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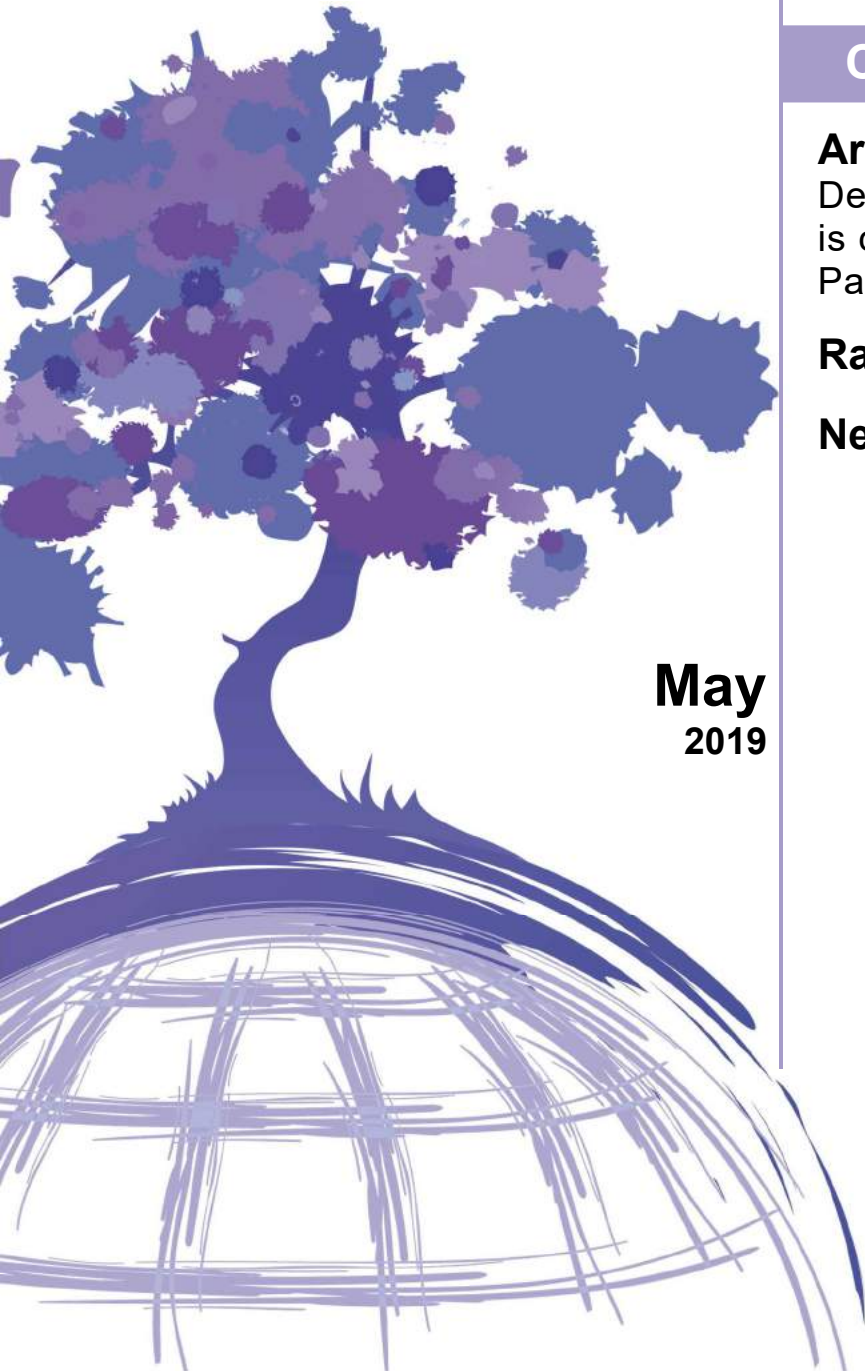
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Article

Delhi High Court affirms that “export” is covered under Section 107A of Patents Act

By **Vindhya S. Mani.**

A Division Bench of the Delhi High Court in its recent order¹ dated April 22, 2019 affirmed the decision of the Single Judge of the same court interpreting Section 107A of the Patents Act, 1970 (Act). The Division Bench held that the said exemption permits exports from India of a patented invention solely for uses reasonably related to the development and submission of information required under any law for the time being in force, in India or in any foreign jurisdiction. The Division Bench however differed with the Single Judge’s ruling on the aspect of permitting the export of 1000 or 2000 tablets as reasonable use without holding any inquiry. The Division Bench accordingly proposed an indicative list of tests or considerations that would govern the inquiry and adjudication on the applicability of Section 107A of the Act.

Brief facts:

The instant case on the interpretation of Section 107A(a) of the Act was passed by the Division Bench through a common order in the cases of *Bayer Corporation v. Union of India* (WP(C) 1971 of 2014) and *Bayer Intellectual Property GMBH & Anr. v. Alembic Pharmaceuticals Ltd.* (CS(Comm)1592 of 2016). The former case is a writ petition filed by Bayer seeking a mandamus to the Customs Authorities to seize the consignments for export containing products covered by its patent no. 215758 directed to the anti-cancer drug Sorafenib tosylate (Bayer’s Trade name-Nexavar),

manufactured by Natco by virtue of the compulsory license to said patent issued by the Controller General of Patents in 2012. Natco in said writ petition asserted that its exports of the active pharmaceutical ingredient (API) of Nexavar to China falls within the scope of Section 107A of the Act as its exports are for conducting development/clinical studies and trials. The latter case is a commercial suit instituted by Bayer seeking a permanent injunction against Alembic from infringing its patent no. 211300 directed to the blood thinning drug Rivaroxaban. Alembic in said suit asserted that it had not commercially launched the drug Rivaroxaban and had only exported the drug for the purposes covered under Section 107A of the Act. Alembic also undertook that it will provide Bayer a months’ notice before commercially launching the drug to enable Bayer to avail of its legal remedies. Accordingly, the common question of law before the Single Judge of the Delhi High Court adjudicating both matters was whether Section 107A(a) of the Act includes the act of “export” of the patented invention, strictly for the purposes mentioned therein. The Single Judge held that the word “selling” under Section 107A of the Act includes within its ambit the meaning of the term “export” and thus held that the absence of the word “export” under Section 107A of the Act does not lead to any inference that said provision does not include “export” within its scope.

The Single Judge disposed of the instant writ petition and commercial suit by directing that Natco and Alembic are entitled to export the patented invention for the purposes of Section 107A of the Act subject to both Natco and

¹ Bayer Corporation vs. Union of India & Ors. LPA No. 359/2017 and Bayer Intellectual Property GMBH & Anr. vs. Alembic Pharmaceuticals Ltd. RFA(OS)(COMM) 6/2017.

Alembic filing an affidavit by way of undertaking of their respective Directors duly supported by the Resolution of the respective Board of Directors, with advance copy to the counsels for Bayer, to the effect that they, during the term of the respective patents, will not export the respective patented invention for purposes other than those specified in Section 107A of the Act. The Single Judge also directed that Bayer has the liberty to take appropriate proceedings if it makes out a case that the exports effected or to be effected by Natco and/or Alembic were or are for purposes other than those specified in Section 107A of the Act.

Aggrieved by the order of the Single Judge, Bayer approached the Division Bench in appeal both in the writ petition and the commercial suit.

Decision of the Single Judge

The Single Judge in his order² dated March 08, 2017 held that the word “selling” under Section 107A of the Act includes within its ambit the meaning of the term “export” and thus held that the absence of the word “export” under Section 107A of the Act does not lead to any inference that said provision does not include “export” within its scope.

In arriving at the instant ruling that “export” of the patented invention is included within the scope of Section 107A of the Act, the Single Judge after an extensive analysis of the definitions of the terms “selling”, “sale” and “export”; held that the words ‘sale’/ ‘selling’ as per their literal meaning are without any geographical limitations and therefore held that the word “selling” under Section 107A of the Act would also include the transfer of the patented invention to a country other than India, despite the fact that said transfer would also qualify as exporting. The Single Judge further held that the above

interpretation of Section 107A of the Act is not in conflict with Article 31(f) of TRIPS as Section 107A of the Act is not an exception to the right conferred under Section 48 of the Act but only permits sale of the patented product during the term of the patent to obtain regulatory approvals in order to manufacture and market the products after the expiry of the patent term. The Single Judge also observed that even if Article 31(f) of TRIPS allows for the Bolar exemption to be applicable only in the domestic context, the Indian legislature was well within the ambit of Article 31(f) of TRIPS to enact a law that permits export under the Bolar exemption keeping in mind the nature and importance of its generic industry.

Contentions of the parties before the Division Bench:

Before the Division Bench, Bayer contended that the Single Judge’s finding that Section 107A of the Act is not an exception to the rights conferred under Section 48 of the Act is erroneous. It was argued that since Section 48 of the Act refers to sale in India only, Section 107A of the Act cannot be interpreted to enlarge the scope of Section 48 of the Act such as to grant an additional right. It was also asserted that since Section 84 and 92A of the Act expressly use the term ‘export’, the absence of the same under Section 107A is a clear intent to exclude ‘export’ from the scope of the exemption. Bayer also argued that the interpretation of Section 107A of the Act to include export would be in violation of Article 31(f) of the TRIPS which provides that any use of a non-patentee should be predominantly for the supply of the domestic market of the country authorizing such use. Bayer also argued that *arguendo* if Section 107A of the Act permits export, the burden of proof must fall on the non-patentee to justify that the export is for the purposes under Section 107A of the Act. Bayer strongly asserted that the Single Judge incorrectly held that the burden of proof is on the

² Bayer Corporation vs. Union of India (WP(C) 1971 of 2014) and Bayer Intellectual Property GMBH & Anr. vs. Alembic Pharmaceuticals Ltd. (CS(Comm)1592 of 2016).

patentee to show that the non-patentee's acts are not covered under Section 107A of the Act and that such a reversal of burden completely prejudices the interests of the patentee. Bayer also contended that the Single Judge failed to consider the quantities sought to be exported and whether the said quantities are in fact required by the regulatory regime to which information is to be submitted.

Natco and Alembic on the other hand argued that the rights under Section 48 of the Act are subject to the acts exempted under Section 107A of the Act and the latter includes export within its scope. Natco by relying upon the Canadian equivalent of Section 107A of the Act, i.e. Section 55.2(1) of its Patent Act and the related WTO ruling in the *Canada – Patent Protection of Pharmaceutical Products* DS-114 (Canada Disputes case), argued that under the said ruling it was clarified that use or export of the patented product by a non-patentee solely for regulatory purposes would not constitute infringement irrespective of the amount the patented product so used or exported. Natco and Alembic also asserted that Section 107A of the Act does not impose any restriction on the quantity of the patented product to be used or exported if the quantity is utilized for the purpose mentioned under Section 107A of the Act. It was also contended that every country has a different regulatory regime and the requirements for submission of data for regulatory approvals also vary and thus it will be onerous to place a restriction on the quantity of patented product to be used or exported under Section 107A of the Act.

Decision of the Division Bench

The Division Bench upheld the Single Judge's interpretation of Section 107A of the Act to include 'export' and reasoned that Section 107A is not made subject to other provisions of the Act and thus cannot be treated as an

exception to Section 48 of the Act. The Division Bench noted that the term 'export' is used in different contexts in Sections 84, 90 and 92A of the Act. Thus, it cannot be stated that the Parliament intended to *per se* exclude 'export' from the scope of the term 'sale' under Section 107A of the Act given the disparate and differing objectives of Section 84, 90 and 92A which deal with compulsory licensing whereas Section 107A of the Act deals with an exemption for research purpose.

The Division Bench referred to the Canadian provision and the WTO ruling in the *Canada Disputes* case and noted therefrom that the quantity of the patented product used or the place of research and development or information submission cannot by itself be the basis for non-applicability of the exemption under Section 107A of the Act. The Division Bench held that it is the conduct or action of the individual or entity using the patented product and the purpose for which it is sought to be used that is important and decisive whether the exporting or purchasing entity intends to use the patented product for commercial purposes.

The Division Bench also considered that export of the patented product can be potentially troublesome to the patent owner in cases where the export is used for purposes beyond those provided under Section 107A of the Act. In this regard, the Division Bench did not concur with the approach of the Single Judge in permitting export of 1000 to 2000 tablets as reasonable use, without holding any inquiry. The Division Bench reasoned that in such cases while it is open for the patent owner to institute legal proceedings to injunct the alleged exported or seller, it is also equally open to the exporter or seller to seek a declaration or appropriate relief that its sales are for purposes covered under Section 107A of the Act. In this regard the Division Bench provided an indicative list of factors that should be considered in the inquiry

and adjudication of such cases. The said list includes, the scope of the patent, the nature of the product or element sought to be exported, the details of the party importing the product, the quantity sought to be exported, particulars with respect to the end use of the product to establish the purpose behind export, verification through the Indian mission and its trade division abroad regarding the authentication of the third party and/or its facilities abroad, all particulars regarding the relevant regulations and requirements for seeking the necessary approval under the said regulations and authentic English translations of the same, if required and issuance of appropriate interim orders including undertaking by way of duly authenticated affidavit to compensate the plaintiff in the event the suit were to be decreed and the extent of monetary compensation.

The Division Bench also referred to the TRIPS Agreement and the Doha Declaration and noted that it is necessary for courts to be aware and cognizant of the obligations under these conventions while adjudicating patent infringement claims and should not confine themselves to adjudicating such matters as assertion and negation of private rights.

The Division Bench also held that the instant dispute is not ordinarily the subject of public law proceedings as they involve investigation into facts and result in reliefs to private parties for enforcement of private property entitlements. Thus, it was held that such disputes should not be the subject matter of writ proceedings and that parties should be relegated to civil remedies. Accordingly, the Division Bench dismissed the appeal filed by Bayer in the writ petition and directed that suits filed by Bayer against Natco and Alembic may be tried by the Single Judge in accordance with law and the observations and ruling of the instant judgment.

Analysis

The instant decision of the Division Bench of the Delhi High Court apart from re-emphasizing the interpretation of Section 107A of the Act also provides the much-needed balancing act between the rights and interests of patent owners and non-patentees by listing out the factors that ought to be considered in cases involving the applicability of Section 107A of the Act.

[The author is a Principal Associate, IPR practice in Lakshmikumaran & Sridharan, Delhi]



Ratio decidendi

Copyrights – Statutory licensing under Section 31D of Copyright Act not covers internet broadcasting

The Bombay High Court has held that statutory licencing under Section 31D of the Copyright Act is meant only for radio and television broadcast and excludes internet broadcasting. The Court was of the view that Defendants' On-demand

Streaming Services offered through internet as an "internet broadcasting organisation" do not fall within the purview of Section 31-D of the Act. It also held that Section 31D is applicable to only broadcasting organizations which are desirous of communicating to the public by way of 'broadcast', and not covers commercial rental. The 227th Report of the Rajya Sabha

Parliamentary Standing Committee on the Copyright (Amendment) Bill, 2010 was relied for the purpose. It may also be noted that the Court also held that prior determination of royalty rates is a necessary precondition for the exercise of rights in respect of a statutory license under Section 31-D.

It was also held that commercial renting and storing of plaintiff's song violates exclusive rights of plaintiff under Section 14(1)(e)(ii). It observed that feature of permanent download subscription option offered by the Defendants to their customers to permanently download sound recordings and have a permanent access to the same once paid for, amounts to sale of the sound recordings and thereby violates the exclusive right of the Plaintiff to sell or offer for sale its sound recordings as provided in Section 14(1)(e)(ii). In respect of commercial renting, the Court was of the view that activities of the Defendants enabling their customers to download sound recordings and access them offline in lieu of a monthly subscription fee amounted to 'commercial rental'.

Defence of fair use under Section 52(1)(a)(i) was rejected by the Court observing that activities of the Defendants cannot be termed as 'private' or 'personal use' or 'research'. Similarly, the benefit under Section 52(1)(b) was also held as not available to the defendant. The Court in this regard noted that storage of the sound recordings was not incidental or transient to services of the Defendants. It was also held that provisions of Section 52(1)(b) would generally apply in case of Internet Service Providers and not to the activities of the Defendants. The Court hence granted interim injunction restraining the defendant from using songs of the plaintiff over its platform. [*Tips Industries Ltd. v. Wync Music Ltd.* - Order dated 23-4-2019 in Commercial Suit IP (L) No. 114 of 2018, Bombay High Court]

Trademarks – Nutraceuticals are akin to medicines for test of passing off

In a case involving registered trademark names of nutraceuticals with both products having 'GLO' as prefix, the Delhi High Court has held that mere fact that products are not pharmaceuticals, is not convincing for adoption of less stringent test for passing-off. It held that just because the nutraceuticals are termed so, as they contain ingredients derived from plants, it does not mean that a lenient test needs to be adopted in respect of these products. The Court was of the view that the test applicable to pharmaceutical products would be applicable even to nutraceuticals.

Granting interim injunction, it observed that nutritional food supplements and nutraceuticals are akin to medicines and pharmaceutical preparations, and hence confusion is to be avoided. The Court in this regard observed that the manner of approval of nutraceuticals and nutritional food supplements under the FSSAI regime shows that these are highly regulated products and cannot be manufactured without a license. It was noted that the product itself, the packaging, the labels, the content of the labels, specific disclaimers and conditions have all to be approved by the Food Authority and that they are usually consumed on the advice of medical practitioners.

Relying on the Supreme Court decision in the case of *Cadila*, the High Court observed that greater vigilance is required where products are meant to cure same ailments. It held that the principles laid down in *Cadila* in respect of medicines and pharmaceuticals, would equally apply to products which are nutraceuticals and nutritional supplements. Considering various other factors, like that the suffixes EYE and TAB are insufficient to create any distinction between 'GLOEYE' and 'GLOTAB', it was held that the defendant was not a *bona fide* adopter of the

mark 'GLOTAB'. [*Sun Pharma Laboratories Ltd. v. Ajanta Pharma Ltd.* – Order dated 10-5-2019 in CS (COMM) 622/2018, Delhi High Court]

Trademarks – Passing-off when mark used in cognate and allied products

In a case where Plaintiff and Defendant sold tea and biscuits respectively under the mark TODAY, Delhi High Court has held that adoption of the mark for biscuit, which is a cognate and allied product of tea, will result in deception thus passing off as both are served and consumed together. The Court for this purpose observed that as the expression 'Chai-biscuits' conveys, tea and biscuits go hand in hand.

The High Court granted permanent injunction in favour of the plaintiff observing that use of the trademark registered for various products under clause 30 is infringement under Section 29 of the Trademarks Act. It observed that clause 30 covered coffee, tea, cocoa, sugar, rice, tapioca, sago, coffee substitutes, flour and preparations made from cereals, bread, biscuits, cake, pastry, rusk and confectionery, ices, honey, treacle, yeast, baking-powder, salt, mustard, pepper, vinegar, sauces and ice. Plaintiff was held prior user considering its trademark registry, invoices, etc.

Holding that the use of an identical mark in respect of tea and biscuits is bound to result in confusion and deception as the said products are stored, served and consumed together, the Court also observed that such use of identical mark for tea and for biscuits would create an immediate connection that they originate from the same source. It noted that Plaintiff's TODAY tea being extremely well known, use of an identical mark for biscuits is bound to result in confusion and deception and thus passing off is inevitable. [*Today Tea Ltd. v. Today Foods Pvt. Ltd.* – Order dated 25-4-2019 in CS (COMM) 464/2018, Delhi High Court]

Trademarks – Dissimilarities which stand out prevail when judging generic similarities

In a suit involving alleged copying of packaging and trade dress, the Delhi High Court has held that use of the mark *Priyagold* on white background for *Butter Delite* biscuit and the mark *Raja* on the yellow background for *Butter Krunch* is enough to prevent defendant's biscuits to be confused with the plaintiff's product. The High Court for this purpose held that when judging generic similarities, dissimilarities which stand out prevail over similarities. It noted that alleged similarities recorded elements which were common to all biscuit producers. Considering that test to be applied is of similarities, the Court was of the view that similarities however need to be distinctive and peculiar of the packaging of the plaintiff and not similarities which are found generally on packaging of all makers of the same product. It also was observed that the colour scheme of the package was not unique and that the packaging foils used by both were different. The Court while dismissing the suit, also held that the curly shape of the butter as shown on the packaging of both plaintiff and the defendant, was also generic. [*Surya Food and Agro Ltd. v. Om Traders* – Order dated 25-4-2019 in CS(COMM) 10/2019, Delhi High Court]

Trademarks – 'Cash for Gold' or 'Gold Buyers' are suggestive and can be registered

The Delhi High Court has granted interim injunction restraining the defendants from using the marks *Cash for Gold* or *Gold Buyers*. Applying the tests laid down by *McCarthy on Trademarks and Unfair Competition*, i.e. the Degree of Imagination Test and the Competitors' Need Test, the Court found both marks to be *prima facie* suggestive. The High Court observed that the term *Gold Buyers* is not descriptive as plaintiff was involved in buying other commodities

as well. *Cash for Gold* was held as suggestive since cash is not understood in actual sense, as the payment upon purchase of various commodities is being made through the banking channels, demand draft or even by cheques. The mark *We Buy Gold* was however *prima facie* held to be descriptive. The Court observed that *We Buy Gold* is a complete sentence which describes what the Plaintiff does i.e. it buys gold. Further, it was held that that the injunction will not preclude the Defendants from using the words 'CASH', 'GOLD', 'BUYERS' to genuinely describe their business or services in a manner that does not constitute trademark use. [*Anil Verma v. R.K. Jewellers S.K. Group* – Order dated 25-4-2019 in CS (COMM) 1097/2018, Delhi High Court]

Patents – Rights of patentee subsists during pendency of post-grant opposition

The Single Judge Bench of the Delhi High Court, in a pharma patent case, has granted a partial

ad-interim injunction restraining the defendant from carrying out any new manufacture of the allegedly infringing drug. The defendant had filed a post-grant opposition against the very same patent and the said proceedings have been completed and the decision is awaited. Petitioner argued that an interim injunction is warranted as the defendant proceeded to launch the infringing product despite the pendency of the post-grant opposition. The Court observed that during the pendency of the post-grant opposition, the rights of a patentee subsist – though they may be crystallized once the opposition is actually decided. The Court further observed that defendant ought to have awaited the decision in the post-grant opposition before launching its product. [*Novartis AG v. Natco Pharma Limited* – Order dated 2-5-2019 in CS (COMM) 229/2019, Delhi High Court]



News Nuggets

Patent office unjustified in revoking patent when opposition is withdrawn

The Delhi High Court has held that the patent office should not have revoked the patent when the post-grant opposition was withdrawn by the respondent and where decree of settlement between the two was passed by the Court. Thus, the Court, in the case of *J.C. Bamford Excavators Ltd. v. UoI*, restored the patent for an excavating and loading machine. The Patent Office had revoked the patent on the ground of non-disclosure of civil suit between the parties. The Court noted that said civil suit had earlier resulted in settlement and agreement to withdraw the post-grant opposition.

Mark 'Dispo' relating to syringes is descriptive

Observing that the trademark registration was of the device rather than words in isolation and that plaintiff-respondent cannot claim proprietorship in word DISPO, the Delhi High Court has partly allowed an appeal against the interim injunction against marks DISPOCANN and DISPOVAN. The Appellant however stated that it would not use the marks. In the case of *Disposafe Health & Life Care Ltd. v. Hindustan Syringes & Medical Devices Ltd.* The court held that the word DISPO refers to a quality, i.e. being disposable, and hence is descriptive. It also observed that word had also not acquired any association with the goods of the plaintiff.

Differences in additional features is not material

The Delhi High Court has held that the essential feature of the trademark *Aadhar Shree* and *Adhar Shila* being identical there is reasonable cause for deception and the differences in the additional features was immaterial. The Court held in *Paridhi Udyog v. Jagdev Raj Sarwan Ram Dhiman* that the mark *Aadhar with respect to Plaster of Paris* was not descriptive but suggestive. Defendant's plea of prior use was also rejected. Further, though the Court held that it has no jurisdiction, considering Order 14 Rule 2 read with Order 20, Rule 5 of CPC, it went on to decide that the defendant was violating plaintiff's mark.

Interim injunction granted against use of trademark 'Power Flex'

The Delhi High Court has granted interim injunction against using *Power Flex* as a trademark. However, the court allowed defendant to exhaust the entire stock of such branded shoes and held that the use of the word *Power* in tagline *The Power of Real Leather* cannot be enjoined. In *Bata India v. Chawla Boot House* it held that defendant No. 2 cannot argue that *Power* is merely a laudatory dictionary word. It also found *Power* to be suggestive (not descriptive) in footwear and hence inherently distinctive. The Court also refused to dissect the product range – sporting v. leather.

NEW DELHI

5 Link Road, Jangpura Extension,
Opp. Jangpura Metro Station,
New Delhi 110014
Phone : +91-11-4129 9811

B-6/10, Safdarjung Enclave
New Delhi -110 029
Phone : +91-11-4129 9900
E-mail : lsdel@lakshmisri.com

MUMBAI

2nd floor, B&C Wing,
Cnergy IT Park, Appa Saheb Marathe Marg,
(Near Century Bazar)Prabhadevi,
Mumbai - 400025
Phone : +91-22-24392500
E-mail : lsbom@lakshmisri.com

CHENNAI

2, Wallace Garden, 2nd Street
Chennai - 600 006
Phone : +91-44-2833 4700
E-mail : lsmds@lakshmisri.com

BENGALURU

4th floor, World Trade Center
Brigade Gateway Campus
26/1, Dr. Rajkumar Road,
Malleswaram West, Bangalore-560 055.
Ph: +91(80) 49331800
Fax:+91(80) 49331899
E-mail : lsblr@lakshmisri.com

HYDERABAD

'Hastigiri', 5-9-163, Chapel Road
Opp. Methodist Church,
Nampally
Hyderabad - 500 001
Phone : +91-40-2323 4924
E-mail : lshyd@lakshmisri.com

AHMEDABAD

B-334, SAKAR-VII,
Nehru Bridge Corner, Ashram Road,
Ahmedabad - 380 009
Phone : +91-79-4001 4500
E-mail : lsahd@lakshmisri.com

PUNE

607-609, Nucleus, 1 Church Road,
Camp, Pune-411 001.
Phone : +91-20-6680 1900
E-mail : ls pune@lakshmisri.com

KOLKATA

2nd Floor, Kanak Building
41, Chowringhee Road,
Kolkatta-700071
Phone : +91-33-4005 5570
E-mail : lskolkata@lakshmisri.com

CHANDIGARH

1st Floor, SCO No. 59,
Sector 26,
Chandigarh -160026
Phone : +91-172-4921700
E-mail : lschd@lakshmisri.com

GURGAON

OS2 & OS3, 5th floor,
Corporate Office Tower,
Ambience Island,
Sector 25-A,
Gurgaon-122001
phone: +91-0124 - 477 1300
Email: lsurgaon@lakshmisri.com

ALLAHABAD

3/1A/3, (opposite Auto Sales),
Colvin Road, (Lohia Marg),
Allahabad -211001 (U.R)
phone . +91-0532 - 2421037, 2420359
Email:lsallahabad@lakshmisri.com

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