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Article

Groundless infringement threats

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An introduction to Section 106 – Patents Act, 1970

Intellectual Property (IP) rights ensure that innovation is rewarded and encouraged. In recent times, there has been a proliferation of the IP rights, and a single product may be protected by a multitude of ways, such as patents, trademarks, and design rights. IP law provide means by which the IP rights may be effectively enforced against infringement; however, this can be misused by many to suppress competition. For instance, a mere threat of infringement proceedings may cause damage to a business, since many parties may not go to the length and expense of litigating an infringement suit. As a result, a party receiving a threat may change the course of the act which had caused the threat. To curb such situations, the IP law has provisions to prevent any person, especially IP right-owners, from making indiscriminate threats of infringement proceedings against others.

A threat becomes groundless when one party threatens another party with legal proceedings without having a basis for the threats. For example, if a threat to sue for infringement is made where there has been no infringement, or the IP right is invalid, the threat is said to be groundless. In case of *LG Electronics India Pvt. Ltd. v. Bharat Bhogilal Patel & Others*¹, Delhi High Court clarified that *“if any proprietor or the right holder issues a notice to the custom officials and the custom officials act upon the same by restricting the imports of consignments of any party without the determination (prima facie or*

otherwise) of the factum of infringement of patent by the appropriate designated authority, then such notice by the right holder to the customs and the actions thereof by the customs either in the form of notice to that party or otherwise calling upon the party to explain its stand are all unnecessary illegal threats to that party.”

A threat may be made verbally or in writing and is viewed in the context of a correspondence or series of communications or circulars or advertisements. For example, one letter may not in itself be threatening; however, when viewed as part of an entire correspondence it may constitute a threat. Mere notification of existence of an IP right does not amount to a threat of infringement proceedings.

Section 106 of the Patents Act, 1970 strikes a balance between a patent right (which in some circumstances may be exercised indiscriminately) and interests of individuals or companies whose businesses may have the possibility of infringing valid patent rights. Section 106 prescribes a mechanism to safe guard such interests against an indiscriminate use of patent rights to suppress competition. More specifically, section 106 prescribes relief to a person who is being threatened by any person with proceedings for infringement and whose commercial interests suffer because of the threat. Such a person, being aggrieved, may bring an action for seeking remedy against the threat.

Section 106 provides to the aggrieved person a remedy to bring a suit seeking a declaration from the Court indicating that the acts of the Plaintiff are lawful and the allegations are

¹ <https://indiankanoon.org/doc/48055807/>

unjustifiable, restraining order against repetition of the threats, or compensation to the Plaintiff for any losses that may have occurred to the Plaintiff due to the threats. The Court may grant all or any of the reliefs prayed for by the Plaintiff.

On a plain reading of subsection (2) of Section 106, in a suit filed against groundless threats, burden of proof initially lies on the Plaintiff to prove that the Patent is invalid. In case, the Plaintiff is unable to prove invalidity of the Patent, the burden of proof shifts to the Defendant to establish that the Plaintiff performed an act of infringement. Failure to prove infringement of the Patent by the Defendant entitles the Plaintiff to the remedy.

While Section 106 intends to provide relief to the aggrieved person (alleged infringer), the alleged infringer may use this provision for their own benefit. For example, the alleged infringer may receive a communication from the IP right holder notifying the alleged infringer about the IP rights. In response to the communication, the alleged infringer may bring a suit for groundless threats against the IP right holder to continue the act of infringement till the time the suit is heard by a court.

*Bata India Limited Vs Vitaflex Mauch GmbH (Delhi High Court)*²:

In the case of *Bata India Limited Vs Vitaflex Mauch GmbH*, the Plaintiff (Bata) instituted a suit against the Defendant (Vitaflex) for restraining the Defendant from issuing threats of legal proceedings to the Plaintiff. Further, in the suit, the Plaintiff sought for a declaration that the threats extended by the Defendant to the Plaintiff are unjustified and the Plaintiff is not infringing the legal rights of the Defendant as alleged by the Defendant. Moreover, the Plaintiff also claimed damages from the Defendant for issuing groundless threats to the Plaintiff.

Facts of the case

Bata received a legal notice from Vitaflex on April 3, 2006 wherein Vitaflex claimed that,

- i) Vitaflex is a distributor of shoes marketed under brand “*by doc Mauch*” or “*nach Dr. Mauch*”.
- ii) That the insole of the shoes was characterized by a five pressure point design and they had a pending trademark application in India for the five pressure points.
- iii) That Vitaflex has a pending patent application under application number 1521/CHENP/2003, in India and that one of the noticeable difference between the two products is that Bata’s product has six pressure point configuration instead of five pressure point configuration.
- iv) That Bata is infringing the defendant’s trademark rights and patent.

Bata contended that Vitaflex has only applied for a patent and does not have any registered patent for the insole. Bata further stated that the PCT application only claims novelty in the material and the thickness of the insole and not in the configuration or number of pressure points. With regard to the trademark application, Bata contended that the five-pressure points configuration is not entitled to trademark protection as it constitutes a functional aspect of the shoes.

The major issue before the Court was whether the legal notice amounted to groundless threats of legal proceedings and whether Bata was entitled to an injunction and damages for the same.

Decision

The Court stated that according to Section 142 of the Trade Marks Act, 1999 and Section 106 of the Patents Act, 1970, the Plaintiff is entitled to seek injunction against groundless

² <https://indiankanoon.org/doc/67493713/>

threats, unless the Defendant shows that the Defendant had a valid IP right in the pressure points.

The Court also relied on Section 48, Section 52(3), and Section 70 of the Patents Act, 1970 and pointed out that for infringing a patent, *“there must be a granted patent to the person who has issued the threat to the Plaintiff”*.

In the present case, the Defendant was unable to submit any evidence in support of their claims for the infringement of IP rights and therefore the Court held that the legal notice/threats made to the Plaintiff are groundless, unjustifiable, and wrong. The Court passed the order to restrain the Defendant from issuing any groundless threats to the Plaintiff with respect to five pressure point configuration.

Similar provisions in other acts

The Copyright Act, 1957, the Trade Marks Act, 1999, the Design Act, 2000, and the

Geographical Indications of Goods Act, 1999 also have similar provisions whereby a person aggrieved who receives groundless threats of infringement proceedings from an IP right holder or any other person may seek a declaration from the court.

It is interesting to note that the Copyright Act, 1957 specifically confers protection to a person receiving groundless threats of legal proceedings only when such a threat comes from the owner of that work.

Conclusion

Before issuing any communication to a person for legal proceedings against infringement of IP rights, it is imperative to ensure that the IP rights are being infringed and are valid.

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Ratio decidendi

Trademark infringement when products involved are different

In a case pertaining to a suit for trademark infringement and passing off, in the mark “Vogue”, the trial court had vacated the *ex-parte interim* injunction in favour of the plaintiffs. The appeal against that was dismissed by the Delhi High Court. The plaintiff was the owner of the mark “VOGUE” used in respect of publications related to fashion while the defendant was using the marks LINEN VOGUE/LINEN VOGUE LA CLASSE in respect of cloth/textiles. The plaintiff alleged that the use by the defendant constituted infringement.

The Single Judge (SJ) held that Section 29(2) of the Trademark Act, 1999 would not apply as the

products and services of the appellant/plaintiff and that of the respondent/defendant were completely different. It was held that under sub-Section 29(2) aspect of identity and similarity of respective trademarks cannot be looked into independently of the products/services of the respective parties as the legislature uses the expression “and” which irretrievably fastens both the aspects of trademarks and goods/services. Further, it was held that simply because there was some sort of commonality of trade channels and consumers, it cannot be held that there is identity of trade channels and consumers. With respect to the applicability of Section 29(4), the SJ held that since both parties have arguable case, the matter can only be decided after trial. The Court also addressed the concerns that the

defendant also publishes catalogues or magazines, however differentiated that from the Plaintiff's business by stating that the defendant does not sell these catalogues and instead only uses the same for advertisement purpose. Plaintiff's appeal was accordingly dismissed. [*Advance Magazine Publishers Inc. v. Bombay Rayon Fashions Limited* - FAO No. 347/2017 and C.M. Appl. No. 30168/2017, decided on 23-8-2017, Delhi High Court]

Copyrights - Sound recording rights different from literary or musical rights

A Division Bench of the Bombay High Court has dismissed the appeal filed against the Single Judge Order granting an interim injunction, restraining the defendants from releasing the film "Baadshaho" with the song "Keh Doon Tumhe". Plaintiff had filed a suit for copyright infringement against producers of the said movie for infringing their copyright in the mentioned song which was originally part of the hit Hindi film produced by Plaintiff in 1975. In response to the allegation of copying of the song, the defendants stated that the song in their film "Baadshaho" is slightly modified and hence there is no infringement. It was also asserted that by virtue of the plaintiff's agreement with another company, the copyright in the same was now vested with that company and since the defendants had obtained it from them, the defendants were not infringing the plaintiff's copyright.

The Single Judge Bench however, after hearing the two songs in court, noted that the lyrics were the same and that the music was similar. After perusing the agreement between the Plaintiffs and the other company, it was observed that the agreement only sold the rights in the song for the purpose of making and selling gramophone records with plaintiff's artistic work in the plaintiff's earlier motion picture and to exploit sound track of said movie. It was held that the agreement could at the most be termed as sound

recording rights which were distinct from literary or musical rights. This would not permit the other company to allow defendants to use the lyrics and musical or score or song in the film 'Baadshaho'.

The Division Bench also agreed with the reasoning and opined that when the sound recording rights are obtained, the arrangement in that regard would not take into its fold or subsume the original literary, dramatic, musical and artistic work. It was held that if these works are distinctly defined and understood by law (Copyright Act), then the copyright must subsist distinctly in them, as it cannot be that they are defined and recognized as different categories or classes of works, but the copyright therein is one and the same. [*Super Cassettes Industries Pvt. Ltd. v. Trimurti Films Pvt. Ltd.* - Commercial Appeal (L) No. 70/2017 in Notice of Motion (L) No. 515/2017 in Commercial Suit (L) No.459/2017, decided on 28-8-2017, Bombay High Court]

No exclusivity over names of Gods

A Division Bench of the Bombay High Court has affirmed the Single Judge Order holding that no rights can be claimed exclusively over the word mark "LAXMI" as it is a common word and the name of a deity. The Court found substance in the submissions of the respondent-defendant that the names of Hindu Gods are not exclusive and such word cannot be monopolized by one party. It was also held that claiming and protecting the label mark is different than to claim monopoly over a common word. The defendant in the dispute was using the mark "MAHALAXMI".

The Court also noted various distinguishing features which made the marks dissimilar. The Single Judge in his impugned Order, [Refer, IPR Amicus for the month of July 2016 for Order of the Single Judge] while rejecting plaintiff's submission that "LAXMI" is the leading, central

and memorable feature of his mark, had observed that when registration of a label or a device was obtained, and that device uses a common first name, it is not possible to extract the name itself out of the label and claim exclusivity over it. [*Freudenberg Gala Household Product Pvt. Ltd. v. GEBl Products - Commercial Appeal No. 72/2017 in Notice of Motion No. 1530/2015 in Commercial Suit No. 185/2015, decided on 1-8-2017, Bombay High Court*]

Territorial jurisdiction of High Court – Effect of business carried through e-commerce website

In a case involving territorial jurisdiction, where the defendant was residing in United Arab Emirates, a Single Judge Bench of the Delhi High Court has held that the Court has the jurisdiction to hear the dispute. The Court in this regard noted that though the defendant was not present in Delhi, they were offering their products through App Store, Google Play Store and e-commerce portals like www.amazon.in which can be accessed and operated from all over the country, including from Delhi. It was hence held that the

defendants were carrying on business or working for gain at Delhi and Delhi High Court had territorial jurisdiction to try and decide the suit. Reliance in this regard was also placed on earlier decision of the Court in the case of *World Wrestling Entertainment*.

The Single Judge Bench also granted an *ex-parte* permanent injunction in favour of the plaintiffs, restraining the defendants from passing off the plaintiff's mark IFIT used in relation to wearable fitness device and fitness software space. Taking note of various evidence, it was held that the impugned mark of the defendant was adopted with the specific intent to mislead the public into believing that some connection existed between the plaintiff and the defendants. The Court observed that the plaintiff enjoyed trans-border reputation with respect to the trade mark IFIT which is registered in various countries in the world and decreed the suit in favour of the plaintiff. [*Icon Health and Fitness v. Sheriff Usman - CS(COMM) 216/2016, decided on 12-9-2017, Delhi High Court*]



News Nuggets

A novel attempt to protect patents

In an interesting development, a pharma major had transferred six patents to a native Indian Tribe in the US. It has been suggested that the move is an attempt to make the patent immune from scrutiny under US Patent laws since there is action for invalidation against the patents. Under the US Constitution, native American tribes enjoy immunity from operation of laws of United States except when they waive such immunity. There are other restrictions on the Tribes in respect of printing

of currency, foreign policy etc. Commercial transactions between native Indians and non-Indians have also been examined in US courts with rulings upholding as well as disregarding the extent of immunity. The defence of sovereign immunity in field of patents is not new and has been asserted by universities (as State agencies) holding patents. However, the recent move involving sovereign immunity of a native tribe is novel and may produce surprising results on interaction with patent laws.

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