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Trade Marks – Delhi High Court rules in favour of international exhaustion

By Jasneet Kaur

In a significant ruling involving the question of parallel import, the Division Bench of High Court of Delhi has held that the Indian Trade Marks Act, 1999 embodies the Principle of International Exhaustion [*Kapil Wadhwa & Ors. v. Samsung Electronics Co. Ltd. & Anr.*, - FAO(OS) 93/2012]. The Division Bench differed with the narrow interpretation of the word **'the market'** to mean domestic market and restriction on lawful importation of genuine goods as adopted by the Single Judge in his order passed earlier this year.

Facts in brief

Samsung Electronics Co. Ltd (Plaintiff No. 1) alongwith its exclusive Indian licensee (Plaintiff No. 2) filed a suit for trademark infringement and passing off against the defendants (who were engaged in distribution and sale of various models of computer and peripherals including printers). The plaintiffs alleged that the defendants were importing Samsung printers from Korea and retailing the same in India. The plaintiffs also alleged that the defendants were, without any authorization, meta-tagging their website for marketing plaintiff's products. The Single Judge Bench of the High Court of Delhi, held in favour of the plaintiffs on the ground of Principle of National Exhaustion under the Trade Marks Act, 1999 and restrained defendants from importing, exporting and dealing in printers and their cartridges/toners bearing the plaintiffs' trade mark as well as from using the same in respect of

any promotional activities on their website. The defendants, aggrieved by the order of the Single Judge, preferred an appeal before the Division Bench of the High Court. The sole issue before the Division Bench was to determine which Principle of Exhaustion (whether National or International) has been embodied under the scheme of the Trade Marks Act, 1999.

Even imports of genuine goods can be infringement

The Division Bench evaluated the relevant provisions of the Trade Marks Act, 1999. Section 29 (1) provides that a registered trademark is infringed by a person who, not being a registered proprietor or a person permitted to use the mark, uses it in the course of trade in a manner that it is likely to be taken as being used as a trademark. According to Section 29(6)(c), a person who *imports or exports* goods under the mark, is said to use the registered mark. The Division Bench concurred with the finding of the Single Judge that in view of above provisions, even imports of *'genuine goods'* under a registered trade mark in India, made without consent of the registered proprietor, would constitute infringement.

Limits on effect of trade mark

The Division Bench overruled Single Judge's observation on Section 30 (3), wherein the Single Judge had held that the said provision cannot be interpreted as granting additional rights to

a third person to import genuine goods from the international market and that unless goods are imported into India with the consent of the registered proprietor of the trade mark in India, the act of importation is not permitted. The Division Bench held that the role of the Trade Marks Act, 1999 is not to regulate sale and purchase of goods but to control the use of the registered trade marks. It may be relevant to note Section 30 (3) which reads:

“30. Limits on effect of registered trade mark.—

- (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 market’ in Section 30(3) as interpreted by the Court

The Division Bench did not concur with the Single Judge’s interpretation of the expression ‘the market’ in Section 30(3) to mean the domestic market only. The Division Bench relied on Clause 30 of the Statement of Objects and Reasons to the Trade Mark Bill, 1999 for the purpose of ascertaining the legislative intent and concluded that in using the expression *‘in any geographical area’* (used in Clause 30), the legislature intended to recognize the Principle of International Exhaustion. The Court also observed that the expression ‘lawfully acquired’ does not

necessarily mean acquisition by consent. Goods should be acquired lawfully as per the laws of the country and it is not necessary that goods must be acquired only in the country where the trademark is registered.

Right to control further sale and distribution of goods

The Division Bench concurred with the Single Judge on the finding that the applicability of Section 30(4) is not restricted to only when the condition of the goods has been changed or impaired after being put on the market and added that *“changing condition or impairment is only a specie of the genus legitimate reasons, which genus embraces other species as well”*. The Bench observed that that the Principle of International Exhaustion of Rights itself takes away the right of respondents to control further sale and distribution of goods. Therefore, even though the Bench found some merit in the arguments of the respondents (earlier plaintiffs) on Section 30(4), it proceeded to overcome the same by prescribing certain directives to the appellants (earlier defendants), like prominently displaying on their printers the statement that the same have been imported from Korea and the warranty and after sales services are not guaranteed by the respondent.

Thus, the injunction order qua the import of respondents’ printer by the appellant was vacated by the Division Bench on the ground that the Trade Marks Act, 1999 recognises the Principle of International Exhaustion.

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RATIO DECIDENDI

Restoration of lapsed patent – Time-limit for renewal fee not extendible beyond 6 months

Ruling on the time limits which apply to restoration of lapsed patents, the Intellectual Property Appellate Board (IPAB) has held that if renewal fee is not paid within time or extended time as per Section 53 of Patents Act 1970, patent protection ceases. Also, the period for payment of renewal fee cannot be extended beyond six months in view of the specific exclusion in Rule 138 of the Patents Rules 2003. The IPAB also clarified that even when restoration application is filed within time, restoration will not be granted automatically.

The Board further held that date of cessation of patent does not depend on the date of payment of the requisite renewal fee. The applicant contended that since no time limit has been prescribed in Rule 80(1A) the extension petition can be filed within six months period even after expiry of the date prescribed for payment of renewal fee. The applicant had neither paid the renewal fee within time, nor applied for renewal within the 18 month period from the date on which the patent had ceased to have effect. The order also noted that relaxation of time limits cannot be read into the provisions of the Act and Rules unless there is an express provision. [*Mannesmann AG (Siemag) v. Controller General of Patents, Designs & Trade Marks*, OA/43/2011/PT/CH, IPAB order dated 13-9-2012]

Broadcasting sports news - Delhi High Court prescribes guidelines

While dealing with the issue of infringement of copyright in the broadcast of cricket matches in India the appellants were restrained by Single Judge

of Delhi High Court from using the footage of the ICC organized T20 World Cup Cricket Tournament, 2012 except in accordance with the conditions so laid down. On appeal, the Division Bench largely relied upon the principles laid down in *ESPN Star Sports v. Global Broadcast News Ltd.* [2008 (38) PTC 477 (Del.)] and *Media Works NZ Limited v. Sky Television Network Ltd.* [High Court of New Zealand, 18th September, 2007]. There were primarily two issues for consideration before the Division Bench, namely:

- (1) Whether use of footage by the appellants amounted to 'reporting' in the context of Section 39 (b) and Section 52(1)(a)(iii) of the Copyright Act, 1957?
- (2) Whether such use of footage in the instant case would fall within the purview of 'fair dealing', as referred to under Section 39(b) and Section 52(1)(a)(iii) of the Copyright Act, 1957?

On the first issue, the Division Bench held that "*news, including sports news, would qualify to be a case of reporting if the broadcast is result oriented and not an analysis done by way of review or comments*". Regarding the second issue, the Division Bench laid down certain objective factors, namely – proximity of time of the sports news being put on the air (i.e., more proximate the time, more weightage to the use being unfair) and, the effect of the offending use on the actual or potential market for the copyright work (including market competition, extent and duration of the footage use as well as the body of viewers).

The Division Bench also proceeded to lay

down certain principles of law for granting interim injunction for the purpose of future litigation involving the above issues. These were primarily concerned with the 24 hours time period during which an event remains a news, bar on putting advertisements on air in the midst of reporting such footage as part of some special programme and consideration to third party rights (especially those who have acquired broadcasting rights). [*New Delhi Television Limited v. ICC Development (International) Limited & Anr.* - FAO (OS) 460/2012, Order dated 11-10-2012],

IPAB revokes patent for non-compliance of Section 8

The Intellectual Property Appellate Board (IPAB) allowed the application for revocation of patent concerning bearing pad assembly, inter alia, on the ground of non-compliance with Section 8 of the Patents Act. The Board held that the respondent failed to give information relating to filing of application in the EPO under Section 8(1)(b) even after giving an undertaking to keep the Indian Controller of Patents informed about subsequent filing in other countries and also did not comply the direction of the Controller to furnish search or/and examination report issued by USPTO and EPO within 30 days date of receipt of the communication.

The IPAB noted that the statement of the respondent, that there was no further development subsequent to the Form 3 which was filed at the time of filing the application in India, was not true. It observed that knowledge of prior art in international search report is not same as the rejection/objections raised during examination of application in USPTO. It held that the patentee was aware of

the prior art objections in USPTO and made series of amendments in the specification and claims in that jurisdiction but knowingly took no steps to set the specification right by way of amendment. The Board agreed that the invention, as claimed, was obvious and did not involve inventive step. Earlier, the Board in the said order also held that mere intent for withdrawal of revocation application based on a letter is not sufficient to terminate the validly filed revocation proceeding as it is *condictio sine qua non* for effective launch of the proposed intention to withdraw the revocation application. [*VRC Continental v. Uniroyal Chemical Company Inc. (USA)* – IPAB Order No.207 of 2012, dated 24-8-2012].

Continuous use and renewal without challenge are valid defence against trademark losing distinctiveness and becoming generic

The IPAB has held that trademark 'Xerox' has not become generic as the public was conscious of the ownership of the trademark 'Xerox'. The Board held so, considering the fact that various High Courts, Port Trust and like institutions and even the Government of India had agreed to delete the word Xerox and use the word "photocopy" instead, while several government organizations had also given an undertaking that they will not use the mark in violation of the trade marks rights of the respondents. The Board though acknowledged voluminous documents produced by the applicant to show that the word 'Xerox' has become generic, held that the public was conscious of the ownership of the trademark. It was also noted since the word photocopier is available for the public for use in case of goods for which Xerox was first registered as a trademark, the public will not be

deprived by the exclusivity granted to Xerox. In respect of proof of user, the Board noted that the respondents had adduced evidence of use from 1965 lending strength to their claim of user from 1961 when they applied for trademark in 1963. The Board was of the view that after almost 50

years (1963–2009) of continued existence on the register and renewal without challenge, and proof of almost 44 years user (1965-2009), the mark did not deserve to be removed. [*B.V. Ilango Himachalpathy v. Rank Xerox Limited* – IPAB Order No. 229/2012 in 21-9-2012].

NEWS NUGGETS

Comparative studies key in deciding patentability

Two decisions of the Indian patent office, a revocation and a refusal to grant patent highlighted the importance of experimental data and comparative studies in trying to prove the surprising or synergistic effect of the new compounds over prior art compositions.

Revoking the patent granted to a pharma major on grounds of obviousness and lack of inventive step, the patent office observed that only if the new compound produces unexpected, improved results as compared with the closest prior art, such result can be used as evidence of non-obviousness. Also to establish inventive step, comparative test must be carried out between compounds of the claimed invention having maximum structural similarity with the compounds of the closest prior art. The patentee had argued that the group in 'closest prior art' was one of the possibilities of a Markush claim and there was no onus to provide further data.

The order refusing grant of patent for pharmaceutical foam composition recorded that the application only provided individual components in grams. There was no supportive data evidencing surprising or synergistic effect which distinguished it from a mere admixture.

Replication and IP rights

IP rights do not grow on trees and indeed registering and protecting them involves labour and vigilance. Two recent cases in the US threw up some interesting questions. The US Court of Appeals for Federal Circuit refused to grant patent rights to a farmer who planted acorn from two trees which exhibited superior qualities reasoning that they had been found in uncultivated state and there had been no effort by the farmer in assisting nature to create something which was not there earlier. The amendments to the Plant Patent Act extending patentability to newly found seedlings did not help the aspirant patentee who found mature oak trees in the front yard of a home.

The US Supreme Court will shortly decide on whether growing a new generation plant from genetically modified seeds amounts to infringement. The farmer had bought seeds from a grain elevator and had not violated the terms of the Technology Agreement which prohibited him from saving seeds from the crop for replanting. The patent-holder argued successfully before the Federal Circuit that its patent rights had not been exhausted with the first authorised sale of the seed and it continued to hold rights in further generations of seeds which were grown using

the seed. The Federal Court also did not accept the farmer's argument that he had not created 'new infringing material' and using the seed (bought without any conditions) for planting was authorised use.

Man, machine and insufficient transformation

To err is human and this trait could extend to machines, but it is an insufficient plea to seek for *restitutio in integrum*. Arguing against the decision of the Office for Harmonisation of Internal Market (OHIM), an American company took the plea that it had not been able to renew its trademark registration, despite reminders, due to an inexplicable human error and a computer

programming error. However the General Court (Europe) stated that observance of time-limits is a matter of public policy and *restitutio in integrum* of a registration after its cancellation is capable of undermining legal certainty. It also observed that neither human error nor loss of data in a computerised system can be regarded as an unforeseeable event which cannot be predicted from experience. The court also did not find force in the plea that appointing a specialised agency to take care of renewals was a display of sufficient diligence. The legal position vis-à-vis the OHIM was not altered whether the lapse was due to actions of principal or authorised agent.

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