

MOMENTOUS DEVELOPMENTS IN INDIAN IP LAW

BRAND OWNERS BEWARE OF RECENT SUPREME COURT JUDGMENT

On 5th October, 2015, in the case of *“Neon Laboratories v. Medical Technologies”*, the Supreme Court of India has pronounced a judgment which has far-reaching implications and effects on the ownership of trademarks by brand owners in India.

The Supreme Court has upheld the judgments of the Trial Court and Appellate Court of the State of Gujarat, *vide* which an interim injunction had been issued against Neon Laboratories [**“Neon”**], the registered proprietor of the trademark. The significance of the judgment lies in the fact that the injunction has been issued in a passing off action, in favour of Medical Technologies [**“MT”**], on the basis of its *“prior use”* of the trademark PROFOL in the market, despite Neon being the prior registered proprietor of the trademark ROFOL.

While Neon had applied for registration of the trademark ROFOL in Class 5, on 19.10.1992 as *“proposed to be used”* and had received registration on 14.09.2001, it only commenced use of the trademark in 2004. MT on the other hand, had applied for registration of the trademark PROFOL on 14.08.1995 and commenced use in 1998.

By the operation of law and interpretation of the Trade Marks Act, 1999 as it existed on date, the party first to apply for a trademark is the proprietor thereof. The Supreme Court did appreciate the above as a principle of law, which should hold good ordinarily. However, it distinguished this principle by adding that merely having filed an application earlier in point of time is not sufficient: the filing of the trademark application, prior in point of time should also be accompanied with use of the trademark by the proprietor. In the present case, the trademark application was filed in 1992, it was granted registration in 2001 but the proprietor commenced use of the trademark only on 16.10.2004, when it was sued by the subsequent user who claimed having used the trade mark PROFOL since 1998 and having built goodwill and reputation therein.

The Supreme Court relied upon the provisions of Sections 34 and 47 of the Trade Marks Act, 1999 to hold that mere filing of the application and obtaining registration cannot render a monopolistic right which may amount to *“hoarding”* of a trademark. The Supreme Court held that having applied for registration of

trademark in 1992 and not used it till 2004 could be considered as an indication of abandonment of the trademark by the earlier Applicant (Neon). If during this 12 year interregnum period, MT commenced using the trade mark and built goodwill, it is entitled to maintain a passing off action against the earlier Applicant and registered proprietor.

This judgment is significant as it distinguishes between the proprietary rights that can be claimed by a party “first to apply” *vis-à-vis* “first to use”. Though, the position remains that the party first to apply can claim proprietary right in a trademark, such application should also be coupled with use of the trademark, in close proximity to filing of the application. If during the date of the application and commencement of use, there is a prolonged interregnum period during which someone else starts using the said trademark, the earlier Applicant may lose its proprietary right or claim in the trademark.

The case has definitively concluded the long contentious history *inter se* the parties, which included a parallel suit before the Bombay High Court. However, the same has resulted in significantly altering Indian trademark jurisprudence. Brand owners overseas as well as in India, therefore need to formulate their strategy of protecting their trademark accordingly. Mere filing trademark applications and waiting for grant of registration may not be sufficient protection anymore.

**COMMERCIAL COURTS ORDINANCE PROMULGATED AND DELHI HIGH COURT
(AMENDMENT) ACT, 2015 NOTIFIED**

Two important legislative developments will substantially change the practice and procedures pertaining to Intellectual Property litigation in India. While one affects litigation practice across the nation, the second is limited to the High Court of Delhi.

Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Ordinance, 2015:

The Central Government, through the Ministry of Law and Justice, notified the ordinance pertaining to the constitution of Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts for adjudicating commercial disputes of a specified value, and matters connected therewith or incidental thereto.

The Ordinance, which was notified on 23.10.2015, defines “Commercial Disputes” to include, *inter alia*, matters pertaining to “intellectual property rights relating to registered and unregistered trademarks, copyright, patent, design, domain names, geographical indications and semiconductor integrated circuits”. This is welcome news for IP rights holders as such Commercial Courts/Division would be presided over by judges having subject matter expertise, thereby ensuring efficient disposal of IP disputes. However, the Ordinance has also amended the CPC for commercial

disputes, prescribing procedures that are much stricter and onerous, and which may cause concern to IP Rights holders.

A “commercial dispute of specified value” is defined in the Ordinance as not less than Rs. One Crore (Rs. Ten Million). In case of intangible rights like intellectual property rights, this shall be determined according to the “market value of the said rights as estimated by the plaintiff”.

The Ordinance mandates the establishment of such number of Commercial Courts at the district level as deemed fit by the State Government, after consultation with the relevant High Court, and such Commercial Court would exercise jurisdiction over the territory assigned to it.

What is most pertinent is that in respect of all High Courts having original civil jurisdiction i.e. Bombay, Calcutta, Delhi and Madras, instead of Commercial Courts being established at the district level in these jurisdictions, the Ordinance mandates that the respective Chiefs Justice constitute a Commercial Division for such High Courts.

The Ordinance also mandates the constitution of a Commercial Appellate Division of a High Court which shall hear appeals from orders of a Commercial Court or a Commercial Division of a High Court.

Since the Ordinance has been promulgated only recently, the State Governments and the respective Chiefs Justice are yet to take steps for the establishment and constitution of Commercial Courts, Commercial Divisions and Commercial Appellate Divisions. Upon constitution of the same, all fresh IP matters, with the stipulated minimum pecuniary value will be adjudicated by such Commercial Court or Commercial Division as the case may be.

The question on everyone’s mind, however, is the fate of those suits that are already pending before the High Courts or the District Court and not of the specified value. The Lawyers and the Courts are contemplating the effect of these provisions and clarity will come only with passage of time.

The Ordinance also makes a number of changes in the procedure for filing and conducting law suits in the Commercial Courts/Division, which will significantly alter the practice and procedure of commercial litigation, including IP litigation.

Some of the salient changes that have been incorporated are, first, the right of the Defendant to file a written statement has been strictly restricted to upto 120 days from the date of notice, failing which the right stands closed and courts shall not take on record such belated filing.

Secondly, all documents in the power, possession and control of either party have to be specified in the plaint/written statement, detailing their condition and the line of custody thereof. No party will be allowed to file additional documents at a later stage, if the same was in its control or custody earlier, without reasonable explanation and adjudication.

The Ordinance has also enacted a new Order, namely 13A, which deals with Summary judgments in cases involving Commercial Disputes, *i.e* if a party feels that the opponent has no real prospects of arguing/defending a claim, and there is no compelling reason as to why the same cannot be disposed off without recording oral evidence, then upon application by a party, the Court may decide on such claim. Previously, a summary procedure for trial was only available in cases as mentioned in Order 37 of CPC. Order 13A having been enacted specifically for commercial disputes, would now ensure speedier disposal of cases, as they can be shorn off of all feeble claims and only core and material issues shall be adjudicated upon. The Court also has the power to impose costs on such party that raises groundless or frivolous claims or uses litigation as a dilatory tactic.

Lastly, in each case, where inspection of documents, as well as any applications for summary judgments have been disposed off, the Court shall hold a Case Management Hearing, which would set the time-line for the case, including framing of issues, examining witnessing and addressing oral arguments, all of which shall be completed within six months and matter be listed for final hearing after the said period. Judgments in commercial cases shall be pronounced within 90 days of conclusion of arguments and appeals to the same shall be heard and decided within a further period of six months.

Though the objective of the Ordinance is of speedy and efficient disposal of commercial matters involving high stakes, however, the Ordinance appears to be an overtly ambitious step towards revamping the entire litigation practice in India. Only time will tell whether the objective of the Ordinance has been met or it gets lost in its own complexities.

Delhi High Court (Amendment) Act, 2015:

After an anxious wait, on 26.10.2015, the Ministry of Law & Justice has, notified the Delhi High Court (Amendment) Act, 2015 which enhances the lower pecuniary limit of the Delhi High Court to exercise original jurisdiction over civil suits from Rs. 20 Lacs (Rs. Two Million) to Rs. Two Crores (Rs. Twenty Million)

Thus, in the future, no suit which is valued at a sum lesser than Rs. Twenty Million can be instituted before the Delhi High Court. Furthermore, the Chief Justice of the Delhi High Court is empowered to transfer all pending suits whose valuation is less than Rs. Twenty Million to the District Courts of Delhi. This will obviously have an

impact on thousands of IP-related cases pending before the Delhi High Court as the valuation of most of them would be below the pecuniary minimum. All such cases are expected to be transferred to the District Courts soon.

However, since the same has to be harmoniously read with the aforementioned Ordinance, it appears that the IP rights holders can avail of the jurisdiction of the High Court by valuing the suit at Rs. Ten Million and paying Court fee of Rs. One Lac (approximately \$ 1,500)

It has only been two days since the Courts have re-opened post vacation, and therefore, one must let the dust settle before the path is clearly laid out and the fate of pending suits is decided. Brand Owners world over should be rest assured that all and any developments pertaining to the two Acts shall be closely monitored and reported.

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