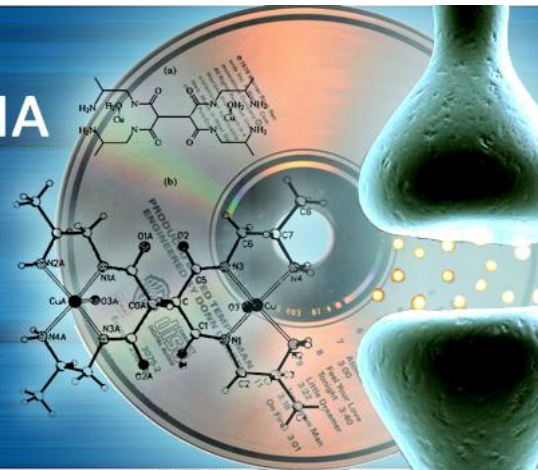


# INTELLECTUAL PROPERTY LAW IN INDIA

**Nishith Desai Associates**

*Legal & Tax Counseling Worldwide*

Mumbai | Bangalore | Silicon Valley | Singapore



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*Legal & Tax Counseling Worldwide*

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*Legal & Tax Counseling Worldwide*

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## I. INTRODUCTION

With the advent of the knowledge and information technology era, intellectual capital has gained substantial importance. Consequently, Intellectual Property (“IP”) and rights attached thereto have become precious commodities and are being fiercely protected. In recent years, especially during the last decade, the world has witnessed an increasing number of cross-border transactions. Companies are carrying on business in several countries and selling their goods and services to entities in multiple locations across the world. Since intellectual property rights (“IPRs”) are country-specific, it is imperative, in a global economy, to ascertain and analyze the nature of protection afforded to IPRs in each jurisdiction. This paper analyzes and deals with the IP law regime in India and the protections provided thereunder.

There are well-established statutory, administrative, and judicial frameworks for safeguarding IPRs in India. It becomes pertinent to mention here that India has complied with its obligations under the Agreement on Trade Related Intellectual Property Rights (“TRIPS”) by enacting the necessary statutes and amending the existing statutes. Well-known international trademarks have been afforded protection in India in the past by the Indian courts despite the fact that these trade marks were not registered in India. Computer databases and software programs have been protected under the copyright laws in India and pursuant to this; software companies have successfully curtailed piracy through judicial intervention. Although trade secrets and know-how are not protected by any specific statutory law in India, they are protected under the common law. The courts, under the doctrine of breach of confidentiality, have granted protection to trade secrets.

## II. LEGISLATION

The Trade and Merchandise Marks Act, 1958 (“**TM Act, 1958**”) has been replaced by the Trade Marks Act, 1999, The Copyright Act, 1957 has been amended to protect computer programs as “literary work”; The Patent Act, 1970 has been amended by the Amendment Acts of 1999 and 2002 and 2005. The Designs Act of 1911 has been completely replaced by the Designs Act of 2000.

The following new laws have been enacted to protect newly recognized species of intellectual property in India:

- The Geographical Indications of Goods (Registration and protection) Act, 1999;
- The Semiconductor Integrated Circuits Layout-Design Act, 2000;
- The Protection of Plants & Varieties and Farmers Rights Act, 2001; and
- The Biological Diversity Act, 2002

These Acts, and particularly the impact of recent amendments to the Acts, are discussed in greater detail in the ensuing sections.

### III. TRADEMARKS

In India, trademarks are protected both under statutory law and common law. The Trade and Merchandise Marks Act, 1940 (“**TM Act, 1940**”) was the first law in this regard in India, which was replaced later by the TM Act, 1958. The Trade Marks Act, 1999 (“**TM Act**”) - which has replaced the TM Act, 1958 - came into effect on September 15, 2003 and is in compliance with the TRIPS obligations. The TM Act allows for the registration of service marks and three-dimensional marks as well. India follows the NICE Classification of goods and services, which is incorporated in the Schedule to the Rules under the TM Act.<sup>1</sup> A Trade Marks Registry had been established for the purposes of the TM Act, 1940, which has continued to function under the TM Act, 1958 and TM Act. The Trade Marks Registry is under the charge of the Registrar of Trademarks. The head office of the Trade Marks Registry is in Bombay (Mumbai) and its branches are at Calcutta (Kolkata), Delhi, Madras (Chennai), and Ahmedabad. The territorial jurisdiction of each office has also been allocated.

In addition to trademarks, the following categories of marks can also be registered under the TM Act:

- **Certification marks** are given for compliance with defined standards, but are not confined to any membership. Such marks are granted to anyone who can certify that the products involved meet certain established standards. The internationally accepted "ISO 9000" quality standard is an example of a widely recognized certification mark.
- **Collective marks** can be owned by any association. The members of such associations will be allowed to use the collective mark to identify themselves with a level of quality and other requirements and standards set by the association. Examples of such associations would be those representing accountants, engineers or architects.

#### Unconventional Marks

Recently, India's Trade Mark Registry has 'registered' a new high by extending trademark protection to a sound mark. On August 18, 2008, India's first "sound mark" was granted to Sunnyvale, California-based Internet firm Yahoo Inc.'s three-note Yahoo yodel by the Delhi branch of the Trademark Registry. It was registered in classes 35, 38 and 42 for a series of goods including email, advertising and business services and managing websites. Finnish mobile phone maker Nokia has also applied for a sound mark for its signature musical notation in the Mumbai branch of the Trade Marks Registry and the case is being processed.

Under the Trade Marks Act, 1999 ('Act') the term 'mark' is defined to include 'a device,

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<sup>1</sup> Classes of Goods and Services: Classes 1 to 34 covers goods while classes 35 to 42 cover services.

brand, heading, label, ticket, name, signature, word, letter, numeral, shape of goods, packaging or, combination of colors, or any combination thereof.' Thus, the list of instances of marks is inclusive and not exhaustive. Any mark capable of being 'graphically represented' and indicative of a trade connection with the proprietor is entitled to get registered as a trademark under the Act. This interpretation opens the scope of trademark protection to unconventional trademarks like sound marks provided they satisfy the 'graphical representation' test and are not prohibited under Section 9 and 11 of the Act. The only way the mark may be described in the application for trademark is by way of "graphical representation". However, the Act or the Rules framed thereunder do not contemplate the form of submission of records of the unconventional trademarks.

### Scope of 'Graphical Representation':

Trademark Rules define "graphical representation" as representation of a trademark for goods or services in paper form.<sup>2</sup> Therefore, sound marks can be represented on paper either in descriptive form e.g. kukelekuuuuu (registered as Dutch sound mark - onomatopoeia which sounds like the call of a cock) or as traditional musical notations e.g. D#, E etc. Other alternative methods for their visual representation have also emerged like depictions by oscillogram; spectrum, spectrogram and sonogram are now being accepted in other jurisdictions. However, such representations must be handled carefully in order to meet the requirements of trademark offices in India. In the case of Yahoo's Yodel mark, they represented the mark using musical notations.

### Syncing the Indian law to tide over the hurdles of registration:

Reducing a sensory mark to a written description on paper may not be always possible. A "graphical description" of a sound mark should clearly identify the exact sound, else the enforcement of the same, would lead to practical issues. E.g. the search result of the trademark at Trade Mark Registry would not be accurate if the mark is not appropriately described. Merely musical notes without a listing of the note pattern would not provide enough sensory information to contemplate the scope of protection on the mark. Musical notations alone are neither a clear nor precise description of the sound mark and gives no information about the pitch and duration of the sounds forming the melody. . The graphical representations should be clear, precise, self-contained, easily accessible, intelligible, durable and objective. A staff divided into bars and showing, in particular, a clef, musical notes and rests whose form indicates the relative value and, where appropriate, accidentals (sharp, flat, natural)-all of these determine the pitch and duration of the sounds. This may constitute a faithful representation of the sequence of sounds forming the melody in respect of which registration is sought.<sup>3</sup>

With regard to onomatopoeias, there is lack of consistency between the onomatopoeia itself, as pronounced, and the actual sound or noise which it purports to imitate

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<sup>2</sup>See Rule 2 (k), The Trademark Rules, 2002.

<sup>3</sup> *Shield Mark BV v. Joost Kist h.o.d.n. Memex*, (1999) RPC 392.



phonetically. Practical difficulties are bound to arise when trademark searches will be required. For e.g. if the sound mark is a crow's call and is described as kukelekuuuuu, the same may be spelt differently or represented with musical notations. The procedure may be highly complicated as musical notations need to be matched against alphabets. To simplify matters, a sample of the sound may be submitted with the application. A separate database of these sound marks can be created and rules for determination of deceptive similarity between sound marks should be developed.

Indian Trade Mark Registry may have enhanced the scope of protection under the trademark umbrella, but there need to be clear guidelines for description, recording and protection that will help define the boundaries of protection of unconventional marks.

### Who can apply?

Any person claiming to be the proprietor of a trademark used or proposed to be used by that person can file an application for registration. The application may be made in the name of the individual, partner of a firm, a company, any government department, a trust, or even in name of joint applicants. Domestic and international applicants are treated at par. An application can also be filed on behalf of a company that is about to be incorporated or registered under the Companies Act, 1956.<sup>4</sup>

### Is prior use required?

Prior use of the trademark is not a prerequisite for filing application or its registration and an application may be made for registration even if the intention of the applicants is *bona fide* use of the trademark in the future. However, in the case of descriptive marks, the Trade Marks Registry usually insists upon proof of use of the mark and the distinctiveness acquired through such use before granting a registration.

### Is a prior search necessary?

Though a prior search for a conflicting trademark is not a prerequisite for filing an application, it is advisable to carry out a search and maintain the search results. In opposition proceedings or in infringement / passing off actions, such search reports act as proof of honesty and good faith in the adoption of the marks.

In a move to curb the spread and sale of counterfeit drugs, the Drugs Control Department of the National Territory of Delhi has made search reports from the Registrar of Trade Marks mandatory before approving any drug-manufacturing license under a particular brand name.

This initiative by the Delhi Drugs Authority is in pursuance of the Supreme Court's observations in the case of *Cadila Health Care Ltd. v. Cadila Pharmaceuticals Ltd.*

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<sup>4</sup> Section 46 of the TM Act.



(decided on March 26, 2001).<sup>5</sup> If adopted in the other states in India, this provision will eliminate the chances of approval of a deceptively similar and look-alike brand of the existing products.

### What is the process of registration?

The application for trademark registration must contain a clear reproduction of the sign, including any colors, forms, or three-dimensional features, and has to be filed with the appropriate office of the Trade Marks Registry. The sign must fulfill certain conditions in order to be protected as a trademark – or as another type of mark – and must indicate the class of goods / services to which it would apply. The TM Act has laid down *absolute*<sup>6</sup> and *relative*<sup>7</sup> grounds of refusal of trademark registration. These grounds are akin to the provisions of the UK Trademark Act of 1994.

The process of registration of trademarks under the TM Act can be explained utilizing the diagram on the following page:

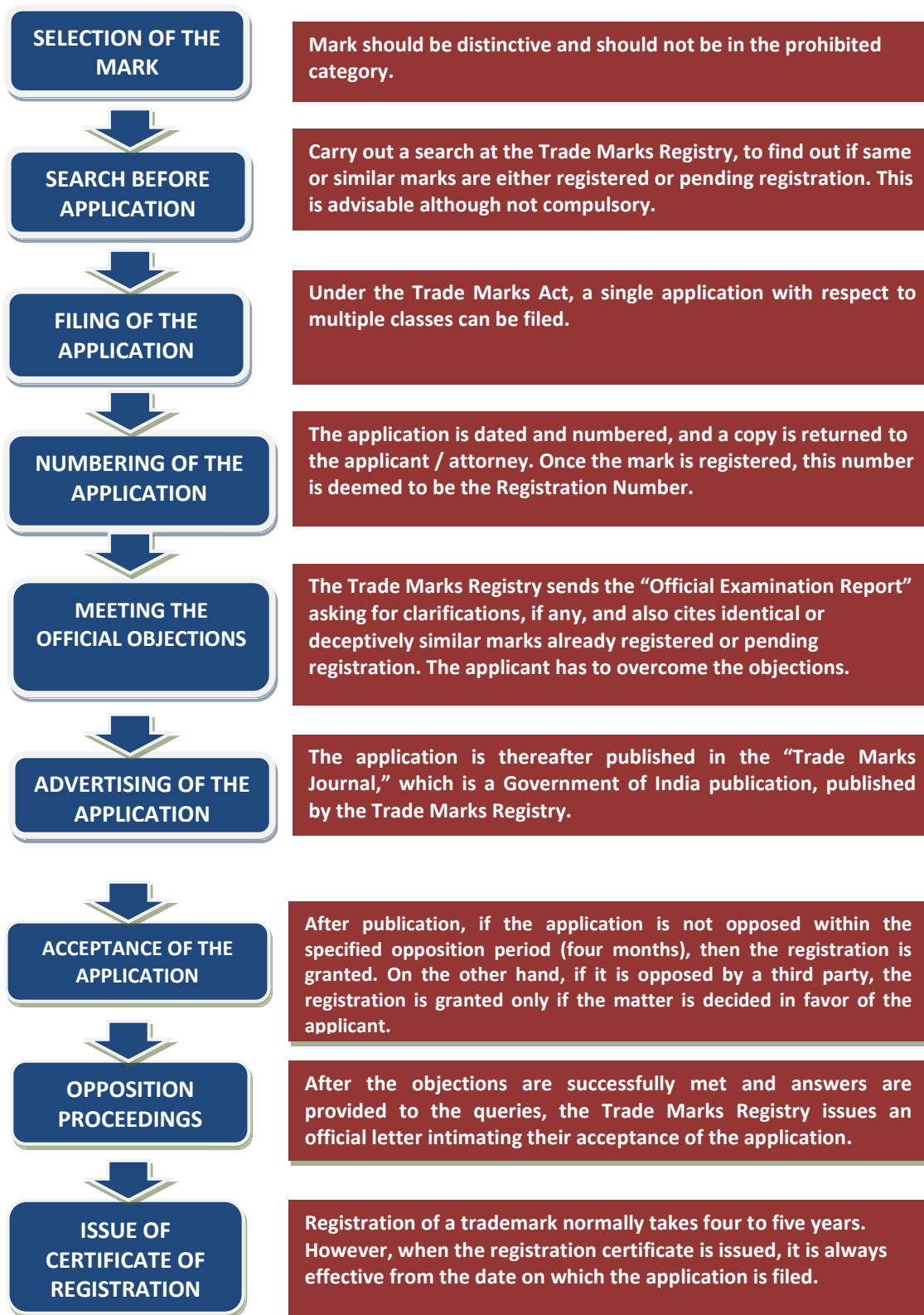
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<sup>5</sup> (2001) SCL 534. In paragraph 41 of the judgment, the Supreme Court observed:

*“Keeping in view the provisions of Section 17-B of the Drugs and Cosmetics Act, 1940 which, inter alia, indicates an imitation or resemblance of another drug in a manner likely to deceive being regarded as a spurious drug it is but proper that before granting permission to manufacture a drug under a brand name the authority under that Act is satisfied that there will be no confusion or deception in the market. The authorities should consider requiring such an applicant to submit an official search report from the Trade Mark office pertaining to the trade mark in question which will enable the drug authority to arrive at a correct conclusion.”*

<sup>6</sup> Section 9 of the TM Act.

<sup>7</sup> Section 11 of the TM Act.



### Can the registration process be expedited?

After receipt of the official number of an application, the applicant may request an expedited examination of a registration application, together with a declaration stating the reason for the request and a payment of five times the application fee. If the Registrar of Trademarks is satisfied with the reason, the examination of the application is expedited and the examination report is issued within three months of the date of such request. If such a request is rejected after the hearing, the fee paid is refunded.<sup>8</sup>

### What is the term of registration?

The registration is valid for ten years and is renewable for a subsequent period of ten years. Non-renewal leads to a lapse of registration. However, there is a procedure whereby a lapsed registration can be restored.

### How can the registration of a trademark be cancelled?

An application for cancellation or rectification of registration of a trademark can only be filed by the aggrieved person (e.g. prior users of the mark). Such an application must be filed with the Registrar of Trade Marks or the Appellate Board.

### Grounds for Cancellation / Revocation

The following are some of the grounds on which the registration of a trademark can be removed or cancelled:

- The trademark was registered without any *bona fide* intention on the part of the applicant to use the trademark and there has been no *bona fide* use of the trademark for the time being up to a date three months before the date of the application for removal;<sup>9</sup> or
- That up to a date three months before the date of application for removal, a continuous period of five years from the date on which the trademark is actually entered on the register or longer has elapsed during which the trademark was registered and during which there was no *bona fide* use thereof;<sup>10</sup> or
- The trademark was registered without sufficient cause, or the trademark is wrongly remaining on the Register.<sup>11</sup>

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<sup>8</sup> Rule 38 of the Trade Marks Rules, 2002.

<sup>9</sup> Section 47(1) (a) of the TM Act.

<sup>10</sup> Section 47(1) (b) of the TM Act.

<sup>11</sup> Section 57 of the TM Act.

### Assignment of Trademarks<sup>12</sup>

A registered trademark can be assigned or transmitted with or without the goodwill of the business concerned, and in respect of either or all of the goods or services in respect of which the trademark is registered. An unregistered trademark can be assigned or transmitted with or without the goodwill of the business concerned. However, in respect of assignment of trademarks (registered or unregistered) without goodwill of the business concerned, the prescribed procedure has to be followed, which *inter alia*, includes advertisement of the proposed assignment to be published in the newspapers. The Registrar of Trade Marks could impose certain restrictions and conditions for the assignment or transmission of the trademark. To be effective, the assignment or transmission must be recorded with the Registrar of Trade Marks.

### License of Trademarks

The TM Act provides for a registration procedure of registered / licensed users of the registered trademark. The benefit of use by the registered / license user accrues to the benefit of the mark's proprietor.<sup>13</sup> The TM Act recognizes non-registered licensed use if only such use is with the consent of the proprietor as embodied in a written agreement and if such user satisfies the prescribed conditions.<sup>14</sup> Owners of Indian registered trademarks, who are located abroad, having no presence in India, can use their trademarks in India by granting licenses to the Indian parties.

### Rights Conferred by Registration<sup>15</sup>

The registration of a trademark gives the registered proprietor the exclusive right to use the trademark in relation to the goods or services for which it is registered and to obtain relief with respect to infringement of the same. Registration acts as a public notice to others, informing them that they should not use the trademarks which are registered or pending for registration.

### Paris Convention

Reciprocity for the purpose of claiming priority is allowed from the applications originating from the Paris Convention countries if filed within 6 months from the date of priority.

### Infringement of Trademark

Registration of a trademark is a prerequisite for initiating an infringement action. The

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<sup>12</sup> Sections 37 to 45 of the TM Act deal with the provisions of the assignment and transmission of the trade mark.

<sup>13</sup> Section 48(2) of the TM Act.

<sup>14</sup> Section 2(1) (r) read with Section 48(2) of the TM Act.

<sup>15</sup> Section 28 of the TM Act.

following essential conditions must exist for initiation of an infringement action:<sup>16</sup>

- The allegedly infringing mark must be either identical or deceptively similar to the registered trademark;
- The goods / services in relation to which the allegedly infringing mark is used must be specifically covered by the registration of the registered trademark;
- The use of the allegedly infringing mark must be in the course of trade; and
- The use must be in such a manner as to render the use likely to be taken as being used as a trademark.

A registered trademark (“**RTM**”) is also infringed by use of a mark when because of:

- Its *identity* with RTM and *similarity* with goods / services covered by registration; or
- Its *similarity* with RTM and *identity* with goods / services covered by registration; or
- Its *identity* with RTM and *identity* with goods / services covered by registration

is likely to cause confusion on the part of the public (*in case 3 above, confusion is presumed*), or which is likely to have an association with the RTM.<sup>17</sup>

If an identical or similar mark is used with respect to goods or services which are not similar to those for which an RTM is registered, such use amounts to infringement if an RTM has reputation in India and the use of the mark without due cause takes unfair advantage of or is detrimental to the distinctive character or repute of the RTM.<sup>18</sup>

Under the TM Act, the following acts would also amount to an infringement of the RTM:

- Use of the RTM as a trade name or part of the trade name dealing in same goods or services for which the RTM is registered;<sup>19</sup> or
- Use of the trademark in advertising if such advertising takes unfair advantage of and is contrary to the honest practice in industrial or commercial matters, or is detrimental to its distinctive character; or against the reputation of the trademark.<sup>20</sup>

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<sup>16</sup> Section 29(1) of the TM Act.

<sup>17</sup> Sections 29(2) and (3) of the TM Act.

<sup>18</sup> Section 29(4) of the TM Act.

<sup>19</sup> Section 29(5) of the TM Act.

<sup>20</sup> Section 29(8) of the TM Act.

Under the TM Act, even oral use of the mark can constitute infringement.<sup>21</sup>

### Who can sue for infringement?

The registered proprietor, his heirs and the registered user(s) can sue for infringement. An assignee of a registered trademark can also sue for infringement. A passing off suit can be converted into a combined action of infringement and passing off, if the registration of the trademark is obtained before the final hearing of the passing off suit.

### Passing Off

The user of an unregistered trademark is barred from instituting an infringement action. However, if the mark in question has become well known in India, the user of such a trademark is not without recourse and may seek a remedy by means of a passing off action. The purpose of this tort is to protect commercial goodwill and to ensure that one's business reputation is not exploited. Since business goodwill is an asset and therefore a species of property, the law protects it against encroachment as such. In a passing off action, the plaintiff must establish that the mark, name or get-up - the use of which by the defendant is subject of the action - is distinctive of his goods in the eyes of the public or class of public and that his goods are identified in the market by a particular mark or symbol.

### Recognition of Foreign Well-Known Marks & Trans-border Reputation

The courts in India have recognized the trans-border reputation of foreign trademarks and trade names and the importance of their protection.

The ruling of the Supreme Court of India in *N. R. Dongre and Others v. Whirlpool Corporation and Another*<sup>22</sup> was perhaps the first Indian case to recognize the concept of trans-border reputation of trademarks. The subject matter of this case was the manufacture, sale of washing machines by an Indian company using the trademark "Whirlpool" as part of the name by which it had recently commenced marketing its washing machines. The Appellant had also advertised the washing machines as such. The claim of the respondent, the Whirlpool Corporation and its Indian joint venture TVS-Whirlpool Limited was based on prior user of the mark "Whirlpool" and the fact that the trademark had a trans-border reputation. They contended that any goods marketed with the mark "Whirlpool" gave the impression of being goods manufactured by the respondents. The washing machines manufactured, sold, and advertised by the Appellant gave that impression and this resulted in confusion arising in the market. The Whirlpool Corporation sought a temporary injunction against the Appellant's use of the mark, which was granted by the Delhi High Court and upheld by the Supreme Court of India. This judgment has been relied upon successfully in a number of decisions passed by Indian

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<sup>21</sup> Section 29(9) of the TM Act.

<sup>22</sup> (1996) 5 SCC 714.

courts down the years. International trademarks, having no actual presence in India could, as a result, be enforced in India if a trans-border reputation with respect to such trademarks can be shown to exist. Subsequently, marks such as Volvo, Caterpillar, and Ocuflor, have received protection of their trademarks via judicial decisions.

### Orders in Infringement and Passing Off Suits

In an action for infringement of a registered trademark, or in an action for passing off for either a registered or unregistered mark, the court may order an injunction.<sup>23</sup> The court may also award damages or an order for account of profits along with the delivery of the infringing marks, for destruction or erasure. In addition to the civil remedies, the TM Act contains stringent criminal provisions relating to offenses and penalties.

### The Trade Marks (Amendment Bill), 2007

The Trade Marks (Amendment) Bill, 2007, introduced in the Lok Sabha on the 23rd August, 2007 and pending therein, has been referred to the Department-related parliamentary Standing Committee on Commerce, with Dr. Murli Manohar Joshi, Member, Rajya Sabha, as its Chairman, for examination and report.

The Trade Marks (Amendment) Bill, 2007 ("Bill"), *inter alia*, proposes to introduce a new chapter, Chapter IV-A titled, "*Special Provisions Relating to the Protection of Trade Marks through International Registration under the Madrid Protocol*", in the TM Act. The Bill had been introduced in view of India's accession to the Madrid Protocol ("**Protocol**") and thereby it proposes to introduce the mechanism of international registration as envisaged under the Madrid Protocol. Although at present, the TM Act does provide a system of claiming priority within a period of six months with respect to reciprocating countries, it does not provide for a system of international registration or a system to register trademarks simultaneously in other countries. Thus, if a person intends to register a trademark in multiple countries he has to make separate applications in the respective country.

The Bill in its original form provides for two types of international registration/application:

- Trademarks already registered/applied for under the TM Act i.e. *Trademarks applications originating from India*.
- Trademarks holding international registration under the Protocol may apply for extension of such registration to any other Contracting State of the Protocol ("**Contracting State**") i.e. *International registrations where India has been designated*.

The protection with respect to such international registration where India has been designated or protection has been extended to India shall be same as accorded to any

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<sup>23</sup> Section 135 of the TM Act provides for identical reliefs for infringement and passing off.



other mark under the TM Act.<sup>24</sup>

The protection accorded by means of an international registration shall cease to have effect if within a period of five years before the expiry of international registration, the basic registration in a Contracting State has ceased to have effect. In other words, if the international registration has been in existence for a period of more than five years than irrespective of the validity of the basic registration, the international registration shall remain effective.

At present, the TM Act does not prescribe any mandatory time period for registration of mark (where once the stage of opposition has been dealt with). The Bill proposes to introduce a definite time period of 'eighteen months from the date of filing the application', within which the mark shall be registered.

Another significant change proposed to be made by means of the Bill includes the omission of sections 40 and 41 of the Act and thereby simplifying the process relating to assignment of trademarks.

#### IV. DOMAIN NAMES

Indian courts have been proactive in granting orders against the use of infringing domain names. Some of the cases in which injunctions against the use of conflicting domain names have been granted are: [www.sifynet.com](http://www.sifynet.com) v. [www.siffynet.com](http://www.siffynet.com)<sup>25</sup> [www.yahoo.com](http://www.yahoo.com) v. [www.yahooindia.com](http://www.yahooindia.com)<sup>26</sup> and [www.rediff.com](http://www.rediff.com) v. [www.radiff.com](http://www.radiff.com).<sup>27</sup> In the [www.yahoo.com](http://www.yahoo.com) case it has been held that "the domain name serves the same function as a trade mark, and is not a mere address or like finding number on the internet, and therefore, it is entitled to equal protection as a trademark".

#### V. COPYRIGHTS

The Copyright Act, 1957 ("**Copyright Act**"), supported by the Copyright Rules, 1958 ("**Copyright Rules**"), is the governing law for copyright protection in India. The Copyright Act provides that a copyright subsists in an original literary, dramatic, musical or artistic work, cinematograph films, and sound recordings.<sup>28</sup> However, no copyright subsists in a cinematograph film if a substantial part of the film is an infringement of the copyright in any other work or in a sound recording, if in making the sound recording of a literary, dramatic or musical work, copyright in such work is infringed.<sup>29</sup> A computer programme is treated as a "literary work" and is protected as such.

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<sup>24</sup> Section 36F of the Trade Marks (Amendment) Bill, 2007.

<sup>25</sup> *Satyam Infoway Ltd. v. Sifynet Solutions Pvt. Ltd.* AIR 2004 SC 3540.

<sup>26</sup> *Yahoo India v. Akash Arora* (1999) PTC 201 (Del).

<sup>27</sup> *Rediff Communications Limited v. Cyberbooth* AIR 2000 Bom 27.

<sup>28</sup> Section 13 of the Copyright Act.

<sup>29</sup> *Ibid.*

### Is copyright registration compulsory?

Under Indian law, registration is not a prerequisite for acquiring a copyright in a work. A copyright in a work is created when the work is created and given a material form, provided it is original. The Copyright Act provides for a copyright registration procedure. However, unlike the U.S. law, the Indian law registration does not confer any special rights or privileges with respect to the registered copyrighted work. The Register of Copyright acts as *prima facie* evidence of the particulars entered therein. The documents purporting to be copies of the entries and extracts from the Register certified by the Registrar of Copyright are admissible in evidence in all courts without further proof of original.<sup>30</sup> Thus, registration only raises a presumption that the person in the Register is the actual author, owner or right holder. The presumption is not conclusive. But where contrary evidence is not forthcoming, it is not necessary to render further proof to show that the copyright vests in the person mentioned in the Register. In infringement suits and criminal proceedings, when time is of essence to obtain urgent orders, registration is of tremendous help. Copyright notice is not necessary under the Indian law to claim protection.

### Berne Convention and Universal Copyright Convention

India is a member of the above conventions. The Government of India has passed the International Copyright Order, 1958. According to this Order, any work first published in any country - which is a member of any of the above conventions - is granted the same treatment as if it was first published in India.

### What rights does copyright provide?

A copyright grants protection to the creator and his representatives for the works and prevents such works from being copied or reproduced without his/their consent. The creator of a work can prohibit or authorize anyone to:

- reproduce the work in any form, such as print, sound ,video, etc;
- use the work for a public performance, such as a play or a musical work;
- make copies/recordings of the work, such as via compact discs, cassettes, etc.;
- broadcast it in various forms; or
- translate the same to other languages

### What is the term of copyright?

The term of copyright is, in most cases, the lifetime of the author plus 60 years thereafter.

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<sup>30</sup> Section 48 of the Copyright Act.

### First ownership of copyright & 'Work for Hire'

The author of a work is usually the 'first owner' of such work. In certain circumstances, Section 17 of the Copyright Act determines who may be regarded as the 'first owner' of a copyrighted work. The concept of 'first owner' under Indian copyright law is quite important and may be determined as follows:

- In the case of a literary, dramatic or artistic work (which includes a photograph, painting or a portrait) created during the course of employment or, under a contract of service or apprenticeship, for the purpose of publication in a newspaper, magazine or similar periodical, the proprietor of such a publication shall, in the absence of a contract to the contrary, be the first owner of copyright. However, such ownership shall vest with the proprietor of the publication only for the limited purpose of publishing the work or a reproduction of the work in a publication and, for all other purposes, the copyright shall vest with the author of the work.

If a photograph, painting or portrait has not been made for the purposes of publication in a periodical but has been made for any other purpose, then in the absence of a contract to the contrary, the copyright in such work shall vest with the person at whose instance the work was created.<sup>31</sup>

- In the case of a cinematograph film, in the absence of a contract to the contrary, the copyright in the cinematograph film shall vest with the producer of the film i.e. the person at whose instance the film was made for a valuable consideration.<sup>32</sup>
- In case of a work made during the course of employment or under a contract of service or apprenticeship, (to which the instances given under serial no. 1 do not apply), the employer shall, in the absence of a contract to the contrary shall be the first owner of copyright.<sup>33</sup>
- In case of a government work, in the absence of a contract to the contrary, the copyright in the work shall vest with the government.<sup>34</sup>

The concept of 'Work for Hire' though not expressly covered under the Copyright Act, it is implied under Section 17 whereby, the copyright in any work created on commissioned basis, shall vest with the person creating such work. In order to vest the copyright with the person commissioning the work, an assignment in writing shall be necessary.

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<sup>31</sup> Proviso (a) and (b) to Section 17 of the Copyright Act.

<sup>32</sup> Proviso (b) to Section 17 of the Copyright Act.

<sup>33</sup> Proviso (c) to Section 17 of the Copyright Act.

<sup>34</sup> Proviso (d) to Section 17 of the Copyright Act.

### Assignment of copyright

As mandated by Section 19, no assignment of copyright shall be valid unless such assignment is in writing and signed by the assignor and the assignee. Such assignment ought to identify:

- the work and the rights assigned,
- the territorial extent and,
- the duration of the assignment

Where, the territorial extent and the duration of the assignment has not been specified, it shall be deemed that the assignment extends to the territory of India and the duration of assignment is for a period of five years respectively.

Under Section 18 of the Copyright Act, even the copyright in a future work can be assigned in accordance with Section 19, however, such assignment shall come into effect only upon date of creation of the work.

### Moral Rights

Section 57 of the Copyright Act grants an author "special rights," which exist independently of the author's copyright, and subsists even after the assignment (whole or partial) of the said copyright. The author has the right to (a) claim authorship of the work; and (b) restrain or claim damages with respect to any distortion, mutilation, modification, or other act in relation to the said work - which is done before the expiration of the term of copyright - if such distortion, mutilation, modification, or other act would be prejudicial to his honor or repute. These special rights (except for the right to claim authorship) can be exercised by the legal representatives of the author.

### Rights related to copyright

A field of rights related to copyright has rapidly developed over the last 50 years. These related rights have developed around copyrighted works and provide similar, though more limited protection. Such rights are:

- *Performers' Right:* When any performer (e.g., an actor or a musician) appears or engages in any performance, he has this special right in relation to his performance. The term of this right is 50 years from the beginning of the calendar year following the year of performance.<sup>35</sup> However, once the performer has consented to the incorporation of his performance in a cinematograph film, the rights in relation to his performance shall cease to exist.

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<sup>35</sup> Section 38 of the Copyright Act.

- *Broadcast Reproduction Right:* Every broadcasting organization has this right with respect to its broadcasts. The term of this right is 25 years from the beginning of the calendar year following the year in which the broadcast is made.<sup>36</sup>

The Copyright Act contains special provisions for the protection of performers' rights and broadcasters' rights.

### *Infringement of a Copyright*

A copyright is infringed if a person without an appropriate license does anything that the owner of the copyright has an exclusive right to do.<sup>37</sup> However, there are certain exceptions<sup>38</sup> to the above rule (e.g., fair dealing). The Copyright Act provides for both civil and criminal remedies for copyright infringement. When an infringement is proved, the copyright owner is entitled to remedies by way of injunction, damages, and order for seizure and destruction of infringing articles.

### *Importation of Infringing Copies*

The Registrar of Copyright has the power to prohibit the import of infringing copies into India on application of the owner. The confiscated copies are delivered to the owner of the copyright in the work. The Registrar also has the right to (i) enter any ship, dock or premises where such copies may be found and (ii) examine the copies.<sup>39</sup>

### *Copyright Protection of Software*

By the 1994 amendment of the Copyright Act, an inclusive definition of the term "Literary Work" was inserted to read as: "*Literary Work includes computer<sup>40</sup> programmes<sup>41</sup>, tables and compilations including computer databases*".<sup>42</sup> The terms tables, compilations, and computer database have not been defined in the Copyright Act.

### *Rights conferred*

The owner of a computer programme ("**CP**") has the exclusive right to do or authorize third parties to do the following acts: reproduction of the CP, issuing copies to public,

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<sup>36</sup> Section 37 of the Copyright Act.

<sup>37</sup> Section 51 of the Copyright Act

<sup>38</sup> Section 52 of the Copyright Act

<sup>39</sup> Section 53 of the Copyright Act.

<sup>40</sup> Per Section 2 (ffb) of the Copyright Act: "Computer includes any electronic or similar device having information processing capabilities."

<sup>41</sup> Per Section 2 (ffc) of the Copyright Act : "Computer Programme means a set of instructions expressed in words, codes, schemes or in any other form, including a machine readable medium, capable of causing computer to perform a particular task or achieve a particular result.."

<sup>42</sup> Section 2(o) of the Copyright Act.

perform / communicate it to public, to make translation or adaptation<sup>43</sup> of the work, to sell or give on commercial rental or offer for sale or for commercial rental any copy of the CP. However, the commercial rental provision does not apply if the CP itself is not an essential part of the rental. Any violation of these exclusive rights amounts to an infringement.

### Infringement – Defenses

Section 52 of the Copyright Act enlists the acts that do not constitute copyright infringement. If the lawful possessor of the CP makes copies or adaptation of the CP in the following circumstances, they do not constitute infringement: (1) for utilizing the CP for the purpose for which it was supplied; or (2) to make backup copies purely as a temporary protection against loss, destruction or damage. Further, to obtain information essential for operating inter-operability of an independently created the CP with other the CP, the lawful possessor can do any act, provided such information is not readily available. Observation, study or test of functioning of the CP to determine the ideas and principles that underline any elements of the CP (while performing such acts necessary for the function for which the CP is supplied), does not amount to infringement. Making of copies or adaptation of the CP from a personally legally obtained copy for non-commercial personal use is also allowed. The fair dealing defense is not available in the case of a CP.

### Registration

For registration of CP, a practice has developed wherein the first 25 and last 25 pages of the source code are deposited with the Registrar of Copyright. There is no specific provision for the deposit of the source code on any specified media. In any event, such deposit is not advisable. Since the only advantage of registration is that it acts as prima facie proof, other means could be adopted to prove date of creation, ownership of copyright, and other details with respect to the same (e.g., deposit of the CP in a safe deposit locker, posting of the CP to a lawyer or one's own address). Further, maintenance of logbooks recording the details of the development of CP could also act as proof of date of creation and ownership.

### Offences

Knowingly making use on a computer of an infringing copy of CP is a punishable offence.<sup>44</sup> The penalty for such an offence is imprisonment (minimum of seven days and maximum of three years) and a fine (minimum INR<sup>45</sup> 50,000 and maximum INR 2,00,000). If the offender proves that such use was not for gain in the course of trade or business, the court may waive imprisonment and grant a fine up to INR 50,000.

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<sup>43</sup> Any use of work involving rearrangement or alteration.

<sup>44</sup> Section 63B of the Copyright Act.

<sup>45</sup> Indian Rupees

### Copyright Societies

The amendment made in 1994 introduced a whole chapter, Chapter VII, in the Copyright Act, providing for statutory recognition and provisions regulating the functioning of copyright societies. The primary function of a copyright society (also generally referred to as 'collecting society') is to administer the rights on behalf of its members and grant licenses for the commercial exploitation of these rights. Such a society collect the license fee or the royalty on behalf of its members, which is then conveyed to the members after making deductions for the expenses borne for collection and distribution.

At present, in accordance with section 33 of the Copyright Act, the following are registered as copyright societies:

- *Indian Performing Rights Society* or *IPRS*, which administers the rights relating to musical and lyrical works on behalf of its members which primarily include authors, composers and the publishers of musical and lyrical works.
- *Phonographic Performance Limited* or *PPL* administers the commercial exploitation of phonograms or sound recordings on behalf of its members.
- *Society for Copyright Regulation of Indian Producers for Film and Television* or *SCRIPT*, which acts on behalf of the producers or the copyright owners of cinematograph and television films to protect their copyright therein.
- *Indian Reprographic Rights Organization* or *IRRO*, which administers the rights relating to reprographic (photocopying) works on behalf of its members who are essentially authors and publishers of printed works such as books, newspapers, magazines, journals, periodicals, etc.

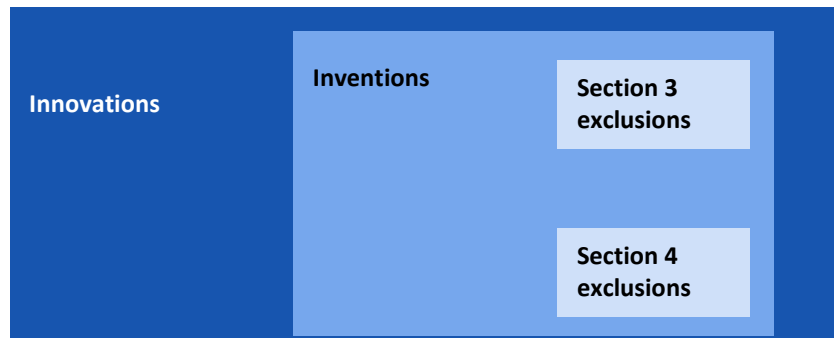
## VI. PATENTS

In India, the law governing patents is the Patents Act, 1970 ("**Patents Act**"). In India's continued efforts to comply with it's commitment under TRIPS the Patents Act has been amended thrice since 1995 by the Patents (Amendment) Act, 1999 ("**First Amendment**"), the Patents (Amendment) Act, 2002 ("**Second Amendment**") and Patents (Amendment) Act, 2005 ("**Third Amendment**"), respectively. Prior to the Third Amendment, President of India had promulgated Patents (Amendment) Ordinance, 2004 ("Ordinance"), which was later replaced by the Third Amendment.<sup>46</sup> The legislation is supported by the Patents Rule, 2003, ("**Rules**"). The following outlines the current Indian patent regime in light of the recent amendments.

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<sup>46</sup> Don't take this for granted <eco-times/2005/Don%27t-take-this-for-granted-VV-GG(Apr10,05).pdf>, April 10, 2005.



Which inventions are patentable?

Not all innovations are “inventions” within the definition of the Patents Act. The term “invention” is defined under Section 2(1)(j) of the Patents Act as “a new product or process involving an inventive step<sup>47</sup> and capable of industrial application<sup>48</sup>.” Thus, the traditional aspects of novelty, non-obviousness, and utility have been specifically included in the definition of the term “invention”.

**Novelty:** If the invention was known or used by any other person, or used or sold by the applicant to any person in India and/or outside India, then the applicant would not be entitled to the grant of a patent. Public use or publication of the invention will affect the validity of an application in India. The patent application must be filed prior to any publicity or prior knowledge. However, there is a 12-month grace period permitted in India, when a person has made an application for a patent in a convention country, and if that person or his legal representative (or his assignee) makes an application with respect to the same invention in India. Although patent rights are essentially territorial in nature, the criteria of novelty and non-obviousness are to be considered on / compared with prior arts on a worldwide basis. Any earlier patent, earlier publication, document published in any country, earlier product showing the same invention, or earlier disclosure or use by the inventor will prevent the granting of a patent in India.

Inventions That Are Not “Inventions”

Section 3 of the Patents Act enlists the innovations that are not classified as inventions within the meaning of the Act. These may fall within the definition of the expression “invention,” but the Patents Act expressly excludes them from the definition. Innovations that are not inventions within the meaning of the Patents Act, and accordingly are not patentable in India, include: (i) a method of agriculture or horticulture; (ii) a process for the

<sup>47</sup> Section 2(1) (ja) of the Patents Act: “inventive step means a feature of an invention that involves technical advance as compared to the existing knowledge or having economic significance or both and that makes the invention not obvious to a person skilled in the art.”

<sup>48</sup> Section 2(1)(ac) of the Patents Act: “capable of industrial application in relation to an invention means that the invention is capable of being made or used in an industry.”

medicinal or other treatment of human beings and animals; (iii) a mere discovery of any new property, or new use for a known substance, or a mere use of a known process, machine, or apparatus (unless such known process results in a new product or employs at least one new reactant); and (iv) an invention which is frivolous or which claims anything obviously contrary to well established natural laws.

By the Second Amendment, the following have been added to the innovations that are not inventions within the meaning of the Patents Act:

*“(j) plants and animals in whole or any part thereof other than micro-organisms but including seeds, varieties and species and essentially biological processes for production or propagation of plants and animals;*

*(k) a mathematical or business method or a computer program per se or algorithms;*

*(l) a literary, dramatic, musical or artistic work or any other aesthetic creation whatsoever including cinematographic works and television productions;*

*(m) a mere scheme or rule or method of performing mental act or method of playing game;*

*(n) a presentation of information;*

*(o) a topography of integrated circuits;*

*(p) an invention which, in effect, is traditional knowledge or which is an aggregation or duplication of known properties of traditionally known component or components.”*

Interesting omissions are those of business methods and computer programs *per se*.

**Business Method Patents:** Historically, in nearly every country “business methods” were dismissed as abstract and hence, were considered to be unpatentable. However, in the late 1990s, in what is known as the State Street Bank [908 F.Supp. 249 (M.D.PA 1995)] US courts for the first time allowed a business method patent and a patent for a computer program to track mutual funds.

The U.S. courts have held that an abstract idea may constitute patentable subject matter only if it can be reduced to a practical application that produces a useful, concrete and tangible result. Since then, in the U.S., such innovative business methods are considered patentable. However, traditional requirements of practical utility, novelty, and non-obviousness have to be satisfied. As in the U.S., the European Patent Office also allows the grant of business method patents. Due to the express exclusion of “business method” from patentable inventions under the Second Amendment, business method patents cannot be granted in India.

**Computer Programs Per Se:** 2002 amendment to the Patents Act stated that 'computer programs per se' is not an 'invention' - raising a debate whether a computer program ("CP") with any additional features such as its industrial application, would be patentable. In Sec 3(k) of the Act, while maintaining that CP per se is not invention, the Ordinance had created exclusion for certain CPs. CP, in its technical application to industry and CP in combination with hardware were identified as patentable inventions.<sup>49</sup> This exclusion introduced by the Ordinance has been done away with by the Third Amendment, once again creating an ambiguity in respect of grant of patents re CP. 'Computer programs per se' was interpreted, based on similar UK law, that CP's with a technical effect could be patentable. Experts were already interpreting 'computer programs per se' on similar lines. Ordinance, made things even clearer. However, now it may be difficult to use the same interpretation as it could be argued that if the intention of the law was to allow patenting CP's having a technical effect, why did the lawmakers not retain the language of the Ordinance. Thus there is now additional uncertainty in interpretation of 'computer programme per se'. Deriving confidence from the Ordinance a number of CP applications with huge filing fees have been filed since 1.1.2005. Section 78(2) (Repeal Clause) of the Amendment provides that anything done or any action taken under the Act, as amended by the Ordinance shall be deemed to have been done or taken under the corresponding provisions of the Amendment. Hence the fate of those CP applications remains uncertain.

### Pharma and Agro-Chemical Patents

The Third Amendment has deleted Section 5 of the Act, which barred patent being granted in respect of substances:

- Intended for use or capable of being used as food, medicine, or drugs; or,
- Prepared or produced by chemical processes (including alloys, optical glass, semi-conductors and inter-metallic compounds).

Thus, product patents will now be allowed in India. Section 3 of the Act, however, carves out certain exceptions. Under Section 3 (j) Plants and animals in whole or any part thereof (other than micro-organisms) including seeds, varieties and species and essentially biological processes for the production of plants or animals – cannot be patented. This is in line with Article 27.3 of TRIPS. Thus micro-organisms, which satisfy the patentability criteria may be patented in India.

Section 3(d) as amended by the Third Amendment clarifies that mere discovery of a new form of a known substance, which does not result in the enhancement of the known efficacy of that substance is not an invention and therefore not patentable. For the purposes of this clause, salts, esters, ethers, polymorphs, metabolites, pure form, particle size, isomers, mixtures of isomers, complexes, combinations and other derivatives of

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<sup>49</sup> The New patents ordinance gives IT a breather <[eco-times/2005/New-patents-ordinance-Jan-16-2005.htm](http://eco-times/2005/New-patents-ordinance-Jan-16-2005.htm)>, January 16, 2005.

known substances are to be considered to be the same substances, unless they differ significantly in properties with regard to efficacy. Therefore, Swiss Claims<sup>50</sup> will not be allowed in India.

Section 3(d), reads as under:

*“Section 3- The following are not inventions within the meaning of this Act,*

*(d)- the mere discovery of a new form of a known substance which does not result in the enhancement of known efficacy of that substance or the mere discovery of any new property or new use for a known substance or that the mere use of a known process, machine or apparatus unless such known process results in a new product or employs atleast one new reactant.*

*Explanation- For the purposes of this clause, salts, esters, ethers, polymorphs, metabolites, pure form, practical size, isomers, mixtures of isomers, complexes, combinations and other derivatives of a known substance shall be considered the same substance , unless they differ significantly in properties with regard to efficacy.”*

### Section 3(d) and stand of courts

In *Novartis AG v. Union of India*<sup>51</sup> , the High Court of Madras , while answering the question, whether section 3(d), as amended by the Third Amendment, is violative of the fundamental rights guaranteed under Article 14 of the Indian Constitution, interpreted the phrase “efficacy” as *‘the ability of a drug to produce the desired therapeutic effect i.e. how effective the new discovery made would be in healing a disease/having a good effect on the body’*, for which an applicant in order to pass the test of ‘efficacy’ needs to show that the discovery of a new form of a known substance has resulted in the enhancement of the known efficacy of that substance and if the discovery is nothing other than the derivative of a known substance, then, it must be shown that the properties in the derivatives differ significantly with regard to efficacy. Further, the Hon’ble High Court stated that such enhanced efficacy could be shown by giving necessary comparative details based on the relevant scientific data demonstrating the enhancement in the known efficacy of the original substance and that the derivative so derived will not be the same substance, since the properties of the derivatives differ significantly with regard to efficacy. The Hon’ble High Court also noted that though section 3(d) is not only limited to drugs and pharmacological substances, it is clear that certain portions of the section and the attached explanation is only referable to pharmacological substances.

The Hon’ble Court observed that section 3(d) purports to prevent ‘evergreening’ of patents and held that the Controller, being equipped with the required expertise and training in adjudicating upon the efficacy of a claimed invention, would be relying upon the contents

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<sup>50</sup> A ‘Swiss Claim’ is a claim wherein the use of a substance or composition that has already been used for a medical purpose is intended or specified to be used for a new medical purpose.

<sup>51</sup> (2007) 4 MLJ 1153.

of an application and the evidence produced in support of the application, it cannot be construed that the said section is ambiguous and arbitrary and is violative of the fundamental rights enshrined under Article 14 of the Constitution.

### Recent controversial pharmaceutical patent litigation in India:

#### **F. Hoffmann-La Roche Ltd. and Anr. Vs Cipla Ltd.**

F.Hoffmann-La Roche AG ("Roche"), the patentee of the small cell lung cancer drug Erlotinib (sold under brand name *Tarceva*) in January, 2008 filed a suit for injunction at the High Court of Delhi<sup>52</sup> against Cipla Ltd., for allegedly infringing its patent in the drug by manufacturing and selling the generic version of Erlotinib in India under the brand *Erlocip*. The March 2008 interim order of the Delhi High Court refused injunctive relief to the patentee of the ground of "public interest". While determining the tilt of balance of convenience, the Court, interestingly, found it relevant to consider the difference in the market price of the two drugs in dispute. The Court opined that in the present matter involving a life saving drug, "*the balancing would have to factor in imponderables such as the likelihood of injury to unknown parties and the potentialities of risk of denial of remedies.*" On the ground that the defendant's product was marketed at one-third<sup>53</sup> the cost of Roche's *Tarceva* the Court held that: "*as between the two competing public interests, that is, the public interest in granting an injunction to affirm a patent during the pendency of an infringement action, as opposed to the public interest in access for the people to a life saving drug, the balance has to be tilted in favor of the latter.*" Roche was refused injunction.

Roche appealed against this order to a division bench of the same court.<sup>54</sup> In April 2009, the Court not only upheld the interim order but also imposed a penalty of INR 500,000 for not making full disclosure of the complete specification of the product whose patent is claimed to have been infringed amounting to suppression of material facts. Cipla Ltd. was able to raise a serious prima facie doubt, whether the drug *Tarceva* sold in the Indian markets did, in fact, correspond to the drug protected by the patent that was allegedly being infringed. The Court held that Cipla Ltd. had raised a credible challenge to the validity of the patent rendering it vulnerable to challenge. The matter is pending final decision.

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<sup>52</sup> I.A. No. 642/2008 in CS (OS) 89/2008 decided on 19.03.2008 [2008(37)PTC71(Del)].

<sup>53</sup> The Court stated that Cipla's drug cost INR 1600 per tablet as compared to Roche's *Tarceva* at INR 4800 per tablet.

<sup>54</sup> FAO (OS) No. 188 of 2008 decided on 24.04.2009.

### **Indian Network for People living with HIV/AIDS and Anr. Vs Union of India and Ors.<sup>55</sup>**

In a case involving another Roche patent for the antiviral drug *Valcyte* (Valganciclovir hydrochloride), the Chennai Patent Office, in January 2009, dismissed a pre-grant opposition representation that had been filed by two Non Governmental Organisations - Indian Network for People living with HIV/AIDS and Tamil Nadu Networking People with HIV/AIDS in June 2006. Roche had filed a Patent Application in 1995. The opponents had filed a pre-grant opposition representation under Section 25(1) of the Patents Act, 1970 accompanied by a specific request for a hearing in the matter. The Chennai Patent Office did not allow oral hearing to the two NGOs in relation to their representation and proceeded to grant the patent to Roche. The opponents filed a writ petition against the Chennai Patent Office with High Court of Madras that held that the grant of said patent without hearing the Opponents' representation was "*in blatant violation of statutory procedure by the statutory authority, which is acting in a quasi-judicial capacity*" and directed the Chennai Patent Office to grant hearing to the opponents. The opponents were heard by the Chennai Patent Office in January 2009. However, the opposition was dismissed<sup>56</sup> and Roche's *Valcyte* patent continues to remain valid. Nevertheless, this decision of the High Court of Madras has demonstrated the vigilance of the courts on patent office procedure.

**Mashelkar Committee Report:** In December 2006, the Technical Expert Group constituted under the chairmanship of Dr. R.A. Mashelkar and set up by the Ministry of Health and Family Welfare, released its recommendations on Patent Law Issues ("Mashelkar Committee Report"). The committee's recommendations were put forth pursuant to debates raised at the Parliament level with respect to bringing the Patents Act at par with India's international obligations, specifically under the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS Agreement).

The Mashelkar Committee Report dealt with two issues, namely:

1. Whether restricting the grant of patents for pharmaceutical substances to new chemical entities ("NCEs") or new medical entities ("NMEs") involving one or more inventive steps would be TRIPS compatible; and
2. Whether excluding micro-organisms from patent protection would violate TRIPS.

The Mashelkar Committee Report had concluded that limiting the grant of patents for pharmaceutical substances to NCEs and NMEs would contravene the TRIPS provisions of the World Trade Organization ("WTO"). The conclusion drawn in respect of the second

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<sup>55</sup> Writ Petition No. 24904 of 2008 and M.P. Nos. 2 & 3 of 2008 decided by High Court of Madras on December 2, 2008.

<sup>56</sup> Decision of the Chennai Patent Office dated January 30, 2009 in the matter of patent application no. 959/MAS/1995.

issue, in light of Article 27.3<sup>57</sup>, was that excluding micro-organisms, *per se*, from patent protection would be in violation of the TRIPS Agreement.

The Mashelkar Committee Report was eventually withdrawn on grounds of technical inaccuracy and plagiarism. In light of the plagiarism controversy, Dr. R.A. Mashelkar resigned as the head of the committee, and the committee was once again given an opportunity by the Government to correct the 'technical inaccuracies' and to re-submitting their report. Thereafter, in March 2009, the revised report was re-submitted to the Government.

The conclusions in the revised Report are essentially on similar lines as those contained in its 2006 version.

The Report in conclusion remarks that the grant of patents for pharmaceutical substances only to a NCE or NME despite satisfying the basic requirements of patentability may *prima facie* amount to 'excluding a field of technology'. Thus, in light of Article 27.1 of TRIPS that states: "...patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application", such a limitation on pharmaceutical patents may be held as TRIPS non-compatible.

In addition, the Report recommends that "every effort must be made to prevent the practice of 'ever-greening' .....by making claims based sometimes on 'trivial' changes to the original patented product." The Indian Patent Office has the full authority under law and practice to determine what is patentable. Further, such authority should decide what would constitute only a trivial change with no significant additional improvements or inventive steps involving benefits in order to prevent 'ever-greening', rather than introduce a "statutory exclusion" of incremental innovations from the scope of patentability.

While the terms 'ever-greening' and 'incremental innovation' are not defined in any Indian patent legislation, the 2006 version of the Mashelkar Committee Report explained the two terms as follows:

*"While 'ever-greening' refers to an extension of a patent monopoly, achieved by executing trivial and insignificant changes to an already existing patented product, 'incremental innovations' are sequential developments that build on the original patented product and may be of tremendous value in a country like India."*

However, no such guidelines on the interpretation of the two terms appear in the revised

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<sup>57</sup> Article 27.3 of the TRIPS Agreement states that Members may also exclude from patentability:

"(a) diagnostic, therapeutic and surgical method for the treatment of humans or animals;  
(b) plants and animals other than micro-organisms, and essentially biological processes for the production of plants and animals other than non-biological and microbiological processes."



version.

### Inventions for which no patent can be granted

Section 4 of the Patents Act states that in respect of inventions relating to atomic energy and falling within the meaning of Section 20(1) of the Atomic Energy Act, 1962, no patent can be granted.

### Who can be the applicant?

India grants patent right on a first-to-apply basis. The application can be made by either (i) the inventor or (ii) the assignee<sup>58</sup> or legal representative<sup>59</sup> of the inventor. Foreign applicants are given national treatment.

### What is the process of registration?

Patent rights with respect to any invention are created only upon grant of the patent by the Patent Office following the procedure established by the Patents Act and the Rules. India follows a declarative system for patent rights. Below are the three types of applications that may be filed in the Indian Patent Office:

- (i) Regular Application
- (ii) Convention Application

India has published a list of convention countries under Section 133 of the Patents Act and is also a member of the Paris Convention. The convention application has to be filed within one year from the date of priority and has to specify the date on which, and the convention country in which the application for protection (first application) was made. The priority document has to be filed with the application.

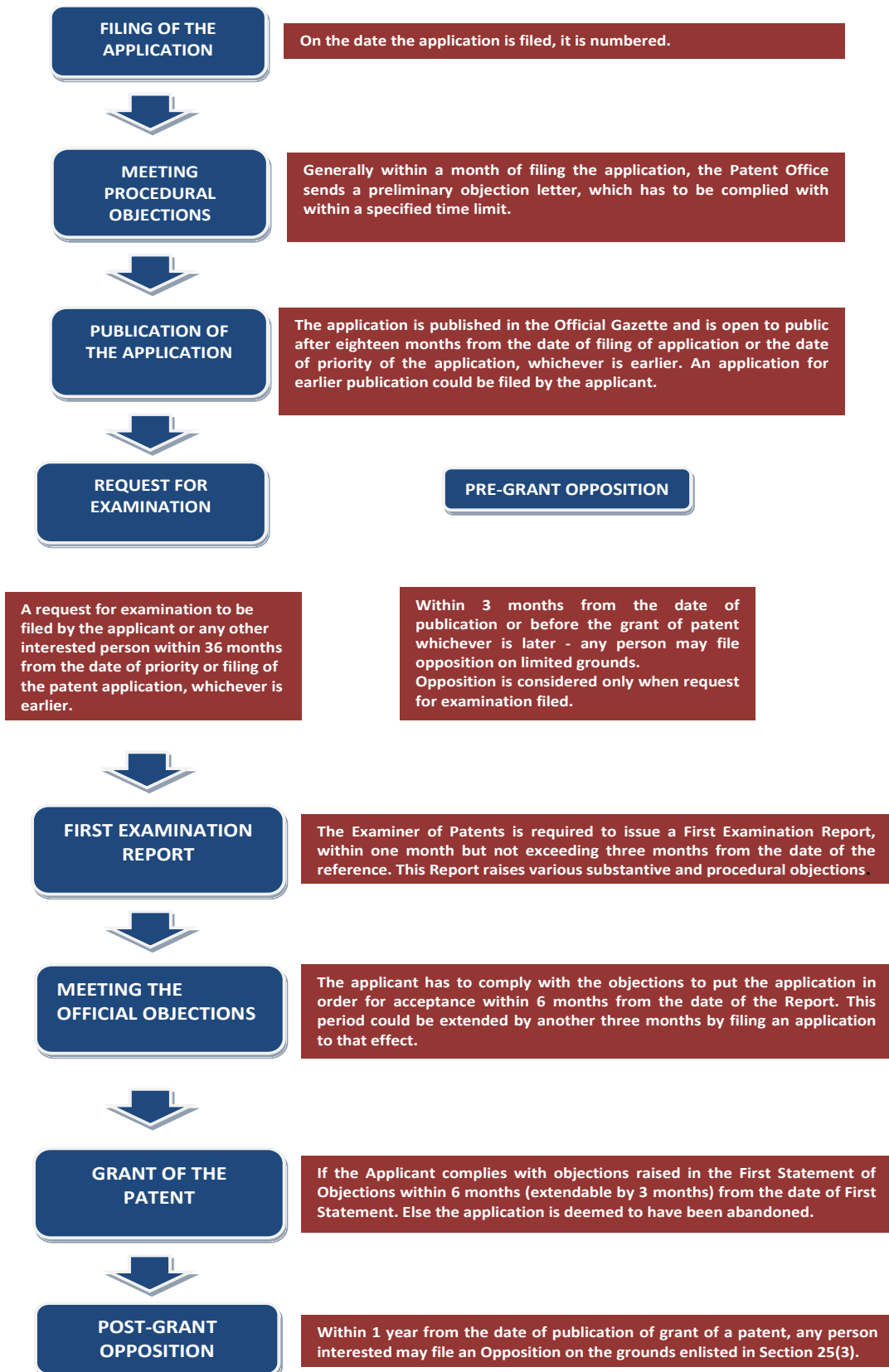
- (iii) Patent Cooperation Treaty (**PCT**) National Phase Application

A National Phase Application may be filed in India as India is a PCT member country. Since December 2007, the Indian Patent Office has also been recognized as one of the many International Searching Authorities (ISA) and International Preliminary Examining Authorities (IPEA) nominated by WIPO. The office is expected to soon start operations in this capacity. The procedure for filing and obtaining patent in India is as shown overleaf.

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<sup>58</sup> Section 2(1) (ab) of the Patents Act: "Assignee includes an assignee of the assignee and the legal representative of the deceased assignee and references to the assignee of any person include references to the assignee of the legal representative or assignee of that person".

<sup>59</sup> Section 2(1) (k) of the Patents Act: "Legal representative means a person who in law represents the estate of a deceased person."



### Opposition Proceedings

The amended Patents Act allows both pre-grant and post-grant opposition. The pre-grant opposition can be filed anytime after the publication of the patent application but before a patent is granted. The post-grant opposition can be filed within a period of one year from the date of publication of the granted patent. The grounds on which pre-grant opposition and post-grant opposition can be filed are similar.

### What is the term of a patent?

Every patent granted under the Act shall be dated as of the date on which the complete specification was filed. Until recently, the term of the patent was fourteen years from the date of the patent, unless shown to be invalid.<sup>60</sup> The Second Amendment prescribed a uniform term of 20 years<sup>61</sup> for all categories of patents in compliance with Article 33 of TRIPS. There is no provision for an extension of the patent term.

### Secrecy Provisions<sup>62</sup>

Any person resident in India is not allowed to apply for grant of patent for any invention unless either of the following two conditions is satisfied:

- Obtaining written permission of the Controller of Patents. The Controller is required to obtain consent of the Central Government before granting such permission for invention relevant for defense purpose / atomic energy. The application is to be disposed of within 3 months. OR
- Patent application for the same invention has been first filed in India at least six weeks before the application outside India and there is no direction passed under Section 35 for prohibiting /restricting publication/ communication of information relating to invention.

This section is not applicable in relation to an invention for which an application for protection has first been filed in a country outside India by a person resident outside India. In spite of this exclusion, this provision is likely to delay the filing of US applications since US applications are required to be filed by the inventors and not assignees of the inventors.

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<sup>60</sup> However, term of a patent in respect of an invention relating to a process or method of manufacture of a substance intended to be used or capable of being used) as food, medicine, or as a drug was for period of seven years from the date of the patent.

<sup>61</sup> Section 53 of the Patents Act.

<sup>62</sup> Sections 35 to 43 of the Patents Act; Can you keep a secret? <eco-times/2005/Can-you-keep-a-secret-Feb-14-2005.htm>, February 13, 2005.

### Can the patent be surrendered?

A patentee may surrender his patent under Section 63 at any time by giving notice to the Controller in the prescribed manner.

### How can the patent be cancelled / revoked?

Either the Appellate Board or the High Court (on a counter-claim in a suit for infringement of the patent) may pass orders for revocation of a patent.<sup>63</sup> In an infringement action, the defendant can raise the grounds for cancellation as defenses and at the same time file a counterclaim for revocation. The grounds on which the patent can be revoked include wrongful procurement of invention, false suggestion or representation in obtaining patent, failure to disclose corresponding foreign applications, prior secret use, prior grant, lack of novelty, or obviousness. The Controller of Patents also has the power to revoke the patent if, despite the grant of a compulsory license, the reasonable requirements of the public with respect to the patented invention remain unsatisfied or if the patented invention is not available to the public at a reasonable price.

### Assignment / Mortgage / License of Patent

An assignment of a patent or of a share in a patent, a mortgage, license, or the creation of any other interest in a patent is only valid if the following conditions are satisfied:

- There is a written agreement embodying all the terms and conditions governing rights and obligations of parties; and,
- The agreement is registered by filing Form 16 under the Patents Rules, 2003 with the patent office that has granted the patent.

Registration can be done at any time after the assignment is done, since the period of registration (of six months) has been omitted in the 2005 amendment of the Patents Act.

However, the agreement, when registered, is effective as of the date of its execution.<sup>64</sup> The consequence of non-registration is that the agreement under which the patent rights are transferred is not admissible as evidence in an Indian court and therefore not enforceable in legal proceedings.<sup>65</sup>

### Working of a patent

It is mandatory under Indian patent law to file a statement as to the extent of commercial working in the Indian territory of a patent granted by Indian Patent Office.<sup>66</sup> The statement

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<sup>63</sup> Section 64 of the Patents Act.

<sup>64</sup> Section 68 of the Patents Act. Section 69 describes the procedure for the recording of interest.

<sup>65</sup> Section 69(5) of the Patents Act.

<sup>66</sup> Section 146 of the Patents Act and Rule 131(2) of Patents Rules, 2003.

embodied in Form 27 of the Patents Rules, 2003 is required to be filed in respect of every calendar year within three months of the end of each year (i.e. before March 31st of every year). Non-compliance with this requirement may invite penalty of imprisonment which may extend to six months, or with fine, or with both, as provided under section 122(1) (b) of the Patents Act. Section 83 of the Patents Act states that patents are granted in India to encourage inventions and to secure those inventions are worked in India on a commercial scale and to the fullest extent reasonably practicable without undue delay.

### Compulsory Licensing

The Patent Act provides for the grounds on and procedures by which, a compulsory license will be granted. The Second Amendment adds an entire chapter to the Patents Act on the working of patents, compulsory licenses, and revocation of licenses. After this amendment, the grounds on which a compulsory license will be granted are:

- Reasonable requirements of the public with respect to the patented invention have not been satisfied; or,
- The patented invention is not available to the public at a reasonably affordable price; or,
- The patented invention is not worked (i.e. not used or performed) in the territory of India.

The following factors are also to be taken into account: a circumstance of national emergency; a circumstance of extreme urgency; or a case of public non-commercial use, which may arise or is required, as the case may be, including public health crises such as those relating to Acquired Immuno Deficiency Syndrome (**AIDS**), Human Immunodeficiency Virus (**HIV**), Tuberculosis, Malaria, or other epidemics.

However, the Patents Act does not provide the definitions of the following expressions: “circumstance of national emergency”; and “a circumstance of extreme urgency.” Therefore, the courts would be required to interpret these expressions on a case-by-case basis.

Any person interested in working the patented invention may apply to the Controller of Patents for a compulsory license at any time after three years have elapsed from the date of grant of the patent. While examining the application, the Controller also considers such aspects as the nature of the invention; the time that has elapsed since the grant of the patent and the measures already taken by the patentee or any licensee to make full use of the invention; the ability of the applicant to work the invention for public advantage; and the capacity of the applicant to undertake the risk in providing capital and working the invention, if the application were granted.

A new provision<sup>67</sup> has been inserted in the chapter of Compulsory License. The provision provides for grant of license to manufacture and export the patented product to any country having insufficient or no manufacturing capacity in the pharmaceutical sector to address public health problems, provided a compulsory license has been granted in that country or, if such country has allowed importation of the patented pharmaceutical products from India. The amendment seeks to implement the agreement on Para 6 of Doha Declaration on TRIPS and public health. The amended provision will allow Indian companies to produce and export AIDS drugs to African and South East Asian countries.

### Rights of the applicant post publication

From the date of publication of the application until the date of the grant of a patent, the applicant has the like privileges and rights as if a patent for the invention has been granted on the date of publication of the application. However, applicant is not entitled to institute any proceedings for infringement until the patent has been granted. Prior to the Third Amendment, only upon acceptance of the application did the applicant enjoy like privileges and rights.

### Infringement

In the Patents Act, 1970, what constitutes an infringement of a patent is not defined or stated. Therefore, whatever action violates or infringes upon the monopoly rights granted to the patentee under Section 48 of the Act is deemed infringement.

In the case of a product patent, the following actions would amount to infringement:

- making,
  - using,
  - offering for sale,
  - selling, or
  - importing for these purposes,
- the product in India without the permission of the patentee.

In the case of a process patent, the following would amount to infringement:

- using,
  - offering for sale,
  - selling, or
  - importing for these purposes
- the product obtained directly by that process in India without the permission of the patentee.
- In patent infringement suits, the damages are not granted for the use of the

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<sup>67</sup> Section 92A.

patented invention during the period prior to the date of acceptance of the patent application.

- In a patent infringement action, the defendant can file a counterclaim for a revocation of the patent. Consequently, the main suit and the counterclaim are heard together.

### What acts do not constitute infringement?

The Second Amendment has inserted Section 107A in the Act, which incorporates Bolar provision and provision for parallel imports. Section 107A states that the following acts do not constitute infringement:

- Any act of making, constructing, using, selling or importing a patented invention solely for uses reasonably related to the development and submission of information required under any Indian law, or law of a country other than India, that regulates the manufacture, construction, use, sale or import of any product;
- The importation of patented products by any person from a person who is duly authorized by the patentee under the law to produce and sell or distribute the products.

*Bolar Provision:* In view of introduction of the product patent regime, this provision will gain importance. Bolar provision allows manufacturers to begin the research and development process in time to ensure that affordable equivalent generic medicines can be brought to market immediately upon the expiry of the product patent.

*Parallel Imports:* A machine, though patented in India, can be imported (without the consent of the patentee) from the patentee's agent, say, in China, who manufactures it at a lower cost with the consent of the patentee.

*Protection of Indian manufacturers:* Product patents granted in pursuance of 'black box' applications have been treated differently to protect the interests of Indian manufacturers. Enterprises which have made significant investment and were producing and marketing the concerned product prior to January 1, 2005 and which continue to manufacture the product covered by the patent on the date of grant of the patent, are protected and the patentee cannot institute infringement suits against them but would be entitled to receive reasonable royalty from them. It is not clarified as to how the reasonableness of royalty would be determined. This provision would prejudice the rights of a patentee in respect of exploitation of its patent.

### Reversal of Burden of Proof

The Second Amendment also inserted Section 104A concerning the burden of proof in infringement suits. The section provides that in any suit for infringement of a process patent, the defendant may be directed to prove that the process used by him to obtain the



product that is identical to the product of the patented process, is different from the patented process. Such direction may be passed by the court, if:

- the subject matter of the patent is a process for obtaining a new product; or,
- there is a substantial likelihood that the identical product is made by the process, and the patentee or a person deriving title or interest in the patent from him, has been unable through reasonable efforts to determine the process actually used.

However, before obtaining such a direction, the plaintiff (claimant) has to prove that the product is identical to the product directly obtained by the patented process.

### Remedies in the Case of Infringement<sup>68</sup>

In the case of infringement of the Indian patent, the patentee can file a suit in the appropriate court, which may be a District Court or a High Court. In such a suit the plaintiff can seek an injunction and damages or order for an accounts for profits from the potential infringer of the patent. Where the defendant proves that at the time of infringement he was not aware of and had no reasonable ground to believe that the patent existed, an order for damages or accounts for profits is not granted. Therefore, the patentee should take steps to convey to the general public that his product or process is patented. In an infringement suit, infringing goods, materials, and equipment used for their production can be seized, forfeited, or destroyed. The courts can appoint suo motu, or on application of a party to the suit, scientific advisors to assist the court or to submit a report on a specified question.<sup>69</sup>

The Patents Act does not provide for criminal action in case of patent infringement.

## VII. DESIGNS

Industrial designs in India are protected under the Designs Act, 2000 ("**Designs Act**"), which replaced the Designs Act, 1911. The Designs Act has been in effect since May 11, 2001. The Designs Rules, 2001 have been framed under the Designs Act. The Designs Act incorporates the minimum standards for the protection of industrial designs, in accordance with the TRIPS agreement. It provides for the introduction of an international system of classification, as per the Locarno Classification.

### What is the meaning "design" within the scope of the Designs Act?

As per the Designs Act, "design" means only the features of shape, configuration, pattern, ornament or composition of lines or colours applied to any "**article**"<sup>70</sup> whether in two

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<sup>68</sup> Section 108 of the Patents Act.

<sup>69</sup> Section 115 of the Patents Act.

<sup>70</sup> Per Section 2(a) of the Designs Act: "article" means any article of manufacture and any substance, artificial, or partly artificial and partly natural; and includes any part of an article capable of being made

dimensional or three dimensional or in both forms, by any industrial process or means, whether manual mechanical or chemical, separate or combined, which in the finished article appeal to and are judged solely by the eye. However, "design" does not include any mode or principle of construction, or anything which is in substance a mere mechanical device, and does not include any trademark (as defined in section 2(1) (v) of the Trade and Merchandise Marks Act, 1958), or property mark (as defined in section 479 of the Indian Penal Code), or any artistic work (as defined in Section 2 (c) of the Copyright Act, 1957).

In order to obtain registration under the Designs Act, the design must be applied to an article. In other words, a mere painting of a natural scene or its presentation on paper is not entitled for registration under the Designs Act.

### Who can apply for registration of a design?

Any person claiming to be the "**proprietor of any new or original design**"<sup>71</sup> not previously published in any country and is not contrary to public order or morality can apply for the registration of the design. The expressions "public order" or "morality" have not been defined in the Designs Act.

The term "original," with respect to design, means a design originating from the author of such a design and includes the cases that, although old in themselves, are new in their application. Absolute novelty is now the criterion for registration.

### What is the process of registration?

The process of registration of a design under the Designs Act requires the following steps:

- File an application for registration of design with the prescribed fee with the Controller of Patents and Designs. Photographs of the articles from all angles must be filed along with the statement of novelty.
- Reply to the objections raised by the Controller.

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and sold separately.

<sup>71</sup> Per Section 2(j) of the Designs Act: "proprietor of a new or original design",-

- (i) where the author of the design, for good consideration, executes the work for some other person, means the person for whom the design is so executed;
- (ii) where any person acquires the design or the right to apply the design to any article, either exclusively of any other person or otherwise, means, in the respect and to the extent in and to which the design or right has been so acquired, the person by whom the design or right is so acquired; and
- (iii) in any other case, means the author of the design; and where the property in or the right to apply, the design has devolved from the original proprietor upon any other person, includes that other person.

- Upon removal objections, the design is registered. When registered, a design is deemed to have been registered as of the date of the application for registration.
- After registration, the particulars of the design are published.
- If the Controller rejects the application, the aggrieved person can appeal to the High Court.

There is no opposition procedure prior to registration.

### What are the rights conferred by registration?

Registration of a design confers upon the registered proprietor a “copyright” with respect to the design. Under the Designs Act, the word “copyright” refers to the exclusive right to apply the design to any article in any class in which the design has been registered. The first term of registration is ten years after which it can be renewed for an additional five-year period.

### Assignment

When a person becomes entitled by assignment, transmission, or other operation of law to the copyright of a registered design, a record of the title must be registered by an application to the Controller for the same, accompanied by the prescribed fee and proof of title.

When a person becomes entitled to any right in the registered design either by way of a mortgage, a license, or otherwise, an application in the prescribed form must be made to the Controller to register his title.

### Cancellation of Design

Any person interested may present a petition for a cancellation of the design registration at any time after the registration, on the following grounds: that the design has been previously registered in India; that it has been published in India or in any other country prior to the registration date; that the design is not a new or original design; that the design is not registrable under the Designs Act or that it is not a design as defined under Section 2(d) of the Designs Act. An appeal from any order by the Controller can be filed with the High Court.

Section 15 of the Copyright Act, 1957 states that the copyright in any design, which is capable of being registered under the Designs Act, but is not, will lose its copyright as soon as the design has been reproduced 50 times by an industrial process by either the owner of the copyright or his licensee.

### Piracy

Section 22 of the Designs Act lists the different acts that amount to piracy of the registered design, including: 1) any application of the registered design for the purpose of sale during the existence of the copyright in the design without a license or the express consent of the registered proprietor; 2) or the importation for sale without the consent of the registered proprietor of any article belonging to the class in which the design has been registered and having applied to it the design or any fraudulent or obvious imitation; or, 3) knowing that the design, or a fraudulent or obvious imitation has been applied to any article in any class of articles in which the design is registered, published, or exposed for sale, without the consent of the registered proprietor of such an article. Any grounds on which the design can be cancelled can also be used as a defense in an infringement action.

### Remedies

The Designs Act provides for civil remedies in cases of infringement of copyright in a design, but does not provide for criminal actions. The civil remedies available in such cases are injunctions, damages, compensation, or delivery-up of the infringing articles.

### Paris Convention

Reciprocity for the purpose of claiming priority is now allowed from the applications originating from the Paris Convention countries.

## **VIII. GEOGRAPHICAL INDICATIONS OF GOODS (REGISTRATION AND PROTECTION) ACT, 1999**

Geographical Indications (“GI”) are those, which identify a good as originating in a place where a given quality, reputation, or other characteristic of the good is essentially attributable to its geographical origin. Some better-known examples of GI are "Champagne," "Bordeaux," and "Chianti," the first two being regions in France and the third, a region in Italy, all famous for their wines. In the Indian context, ‘Darjeeling Tea’ was the first GI registered under the GI Act. This GI is registered in the name of the Tea Board of India which also hold GI registrations for ‘Nilgiri Tea’ and ‘Assam Tea’. Similarly, the Coffee Board (under the Ministry of Commerce & Industry) has a subsisting registration for Malabar Coffee. Other well-known GIs include ‘Kashmiri Pashmina’, ‘Mysore Silk’, ‘Lucknow Chicken Craft’ and ‘Feni’. The convention application for ‘Champagne’ was filed in September 2008 and is in the process of registration.

The Geographical Indications of Goods (Registration and Protection) Act, 1999 came into effect on September 15, 2003. The Act was passed with the goal of providing protection, as a GI, to any agricultural, natural, or manufactured goods, or to any goods of handicraft or industry, including foodstuffs.

### Registration

The Act provides for the registration of a GI and the 'authorized user' thereof. Any person claiming to be the producer of goods in respect of a registered GI can apply for registering him as an authorized user. The authorized user is able to bring an action against the wrongful users of GI. Convention applications can also be filed under this Act.

An application for registration can be filed by any:-

- organisation of persons or producers, or
- organisation or authority established by or under any law,

such organisation or authority representing the interest of the producers of the concerned goods.

The office of the Geographical Indications Registry is in Chennai.

To qualify as a GI, two requirements must be satisfied: (i) the territorial aspect i.e. as to how the GI serves to designate the goods originating from the concerned territory, (ii) a given quality, reputation, or other characteristic should be essentially attributable to the geographical origin.

### Rights Conferred by Registration

Registration of a GI confers the following rights on the registered proprietor and the authorized users:

- Right to obtain relief in respect of the infringement of the GI; and
- Exclusive right to use the GI in relation to the goods for which GI is registered

Two or more authorized users of a registered GI shall have co-equal rights.

### Classes

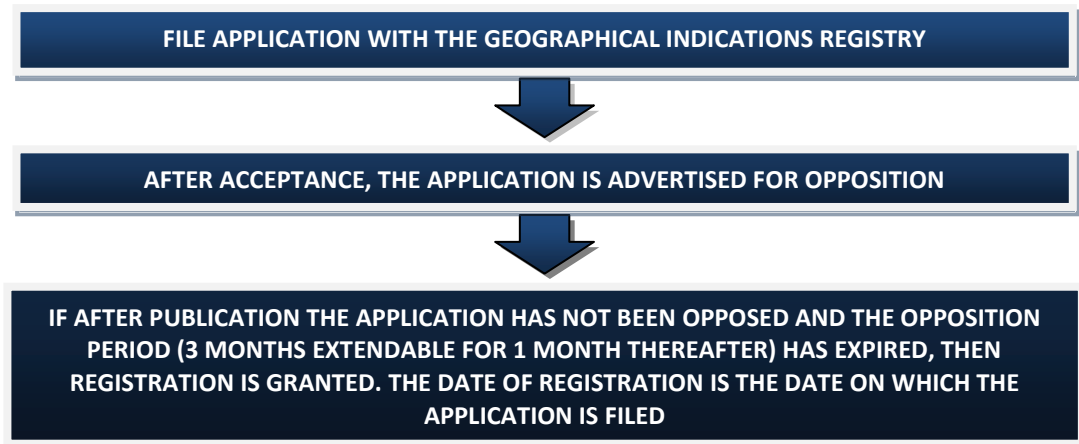
All the goods have been classified in accordance with the International Classification of Goods for the purposes of GI registration.

### Duration and Renewal

GI registration is valid for a period of ten years, and may be renewed thereafter from time to time. The registration of an authorized user is valid for a period of ten years or for the period until the date on which the GI registration expires, whichever is earlier.

### Procedure for Registration

The procedure for registering a GI and procedure for registering oneself as an authorized user are substantially the same. The procedure is as follows:



### Prohibition of Assignment or Transmission

GI, being a public proprietary right, is not assignable or transmissible by any other means. Therefore, the Act prohibits the assignment, transmission, licensing, pledge, or mortgage or any such other agreement in respect of a GI.

### Infringement

The Act also provides for infringement and passing off actions, thus recognizing the common law right in a GI, which includes civil as well as criminal remedies. Infringement has been defined to include unfair competition.

An action for infringement of a GI may be initiated in a District Court or High Court having jurisdiction. Available relief includes injunctions, discovery of documents, damages or accounts of profits, delivery-up of the infringing labels, and indications for destruction or erasure.

## **IX. SEMICONDUCTOR INTEGRATED CIRCUITS LAYOUT DESIGN ACT, 2000**

This Act was enacted in order to comply with the provisions of TRIPS. The Semiconductor Integrated Circuits Layout Design Act, 2000 received the assent of the President of India on September 4, 2000, after it was approved by both Houses of the Indian Parliament. However, the Act has not come into effect yet. The obligations imposed under the TRIPS and the Washington Treaty, 1980 made it mandatory for India to enact a law to protect the layout designs of Integrated Circuits ("IC"). This form of protection is quite different from patents, industrial designs, and copyrights, although the

principles of protection and enforcement stem from industrial design and copyright.

As the Act has not come into effect yet, the existing patent and copyright regime does not appropriately accommodate the requirements of protection for the layout design of IC. This is because in the context of layout design of IC, the concept of “originality” is of utmost significance, whether it is “novel or not”, whereas the patent law requires that the idea should be original *and* novel. On the other hand, the copyright law is too general to accommodate the original ideas of scientific creation of layout designs of IC.

In order to ascertain the nature of protection which will be conferred on layout designs of IC on the coming into force of this Act, we have analyzed some of the salient features of the Act in the following paragraphs.

### Definitions

**Layout Design:** Layout design refers to a layout of transistors and other circuitry elements and includes lead wires connecting such elements and expressed in any manner in a semiconductor integrated circuit.

**Semiconductor Integrated Circuit:** Semiconductor Integrated Circuit means a product having transistors and other circuitry elements, which are inseparably formed on semiconductor material or insulating material, or inside the semiconductor material, and designed to perform an electronic circuitry function.

### IC layout designs not registrable in India

The following are layout-designs, which cannot be registered in India;

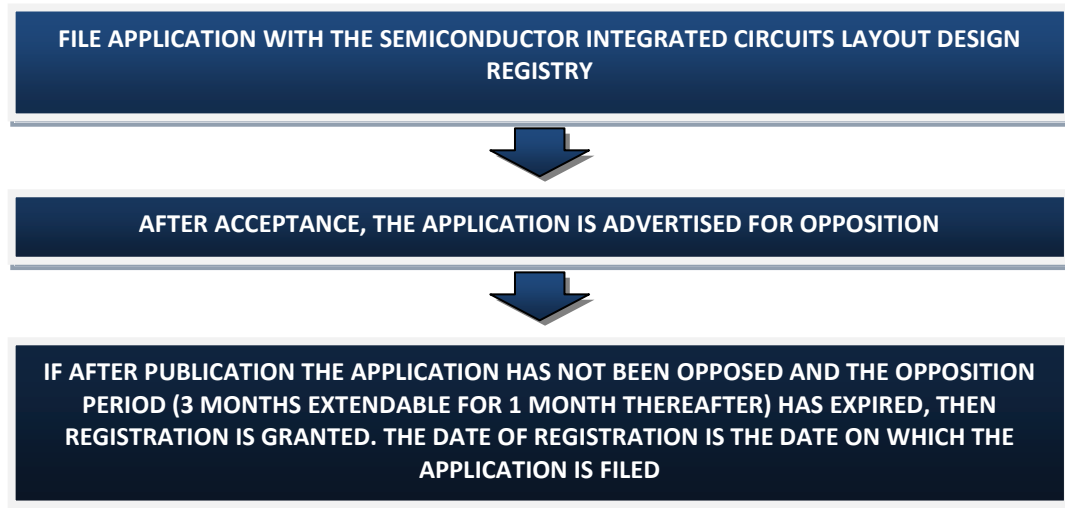
(a) those which are not original; or (b) those which have been commercially exploited anywhere in India or in a convention country<sup>72</sup>, or (c) those which are not inherently distinctive; or (d) those which are not inherently capable of being distinguishable from any other registered layout-design.

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<sup>72</sup> Per Section 7: A layout design which has been commercially exploited for not more than two years from the date on which an application for its registration has been filed either in India or a convention country shall be treated as not having been commercially exploited for the purposes of this Act.



Procedure for Registration of Layout Designs



What are the rights granted to the registered proprietor?

Registration provides the registered proprietor the exclusive right to use the layout design and provides protection against infringement.

What is the term of registration?

The term of registration is for a period of ten years from the date of filing an application for registration or from the date of its first commercial exploitation anywhere in India or in any country, whichever is earlier.

Infringement of Layout Designs

Reproducing, importing, selling, or distributing for commercial purposes a registered layout design or a semiconductor IC incorporating such a design constitutes infringement. However, if reproduction of the layout design is for purposes of scientific evaluation, analysis, research or teaching, this shall not constitute infringement.

Penalty for Infringement

Any person found to be infringing a registered layout design can be punished by way of imprisonment for a maximum of three years and/or a fine (minimum INR 50,000 and maximum INR 1,000,000).

## X. THE PROTECTION OF PLANT AND VARIETIES AND FARMERS RIGHTS ACT, 2001

This Act was enacted to give effect to Article 27.3(b)<sup>73</sup> of the TRIPs Agreement relating to protection of plant varieties. India opted to protect them under a *sui generis* system and passed the Act.

The Act includes:

- Protection of varieties developed through public and private sector research;
- Protection of varieties developed and conserved by farmers and traditional communities, providing them with legal rights to save, use, sow, resow, exchange, share, or sell their farm seed, although farmer shall not be entitled to sell branded seed of a variety protected under this Act ;
- Encouraging plant breeders and researchers to develop new and improved varieties;
- Establishment of the Protection of Plant Varieties and Farmers' Rights Authority ("**PPV&FRA**") for the registration of new varieties and determine claims of benefit sharing to such varieties;
- Provision of civil and criminal relief for infringement and passing off of protected plant varieties.
- Provisions for granting compulsory licenses when reasonable requirements of the public have not been satisfied.

The Act strikes a balance between the rights of farmers and breeders by rewarding the farmers/local communities from the pool of National Gene Fund for their conservation and development efforts and, at the same time, ensuring reward for innovation by granting plant breeders' rights.

### Varieties Registerable under the Act

The following are registerable under the Act:<sup>74</sup>

- (i) a new variety if it confirms the criteria of novelty, distinctiveness, uniformity and stability; and
- (ii) an extant variety if it confirms the criteria of novelty, distinctiveness, uniformity

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<sup>73</sup> Article 27.3(b) of TRIPs requires member countries to either grant patent protection plant varieties or to protect them under a *sui generis* system.

<sup>74</sup> Section 14 of the Act

and stability as specified under Protection of Plant Varieties and Farmers' Rights Regulations, 2006.

'Extant Variety' has been defined under the Act to mean:<sup>75</sup>

- (i) a variety notified under Section 5 of the Seeds Act, 1966; or
- (ii) a farmer's variety (which has been defined to mean a variety traditionally cultivated and evolved by the framers in their fields or a variety which is relative or land race of a variety about which the farmers possess common knowledge);<sup>76</sup>  
or
- (iii) a variety about which there is common knowledge; or
- (iv) any other variety which is in public domain

#### Term of Protection

As prescribed under Section 24 of the Act, the total period of validity of registration shall not exceed:

- (i) eighteen years, in case of trees and vines;
- (ii) fifteen years, in case of extant varieties; and
- (iii) fifteen years, in any other case.

The certificate of registration issued under this Act is valid for nine years in case of trees and vines and six years in case of other crops and a registrant is required to renew the same for the remaining period of registration.

#### Setting up of PPV & FRA

The PPV&FRA was set up in November, 2005 for registration of new varieties and determine claims of benefit sharing to such varieties. The Authority is located in New Delhi. This Authority has already evolved the detailed rules and regulations and crop-specific guidelines for seeking this protection. A National Plant Variety Registry has been set up by PPV&FR under the Union ministry of agriculture to register crop varieties.

#### Registration of Plant varieties now possible in India

The Act has started documentation and registration of varieties of 12 crops which include the following: rice, wheat (bread wheat types), maize, sorghum (jowar), pearl millet (bajra),

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<sup>75</sup> Section 2(1)(j) of the Act

<sup>76</sup> Section 2(1)(l) of the Act.

chickpea (chana), pigeon pea (arhar), green gram (mung), blackgram (urad), lentil (masur), field pea (matar) and kidney bean (rajmah).

### **XI. THE BIOLOGICAL DIVERSITY ACT, 2002**

India is a member of the Convention on Biological Diversity (“**CBD**”). To comply with its obligation under the CBD, this Act has been enacted. This Act aims to ensure the conservation of biological diversity in India, sustainable use of its components and fair and equitable sharing of the benefits arising out of the use of biological resources. "Biological diversity" means the variability among living organisms from all sources and the ecological complexes of which they are part, and includes diversity within species or between species of eco-systems. "Biological resources" means plants, animals and micro-organisms or parts thereof, their genetic material and by-products (excluding value added products) with actual or potential use or value, but does not include human genetic material.

Only selective provisions of the Biodiversity Act, 2002 – namely, definition provisions, provisions relating to the constitution of the National Biodiversity Authority (“**NBA**”) and rule-making powers of Government – have been brought into force with effect from October 1, 2003. NBA regulates the commercial/other uses of biodiversity by both Indian and non-Indian entities. Prior to seeking any form of IPR in respect of biological resources, the applicant will be required to obtain approval of the NBA.

The Act confers extensive powers on the NBA with regard to protection of biological resources. The NBA will consist of a chairperson, seven ex-officio members representing ministries and departments of the Federal Government, and five non-official members who are specialists, scientists and representatives from the industry. The ex-officio members include representatives from the tribal affairs ministry, biotechnology, ocean development, the Indian systems of medicine and homeopathy, and the ministries of environment and agriculture.

Some of the salient provisions of the Act are as follows:

- All foreign individuals, associations and organizations would be required to seek the prior approval of the NBA to access any biological resource or the results of research occurring in India, for any use. The NBA's approval would also have to be obtained before biological resources can be exported out of India. Proposals have been made to set up biodiversity funds and management committees at national, state, and municipal levels.
- All Indian citizens would have to seek the NBA's prior approval to transfer the results of research relating to any biological resource to foreigners. The term “foreigners” has been defined as “individuals who are not Indian citizens”.
- Indian citizens, including local people and communities, *vaids* and *hakims* (native

Indian doctors) will have free access to biological resources for use within the country for any purpose. However, the NBA's prior approval would be required before seeking any form of IPR on an invention based on a biological resource.

- The NBA will have the power to impose conditions to ensure a share in the benefits accruing from the acquisition of IPRs.

## **XII. CONFIDENTIAL INFORMATION & TRADE SECRETS**

Confidential information and trade secrets are protected under the common law and there are no statutes that specifically govern the protection of the same. In order to protect trade secrets and confidential information, watertight agreements should be agreed upon, and they should be supported by sound policies and procedures.

### *Protection of Confidential Information in the Hands of Employees*

In this information age, it's imperative that a business protects its new formula, product, technology, customer lists, or future business plans. In the global marketplace, Indian corporations are often required to comply with foreign laws and are likely to be exposed to liabilities for violation of confidential information or trade secrets of their business partners or third parties. For example, the U.S. Economic Espionage Act, 1996 imposes criminal liability (including fines and prison sentences) on any person who intentionally or knowingly steals a trade secret, knowingly receives, or purchases a wrongfully obtained trade secret. The standards for protection have to be tailored to address the risks associated with rapid advancement in technology and communications. The standards accepted today may become inadequate tomorrow. However, one constant factor is the presence of a corporate culture imbued with information protection values.

The employees of an organization are privy to confidential information and trade secrets on a daily basis. In the absence of any specific Indian statute conferring protection on such information in the hands of employees, recourse has to be taken to common law rights and contractual obligations.

### *Non-disclosure Agreements:*

Sound and concise company policies and non-disclosure agreements with the employees protecting confidential information and trade secrets are recommended so as to provide contractual remedy in addition to the one under the common law. Such agreements should define "confidential information" and the exceptions to confidentiality. Agreements should have clauses negating a grant of an implied license, restrictions on disclosure, use and copy; restriction on use of confidential information upon termination of the employment, return of information upon termination and right to withhold salary and emoluments till such return.

Non-compete clauses, depending upon their applicability in the Indian context, read with the confidentiality clauses would afford an organization added protection with respect to

its confidential information. Such provisions must have a clear purpose, which is to restrict the use of confidential information and trade secrets obtained during employment and ensure that employees do not compete unfairly. However, non-compete provisions would need to be reasonable, and the Indian courts may treat a tough non-compete provision as unenforceable.

In order to ensure that the rights of third parties are not violated, the non-disclosure/employment agreement should clearly impose an obligation on the employee not to integrate into the organization's data or intellectual property, any confidential information of a third party. Employees should be required to indemnify the organization in case of violation of this clause. If the organization has not executed such agreements at the time of employment, subsequently executed agreements should expressly cover the confidential information obtained by the employee from the date of his employment.

### Internal Processes:

Strong internal controls and processes to protect confidential information should be in place. Employees should be educated to identify information that is confidential or in the nature of a trade secret, to enable them to make an informed decision. They should have a clear understanding of their responsibilities to protect confidential matter and treat this as an on-going process that is integral to their work. Data that is confidential should be clearly indicated as such in all communications. Appropriate security procedures must be established and followed by the company and access to specific sensitive areas of workplace restricted or limited to certain senior employees only.

Third-party interaction and disclosures should be channeled only through specified personnel. Wherever feasible, confidential information should only be shared with those employees who have a legitimate need to know such information, thus enabling the employees to perform the assigned tasks.

### An Exit-Interview:

During such an interview, an employee should be reminded of his obligations with respect to the company's confidential information and trade secrets and should be asked to sign a document reaffirming his obligations. If an employment agreement was signed, the document to be signed upon termination should be attached. A copy of the signed exit-interview form, including the employment agreement, must be given to the employee. Such an interview not only serves as a meaningful reminder but can also be valuable evidence of employee's knowledge of such obligations.

Success of suits for protection of confidential information and trade secrets depends upon production of satisfactory evidence to prove confidentiality of the information, act of disclosure and the damages caused thereby, as well as the reasonability of such restriction.

Enactment of a strong statute for protection of confidential information and trade secrets would certainly help the Indian industry. In any event, strategies for protection of the organization's confidential information and trade secrets have, in today's economic scenario, become a prerequisite to the organization's survival.

### XIII. INTERNATIONAL CONVENTIONS

India is a signatory to the following international conventions:

| Convention   | Date                                      |
|--|---|
| Berne Convention   | April 1, 1928 (Party to convention)       |
| Universal Copyright Convention   | January 7, 1988 (Ratification)            |
| Paris Convention   | December 7, 1998 (Entry into force)       |
| Convention on Biological Diversity   | June 5, 1992 (Signature and ratification) |
| Patent Cooperation Treaty  | December 7, 1998 (Entry into force)       |
| Budapest Treaty on the International Recognition of Microorganisms for the Purposes of Patent Procedure 1977 | December 17, 2001 (Party to treaty)       |

By virtue of such membership, convention applications for the registration of trademarks, patents, and designs are accepted with the priority date claim; copyright infringement suits can be instituted in India based on copyright created in the convention countries.

#### The Madrid Protocol

The Madrid System, administered by the International Bureau of World Intellectual Property Organisation (WIPO), Geneva, permits the filing, registration and maintenance of trademark rights in more than one jurisdiction on a global basis. This system comprises two treaties; the Madrid Agreement concerning the International Registration of Marks, which was concluded in 1891 and came into force in 1892, and the Protocol relating to the Madrid Agreement, which came into operation on April 1, 1996. India acceded to the relevant treaties in 2005 and in 2007, the new Trademarks (Amendment) Bill was



introduced in Parliament. In 2009, the same received the assent of the Lok Sabha (the lower house) and it is now only a matter of time before the same comes into force.

#### **XIV. SPECIAL TRIBUNALS**

Effective September 15, 2003, the Intellectual Property Appellate Board (Board) has been set up in Chennai (in the state of Tamil Nadu, India) with benches in Ahmedabad, Delhi, Mumbai and Kolkata. The Board has the jurisdiction to consider appeals from the decisions of the Registrar of Trade Marks and Registrar of GI and to consider cancellation / rectification cases of trademarks and GIs. The cases, which were pending before various High Courts with respect to the aforementioned matters stand transferred to the Board with effect from October 6, 2003. Setting up of the exclusive IP Board is expected to lead to an effective and speedy disposal of cases. The cases with respect to infringement and passing off will continue to be instituted in regular courts.

#### **XV. TAX REGIME IN INDIA**

Income tax in India is governed by the provisions of the Income-tax Act, 1961 ("ITA"), which lays down elaborate provisions in respect of chargeability to tax, determination of residency, computation of income, transfer pricing, etc. All residents are subject to tax in India on their worldwide income, whereas non-residents are taxed only on Indian source income, i.e. income that is received in India or accrues or arises to them in India or is deemed to accrue or arise or is deemed to be received in India.<sup>77</sup> Every company that is chargeable to tax in India is required to file a tax return in India.<sup>78</sup>

##### Residency<sup>79</sup> and Scope of Income

A company incorporated under the laws of India is deemed to be a resident of India for Indian tax purposes. A company incorporated outside India is deemed to be resident in India if it is wholly managed from India. Income of an Indian company (which would include an Indian subsidiary of a foreign company) is taxed in India at the rate of 35%.<sup>80</sup> A foreign company is taxed at the rate of 40% on its business income earned in India, only if it has a PE<sup>81</sup> or business connection<sup>82</sup> in India. Section 90(2) of the ITA provides that where India has entered into a tax treaty with the Government of any other country for granting of relief of tax or avoidance of double taxation, in relation to such a tax payer to whom such tax treaty applies, the provisions of the ITA would apply to the extent they are more beneficial to the tax payer.

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<sup>77</sup> Section 4 and 5 of the ITA.

<sup>78</sup> Section 139(1) of the ITA.

<sup>79</sup> Section 6 of the ITA.

<sup>80</sup> The income tax rates mentioned in this paper are exclusive of the currently applicable surcharge at the rate of 2.5%. Surcharge is also levied on foreign companies.

<sup>81</sup> Permanent Establishment.

<sup>82</sup> The term 'business connection' is a term, which is used in the ITA and is analogous to the term 'PE' used in tax treaties.

### Deemed Indian Source Incomes

Royalties and fees for technical services ("**FTS**") are taxable in India when they arise from sources within India.<sup>83</sup> Royalties and FTS paid by a resident to a non-resident are generally taxable in India. However, if such royalties/FTS are paid with respect to a business or profession carried on by such resident outside India or for earning income from any source outside India, then such royalties and FTS are not taxable in India. Further, even payments of royalties or FTS made by one non-resident to another non-resident are brought within the Indian tax net, if such royalties/FTS are payable with respect to any business or profession carried on by such non-resident in India or for earning any income from a source in India.

Explanation 2 to section 9(1)(vi) and (vii) of ITA defines the term "royalty" and FTS to mean:

**Royalty means consideration** (including lump sum consideration but excluding any consideration which would be the income of the recipient chargeable under the head "Capital Gains") for:

- (i) "the transfer of all or any rights (including the granting of a license) in respect of a patent, invention, model, design, secret formula or process or trademark or similar property;
- (ii) the imparting of any information concerning the working of, or the use of, a patent, invention, model, design, secret formula or process or trademark or similar property;
- (iii) the use of any patent, invention, model, design, secret formula or process or trademark or similar property;
- (iv) the imparting of any information concerning technical, industrial, commercial or scientific knowledge, experience or skill;
- (iv-a) the use or right to use any industrial, commercial or scientific equipment.
- (v) the transfer of all or any rights (including the granting of a license) in respect of any copyright, literary, artistic or scientific work including films or video tapes for the use in connection with television or tapes for the use in connection with radio broadcasting, but not including consideration for the sale, distribution or exhibition of cinematograph films; or
- (vi) the rendering of any services in connection with the activities

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<sup>83</sup> Section 9(1) (vi), (vii) of the ITA.

referred to in sub-clauses (i) to (v).

"Fees for technical services" means any consideration (including any lump sum consideration) for the rendering of any managerial, technical or consultancy services (including the provision of services of technical or other personnel) but does not include consideration for any construction, assembly, mining or like project undertaken by the recipient or consideration which would be income of the recipient chargeable under the head "Salaries".

Royalties and FTS, which are chargeable to tax in India and are payable to non-residents who do not have a PE in India, are subject to a withholding tax at the rate 20% on gross basis.<sup>84</sup> No deductions are allowed from the gross royalties or FTS. This rate may be reduced if there is a favorable provision in the tax treaty between India and the country of residence of the non-resident.

If the non-resident company having a PE in India receives royalties/FTS, which is chargeable to tax in India and the payment of such royalties/FTS is effectively connected to the PE in India, then such royalties/FTS would be liable to tax in India as business income at the rate of 40% on net basis<sup>85</sup>. In such cases, expenditure incurred in this respect by the non-resident in earning the royalties/FTS would be allowable as a deduction.

Further, in India, we do not have special provisions for the taxation of computer software. Thus, the general rules of taxation of business income, FTS or royalties, as the case may be, are applied. We would further like to point out that the Central Board of Direct Taxes ("**CBDT**") had constituted a High Powered Committee ("**HPC**") in the year 1999 to advise the government with respect to any changes that may be required in the domestic law to address the taxation of electronic commerce. The HPC while making its recommendations had taken a different view on the taxation of 13 out of the 28 categories of e-commerce transactions examined by the Technical Advisory Group ("**TAG**") in its report on "Treaty Characterisation of Electronic Commerce Payments" dated February 1, 2001. On account of several representations made by the industry and professionals<sup>86</sup>, the recommendations of the HPC have not yet been adopted. Currently, the government has set up a task force to advise it on the emerging issues in non-resident taxation. Amongst other aspects, the task force is mandated to make recommendations regarding taxation of e-commerce transactions and software. The study by the task force is underway.

### Tax Incentives

Broadly speaking, the following tax incentives are available to a company engaged in the

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<sup>84</sup> Section 115A of the ITA.

<sup>85</sup> Section 44 DA of the ITA

<sup>86</sup> Our recommendations can be found at [www.nishithdesai.com/eComTaxpert/ecomtaxpertnew.htm](http://www.nishithdesai.com/eComTaxpert/ecomtaxpertnew.htm)

manufacture and export of goods and services:

- If the manufacturing facility is set up as a 100% Export Oriented Unit, the profits derived by such unit from export of goods and services are exempt from tax up to financial year ending March 31, 2009.
- If the manufacturing facility is set up in a Special Economic Zone, tax exemption equivalent to 100% of the profits derived by such unit from export of goods and services is available for the first 5 years of its operations and 50% tax exemption on such profits is available for subsequent two years. The amendments introduced by the Finance Act, 2003, provide a tax exemption for a further period of three years for the amount (not exceeding 50 per cent of the profits) that is debited to the profit and loss account and credited to Special Economic Zone Re-Investment Allowance Reserve Account to be created and utilized for the purpose of business in the specified manner.

If the company is engaged in R&D activities, the following tax incentives are available:

- A company engaged in scientific R&D activities may be entitled to claim tax deductions for 100% of its profits for a period of 10 years from the year in which it starts its operations, provided it has been approved by Department of Scientific and Industrial Research, Ministry of Science and Technology, Govt. of India between April 1, 2000 and March 31, 2004.
- A company engaged in the business of bio-technology or manufacture/production of any drugs or pharmaceuticals, electronic equipments, computers, telecommunication equipments, chemicals or any other article or thing as may be notified by CBDT may be eligible to claim deduction equivalent up to 150% of the expenditure incurred for in-house R&D facilities that has been approved by Department of Scientific and Industrial Research, Ministry of Science and Technology, Govt. of India. In other cases, a deduction shall be allowed for any expenditure laid out on scientific research related to the business carried out by the company.

### Depreciation

Depreciation is allowed on intangible assets in the nature of know-how, patents, copyrights, trade names, licenses, franchises or any other business or commercial rights of a similar nature acquired on or after April 1, 1998 at the rate of 25% as per written down value method.

### Second tier royalty

As discussed above, payments of royalties/FTS made by one non-resident to another non-resident are brought within the Indian tax net, if such royalties/FTS are payable with respect to any business or profession carried on by such non-resident in India or for earning any income from any source in India. Thus, for example if any royalties/FTS are

payable by a non-resident sub-licensor to a non-resident licensor, the same could be subject to tax in India if they are payable by the sub-licensor in respect of any business or profession carried on by him in India or for earning any income from any source in India. However, under certain tax treaties, which India has entered into, such second tier royalty/FTS can be taxed in India only if the sub-licensor has a PE in India and the royalties/FTS are borne by the PE.

### **XVI. ENFORCEMENT**

#### Place of filing of infringement actions

In India, infringement and passing-off actions can be instituted by filing a suit in the appropriate court. All IP laws state the appropriate court in which such suits can be instituted. For example, under the TM Act, suits for trademark infringement or passing off can be filed in the district court within the local limits of whose jurisdiction, at the time of the institution of the suit / other proceedings, the plaintiff / one of the plaintiffs (for example, registered proprietor, registered user) actually and voluntarily resides or carries on business or personally works for gain. Under the Copyright Act there is a similar provision as well.

#### Interim injunctions

In India, court cases often reach a final hearing after twelve to sixteen years from the date of their filing. Therefore, obtaining an interim injunction becomes crucial for the plaintiffs, especially in intellectual property lawsuits. The damages are awarded only after the final hearing.

Indian courts also grant injunctions in a *quia timet* (anticipatory) action if the plaintiff proves that defendant's activities or proposed activities would lead to violation of plaintiffs' rights.

#### Interim Relief

After filing the suit, the plaintiffs can seek ad interim and interim relief, including injunctions, Mareva Injunctions, an appointment of the commissioner or the court receiver, Anton Piller orders, John Doe (Ashok Kumar) orders, and other orders, such as discovery and inspection, or orders for interrogatories.

Ad-interim and interim injunctions are granted under Order 39, Rules 1 and 2, read with Section 151 of the Code of Civil Procedure, 1908. The Supreme Court of India in *Wander Ltd. v. Antox India (P) Ltd.*<sup>87</sup> laid down the principles for the granting of an interim injunction. For the grant of such ad interim and interim orders, the plaintiff has to show that he has a *prima facie* case, that the balance of convenience is in his favor, and the hardship suffered by the plaintiff would be greater if the order is not granted. If the plaintiff

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<sup>87</sup> (1990) Supp. S.C.C. 727.

is able to convince the Court of these points, then plaintiff can obtain an ad interim and interim injunction within a couple of days of filing of the suit. Some courts also grant *ex parte* injunctions if a strong case is made.

Generally, a plaintiff is required to give at least forty-eight hours notice to the defendant for a hearing of the interim application. If the defendant appears before the court, he may be granted further time to file his reply and the plaintiff in turn may be allowed to file his response to the defendant's reply. The hearing of the interim applications could go on for three to four days, depending upon the complexity of the matter. Both the parties have the liberty to file an appeal from the interim order and subsequently the parties may have to fight the matter even up to the Supreme Court of India. The appellate court also has the power to grant interim orders pending the final hearing of appeal.

Indian courts have realized the importance of protecting IP and have started granting innovative orders. Recently, of India's 40,000 cable operators, only 3,500 had obtained licenses from the owners of the rights to broadcast the World Cup (soccer) in India. Given the transitory nature of both the World Cup rights and the cable operators themselves (and the normal time frame of the Indian courts), the Delhi High Court granted an order against anonymous defendants whereby the rights owner, accompanied by a court-appointed commissioner, were able to locate the unlicensed cable operators and shut down the unauthorized World Cup transmissions. Such orders are called Ashok Kumar orders in India, equivalent to John Doe orders.

The damages are awarded only after the final hearing of the suit, which could take twelve to sixteen years, as stated earlier. Traditionally Indian courts have been slow and conservative in granting damages in intellectual property matters. However, recently the courts have started granting punitive and exemplary damages in the intellectual property law matters. In the matter of *Time Incorporated v. Lokesh Srivastava and Anr.*<sup>88</sup> the Delhi Court observed:

*"This Court has no hesitation in saying that the time has come when the Courts dealing actions for infringement of trademarks, copy rights, patents etc. should not only grant compensatory damages but award punitive damages also with a view to discourage and dishearten law breakers who indulge in violations with impunity out of lust for money so that they realize that in case they are caught, they would be liable not only to reimburse the aggrieved party but would be liable to pay punitive damages also, which may spell financial disaster for them."*

### **XVII. MEASURES TO CHECK IMPORT OF INFRINGING GOODS**

In its circular dated October 29, 2007 ("**Circular**"), the Central Board of Excise & Customs under the Ministry of Finance, issued instructions to the relevant customs and excise authorities, for implementation of the Intellectual Property Rights (Imported Goods)

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<sup>88</sup> 2005 (3) PTC 3 (Del)

Enforcement Rules, 2007 (“**IPR Rules**”) dated May 8, 2007. The IPR Rules emanate from Section 11 of the Customs Act, 1952 which empowers the Central Government to prohibit import or export of goods infringing intellectual property rights. Before the notification of the IPR Rules, the notification of January 18, 1964, prohibited import of goods infringing trademarks and design. The IPR Rules prohibit import of goods infringing patent, copyright and geographical indications as well.

### Features of the IPR Rules

The Circular contemplates to implement a centralized web-enabled registration system. The Circular emphasizes that under the IPR Rules, the determination of whether the goods are infringing or not would be in accordance with the applicable IP legislation. For smooth implementation of the IPR regime, the Circular stipulates establishment of an IPR Cell in each Custom House. The IPR Cell is vested with the responsibility of verifying the applications, completing web-enabled registration formalities and making correspondence with the Risk Management Division and other Customs formations. Further, any import involving suspected infringement of IPRs would be handled by the IPR Cell. Any instance of *suo-moto* interdiction of the import consignments by the Customs, involving possible infringements, would also be referred to such IPR Cell. In view of the fact that these proceedings might require the customs to determine right in *personam*, participation of the rights holder is made mandatory. The qualification and training imparted to the members of the IPR Cell will play a crucial role in effective implementation of the IPR Rules. Abstention on the part of the right holder would result in discontinuation of the proceedings and release of the goods.

The other principle features of the IPR Rules are summarized below:

- adequate protection to the rightful importer;
- adequate protection to the Customs for bona fide act;
- *suo-moto* action by the Customs in specified circumstances;
- disposal of the confiscated goods;
- no action against goods of non commercial nature contained in personal baggage or sent in small consignments intended for personal use of the importer.

### Procedure for Procuring Registration under the IPR Rules

The IPR Rules read with the Circular lay down a detailed procedure to be followed by the right holders as also by the Customs authorities for seeking suspension or release of infringing goods.

- A right holder would have to give a notice for registration requesting the Customs



Department to suspend clearance of infringing goods at the port of such goods. Such notices can be filed online.

- The information submitted by the right holder is required to be cross verified by the Customs from the concerned authorities with whom the rights are registered in accordance with the parent IP enactments.
- If the information is found to be wrong or false, then registration accorded to the rights holder may be cancelled. Further, an amendment to the registration would require the rights holder to undergo the entire process of registration as if it were a fresh application. In relation to a particular goods there are separate IP registrations, then a separate registration is required to be done for each type of IP.
- Upon satisfaction by the authorities, the notice may be rejected or registered for a minimum period of five years (or less if so requested by the rights holder).
- There are certain conditions as to the provision of bond, surety and security that the rights holder needs to satisfy. This is primarily to avoid frivolous registrations. The bond amount is equal to 110% of the value of goods while the security deposit is 25% of the bond value.

### **XVIII. CONCLUSION**

The importance of IPR and their protection is acknowledged the world over as essential to business. In tune with the world scenario, India too has recognized the value of IP, which recognition has been consistently upheld by legislators, courts and the industry. India is now a signatory to various IP treaties and conventions. This has helped India become more attuned to the world's approaches and attitudes towards IP protection. India has already taken steps to comply with its obligations under TRIPS, and the Indian IP law regime is almost at par with the regimes of many developed nations. Historically, the enforcement of IPRs in India was not particularly effective. However, recent judicial rulings and steps taken by various enforcement agencies demonstrate that India is gearing up for effective protection and enforcement of IPRs. The Indian police has established special IP cells where specially trained police officers have been appointed to monitor IP infringement and cyber crimes. Various Indian industries have also become more proactive in protecting their IPRs. For example, the Indian Music Industry, an association of music companies, which headed by a retired senior police official, has taken similar proactive steps to combat music piracy. All in all, India has taken many positive steps toward improving its IPR regime and is expected to do much more in the coming years to streamline itself with the best practices in the field of intellectual property rights.

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## Intellectual Property Law in India

*Provided upon request only  
Privileged and Confidential*

93-B Mittal Court  
Nariman Point  
Mumbai 400 021, India  
Tel: +91 22 6669 5000

Prestige Loka, G01  
7/1, Brunton Road  
Bangalore 560 025, India  
Tel: +91 80 6693 5000

220 California Av  
Suite 201, Palo Alto  
CA 94306, USA  
Tel: +1 650 325 7100

Level 30  
Six Battery Rd  
Singapore 049909  
Tel: + 65 6550 9855

Email: [nda@nishithdesai.com](mailto:nda@nishithdesai.com)