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Contents

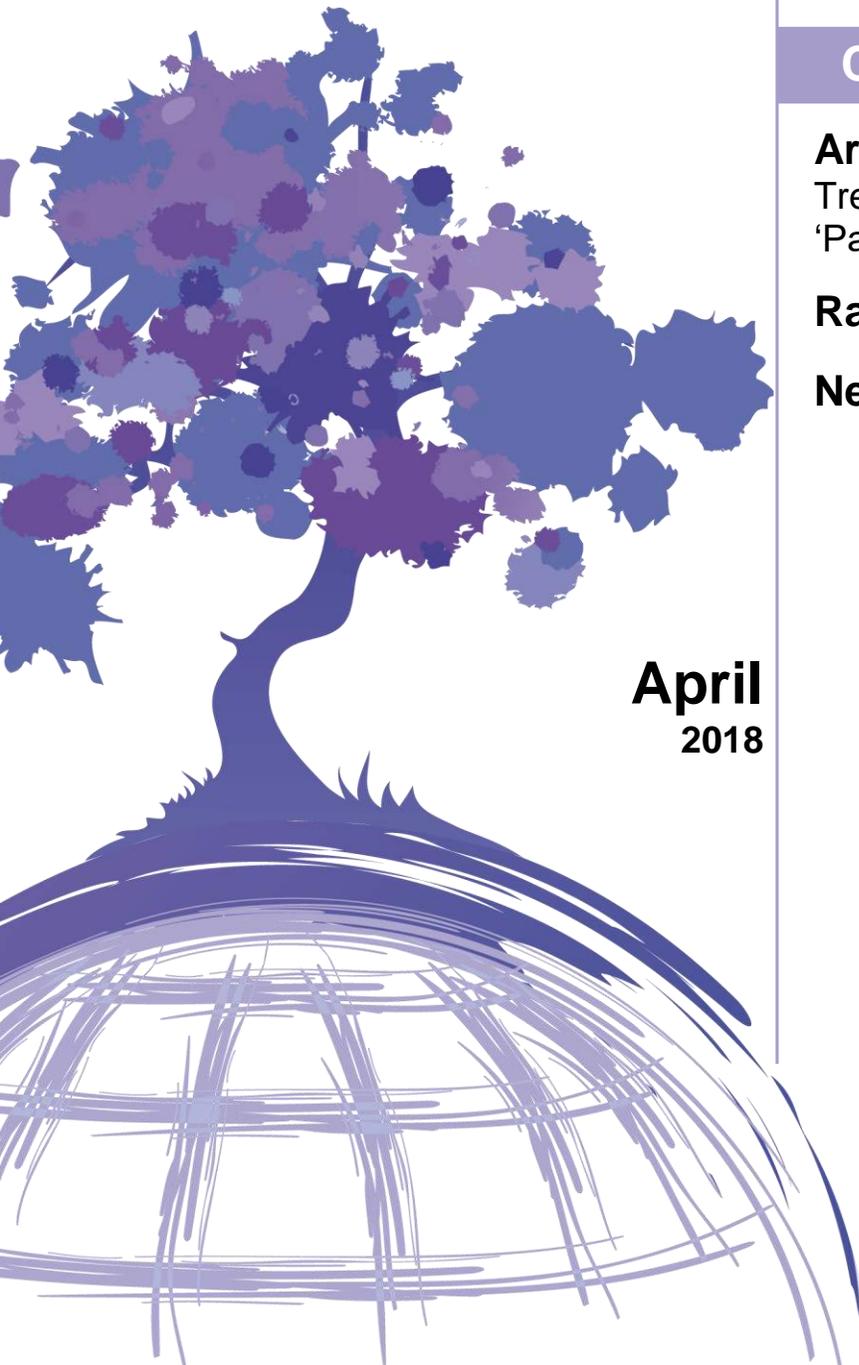
Article

Trends in applying Section 124 after
'Patel Field Marshal' judgement.....2

Ratio Decidendi.....5

News Nuggets8

April
2018





Article

Trends in applying Section 124 after 'Patel Field Marshal' judgement

By Sudarshan Singh Shekhawat

Section 124¹ of the Trademarks Act, 1999 (the Act) provides for the possibility of stay of a trademark infringement suit in case there is a challenge to the registered trademark which is the subject matter of the suit. The seemingly simple provision (including its predecessor

Section 111 of the old 1958 Act) had led to conflicting views until the law was finally settled by the Supreme Court in the landmark ruling of '*Patel Field Marshal*' case² in November 2017. This article shall discuss the recent cases where the Supreme Court ruling has been applied and their implications.

¹ Section 124 in The Trade Marks Act, 1999

124. Stay of proceedings where the validity of registration of the trade mark is questioned, etc.—

- (1) Where in any suit for infringement of a trade mark—
- (a) the defendant pleads that registration of the plaintiff's trade mark is invalid; or
- (b) the defendant raises a defence under clause (e) of sub-section (2) of section 30 and the plaintiff pleads the invalidity of registration of the defendant's trade mark, the court trying the suit (hereinafter referred to as the court), shall,—
- (i) if any proceedings for rectification of the register in relation to the plaintiff's or defendant's trade mark are pending before the Registrar or the Appellate Board, stay the suit pending the final disposal of such proceedings;
- (ii) if no such proceedings are pending and the court is satisfied that the plea regarding the invalidity of the registration of the plaintiff's or defendant's trade mark is prima facie tenable, raise an issue regarding the same and adjourn the case for a period of three months from the date of the framing of the issue in order to enable the party concerned to apply to the Appellate Board for rectification of the register.
- (2) If the party concerned proves to the court that he has made any such application as is referred to in clause (b) (ii) of sub-section (1) within the time specified therein or within such extended time as the court may for sufficient cause allow, the trial of the suit shall stand stayed until the final disposal of the rectification proceedings.
- (3) If no such application as aforesaid has been made within the time so specified or within such extended time as the court may allow, the issue as to the validity of the registration of the trade mark concerned shall be deemed to have been abandoned and the court shall proceed with the suit in regard to the other issues in the case.
- (4) The final order made in any rectification proceedings referred to in sub-section (1) or sub-section (2) shall be binding upon the parties and the court shall dispose of the suit conformably to such order in so far as it relates to the issue as to the validity of the registration of the trade mark.
- (5) The stay of a suit for the infringement of a trade mark under this section shall not preclude the court from making any interlocutory order (including any order granting an injunction directing account to be kept, appointing a receiver or attaching any property), during the period of the stay of the suit.

Subsequent to the Supreme Court judgement, there have been few cases where the law under Section 124 has been applied in various ways, particularly by Delhi High Court, such as in *Nestle v. Shree Shankeshwar Utensils*³ where the Court, while discussing Section 124 in the context of *Patel Field Marshal* case held that permission of Court is not required for a party to a trademark infringement suit to initiate rectification proceedings before the IPAB.

On the other hand, in *Abbott v. Raj Kumar*⁴, the issue, *inter alia*, was whether, in a case where trademark rectification was not pending before the Intellectual Property Appellate Board (IPAB) prior to the filing of the suit, mere plea of invalidity would be sufficient for the Court to invoke Section 124 in view of the *Patel Field Marshal Case*. In this case, the Plaintiff was seeking stay of trial under Section 124 as it wanted to invalidate the registration of the defendant and an issue to be framed in the suit to the effect. In its judgement dated 3-1-2018, the Court held that mere plea of invalidity is not sufficient but the party (Plaintiff in this case) would have to show material and substantial

² Judgement dated 29.1.2017 in CIVIL APPEAL No. 4767-4769, 19937& 19938 OF 2017

³ Decision dated 05.04.2018 in CS(COMM) 106/2018

⁴ Decision dated 03.01.2018 in CS(OS) 3534/2012

pleadings to enable the Court to take a *prima facie* view and to frame an issue which must be in terms of Order XIV Rule 1 of the Code of Civil Procedure, 1908 (CPC). The Court found that the plaintiff had not raised substantial ‘invalidity’ arguments in their pleadings detailing their grounds for invalidity of registration. However, the Court, referring to the legal principle that “*litigant ought not to suffer for poor pleadings*” (Court relied on *Teva Pharmaceutical Industries Ltd. v. Natco Pharma Ltd.*)⁵ and in view of the fact “*that Patel Field Marshal (supra) is of recent vintage*”, held that “*benefit should be given to the plaintiff and the aforesaid weakness in the pleadings of the plaintiff should not be allowed to come in the way of the plaintiff to now have an issue on the said aspect framed*”⁶. Further, the Court also took note of the fact that there is an interim injunction operating in favour of the plaintiff which was upheld by the division bench. Accordingly, the Court allowed the request for stay of the suit till such time the IPAB decides the validity of the defendant’s trademark registration.

Another recent decision dated 23-4-2018, but with different facts, has been delivered by the Delhi High Court in the case of *Country Inn v. Country Inns and Suites*⁷ wherein there is an independent and exhaustive analysis of *Patel Field Marshal*. Notably, this decision does not refer to the *Abbott case* or the *Nestle case* of the same court. In this case, the defendants filed an interim application for framing of issue on invalidity and stay of trial under Section 124, after several years of commencement of suit and trial. The present case is a judgement on the same interim application.

The case pertains to a trademark infringement that was initiated by the Plaintiff in 2008. The plaintiff claimed to be the registered proprietor of the mark “Country Inn” since 1983. It

claimed to be using it in respect of hotels, motels and restaurants and have since gathered immense goodwill. The defendant i.e. ‘Country Inns and Suites by Carlson, Inc’ are registered proprietors of “*COUNTRY INN & SUITES BY CARLSON*”. The registration of defendant is from 2002. Plaintiff had filed rectification petition against the defendant’s registered trademark. In 2011, the Court framed the issues and one of the issues pertained to validity of the registration of the defendant’s trademark. In September 2017, the defendant initiated rectification proceedings against the plaintiff’s trademark registration before the IPAB and by this time, trial had already commenced and continued for a few years. In 2018, an application for stay of trial under Section 124 was sought by the defendants invoking their rectification application filed before the IPAB which came for decision before the Court in this case.

The Court framed the issue as follows: “... *whether such a right of the Defendant in a suit for infringement to seek framing of an issue with respect to seeking permission of the Court to approach the IPAB for cancellation proceedings of the registered trademark can be filed even though trial in the suit has commenced, and issues have been framed around seven years prior to filing the [cancellation] proceedings by the Defendant before the IPAB*”.

The court conducted a thorough analysis of the *Patel Field Marshal* judgement in the context of the facts before it and observed as follows:

- A stay of infringement suit under the Section 124 is possible only when the defendant requests for framing an issue in the suit on the validity of the plaintiff’s trademark registration for an already pending rectification/invalidity proceedings. In the alternative, it is also possible when the infringement court finds that the defendant’s application for rectification (post the infringement suit) is *prima facie* tenable.

⁵ (2014) 210 DLT 591 (DB)

⁶ Id. At Para 38

⁷ Decision dated 23.04.2018 in CS(COMM) No.902/2016

- In case the civil court finds the plaintiff's registration valid, the defendant's would have to find remedy in appeal. Defendant, at this point cannot seek/initiate cancellation proceedings before the IPAB.
- Lastly and most importantly, the right or the window to challenge the validity of the plaintiff's registration is limited and not absolute/perpetual. After securing the leave of the civil court for commencing rectification proceedings, if a defendant does *not* file any cancellation proceedings before the IPAB, the Court interpreted the findings of *Patel Field Marshal* case to hold that the opportunity to raise such challenge would get forfeited for good. The Court held that same consequence would follow if the defendant fails to request the infringement civil court to invalidate the registration by framing an issue to this effect.

In the present case, the Court took serious note of the fact that the issues had been framed and trial had commenced many years ago for a suit that was filed in 2008. The Court was unimpressed by the fact that even in the written statement filed by defendant in response to the suit in 2009, there was no tenable plea of invalidity. Even when issues were framed in 2011, no such plea was raised or pleadings amended to that effect. It was only in September 2017, after plaintiff had led substantial evidence in the suit for infringement, that the rectification proceedings were filed by defendants before the IPAB and then in 2018, permission of the Court was sought to frame an issue to that effect in the suit and to secure stay of the suit. The Court concluded that the approach of the defendant was a *mala fide* attempt to prolong the suit and found that the window for the defendant to challenge the plaintiff's mark had long been closed when the trial commenced. Accordingly, the defendant's motion for framing of issue on invalidity of plaintiff's mark and stay of suit was

dismissed with costs of INR 200,000 imposed on the defendants.

In conclusion:

- (A) The decision in *Country Inn case* and *Abbott case* are welcome as they not only authoritatively applied the Supreme Court ruling, but also made it clear that any challenges to the validity of the trademark in an infringement suit must be credible and timely made or such a window would be shut down for good.
- (B) It is also noteworthy that the High Court has not shown rigidity in applying the Apex Court judgement which is demonstrated in the *Abbott case* where the plaintiff was given benefit of doubt even if it was found that there were insufficient pleadings on invalidity of the defendant's registration. No such benefit was available to the defendant in *Country Inn case*.
- (C) It is very important that in cases like *Abbott* where stay of the suit was granted for pursuing invalidation against defendant's mark after having secured an interim injunction order, the Courts must remain conscious of giving strict time lines to avoid potential injustice to a defendant if the plaintiff were to lose the case.
- (D) These cases, especially the *Country Inn case*, also raise an important point that in the post '*Patel Field Marshal*' era it is almost mandatory for any defendant to at least attempt an invalidity plea against the plaintiff (and/or vice versa) because once issues are framed and trial begins any subsequent rectification/cancellation during the pendency of suit would not be permissible.

Needless to say, the above would be subject to the outcome in appeals against these decisions, if any.

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Ratio decidendi

Design infringement - Protection of aesthetic design

A division bench of the Bombay High Court has confirmed the Order of the Single Judge allowing notice of motion for grant of temporary order and injunction, in involving suit for design infringement of copper tubes for use in air conditioning, etc. It was observed that, *prima facie*, grounds under Section 19 of the Designs Act, i.e. design is not new or original, were not established. The Court also noted that the plaintiff was the prior user of expanded bell-shaped ending to copper tube, which it claimed as an aesthetic design, and there was no material difference in the two products. Further, observing that the defendant had not produced any material to demonstrate that the plaintiff's design lacked novelty, the Court concluded that the defendants had done nothing but pirated the plaintiff's design.

In the present case, plaintiff had pleaded that it conceived of a unique, novel and original shape and configuration for its tubes and the uniqueness and novelty in its design lies in one end of the tube, possessing an expanded bell-shaped like ending and that it conceived of such a shape, as it was aesthetically pleasing to the eye. The Court noted that plaintiff (respondent) had not claimed exclusivity of the functional element in the design, but in the capriciousness or whimsicality of design and it was this element in the design which made it both novel and original. [*Kalpesh Jain v. Mandev Tubes* – Judgement dated 20-2-2018 in Comm. App. No. 133/2017, Bombay High Court]

Trademark/dress infringement – Punitive damages for violating interim order

Delhi High Court has held that selling of chocolates under name of Golden Passion amounts to passing off, unfair competition, etc. An order of permanent injunction was passed upholding defendant's chocolates as deceptively similar to plaintiff's registered trade mark or trade dress FERRERO ROCHER. Further, observing that the plaintiff suffered immense loss to goodwill and reputation and hence was entitled to grant of damages not only in terms of compensatory damages, the court granted punitive damages taking note of the *mala fide* conduct and contempt of interim injunction order. It noted that chocolates were exported to India (by defendant No. 2) and sold online even after passing of interim order.

The defendant was an importer and marketer of chocolates under the brand-name 'Golden Passion' in India. The court noticed that 'Golden Passion' chocolates were look-alikes of the plaintiffs' chocolates sold under the 'Ferrero Rocher' trademark and trade-dress. The Court also passed Order for declaration of 'Ferrero Rocher trademarks and trade dress' as 'well-known' trademarks within the meaning of Section 2(1)(zg) read with Section 11(6) of the Trademarks Act, 1999. [*Ferrero Spa v. Ruchi International* – Judgement dated 2-4-2018 in CS (COMM) 76/2018, Delhi High Court]

Trademark – Conceptual similarity and what consumer notices

European Union's General Court has held that contested signs – one showing griffin, a mythical creature while the other a fanciful creature, depicted substantial degree of conceptual

similarity to constitute infringement. Observing that global assessment of likelihood of confusion in relation to visual, phonetic or conceptual similarity of signs must be based on overall impression bearing particularly their distinctive and dominant components, the Court was of the view that the average consumer perceives a mark as a whole and not proceeds to analyse its various details. The Court noted that there were visual similarities between the signs at issue, with both signs featuring a black-on-white silhouette of an animal-like creature viewed in profile, depicted in the same sitting position, resting on their hind legs with their back straightened. It was held that though there were differences, they were not such as to counteract the similarities.



The services in respect of which both the marks were registered included services for providing food and drink, catering and providing food and drink for cafes, hotels and restaurants. It was held that the perception of the marks by the average consumer of the goods or services in question plays a decisive role in the global assessment of likelihood of confusion. Finally, the Court held that the signs at issue presented a conceptual similarity of a degree which, at the very least, must be classified as low, and thus, the Board of Appeal consequently erred when it refused to find any conceptual similarity between the signs. [*Marriot Worldwide v. EUIPO* – Judgement dated 15-3-2018 in Case T-151/17, General Court (Eighth Chamber), European Union]

Copyright – Lack of originality in work is touchstone in Rectification Petition

The Delhi High Court has allowed the rectification application holding that artistic work in label NIHAL UTTAM is not an original work under Section 13 of the Copyright Act. It held that Respondent's artistic work in the said label was substantial reproduction and colourable imitation of Appellant's NIHAR COCONUT OIL. It noted that the colour scheme between the two labels was same, the manner in which the coconut tree was arranged was same, the arrangement of two broken coconuts was similar, and that due to the long user in the market, the Appellant's label was quite extensively used and hence Respondent had access to it.

Further observing that the Copyright Board was concerned with artistic features in the label and not with the trademark, the Court held that rejection of rectification application by the Board on the ground that the word NIHAR comes from Sanskrit while word NIHAL owes its origin to Persian, was contrary to law. It was held that in matters of rectification, lack of originality in work was the touchstone. [*Marico Ltd. v. Jagit Kaur* – Judgement dated 20-4-2018 in RFA 17/2009, Delhi High Court]

Trademark – No confusion between words 'Blacksmith' and 'Goldsmith'

Finding no case of infringement and passing off of mark 'Blacksmith' by mark 'Goldsmith', Delhi High Court has dismissed the suit for permanent injunction. It noted that dictionary meanings of words were different and they were unlikely to be remembered by breaking into two parts, i.e. Black and Smith or Gold and Smith. The Court was of the view that a consumer of the products of the plaintiff and the defendants was likely to remember the said products by the meaning

thereof, i.e. of the composite word – ‘Blacksmith’ and ‘Goldsmith’, which translate in Hindi language to ‘Lohar’ and ‘Sunar’, respectively. Distinguishing a number of judgements, it held that it was highly unlikely that a consumer of alcoholic beverage in Hindi speaking belt would get confused. Court in this regard also noted that there was no confusion on account of packaging or shape of bottle/container. Dismissing the suit, the Court was of the opinion that the suit was not required to be put through the rigmarole of trial, when no case of infringement or passing off was found even at that stage. [*Jaideep Mohan v. Hub International Industries* – Decision dated 5-4-2018 in CS (Comm) No. 758/2016, Delhi High Court]

Copyright – ‘Protected system’ under I.T. Act, and ‘Government work’

The Hon’ble Supreme Court has held that power of declaration of ‘protected system’ under Section 70 of the Information Technology Act, 2000 has to be read along with the provisions contained in Sections 2(k) and 17(d) of the Copyright Act, 1957 defining government work and vesting copyright in such work in the government. The Court in this regard also held that amendment in Section 70 of the I.T. Act in 2009 was an attempt to circumscribe the power even further than what was prevailing under the pre-amended law, by narrowing down the ambit of “government work”, and was not a first-time introduction of parameters to govern the exercise of power under said provisions.

Upholding the High Court’s Order, the Apex Court rejected appellant-developer’s claim of copyright in a software developed for another firm, which made it available to the government.

It observed that intellectual property in the software vested in government as per the MoU, entitling it to declare it as ‘protected system’. [*B.N. Firoo v. State of Kerala* - Civil Appeal No. 79 of 2008, decided on 27-3-2018, Supreme Court]

Patents – Obviating irregularities and limitation in filing for examination

In a case involving delay in Indian National Phase Patent application, the Delhi High Court has held that an application under Rule 137 of Patent Rules, 2003 was maintainable. It was also held that Rule 138 (prior to 2016) will not be applicable. Further, observing that request for examination to the Controller of Patents was made within time limit though fee was paid via cheque and not draft, the Court quashed the communications – first for re-submitting documents and second for rejecting examination on limitation.

The petitioner had filed an application for grant of patent in India, and was required to enter the Indian National Phase Patent application within 31 months of the date of priority as provided in Rule 20(4)(i) of the Patent Rules, 2003. Since there was delay, applications were filed under Rule 137 and 138 along with the Indian National Phase Patent application. The petitioner also made a request for examination in terms of Rule 24B via its authorized agent. The fee, however, was paid on behalf of the petitioner by way of a cheque instead of a demand draft or other prescribed modes. [*SNECMA v. Union of India* – Judgement dated 19-3-2018 in W.P. (C) 3250/2017 & C.M. No. 26210/2017, Delhi High Court]



News Nuggets

Geographical Indication - Popular public perception is important

Assistant Registrar of Geographical Indications has on 15-3-2018 rejected the proposal of Madhya Kshetra Basmati Growers (opponent) for inclusion of 13 districts of Madhya Pradesh for GI tag for 'Basmati'. GI tag was granted to APEDA observing that opponent failed to satisfy fundamental requirement of Popular Public Perception of Basmati cultivation in Madhya Pradesh. It was noted that application by APEDA for non-inclusion of claimed areas in Madhya Pradesh was in the interest of protecting product quality. Absence of documentary evidence on areas of cultivation was also noted.

Design protection – Appearance of product when not decisive

DOCERAM is a company manufacturing technical ceramic components. In particular, it supplies weld centring pins to customers in the automotive, textile machinery and machinery industries. It is the proprietor of a number of registered Community designs which protect centring pins for welding in three different geometrical shapes, each of which is produced in six different types. CeramTec also manufactures and sells centring pins in the same variants as those protected by the designs of which DOCERAM is the proprietor. Relying on an infringement of its Community designs, DOCERAM brought an action against CeramTec seeking an order for CeramTec to discontinue the infringement of its intellectual property rights. The latter brought a counterclaim for a declaration of invalidity of

the contested designs, maintaining that the features of appearance of the products in question were dictated solely by their technical function.

The Regional Court, Düsseldorf dismissed the action brought by DOCERAM and declared the designs at issue to be invalid on the ground that they were excluded from the protection afforded by Article 8(1) of Regulation No 6/2002.

DOCERAM appealed against that judgment to the Higher Regional Court, Düsseldorf, Germany. The issue was whether the designs at issue are new and have an individual character considering that alternative designs of the centring pins concerned exist which are not protected by the Community law on designs. Therefore, that court considered whether the existence of those alternative designs leads to the conclusion that the features of appearance of those products are not covered by Article 8(1) of Regulation No 6/2002, or whether it is also necessary to ascertain whether the technical function was the only factor which dictated those features.

That court pointed out that there are differing approaches in the case-law and in legal literature on that question. One approach is that the sole criterion for the application of Article 8(1) of Regulation No 6/2002 is the existence of alternative designs which fulfil the same technical function, which demonstrates that the design at issue is not dictated solely by reason of its technical function within the meaning of that provision.

The opposing view is that that provision is applicable where the various features of appearance of the product are dictated solely by the need to achieve a technical solution and that the aesthetic considerations are entirely irrelevant. In that case there is no creative effort worthy of protection as a design. Accordingly, it referred the matter to the ECJ.

The Court of Justice of European Union has

held that appearance of a product is not decisive, for protection of the design, when technical function is the only factor which determines features of its appearance. Interpreting Article 8(1) of EU Regulation No. 6/2002, it observed that existence of alternative designs is immaterial. The court also held that all objective circumstances should be considered and not the perception of an objective observer.

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