

amicus

An e-newsletter from
Lakshmikumaran & Sridharan, India

March 2016 / Issue 56

Contents

Article

Stay of proceedings in an infringement suit and challenging validity of a registered trademark 2

Statutory Updates 6

Ratio Decidendi 7

News Nuggets 9

March
2016



Article

Stay of proceedings in an infringement suit and challenging validity of a registered trademark

By **Nupur Kumar**

A Full bench (Three Judges) of the Delhi High Court recently held that prior permission of the Court is not necessary under Section 124(1)(b)(ii) of the Trade Marks Act, 1999 (TMA) for filing a rectification petition before the IPAB during the pendency of an infringement suit.

A reference was made to the Full bench of the Delhi High Court in terms of the order of the Division Bench (Two Judges) dated August 27, 2012 because of conflicting decisions on whether prior permission of the Court is necessary under Section 124(1)(b)(ii) of the Trade Marks Act, 1999 for instituting proceedings for rectification of a registered trademark, during the pendency of a suit.

The two conflicting views with respect to this provision were:

- a) That the proceeding for rectification of the defendant's trademark cannot be initiated without *prima facie* satisfaction of the Court trying the infringement suit and that the suit cannot be adjourned or stayed in terms of Section 124(1)(b)(ii) of the Act to await the outcome of the rectification proceedings initiated by the plaintiff before the Intellectual Property Appellate Board if the procedure outlined therein is not followed;
- b) The second view was that proceedings for rectification before the Intellectual Property Appellate Board can be initiated without the permission of the court trying

the infringement suit and the consequence of not obtaining permission of the court trying the infringement suit was only that the applicant cannot seek stay of suit.

In order to examine the rival contentions and the court's decision, Section 124 of the TMA is reproduced below:

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. [Emphasis Supplied]

To understand the issues surrounding the judicial conflict, a narrative of the factual matrix of the case at hand is vital. Infosys Technologies Ltd., (the respondent in the appeal) filed a suit against Data Infosys Ltd., (Appellant) claiming permanent injunction against infringement of its registered trademarks in “Infosys” and allied marks. The trademarks of respondent were registered in classes 7, 9 and 16 under the Trade and Merchandise Act, 1958. It also sought relief against the use of its corporate name, including the use by the defendant of the domain name www.datainfosys.net which, amounted to infringement of its registered trademarks. The defendants contested the suit and argued that the field of activity of both parties were different. It was argued that while respondent was in the field of software development, the defendant was providing internet services within India only and thus the two business activities were different.

During the pendency of the suit, the defendant's application for registration of the trademark ‘Data Infosys’ was accepted and granted registration in classes 9, 38 and 42, upon which the defendant filed an application for amendment of the written statement for incorporation of its registrations which was allowed by the Court.

The respondent thereafter sought

rectification of the registered trademark 'Data Infosys' before the Intellectual Property Appellate Board. Upon becoming aware of this proceeding, the defendant moved an application before Court alleging that the filing of the rectification proceeding, during the pendency of the suit, without leave of the court constituted an abuse of process and that the proceeding before IPAB were therefore not maintainable. The Single Judge dismissed the application of the Defendant. The Full Bench took note of the divergent views, espoused by both counsel for the respondent and the appellant. It was argued that permission under Section 124 (1)(b)(ii) is a condition precedent and mandatory before initiating the rectification proceedings and if such proceedings are filed without obtaining such permission, such proceedings would not be maintainable. The defendants relied on the view taken in *AstraZeneca UK Ltd. V. Orchid Chemicals and Pharmaceuticals Ltd.*, 2006 (32) PTC 733 (Del) and affirmed by the Division Bench in *United Biotech Pvt. Ltd. v. Orchid Chemicals and Pharmaceuticals Ltd.*, 2012 950 PTC 433 (Del)(DB).

On behalf of one of the intervening parties, the view was furthered before the Full Bench that Section 124 is in the nature of a special provision, which relates to situation wherein the defendant seeks to impeach a registered trademark's validity in the context of, or during the pendency of infringement proceedings. It was argued that under the scheme of the Trade Marks Act, Sections 47 and 57 are general

provisions that give exclusive power to the IPAB in matters regarding rectification/removal of a trademark. Section 124, which is schematically placed after the general power conferred upon IPAB, for rectifying the trademark and hence, being a special provision, would prevail over the general provisions.

It was argued that the principal objective of Section 124 was to avoid any conflicting decisions as to the validity of registered trademarks. 124(1)(b)(i) mandates the stay of the suit if a rectification petition is pending at the time. However, where no rectification petition is pending, Section 124(1)(b)(ii) operates and puts an obligation on the litigant seeking deferment of the suit proceedings to apply to the Court and satisfy it that *prima facie* the plea is tenable. Thereafter, on a *prima facie* satisfaction with respect to the tenability of the plea of invalidity, an issue has to be framed and the suit adjourned. The applicant seeking to rely on the plea of invalidity then is provided with a timeframe of three months within which, it has to approach the IPAB. Thus, the mechanism, i.e. Section 124(1)(b)(ii) is to be seen as a mandatory step to ensure that litigants do not frustrate an infringement proceeding or trial in a suit. Thus, in view of the above, it was seen that the following contingencies were covered under Section 124:

- When a defendant sets up the plea of invalidity of the plaintiff's registered trademark (Section 124(1)(a));
- When the defendant raises the defence of its registered trademark under

Section 30(2)(e) of the Act and the plaintiff sets up the plea of invalidity of the registered trademark of the defendant (Section 124(1)(b));

- When the plea for rectification is pending before the filing of an infringement suit, the court stays the suit and awaits the final disposal of the challenge before IPAB Section 124(1)(b)(i);
- When no such proceeding is pending at the time of institution of the suit, on *prima satisfaction* of the plea of invalidity of the plaintiff's or the defendant's trademark, the court may frame an issue regarding the same and adjourn the suit for a period of three months to enable the party concerned to apply to IPAB for rectification of the trademark.

In this regard, Section 125 mandates that in the course of an infringement suit, where the invalidity of registration of a mark plea is set up, then, 'notwithstanding anything contained in section 47 or Section 57, such application shall be made to the Appellate Board and not to the Registrar.' This means that necessarily, where the registration of mark, allegedly infringing, is questioned after initiation of suit, the person setting up such invalidity (of mark) plea has to apply to the IPAB, which alone acquires jurisdiction to the exclusion of the Registrar (who

otherwise possesses jurisdiction under Sections 47 and 57 of the Act).

- Where the Court grants time to the party to approach the IPAB, within the stipulated time and the party fails to do so, it loses the right to argue that the suit is to be stayed.

Decision

The Full Bench of the Delhi High Court revisited the relevant provisions of the Trade Marks Act, 1999 and observed as under:

1. IPAB has exclusive jurisdiction to consider and decide upon the merits of a plea of trademark registration invalidity – applying Section 47 and 57 of the Act – in the context of an infringement suit based on such registered trademark.
2. The two situations whereby the infringement action is stayed, are when the rectification proceedings are instituted before the filing of the suit (Section 124 (1) (b) (i)) and after the plea of invalidity is held to be *prima facie* tenable under Section 124 (1) (b) (ii) to enable the party urging invalidity to approach IPAB.
3. Where the civil court based on its *prima facie* assessment states the invalidity plea is not tenable or where the litigant does not approach the IPAB within the time granted (i.e when the court holds the plea to be *prima facie* tenable) the only consequence is deemed abandonment of the invalidity defense in the infringement suit. However,

access to IPAB to invoke its exclusive jurisdiction to test the invalidity of a trademark registration is not precluded or barred in any manner whatsoever. Thus, access to IPAB is not dependent on

the civil court's *prima facie* assessment of tenability of a plea of invalidity of trademark registration.

[The author is a Junior Associate, IPR Practice, Lakshmikumaran & Sridharan, New Delhi]

Statutory Updates

New guidelines for examination of Computer Related Inventions (CRI)

The new guidelines for examination of CRI were issued on 19-2-2016. The stated objective is to bring out clarity in terms of exclusions expected under Section 3(k) Patents Act, 1970 so that eligible applications of patents relating to CRIs can be examined speedily. It is also clarified that in case of any conflict between these guidelines and the provisions of the Patents Act, 1970 or the Rules made there under, the said provisions of the Act and Rules will prevail over these guidelines.

As per the guidelines Computer-related inventions (CRI) may be patentable if novel hardware is present or if inventive contribution lies in the combination of hardware and software. A three stage test is suggested whereby the examiners should properly construe the claim and identify the actual contribution, deny the claim if the contribution lies only in mathematical method, business method or algorithm but if the contribution lies in both the computer program as well as hardware, the examiner may proceed to other steps of patentability.

Electronic Transfer Facility for PCT Applications to be operationalised from 1-4-2016

A new INR account in the name of the

Controller General of Patents, Designs and Trademarks has been opened for remitting International Filing/fees with the International Bureau of WIPO. Hence applicants filing International Applications under PCT by selecting India as the Receiving Office should note that online payment by fund transfer would be functional from 1-4-2016 and the receiving office will not receive payments in USD. Public notice dated 10-3-2016 issued in the regard directs applicants to pay International Filing fees and International Search Fees and Handling Fees for IPEA by online transfer via NEFT or RTGS or by fund transfer from any branch of Central Bank of India.

Mediation in cases pending before Registrar of Trade Marks

The patent office in collaboration with the Delhi State Legal Service Authority (DSLISA) has undertaken to initiate a project to liquidate such pendency through mediation/conciliation based on Mediation/Conciliation Rules framed under the Legal Services Authorities Act, 1987. As per public notice dated 19-2-2016 issued in this regard the project will be undertaken on pilot basis in respect of 500 pending opposition and rectification matters and the interested parties are required to submit a Consent Form appended to the notice.

Biodiversity update

Guidelines were issued by the National Biodiversity Authority (NBA) to designate certain repositories under Section 39 of the Biological Diversity Act, 2002 (BDA) with specific mandates for designated bodies. The concerned Head of the Repository who shall also decide, after the 5 year custody period, whether the sample will be added to the national collection for long-term storage or discarded if the sample had been of a common occurrence as procured from the local market or appears to be a duplicate of existing accessions. The Guidelines state that besides person who discovers a new taxon of biological resources occurring in India and Indian citizens/entities taking/sending abroad biological resource for non-commercial research, persons/entities, accessing biological

resources occurring in India are required to deposit BRs in the repository.

The NBA has also issued a decision taken in the 36th Authority meeting held on 6th Jan, 2016. The Authority decided that the deposition of micro-organisms by Indian researchers/scientist in other country repositories for claim of his novel species for publication in journals, as required under the International Bacteriological code of Nomenclature, does not come under the purview of the Bio Diversity Act, 2002. The Indian researcher/scientist shall provide prior intimation to the NBA including details such as name of the species, purpose for deposit and name of repository and any non-Indian person/ entity accessing the deposited Indian bio resource from the foreign repository should obtain the prior approval of NBA.

Ratio Decidendi

IP cases to be heard by Commercial Division, irrespective of value

Interpreting the recently enacted Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Act, 2015, the Delhi High Court has held that even pending IP disputes filed at the relevant High Courts before the enactment of the above mentioned Act, will be heard and disposed by the Commercial Divisions of the High Court, even if they carry a 'specified value' below INR 10 Million (Rs. 1 crore). The Court in this regard considered the proviso to Section 7 of the Ordinance, Press Note issued by the Government Of India and 78th Report submitted to the Rajya Sabha

by the Department-Related Parliamentary Standing Committee on Personnel, Public Grievances, Law and Justice. Noticing that the Object of Section 7, whether as found in the Ordinance, 2015 or found in the Act of 2015, was those suits which could not be filed in courts below the court of the District Judge, and that these are generally IPR matters, which include trademarks cases, copyright cases, etc., the Court held that the same will be dealt with and decided by the Commercial Division of the High Court if their pecuniary jurisdiction valuation is above Rs. 20 lacs (for Delhi High Court) but below Rs.1 crore. [*Guinness World Records Limited v. Sababbi*

Mangal - I.A. No.17748/2015 (u/O VI Rule 17 CPC) in CS(OS) No.1180/2011 and I.A. No.24164/2015 (u/O VI Rule 17 CPC) in CS(OS) No.2599/2010 disposed on 15-2-2016, Delhi High Court]

Trademarks – Trans-border reputation

Noting that there are two elements in the concept of trans-border reputation, presence of international reputation inuring in a trademark in favour of the plaintiff on account of use made overseas; and that the reputation has spilled over to India, the Delhi High Court has dismissed the appeal filed against the interim injunction granted by the Single Judge Bench of the Court. The Division Bench in this regard noted that registration in multiple jurisdictions; reference of trademark in international magazines, journals and publications; and volume of sales, can be taken as evidence of reputation to form a *prima-facie* opinion. Further, observing that the respondent had 7 domain name registrations, the Court held that the threshold to establish a *prima-facie* reputation in the international market was achieved. Respondent was found to be entitled to injunction notwithstanding the fact that they were *prima facie* not able to establish goodwill associated with its trademark abroad. [*Mac Personal Care Pvt. Ltd. v. Laverana GmbH* - FAO (OS) 194/2015, decided on 28-1-2016, Delhi High Court]

Prominent display of trademark not enough to rule out deception by similar packaging

Merely because a trademark is displayed on the packaging material, notwithstanding

a striking similarity in the packaging material, it cannot be claimed that there would be no likelihood of deception. Reasoning thus, the High Court of Delhi granted injunction against use of fabric sleeve on a rectangular cuboid adopted by the defendant for tea bags. On facts, the colour scheme was also very similar and the Court was of the opinion that the trade dress was not merely functional. It also observed that in issues concerning trade dress, display of a trademark is only one of the weighing factors. [*Devagiri Farms Ltd v. Sanjay Kapur & Anr.*, FAO (OS) 247/2014, Delhi High Court judgement dated 1-2-2016]

Use of trademark as part of corporate name causing confusion not permissible

A person who has adopted a mark dishonestly can neither claim prior user nor advance the defence of acquiescence. Granting permanent injunction against use of 'HELAMIN' by the defendant who used the word as part of his corporate name and trade name though he had stopped using it as a trademark for goods, the Delhi High Court agreed with the plaintiff-proprietor that there can be only one source of goods associated with a mark. In the instant case the defendant had stopped using the trademark and sold goods under the mark 'INDIAMIN' but continued to use 'HELAMIN' as part of its corporate name causing actual confusion. The defendant argued that in view of the former relationship of agency, it had contributed to the reputation of the mark and also that the plaintiff did not suffer any damage. However, the Court relying on various case laws ruled in favour of the plaintiff

and granted permanent injunction. [*Helamin Technology Holding SA v. Harbansh Rai & Ors*, I.A. No. 10720/2012, Delhi High Court decision dated 9-12-2015]

'Person aggrieved' when marks and goods are identical

The Delhi High Court has set aside an order of the IPAB holding that the appellant- a manufacturer of footwear and sports apparel was not a 'person aggrieved' under Section 47 of the Trade marks Act, 1999. The appellant had sought rectification of the mark 'Response' which had been in use in respect of footwear and apparel across various countries, and was

registered as a trademark in USA and Germany under Class 25. The Court opined that the expression 'Person aggrieved' is of wide amplitude and an applicant for registration whose trademark has been objected or refused by reason of prior registration by a third party of the same or similar or identical mark for the same goods or description of the goods or whose application for registration is opposed on the basis of prior registration of the same or similar mark by the registry is a person aggrieved. [*Adidas AG v. UOI & Anr*, W.P.(C) 3125/2013, Delhi High Court decision dated 10-2-2016]

News Nuggets

Appointment of Chairman, Copyright Board

Delhi High Court has directed the Secretary, Department of Higher Education, Ministry of Human Resource and Development to ensure that the Chairman of the Copyright Board is appointed within a period of twelve weeks. The Order was passed on 11-2-2016 in the case of *Puran Multimedia Ltd.* and the case has been directed to be further listed on 31st of May, 2016. Noting that despite amendment to the Copyright Act in 2012, the Copyright Board has not been constituted till date, the Court termed the state of affairs as sad. The affidavit submitted by the UOI was considered by the court but it found that the affidavit did not disclose as to what steps were taken post 30th March, 2015.

Discussion paper on FRAND

The Indian patent office has released a discussion paper on 'Standard Essential

Patents and their availability on FRAND terms' on 1-3-2016. Views and suggestions are invited from public by 31-3-2016. Besides outlining the issues, the paper refers to the judicial approach in various countries and states that in India the jurisprudence is in a nascent stage. The section on 'Issues for Resolution' seeks views on whether existing provisions in the various IPR related legislations and anti-trust laws need to be amended, whether there is a need for prescribing guidelines on setting or fixing the royalties in respect of Standard Essential Patents and defining FRAND terms, basis to decide terms of royalty, whether total payment of royalty should be capped, remedy for settlement of disputes and how to determine whether a patent declared as SEP is actually an Essential Patent, particularly when bouquets of patents are used in one device.

NEW DELHI

5 Link Road,
Jangpura Extension,
Opp. Jangpura Metro Station,
New Delhi 110014

B-6/10, Safdarjung Enclave
New Delhi - 110 029
Phone : +91-11-4129 9811
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. Maharashtra
Phone : +91-20-6680 1900
E-mail : lpune@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: lsgurgaon@lakshmisri.com

EUROPE

Lakshmikumaran & Sridharan SARL
35-37, Avenue Giuseppe Motta, 1202 Geneva
Phone : +41-22-919-04-30
Fax: +41-22-919-04-31
E-mail : lsgeneva@lakshmisri.com

Disclaimer: IPR Amicus is meant for informational purpose only and does not purport to be advice or opinion, legal or otherwise, whatsoever. The information provided is not intended to create an attorney-client relationship and not for advertising or soliciting. Lakshmikumaran & Sridharan does not intend to advertise its services or solicit work through this newsletter. Lakshmikumaran & Sridharan or its associates are not responsible for any error or omission in this newsletter or for any action taken based on its contents. The views expressed in the article(s) in this newsletter are personal views of the author(s). Unsolicited mails or information sent to Lakshmikumaran & Sridharan will not be treated as confidential and do not create attorney-client relationship with Lakshmikumaran & Sridharan. This issue covers news and developments till 10th March, 2016. To unsubscribe, e-mail Knowledge Management Team at newsletteripr@lakshmisri.com