right holder. The commissioner has to immediately inform the importer about the said suspension. If the proprietor does not join the proceedings, the goods shall be released after the time limit fixed under the rules. Likewise, safeguards are provided for the importer. The suspended goods must be released immediately if the suspicion which formed the basis does not culminate into the conclusive reason to believe.

For the purpose of the formation of the opinion post the suspension, the customs can seek assistance from the right holder, technically or otherwise in order to form of his opinion as to whether the goods infringe the intellectual property rights of the holder or not. The rules provide that the customs shall allow a right holder and the importer or their duly authorized representatives to examine the goods, the clearance of which have been suspended, and may provide representative samples for examination, testing and analysis to assist in determining whether the goods are pirated, counterfeit or otherwise infringe an intellectual property rights.

The court noted that there is only limited scope of enquiry for the formation of the opinion on infringement. The rules provide for bare minimum provisions for determination of complex nature of intellectual property rights like patent infringement. The rules does not guide the custom commissioner as to how to read the specification of patent, how to arrive at the positive finding of the patent infringement and also nowhere guides the commissioner as to what he has to do once the challenge is set up against the infringement of patent claim by the importer. The rules also overlook the participation of the civil court that has the jurisdiction to determine infringement claims under the Patent Act, 1970. The court recalled that there is no presumption of the validity of the granted patent under the law of patents unlike Trade Mark Act or Copyright Act. This is unlike the scheme of other intellectual property rights, where the certificate of the registration shall form *prima facie* proof of validity.

The scheme as it is framed now raises questions as to how the customs can be given powers of adjudication of the claims relating to patents without amendments to the Patents Act. The court then went into the provisions of TRIPS agreement and

found that the mandatory obligations under articles 51 to 60 of the TRIPS dealing with border measures are restricted to copyright and trade marks infringement only. The Rules issued by the customs department deal with patents, designs and geographical indications violations as well, claimed to be in conformity with the practice prevailing in some other countries, notably EU countries. The court observed that while it may not be difficult for customs officers to determine copyright and trade marks infringements at the border based on available data/inputs, it may not be so in the case of the other three violations, unless the offences have already been established by a judicial pronouncement in India and the customs is required to merely implement such order. In other words, the court observed that extreme caution needs to be exercised at the time of determination of infringement of these three intellectual property rights. The court observed thus: ⁴⁰

Therefore, the Indian rules of 2007 and circular made thereunder which read at many places that they are TRIPS compliant rules and it is mandated by the TRIPS that such rules be made and the custom officials are to be empowered accordingly are not the ones which follow the TRIPS regime as contemplated by the agreement in the letter and spirit. In fact, the said rules do not take care of the safeguards provided under article 51 in the form of proviso which states that the requirements of this section are met.

As stated above, it was also optional and not obligatory for the member countries including India to adopt such regime of border measures relating to patents and other forms intellectual property rights except trademarks and copyright but in case of exercise of such option, the countries including India should have framed the rules only in consonance with the conditions and the manner set out in the agreement. Thus, neither it was obligatory for the government or the customs to frame such rules under the international law or to implement TRIPS agreement by framing the same in the present form treating all forms of Intellectual properties alike and assuming the role of the adjudicatory authority nor the government or the customs have followed the manner or requirements as set out under the TRIPS agreement for the purposes of conferring such power to the custom officials as per the agreement

The court clarified that it is not testing the validity of the rules *vis-a-vis* the TRIPS agreement as it would not be in its jurisdiction. It looked at the articles of TRIPS agreement circular dated 29.10.2007 that it is based on the TRIPS agreement. The court found that the rules are a departure from the TRIPS provisions itself and is in violation of article 1 of TRIPS Agreement.

The court went on to examine the European Union Regulations on Border Measures as the circular states that India is following follow the said practice prevalent like in EU countries. The court found that the EU regime relating to border measures on patent infringement is in consonance with TRIPS agreement which mainly rests on the scheme wherein custom authorities are either acting as

40 *Supra* note 39 at para 58, 59.

an implementing authorities or otherwise giving the parties the time to approach the appropriate authority to decide the dispute on merits or acting under the compromise of the parties where parties agree to abandon the suspended goods. The EU regulations do not empower the custom official to assume the role of adjudicatory authorities, unlike the Indian rules. The court held thus:⁴¹

It is already seen that the true import of the rules of 2007 is that the customs shall act as an implementing authority under the orders of the court, therefore if any proprietor or the right holder issues a notice to the custom officials and the custom officials act upon the same by causing restricting the imports of consignments of any party without the determination (prima facie or otherwise) of the factum of infringement of patent by the appropriated designated authority which is civil court under the governing law, then such notice by the right holder to the third party which is customs and the actions thereof by the customs either in the form of notice to that party or otherwise calling upon the party to explain its stand which no such position exists in law are all unnecessary illegal threats to that party.

Such actions, according to the court constitute ‘abuse of the law’ within the ‘ambit of groundless threat as envisaged under the law of patents’. The court restrained the customs officials⁴² from taking further action and the operation of the complaint filed before the customs authorities were stayed.

41 *Supra* note 39 at 96.

42 At the interim stage the court had issued an order staying the action of customs and questioning the powers of the customs. While this order was in operation, the customs department issued a circular reiterating its powers and questioning the high court’s interpretation. On this issue the court observed:

Clearly and plainly, the actions of the custom authority/ defendant no. 2 to indulge into such action giving its own interpretation to the rules and circulars contrary to the court’s interpretation once the orders of this court are in force is not merely wrongful, illegal, actuated by malice but also is an utter disrespect to the orders of this court.

The malafides of the defendant no. 2 is apparent when in the teeth of the orders of this court, the commissioner of customs are giving instructions to the fields to further continue to interdict the consignments on the basis of infringement of the patent without any fetters. The said circular states that the earlier circular nowhere curtails the powers and the customs are free to do what they are empowered under the customs act which amounts to passing its own judgment and dictate contrary to the courts orders which are in force without waiting for the orders of this court. The said circular dated 27th March, 2012 appears to have been issued by defendant no.2 is illegal and was issued in order to frustrate the orders passed by courts. Thus, even formal parties, let them remain as parties to the suit in view of their such conduct.

106. This court is not sure as to what was such a grave urgency in relation to enforcement of the patents which compelled the customs or defendant no. 2 to immediately go all the way contrary to the orders of this court and issuing the instructions to the other offices to continue to do such an exercise which in the view of this court is not the mandate of the law where under the customs are merely implementing authority under the judicial orders of the court. Thus, the said instructions issued by way of circular dated 27th March 2012 are declared as inconsequential in nature being illegal.

This case raises several issues relating to border measures. The Trademark Act 1999, has section 140 which gives power to the proprietor or a licensee of a registered trade mark to give notice in writing to the collector of customs to prohibit the importation of any goods if such goods constitute infringement of a registered trademark. The Copyright Act 1957 contains section 53 which empowers registrar of copyrights to hold an enquiry on a complaint and issue an order that copies infringing copyright shall not be imported to India and only thereafter shall the goods be deemed to be goods of which the import has been prohibited or restricted under section 11 of Customs Act, 1962. When there are such provisions in the respective Acts, the powers conferred under the customs rules are liable to be challenged. The customs Act does not contain any provisions on border measures, probably because TRIPS did not mandate it.

It was surprising to note that the court looked at the provisions of TRIPS to find justification for the Intellectual Property Rights (IPR) rules of customs department. A question that the court has not dealt with at this stage was that in India, international treaties are not self applicable and are applicable only through legislation enacted by the Parliament. It was also probably unwarranted to go into the EU provisions on border measures. The conclusions of the court was correct, however, it is inappropriate, even if the government circular says so, to find justification for such a circular from an EU enactment, rather from the source legislation in India.

VI CONCLUSION

From the perspective of market economy, the purpose of intellectual property laws is to provide capital accumulation through market exclusivity. While providing exclusive rights, the intellectual property laws contain provisions that ensures access to works, scientific knowledge and technology, and ensures fair play in the market place. Most of these components can be found in the litigations surveyed above. In the realm of copyright, the main disputes relates to royalties from new media and the courts have been concerned about access issues as much as providing royalties to the right holders. Many multinational companies operating in India are trying to maximise their profits through intellectual property mechanisms. By allowing parallel imports court has ensured an element of fair play in the market place to protect consumer interest. Litigations in the pharmaceutical sector are invariably attracting section 3(d) of the Patents Act 1970, which shows the extent of ever greening that goes on in the industry and the effect of the amendment. Overall, the year points to the increasing complexities that will be seen in the intellectual property field in the years to come.

