

IP india Report

intladvocare
INTELLECTUAL PROPERTY ATTORNEYS

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Managing Partner's Welcome Note



Dear Friends,

We are pleased to forward you "IP India Report", a newsletter by Intl Advocare. Intl Advocare was established in 1991. Ever since it became operational, it has grown from strength to strength in the area of Intellectual Property Law and is also having a large network of associates in Asia and globally. The team of the firm comprises of Patent and Trade Mark Attorneys, Technical Staff and other Support Staff.

In this newsletter, we summarize the important legal development and information on IP Laws relevant for your business and information. For this edition, we tried to assess the development in IP laws through landmark judicial pronouncements and statutory provisions.

We welcome your suggestions and feedback for this newsletter. For more information and general questions about "IP India Report", you can contact the Intl Advocare newsletter team.

Hemant Singh
(Managing Partner)

Scotch Whisky Suffers Setback in India

The Scotch Whisky Association (SWA) has recently suffered an irreparable set back by the judgment dated 27th May 2008 pronounced by the Supreme Court of India which has reversed the previous High Court decisions which had found "SCOT" as a deceptive insignia/mark giving an impression of the "Scottish" nexus between the user thereof and scotch whisky manufacturers based in Scotland. Apart from SWA, the judgment also has far-reaching implications for all trade mark owners.

The genesis of the dispute lies in the rectification application that was filed by SWA on 21st April 1986 before the Registrar of Trade Marks. SWA was aggrieved by the registration of the trade mark PETER SCOT which had been obtained by a leading local distillery namely, Khoday. SWA contended that Khoday has no



justification for using the mark SCOT which is an adjective signifying Scottish origin of the whisky. Since its use in relation to whisky is deceptive and designed to give an impression that PETER SCOT is also a scotch whisky, such use is false and constitutes misrepresentation.

The Registrar upheld the contention of SWA and allowed the rectification petition. The High Court dismissed the appeal by Khoday, also upholding the Registrar's order. A division bench of High Court also dismissed the second appeal upholding the orders of the High Court and the Registrar. Khoday preferred an appeal before Supreme Court of India which allowed it on

the ground, that the class of customer relevant to the product is an important consideration which has not been considered by the courts below. The Supreme Court further found that the class of buyers who are supposed to know the value of money and contents of Scotch whisky, are supposed to be aware of the difference of the process of manufacturers, the place of manufacture and the origin of the two whiskies.

The Supreme Court held that if the courts had addressed the issue of deceptive similarity keeping in mind such class of buyers, they

may not have found the same to be a deceptive use.

The Supreme Court relied upon the Australian judgment of **Scotch Whisky Association Vs. Marton**, where the court held that purchasers of scotch whisky are “involved consumers” who are more discerning than “uninvolved consumers”. The court also relied upon the case of **Diageo North America Vs. Shiva Distilleries** wherein Delhi High Court found the trade mark SMIRNOFF and BRISNOFF as sufficiently distinctive because the competing products are purchased by literate and affluent people. The

Court also found “acquiescence” as a valid ground for rejection of the rectification application. The Supreme Court held that though the provisions of Limitation Act, 1963, have no application against a rectification application seeking invalidation of a registered trade mark, it does not give a license to an aggrieved party to acquiesce. The court held that though public interest and purity of register indisputably are relevant considerations, the rectification involves exercise of discretion which is governed by the principles of equity and fairness.

No Monopoly in “SUGAR FREE”

SUGAR FREE - is it proprietable? A two judges' bench of Delhi High Court, sitting in appeal, vide their order dated 12th September 2008 has rejected the claim of Cadila Healthcare that it alone has proprietary right in the trade mark “SUGAR FREE”.

The appeal preferred by Cadila Healthcare arose from the order of Learned Single Judge of Delhi High Court which had rejected Cadila's prayers for grant of interim injunction restraining DABUR and BAIDYANATH from using the trade mark SUGAR FREE in relation to their ayurvedic herbal



preparations known as CHAWAYANPRASH/ CHAWAYAN PRAKASH. It was contended by Cadila that it has used SUGAR FREE as a trade mark since 1980s in respect of its sugar substitute sweeteners and hence on account of extensive use and promotional campaign, the trade mark SUGAR FREE has acquired “secondary

significance” and become distinctive of merchandise originating from Cadila. Though DABUR and BAIDYANATH are well known products for their ayurvedic preparations, Cadila objected to the use of SUGAR FREE in respect thereof on the ground that such use may give rise to confusion or deception about a nexus in trade connection between the competing goods leading to complaint of passing off. Cadila further contended that DABUR and BAIDYANATH could describe quality of their products by various other descriptions such as “FREE OF

SUGAR”, “SUGARLESS”, etc.

The Learned Single Judge accepted the contention raised by DABUR and BAIDYANATH and held that SUGAR FREE is by itself a “generic” expression which cannot be monopolized by any one person. The court further held that even if it is assumed that SUGAR FREE has acquired distinctiveness, such recognition has to be confined to the field of artificial sweeteners and cannot be extended to other products. The court rejected the claim of Cadila that

mere use of SUGAR FREE would lead to deception and confusion, considering that the defendants have sufficiently distinguished their products from that of Cadila. The Division Bench upheld the decision of the Learned Single Judge on all issues and declined to interfere.

The judgment is of great significance since it puts to rest the issue that generic marks cannot be appropriated and no confusion or deception could be attributed giving rise to legal injury on account of such

use. Though, the law has been well settled for over a century that the descriptive marks may acquire secondary significance (“Camel Hair Belting” being the most controversial), the courts have applied the said principle without going through the pain of examining the evidence in trial as to whether or not the descriptive mark has lost its primary meaning. The judgment reinforces the doctrine that a balance must be maintained between free and fair trading and grant of monopolistic rights.

Notifications

Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007

The Ministry of Finance, Government of India has issued a notification No 47/2007-Customs (N.T) to be read as Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 and along with the Customs Act, 1962. Vide such Rules the Government of India now provides an effective border measure regulation against counterfeit imports in India. In case the proprietor of the IPR (hereinafter referred to as Right Holder) suspects that some infringing goods are being imported to India, the Right Holder or his authorized representative may give the Commissioner of Customs a notice in writing in the prescribed form alongwith a fee of Rs. 2000/- giving out his contact details, proof of ownership, sample of genuine products, a brief complaint and details of the port. The Commissioner shall then register or reject such notice within a period of 30 working days or any further period as extended. The Rules also give authority to the Deputy and Assistant Commissioner of Customs to take suo motto action against the suspected infringing goods and would inform the same to the right holder and the importer/consignee, further requesting them to join the investigation. Once the clearance of the impugned goods is suspended, the Right Holder shall execute a bond with the Commissioner of Customs for an amount which provides surety to protect the importer, consignee against liabilities arising out of such suspension. The Right Holder shall also execute an indemnity bond with the Commissioner of Customs indemnifying the Customs Authorities.

These rules fulfill almost all the requirements and the guidelines provided by the TRIPS and WCO. The characteristics and salient features thereof are as under:

- a) All goods which are made or reproduced to put in circulation or used in breach of Intellectual Property Laws either Copyright or Trademark Right or Patent Right or Designs Right or Right in Geographical Indications in India or outside without the consent of Right Holder or its duly authorized agent are “goods infringing

Intellectual Property Rights”.

- b) A written notice in the prescribed format is to be lodged with the Custom Authorities to suspend clearance of infringing goods. The Applicant is also required to provide details about Right Holder, contact details including official and residential address, e-mail address, importer exporter code (IEC).
- c) The Commissioner of Customs is required to inform the Right Holder within 30 days about the validity of the registered notice or its rejection.
- d) For valid registration of Notice, the Right Holder/authorized representative is required to execute bond with Commissioner of Customs for such amount with such surety and security as deemed appropriate by Commissioner.
- e) The Commissioner of Customs is required to inform the Customs Officers about such notice empowering and expecting the Deputy Commissioner of Customs to suo-motu suspend clearance of any infringing goods after receiving information which prima facie establishes or constitutes evidence that the imported goods entering Customs barriers are infringing.
- f) The Right Holder is required, to join proceedings and if he fails to do so within 10 days of receipt of notice of suspension (extendable by another 10 days) the Deputy Commissioner, can release the suspended goods, if other requirements of legitimate import are fulfilled by the Importer. In case of perishable goods, the period of suspension is reduced to 3 days (extendable by 4 days).
- g) After suspension of goods, the Right Holder has to examine the suspended goods and also required to provide samples for examination and analysis to prove whether the imported goods are infringing.
- h) Where upon the determination by the Deputy Commissioner of Customs or Assistant Commissioner of Customs, it is found that goods detained or seized have infringed Intellectual Property Rights, and have been confiscated and no legal proceedings are pending in relation to such detention, the goods under official supervision are destroyed/disposed after obtaining ‘No Objection’ or consent of the Right Holder. The rule allows re-exportation of goods only in an altered state.

In case if you need any information/clarification related to the newsletter and for general questions, you can contact

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