

SUO MOTU POWERS OF REGISTRAR AFFIRMED BY SUPREME COURT

The Supreme Court of India on January 20, 2016 delivered a judgment (*Jagatjit Industries v. Intellectual Property Appellate Board & Ors.*), putting at rest a controversy that erupted exactly 11 years ago.

The judgment of the Supreme Court is significant as it interprets the interplay of Section 124 and 125 of The Trade Marks Act, 1999 (the Act) with the *suo motu* powers of the Registrar under Section 57(4) of the Act to remove and cancel registrations. The issue is whether a trade mark registration, whose validity is under challenge in a suit for infringement, can be removed only by way of an application before Intellectual Property Appellate Board (IPAB) or whether the power of the Registrar to maintain purity of register and remove erroneously granted registrations is left intact.

The factual background, briefly stated, was that Austin Nichols & Co. Inc. (Austin), a US Company and proprietor of BLENDERS PRIDE whiskey was seeking to enter India and had obtained requisite approvals from the Government. However, a leading local liquor company, Jagatjit Industries (Jagatjit) preemptively applied for registration of trade mark BLENDERS PRIDE. The statutory period for filing opposition under Indian Trade Marks Act being three months, extendable by one month, Austin filed an application seeking extension of one month time and filed its opposition shortly thereafter. However, in the meanwhile, before filing of the opposition by Austin, the Registrar issued registration certificate before expiry of extendable period of one month. When pointed out by Austin, the Registrar issued show cause notice exercising his *suo motu* power to cancel the said registration. In the meanwhile, Jagatjit had used the said registration to sue Austin's Indian licensee at the Jalandhar District Court, who challenged the validity of Jagatjit's registration. The Registrar thereafter discharged the show cause notice on the ground that the adjudication of issue of cancellation of the registration is now only permissible by way of revocation application which must be filed by Austin before IPAB and the Registrar has ceased to have jurisdiction.

The order of the Registrar discharging the show cause notice was challenged by Austin in an appeal before the IPAB. On October 6, 2006, the IPAB reversed the Registrar's order and held that the registration certificate was erroneously issued before expiry of statutory period of four months and during the pendency of opposition proceedings filed by Austin. The

Registrar having issued the registration certificate erroneously, it is the Registrar itself who can correct its own mistake by exercising *suo motu* power under Section 57 (4). The IPAB rejected the plea of Jagatjit that by virtue of Sections 124 & 125, the Registrar ceases to have its *suo motu* power under Section 57 (4). The IPAB further gave a finding that Sections 124 & 125 have no application since Austin was not a party to the Jalandhar suit and therefore, the plea of invalidity raised by the licensee of Austin namely Seagram may not amount to raising the plea of invalidity by Austin. IPAB thus cancelled the registration certificate of Jagatjit and directed the Registrar to decide the opposition filed by Austin.

Aggrieved by the order of IPAB, Jagatjit filed a writ petition before the Single Judge of the Delhi High Court who ruled that provision of Section 125 is “trade-mark centric” and not “party-centric”. Therefore, whether Austin was party to the infringement suit pending at Jalandhar is inconsequential so long as the issue of invalidity was raised and therefore, Sections 124 & 125 will come into play, warranting the IPAB alone to decide the issue of invalidity of Jagatjit’s registration certificate. The Registrar therefore ceased to have jurisdiction and became *functus officio*.

The matter did not rest here and it was again Austin’s turn to challenge the Single Judge’s order by filing a Letters Patent Appeal before a Division Bench of Delhi High Court. The Division Bench by a judgment dated January 7, 2009, took note of the judgment of the Supreme Court in *Hardie Trading v. Addisons Paints* and held that the Registrar’s power under Section 57(4) to correct its mistakes is wholly independent of the right of a party to make or not to make an application for rectification referred to in Section 125. To hold otherwise would mean that the Registrar would be handicapped to correct its own mistakes and from discharging its duty to preserve the purity of the Register of Trade Marks being its custodian. The Division Bench also observed that the grant of the registration certificate itself was *void ab-initio* and accordingly set aside the judgment of the Single Judge.

The Division Bench’s judgment was challenged by Jagatjit in a Special Leave Petition before the Supreme Court. The issues before the Supreme Court were:

- Whether the registration certificate issued to Jagatjit before expiry of the statutory period for filing opposition and despite the pendency of Austin’s opposition was valid?
- Whether the Registrar had the *suo motu* power under Section 57 (4) to correct an erroneous grant?
- Whether the Registrar became *functus officio*, having granted the registration certificate and only IPAB could have decided the issue of validity/invalidity?

After hearing the parties *in extenso* the Supreme Court delivered its verdict on January 20, 2016 (exactly 11 years after Austin discovered the fact that Jagatjit had been granted a registration certificate) giving the following findings:

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i. Grant of Registration Certificate to Jagatjit was Void *Ab Initio*

Austin's application for extension of time by one month was validly taken on record, as the same had been filed before the expiry of the initial three month period for filing opposition. Further, the notice of opposition was filed within the expiry of the additional one month and the said notice of opposition was taken on record by the Registrar which is evident from the letter addressed by Registrar to the Applicant (Jagatjit) inviting it to file its counter-statement within two months which in itself confirms grant of extension. Therefore, the registration certificate could not have been granted as the opposition was pending and also the statutory period of four months had not expired.

ii. Interplay between Sections 124 and 125

The combined reading of Sections 124 and 125 makes the scheme of the Act clear that if proceedings are pending before the Registrar for cancellation as envisaged under Section 124(1)(i), they may continue before the Registrar or it has a discretion of transferring them to the IPAB, whereas rectification proceedings filed pursuant to raising the issue of invalidity in an infringement suit can only be filed before IPAB.

iii. Section 125 (1) of Trade Marks Act inapplicable to present case

Section 125(1) of the Act is not applicable in the facts of the present case because Austin was not a party to the Jalandhar suit filed by Jagatjit. The issue of invalidity raised by licensee cannot bind Austin and cannot be construed as an issue raised by Austin. The issue of invalidity has to be determined on an application for rectification and can be only binding on the parties to the suit and nobody else.

iv. Registrar's *Suo Motu* power under Sec. 57(4) is preserved and unaffected by Sec. 125(1)

The Supreme Court held that Section 125(1) applies only to applications for rectification of register and not to the exercise of *suo motu* powers of the Registrar under Sec. 57(4) of the Act.

Thus, the Supreme Court upheld that the *suo motu* power of the Registrar is preserved and not affected by application of sections 124 or 125 of the Act and it is Registrar's duty to maintain purity of the Register.

COMPULSORY LICENSING PETITION FOR SAXAGLIPTIN REJECTED

According to the Patents Act, 1970, the grant of compulsory licences is made based; *inter alia*, on the following conditions:

- Bona fide attempts to negotiate a voluntary licence have failed;
- Reasonable requirements of the public are not satisfied;
- Non-availability of the patented product at reasonable prices; and
- Non-working of the invention within the territory of India.

On August 12, 2015, the former Controller of Patents, Mr. Rajiv Aggarwal rejected Lee Pharma's application for issuing a compulsory licence for AstraZeneca's anti-diabetes compound Saxagliptin. While the Controller conceded that the Applicant had made *bona fide* attempts to secure a voluntary licence, the remaining conditions were not fulfilled. The Controller stated first that Lee Pharma failed to prima facie establish that public requirements for the drug were not satisfied, especially considering that there are several substitutes for the drug available in the market.

The Controller also observed that local manufacturing is not always a prerequisite in order to establish working of patents in India and consequently it could not be said that the subject invention was not worked in India. Lastly, there was no appreciable difference in the current price of the drug and the applicant's proposed selling price.

The matter was reheard by Mr. OP Gupta, who assumed office in November, 2015, only to re-affirm the findings, and dismiss Lee Pharma's application yet again. The Controller stated that Lee Pharma failed to demonstrate by way of evidence that reasonable requirements for Saxagliptin were unmet in India.

TERRITORIAL JURISDICTION BASED ON ONLINE ACTIVITIES CLARIFIED

The Delhi High Court, in ***BigTree Entertainment v. Saturday Sunday Media***, brought some much needed clarity on the question of whether the Court can assume jurisdiction over parties that conduct business within the territory of the Court but only via online transactions.

The Plaintiff in this case was *bookmyshow.com*, a popular e-ticketing portal that operates across India. While the Plaintiff has its principle office in Mumbai, it argued that its services are used widely in Delhi and therefore, it carries on business in New Delhi, satisfying the requirement of Section 134 of the Trade Marks Act, 1999.

The Court, however disagreed, stating that the term “carrying on business” used in either Section 20 of the CPC or Section 134 of the Trademarks Act, 1999 needs to be read differently in cases where either the Plaintiff or the Defendant is a company or a corporation as distinguished from being a natural person. Applying the Supreme Court’s decisions in *Patel Roadways v. Prasad Trading, 1992* and *IPRS v. Sanjay Dalia, 2015*, the Court held that a company “carries on business” at a place only when it has a principle or branch office at the same place as where the cause of action has arisen. Therefore, the factum of the Plaintiff carrying on business through an online portal is insufficient to confer jurisdiction upon the Courts.

For queries, contact us at:
ipcare@inttladvocare.com

Head Office
INTTL ADVOCARE
Express Trade Tower 2
1st Floor, B-36, Sector-132
Noida Expressway
National Capital Region of Delhi
India

Delhi Branch Office
INTTL ADVOCARE
F-252, Western Avenue,
Sainik Farms
New Delhi- 110 062



Mumbai Branch Office
INTTL ADVOCARE
803, 8th Floor,
“Arcadia”, 195 Nariman
Point, Mumbai- 400021

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