Newsletter

Remfry & Sagar

Letter from India

INTELLECTUAL PROPERTY
CORPORATE LAW

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AT A GLANCE

'A precedent embalms a principle' - Benjamin Disraeli

An analysis of judicial trends in trade mark disputes paints a very progressive picture. Numerous precedents exist of judges recognising novel concepts much before their incorporation in the statute books. Well-known marks were included in the statute only in 2003, however, decisions in the early 1980's had begun acknowledging spillover reputation and the broader protection befitting a famous mark. Today, decisions on keywords, ambush marketing, brand wars, personality rights etc. fit the same mould. The firm recently took disputes with relatively little precedential jurisprudence before the courts - one involved trade mark rights over a uniquely shaped bottle, the other challenged trade mark exclusivity over a single numeral. Clear interpretation of principles in both decisions adds them to the foregoing list.

Patent law disputes demonstrate a more conservative approach. The fact that patent litigation has taken off in a big way only in the last decade or so may offer an explanation. Absent strong precedents, a usually activist judiciary seems to be treading cautiously in the face of powerful domestic lobbies and a protectionist public sentiment. Its interpretation of 'enhanced efficacy' in the Novartis matter is a case in point. The same attitude is visible while interpreting prescribed time lines. Even unintentional human error has been held undeserving of discretionary extensions to avert the harsh penalty of patent forfeiture. All the same, measures introduced to protect traditional knowledge rights and a proposed utility model law which would cover incremental inventions, indicate a strong policy commitment towards nurturing a fair and robust intellectual property regime. In what constitutes another first for Indian patent jurisprudence, Natco (a domestic pharma company) recently applied for a compulsory license to market Bayer's patented cancer drug Nexavar on the ground that its limited supply and steep price deter fulfillment of the reasonable requirements of the public. It will be interesting to see how this one pans out.

Turning to copyright law, major statutory revisions are due to be implemented soon. Civil society involvement in the drafting of the amendments has been very strong. Yet curiously, some recent judgments have followed old precedents instead of anticipating the new law.

India does not have separate courts for adjudicating trade mark, patent and copyright disputes. Opposing liberal and conservative trends in the same judiciary are reflective of a wider scenario. The current Indian ethos is a curious mix of orthodoxy and liberal thought and it may take a while for discernible conservative or activist trends to manifest. Only time will tell, which precedent fixes the principle and in which case the principle dictates new precedent.

TRADE MARKS

Gorbatschow Wodka: Shaping Indian Law

Gorbatschow Wodka KG (GW) took inspiration from the unique onion shaped domes in Russian architecture and in 1958, came up with a novel shape for its vodka bottle - one with a rounded bulb just below its neck. Some modifications were made in design over time, but none disturbed the basic dome-shaped bulb. John Distilleries Limited (JDL) proposed to launch a vodka under the brand SALUTE in a bottle similar to GW's bottle design. Having successfully registered a design application (filed in February 2008) for its bottle shape in India, it stated it had discharged the burden of conducting a reasonable inquiry re prior rights and claimed that adoption of its bottle shape in India was prior and *bona fide.*

As GW's trade mark application to register its bottle shape (filed in January 2008) in India was still pending when it learnt of JDL's intentions, it instituted a *quia timet* action for passing off before the High Court of Bombay to restrain JDL. To establish distinctiveness, GW submitted various international registrations of its bottle shape. It, *inter alia*, argued that on account of longstanding use and popularity of Gorbatschow Wodka -

it is amongst the top 15 premium vodkas worldwide - the distinctive bottle shape has acquired a secondary significance and become exclusively associated with GW's products. Moreover, sale of Gorbatschow Wodka in Indian duty free shops had begun in January 1996, followed by direct sales in June 2008.

The court noted that the statutory definition of a 'trade mark' expressly included the shape of goods, provided they were unique, non-functional and did not add substantial value to the goods. In view of Gorbatschow Wodka's immense repute in India and overseas; the fact that no other entity in the global market used a bottle design akin to GW's bottle; that JDL offered no plausible explanation for using a shape strikingly similar to the shape of the bottle used by GW; that JDL being in the liquor business, could hardly have been unaware of GW's products; and that registration under the designs statute is not conclusive of its validity or novelty; the court held that JDL's adoption of a bulbous bottle was *prima facie* dishonest.

While dismissing JDL's contention that the purchasers of the rival products are educated and affluent, the court observed that gullibility as a trait of human character does not necessarily possess social or economic attributes and JDL's argument that unwary consumers of low priced, fast moving goods are more likely to be deceived as opposed to purchasers of premium commodities, if accepted, would render the remedy of passing off as illusory.

Arguing on behalf of GW, in one of India's first 'shape mark' litigations under the new statute, we were thus successful in obtaining an interim injunction against JDL and protecting GW's trade mark rights to its unique bottle shape.

Trade Mark Case 'Number 8'

Radico Khaitan Limited, a company of notable size in the Indian liquor industry, filed a suit for *inter alia* infringement and passing off against Carlsberg India Private Limited (subsidiary of Carlsberg A/S, Denmark - a leading brewery group operating in more than 150 countries) with the High Court of Delhi seeking to restrain the latter from using the numeral 8 as part of its trade mark. Alongside the main suit, Radico also filed an interlocutory application for interim injunction.

In 1997 Radico adopted the mark 8 PM in relation to whisky and 2 years hence (1999) began using - with much success - the 8 PM whisky brand in the market. Registrations were also obtained for the trade mark 8 PM as well as several 8 PM formative marks in many Classes including Classes 25, 32, 33 and 41. In early 2011, Radico claimed to be aggrieved by Carlsberg's use of the PALONE 8 label in respect of beer with the numeral 8 being used prominently therein.

Representing Carlsberg, we argued that the numeral 8 was currently being used extensively by various entities in the liquor industry, both nationally and internationally, with several instances of use predating Radico's adoption of the 8 PM mark. Also, registration of 8 PM had been granted to Radico under Part B of the Register under the Trade Merchandise and Marks Act, 1958 (replaced in 2003 by the current statute - the Trade Marks

Act, 1999), a category reserved for marks considered *prima facie* non-distinctive or descriptive. Moreover, 8 PM was not registered in respect of beer and in fact, Radico held no registration for the numeral 8 *per se.* On the other hand, Carlsberg's use of the numeral 8 was descriptive and denoted the strength of the beer. Upon considering the said arguments, the court negated Radico's claim of exclusivity over the numeral 8 and refused to grant an interim injunction against Carlsberg. To avoid any confusion, the latter was directed *inter alia* to use PALONE and the numeral 8 together, in the same line, size and font.

On the question as to whether or not whisky and beer are products of the same description, applying the test of identity of composition, identity of consumers and price range, the court held that the said goods seem to be goods of a different description. However, in view of the availability of both products *via* a common trade channel, the court has deferred the said question to trial for a deeper analysis.

Unclean Hands and Equitable Relief

Unichem Laboratories Ltd. claimed to have invented and begun use of the now well-known trade mark LORAM for a hypertension drug associated with diabetes and renal ailments in early 2002. AstraZeneca had previously adopted [in 1973 and 1986], registered [in 1977 and 1987] and used the trade marks 'SELOKEN' and 'RAMACE' in India. In early 2008, the trade mark 'SELORAM' was coined using the prefix 'SELO' from 'SELOKEN' and the suffix 'RAM' from 'RAMACE' and in May 2009 a hypertension drug began to be sold in India under this name.

In June 2010 Unichem filed an action of passing off ***(Unichem Laboratories Ltd. v. Ipca Laboratories Ltd. & AstraZeneca Pharma India Ltd.)*** with the High Court of Bombay alleging that the mark SELORAM was almost identical to its prior (in use) mark LORAM. Since the drugs sold under these marks treated different ailments, the doctrine of disastrous consequences arising from consumer confusion was highlighted. In addition, interim relief was sought by filing an action for temporary injunction against AstraZeneca.

Representing AstraZeneca, we asserted that the adoption of the mark SELORAM was bonafide since it was derived from two prior registered trade marks. We further argued that Unichem had concealed material facts from the court which disentitled it from equitable and discretionary reliefs. It was brought forth that Unichem's application before the Indian Trade Marks Registry for registration of the mark 'LORAM' had been opposed by four entities. One of these had been using the mark LORAM in India since January 1, 1999, which negated Unichem's claim of exclusive adoption/use. Other opponents claimed to have registered/used the marks 'FLORAMIN'/'LORAMYL' since 1989 and 1983 respectively. Further, per common pharma practice 'LORAM' was derived and coined from its main molecules LOSARTAN POTASSIUM and RAMIPRIL and therefore constituted a weak trade mark. Records of the Indian Trade Marks Registry, various international registers and drug reference systems clearly established that for marks associated with the same molecules, 'LORAM'/'LORAM' formative marks were common to the trade.

The court found that in direct contradiction to its stand in the instant suit, Unichem had argued that the marks

LORI, LOR, LOPRAM were not deceptively similar to LORAM while replying to oppositions filed against it at the Trade Marks Registry. Refuting Unichem's argument that the test of passing off was independent from any stance it may have adopted in registration/opposition proceedings, the High Court of Bombay held that Unichem was estopped from claiming any exclusivity/originality re the mark LORAM. It further stated that when a proprietor adopts a trade mark on the basis of name of a generic drug or ingredient, it can safely assume that other proprietors are also likely to adopt/use similar marks for products based on the same generic drug or ingredient. In such a case, even if the differences between two trade marks are minor, at least at the *prima facie* stage no injunction can be granted. Moreover, it is established precedent that the conduct of the plaintiff is a vital ingredient in the grant of an interim injunction. As Unichem did not approach the court with clean hands, its application deserved to be dismissed.

Stirring up Debate: Hilton v. Hilltone

The trade mark 'Hilltone' was adopted in 1973 and ever since, Hotel Hilltone has been providing food and lodging services in Mt. Abu, Rajasthan. 'Hilltone' and 'Hotel Hilltone' are registered by M/s Hotel Hilltone Ltd ('HHL') along with the device of a rock and origin of the marks is explained by the rocks which surround the hotel.

Hilton International Corporation contended that 'Hilltone' was similar to its mark 'Hilton' and had been adopted with *mala fide* intent to benefit from the tremendous renown of the Hilton hotel brand. Accordingly, in 1995 it sent HHL a notice warning it to stop use of the mark 'Hilltone'. HHL responded by instituting a suit for groundless threats of trade mark infringement in the District Court claiming that it being the prior adopter of 'Hilltone', Hilton be barred from interfering in the use of its mark.

HHL stressed on the renown attached to the mark 'Hilltone'. Hilton's objection had come 20 years after HHL commenced business and were it now to be restrained from using its mark and instead Hilton be free to use 'Hilltone' or a similar mark, irreparable financial loss would be caused to HHL. Further, marked differences between HHL's hotel and the Hilton chain of hotels such as standard of luxury, decor and cuisine were highlighted to underscore honest adoption.

On its part, Hilton claimed rights in the mark 'Hilton' since 1948 and asserted that its mark was famous in India with a reputation which preceded the setting up of Hotel Hilltone in 1973. However, its claims could not be substantiated by adequate documentary proof (this also had a lot of bearing in Hilton's failed attempt to cancel HHL's mark before the Registrar and the appellate board). Nor could Hilton prove HHL's *mala fide* intent or confusion caused amongst consumers by the marks 'Hilltone' and 'Hilton'.

The court passed an order restraining Hilton from issuing threats designed to prevent HHL from using the 'Hilltone' mark. Hilton was also injuncted from using HHL's registered mark or using it in an altered form in order to create confusion or carrying out hotel activities or any other business with other Indian companies under 'duplicate trade marks' similar to 'Hilltone'.

Hilton appealed in the High Court and simultaneously approached the court to stay the operation of the district judge's order. Since Hilton is a well known brand name, an interim stay order was anticipated by many. However, the court ruled in favour of HHL holding that Hilton's registrations (for the mark 'Hilton' in India) had not been quashed and apprehensions of irreparable loss were unfounded. In mid 2011, a further appeal to the Supreme Court on the matter of stay also came to nought.

Focus is now on the outcome of the main appeal. Many have interpreted the district judge's order to mean that Hilton is restrained from using its brand name 'Hilton' in India *vis-à-vis* hotels. However, the judge has not explicitly barred Hilton's use of its trade mark registrations for the word 'Hilton'. In any case, in suits of groundless threats the relief granted is limited to injuncting the issuance of threats. As to the District Court's finding that HHL's adoption of 'Hilltone' appeared to be honest and prior to Hilton's rights in India, although well-known marks enjoy strong protection in India, even in the face of the tremendous reputation enjoyed by the Hilton mark, it would perhaps, at this stage, be unfair to disallow use of a similar mark which has built up local repute through honest use since 1973. A more important lesson to take home is that no matter how famous a mark, documentary evidence of fame must be carefully maintained to avoid adverse legal outcomes.

PATENTS

Making a Case for Compulsory Licensing

Very recently, Natco Pharma applied for the country's first compulsory licence to manufacture and sell a generic version of Bayer's patented medicine, Nexavar, which is used to treat liver and kidney cancer. Efforts made previously to obtain a voluntary licence from the patent owner is an important factor governing the grant of compulsory license and in this regard, Natco's direct request to Bayer was rejected late last year.

Indian compulsory licensing provisions enable generic drug makers to work patented inventions on a commercial scale under several circumstances. Relevant to Natco's case is the provision which states that at any time after the expiration of 3 years from the date of the grant of a patent, any person interested may apply for grant of a compulsory licence on a patent asserting that the reasonable requirements of the public with respect to the patented invention have not been satisfied, or the patented invention is not available to the public at a reasonably affordable price, or the patented invention is not worked in the territory of India. Natco has argued that more than 3 years have elapsed since the grant of Bayer's patent yet it had not taken adequate steps to manufacture the invention in India. Bayer's drug is entirely imported, available only in major cities which limits its reach. In addition, it costs upwards of $6000 a month making it unaffordable for the average Indian. Thus, a *prima facie* case of reasonable requirements of the public not being met is made out because of unavailability of the drug on the grounds of access and price. On the other hand, Natco has emphasized its capability of manufacturing the drug in the quantity required to fulfil demand and that too at a fraction of the cost - roughly 3%.

If Natco sets a successful precedent, it will certainly encourage other generic manufacturers to follow suit. Conversely, Bayer could counter Natco by reducing price or granting a license to another Indian drug maker.

It Goes on and on and on: Novartis and 3(d)

Novartis' anti-cancer drug Glivec first drew the attention of the Indian and indeed the worldwide pharma community to section 3(d) soon after the Patents Amendment Act, 2005 took effect on January 1, 2005. Its patent was refused on several grounds by the patent office including section 3(d). On appeal, the Intellectual Property Appellate Board (’IPAB’) reversed that decision on all grounds save for section 3(d) and held that 'enhanced efficacy' (referred to by many as the 'fourth' condition of patentability of drugs in India and unsuccessfully challenged by Novartis as a TRIPS plus, unconstitutional provision) meant 'enhanced therapeutic efficacy' which Glivec did not satisfy. And to the surprise of most it also relied on section 3(b) of the patent statute to reject the Glivec patent, interpreting the provision to mean that an expensively priced drug could potentially undermine public order.

A special leave petition brought the IPAB's decision for review before the Supreme Court in August 2009. Two years later there is still no end in sight. The latest delay has been caused by one of the judges recusing himself after being accused of conflict of interest by health activists. His impartiality has been questioned on account of statements he made at conferences sponsored by an industry association, which counts Novartis amongst its members. He is the second Supreme Court judge to recuse himself in the matter. Given that the accusation of bias was made just before proceedings were to resume in the court, some hold them to be baseless and motivated by vested interests who benefit more from delay than the final outcome of the case. For the rest of us, we must wait for the constitution of a new bench to end the suspense in the matter.

GEOGRAPHICAL INDICATIONS

Storm in a GI Teacup

The first two geographical indications (GI's) to be registered in India - the word 'Darjeeling' and a 'composite logo featuring a woman holding tea leaves' - recently became the subject of India's first GI suit. Owned by the Tea Board of India, these GI's are registered for tea in Class 30. The Board has also obtained certification trade marks in respect of the word Darjeeling as well as the aforesaid logo. Irked by ITC Sonar Bangla's (a leading Kolkata hotel) executive lounge being named 'Darjeeling Lounge', the Tea Board sued ***(Tea Board of India v. ITC Limited)*** for infringement of the Darjeeling GI and certification mark as well as for passing off and dilution in the High Court of Calcutta. An application was also filed for interim relief.

Under the GI statute, an infringement claim arises *inter alia* when unauthorized use is of such a nature so as to constitute an act of unfair competition including passing off. It was the Tea Board's argument that none of the beverages served at the ITC lounge had an actual connection with 'Darjeeling' and hence use of the Darjeeling name amounted to misrepresentation. Moreover, if tea other than Darjeeling tea were served it would discredit the latter thus constituting an act of unfair competition. The court, however, interpreted GI dilution narrowly. It held that even for a case of passing-off, the unauthorized use of 'Darjeeling' by a third person could be complained of only if there was a 'nexus' with the goods covered under the GI registration. The required nexus was found absent in the instant case. As for the Tea Board's rights in its certification marks, the court stated that ITC was not in any way trying to hijack the Board's power to certify tea in the Darjeeling region and no case was made out for trade mark infringement/passing off. Interim relief was not granted and an appeal to the Division Bench of the High Court met the same verdict.

Although these rulings have been made at the interlocutory stage, they clearly establish that in a GI infringement action, the 'nexus' between the product covered by the GI registration and the goods/services associated with a competitor's unauthorized use will be a determinative factor. Further, in cases where a registered GI is part of common usage, 'nexus' is likely to be interpreted narrowly. The fact that Darjeeling has been commonly used for business purposes in India over the years appears to have made the court reluctant to impose a broad curb on the use of the word Darjeeling by unrelated parties. This contrasts interestingly with a 2006 decision from the French courts wherein registration of 'Darjeeling' as a trade mark accompanied by the image of a teapot for wholly different goods and services – books, journals, artwork, engraving, exhibitions, distribution, communication and consultancy - was held to violate the Tea Board's GI rights in Darjeeling.

<u>In a Mood to Reform</u>

Deciding the case of ***Ramrameshwari Devi & Ors. v. Nirmala Devi & Ors.*** [July 2011] which originated in the 1970's, the Supreme Court of India despaired at how the judicial system faced eternal delays at the hands of unscrupulous litigants. With a view to reform the civil litigation system, it suggested the following measures:

- Due care, caution, diligence and attention is critical during the framing of issues, particularly to avoid issues already decided by other courts in violation of the principle of *res judicata.*
- The trial judge must carefully scrutinize, check and verify pleadings and documents filed by the parties immediately after filing of the suit.
- With the object of focussing on the main controversies in the case, the court should resort to discovery and production of documents at the earliest.
- Actual costs and mesne profits must be awarded and prosecution for perjury ordered, if required, to control the tendency of parties to introduce false pleadings (which is often the case in India) and deploy obstructive tactics such as unnecessary and repetitive adjournments. Length of frivolous and dishonest litigation should be factored in while calculating costs with the aim of full restitution. In the alternative, profits garnered by a wrong-doer whilst awaiting the decision of the court usually outweigh any risk associated with litigation and at the same time motivate him to delay resolution of the matter.

- With the aim of reducing delays, the trial court should fix dates for all stages of the suit at the time of filing of the plaint, which must be strictly adhered to by the courts. Interlocutory applications, if any, ought to be disposed of between the dates of hearings fixed in the main suit to ensure that the original schedule is not disturbed.
- Courts must be extremely cautious in granting ad-interim *ex-parte* injunctions. The better course is to give short notice, hear both parties and then pass suitable orders. Since modifying or vacating interim orders is an arduous task, an *ex-parte* order in the wrong hands can seriously disadvantage the opposite party. Thus, in cases where an *ex-parte* order is passed, every endeavour should be made to dispose of the application for injunction on merits as expeditiously as possible without allowing any undue adjournments. Limiting the life of an *ex-parte* injunction may also serve as an appropriate safeguard.

Readers may recall the case of *Bajaj Auto Limited v. TVS Motor Company Limited* [2009] wherein the Supreme Court held that instead of delving into the question of interim relief, all IP matters should be decided expeditiously by the trial court and final judgment be pronounced normally within 4 months from filing of the suit. This is yet to fructify and practically speaking, it might take some time before disposal of suits becomes so expeditious. However, both cases - *Bajaj and Ramrameshwari Devi* - are strong indicators of the judicial will in tackling endemic delays and changing attitudes are bound to materialize into concrete improvements in the near future.

CORPORATE LAW

Tracking developments in Foreign Direct Investment (FDI) Policy

1. Limited Liability Partnerships (LLPs)

FDI is now permitted in Limited Liability Partnership (LLPs) operating in sectors/activities where 100% FDI is permitted through the 'automatic route'. For foreign investors obtaining prior government approval for such investment is a must. Indian companies having FDI are allowed to make downstream investments in LLPs if both the company and the LLP are operating in sectors where 100% FDI is allowed through the automatic route. However, LLPs with FDI are not eligible to make any downstream investments.

2. Trading

The present FDI Policy prohibits retail trading activities in India. The Government is contemplating permitting 51% FDI in the retail sector subject to satisfaction of various conditions including minimum investment in back-end supply chain. It will be interesting to look out for developments in this sector.

3. Licensing of New Private Sector Banks in India

The Reserve Bank of India ('RBI') recently made public draft guidelines for licensing of new banks in the private sector and solicited feedback from stakeholders. These guidelines mandate that entities / groups (in the private sector) that are owned and controlled by residents will be eligible to promote a bank. Also, the aggregate non-resident shareholding including FDI, non-resident Indians and foreign institutional investors must not exceed 49% of the paid-up capital of the bank for the first 5 years of its operations. It is proposed that after the initial 5 year period, foreign investment can be increased to 74%. Non-residents whether directly or indirectly, individually or in groups, will not be permitted a 5% or more shareholding in such banks.

4. International Workers under the Employees Provident Fund ("EPF") Scheme

The ambit of the EPF Scheme was broadened in the year 2008 to compulsorily cover international workers under India's social security regime. On August 30, 2011, the Employees Provident Fund Organisation issued a Circular to ensure better compliance of statutory provisions relating to international workers. Amongst other significant changes, effective September 11, 2010 diversion of 8.33% from employer's contribution to the Pension Fund will be calculated on the entire month's salary (as against the earlier ceiling of INR 6, 500 per month).

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