



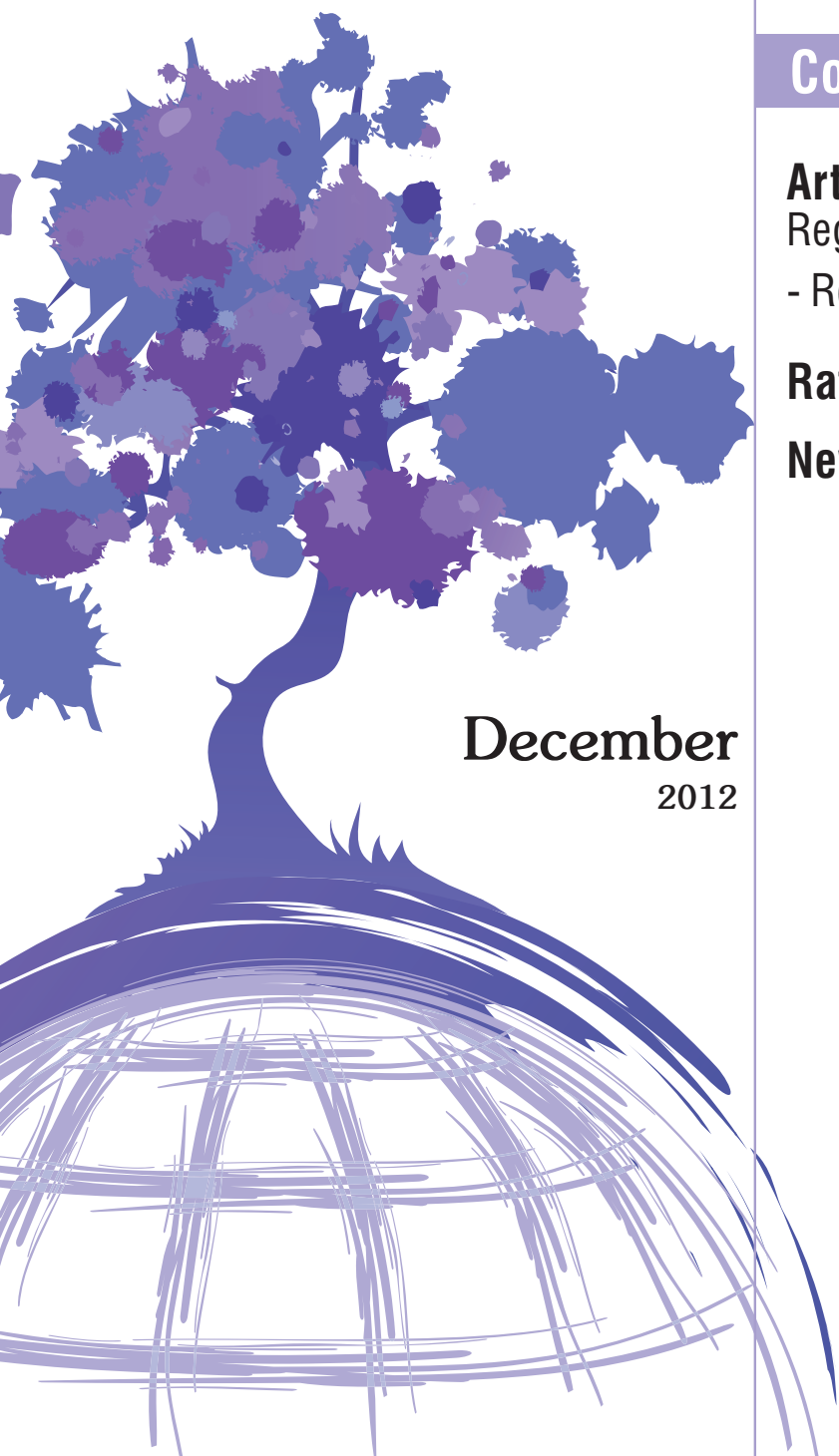
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## Article

### Registering transactions on patents - Resolving the ambiguity

By Adarsh Ramanujan & Satrupa Guha

One of the rights conferred on the *registered* proprietor of patent is his power to assign, grant licenses etc., i.e., effectively transferring certain rights or interests in a patent to a third party.<sup>1</sup> Section 68 of the Indian Patents Act (“the Act”) categorically states that creation of any interest in a patent, whether by way of an assignment, license, mortgage etc., “*shall not be valid*” unless certain conditions are satisfied – (1) it must be in writing; (2) it has to be reduced to a document embodying all the terms and conditions; and (3) it must be duly executed. Section 68 nowhere states that registration of the transaction is a necessary pre-condition. At the same time, Section 69(1) states that when any person becomes entitled to a share or interest in a patent, including by way of an assignment, license, mortgage etc., such person “*shall apply*” in writing for the registration of the transaction.

The disjoint nature of Sections 68 and 69 raises an interesting question - whether *registration* of patent licenses, assignments etc. is necessary for the transaction to be ‘valid’ in the eyes of law. The plain words of the statute provide a negative answer to the aforesaid question – Section 68, which prescribes the conditions of validity, does not require registration. Clause (5) of Section 69 expressly provides the consequences of non-registration - an unregistered document “*shall not be*” admitted by the Controller or by any Court as

evidence of the title of any person to the patent or to a share/interest in the said patent, unless otherwise directed by the Controller or the Court, for reasons to be recorded in writing. The very fact that registration is absent as a requirement under Section 68 and the consequences of non-registration having been provided for in Section 69, leads one to the conclusion that non-registration does not strike at the root of the agreement’s validity.

It is also of prime importance that Section 69(5) does not contain an absolute bar against the court recognizing or giving effect to an assignment or transmission in respect whereof the person has not been registered as the proprietor of the patent due to the pendency of the application under Section 69 nor does it contain a bar against the court recognizing or giving effect to an assignment/transmission whereof an application under Section 69 has not yet been made. Indeed, the exercise of this discretion would depend upon the facts and circumstances of the case and it is neither possible nor desirable to enumerate exhaustively the circumstances in which the discretion may be exercised.<sup>2</sup> Further, as a general rule of evidence, the bar of Section 69(5) does not operate at the interlocutory stage, since at the interlocutory stage the court/tribunal is concerned only with the prima-facie validity and existence of the document and not with the admissibility thereof. Hence, Section 69(5) does not contain a bar to the establishment

<sup>1</sup> Section 70 of the Patents Act, 1970

<sup>2</sup> *SKOL Breweries Ltd. v. Som Distilleries and Breweries Ltd. and Anr*, 2010 (42) PTC 389 (Bom).

of a right as a registered proprietor but merely bars the receipt of the document in evidence, during the stage of trial. For instance, the licensee of an unregistered license agreement, will be placed at a disadvantage from an evidentiary perspective – if a licensee’s right is in question during a proceeding, the licensee will have to lead evidence to prove his right or interest and if the court refuses to permit the unregistered license agreement to be admitted into evidence under Section 69(5), the licensee cannot use that document to prove his allegation. For instance, let us take a simple scenario where after granting exclusive license to Licensee-1, the patentee grants exclusive license to Licensee-2, and Licensee-2 has obtained registration of the agreement, whereas Licensee-1 has not. In a dispute before a court of law, by refusing to permit the first transaction to be led into evidence, the court may effectively rule that Licensee 2 is the appropriate exclusive licensee of the patent.

### **Legislative history**

Section 68 was amended in 2005 vide the Patents Amendment Act, 2005 wherein the registration requirement was removed from Section 68 – the word “registered” was substituted by the words “duly executed”. At a first glance, this leads one to conclude that non-registration does not strike at the validity of the agreement. There is no case-law examining the effect of the amendments in 2005. The only published judgment on Section 68 is the decision of the Hon’ble Delhi High Court in *NRDC v. ABS Plastics Ltd*,<sup>3</sup> which, however, pertains to

the position of law before the amendment.<sup>4</sup>

However, according to one source,<sup>5</sup> this deletion is irrelevant since the Parliament always intended non-registration to result in the invalidity of the agreement. This view is indeed at odds with the operation of the plain meaning of Section 69(5) – Section 69(5) does allow the Court, for reasons to be recorded in writing, to admit an unregistered document as evidence. Would this mean that the document becomes ‘valid’ in the eyes of law wherever it is admitted? On the other hand, if the document is not admitted into evidence by a court, would this mean that the agreement is ‘void’ in the eyes of law? In other words, to what extent can a document’s admissibility / inadmissibility into evidence govern the very validity of the document itself? ‘Admissibility’ of a given document in evidence simply relates to a rule under evidence law as to whether evidence, which is otherwise logically probative, will be legally received and other classic examples of rules of evidence law that deal with admissibility of evidence are Sections 122-126 of the Indian Evidence Act, 1872.

One clear rule is that invalid (or potentially invalid) documents may still be admissible as evidence – the fact that a contract is void for uncertainty or for being against public policy will not result in the contract being inadmissible under law during a proceeding. Decisions of the Supreme Court have held that even illegally obtained evidence can be admitted into evidence under Indian law. Nothing in law, and specifically in the Indian Evidence Act,

<sup>3</sup> 2009 (40) PTC 613(Del)

<sup>4</sup> “Where a right under Patent is assigned or a license is accorded in favour of someone, the same is not valid unless the same is in writing between the parties and it has been filed in a prescribed manner with the Controller of Patents.”

<sup>5</sup> See <http://spicyipindia.blogspot.in/2010/01/working-of-patents-public-notice-issued.html>

1872, suggests the inadmissible documents will be *ipso facto* rendered void. However, by making unregistered documents inadmissible as the default rule (admissibility being the exception), *enforceability* of the rights and obligations pertaining to an unregistered assignment/license agreement (since enforceability is dependent on validity of the agreement) is severely affected.

### ***Corresponding provisions in the Trademarks, Copyright & Designs Acts***

Reference to the corresponding provisions under other IP laws also provides us with a useful guide to decipher the legislative intent. In this respect, Section 45(2)<sup>6</sup> of Trademarks Act and Section 69(5) are *pari materia*. A bare reading of Section 45 shows that the effect and purport of Section 45 of the Act is that the title of the assignor to the trademark accrues prima facie on the execution of the deed of assignment. In *Sun Pharmaceuticals Industries Ltd. v. Cipla Limited*,<sup>7</sup> the learned Single Judge considered Sections 2(1)(w)<sup>8</sup>, 2(b)<sup>9</sup>, 45 of the Trade Marks Act and has come to the conclusion that assignment comes into effect immediately and he emphasized the words from Section 45(1) to the effect, “*where a person becomes entitled by assignment ... to a registered trade mark, he shall apply in the prescribed manner to the Registrar to register his title....*”. Hence, registration under Section 45(1) is ‘on proof of title’ and thus, the title exists in assignee even before registration under

Section 45(1) of the Act. Registration of the name of the proprietor does not confer title on him and instead, merely acts as an evidence of his title.<sup>10</sup> Since the provisions are almost identically worded, the interpretation accorded to Section 45(2) can be extended to Section 69(5) of the Patents Act, 1970 as well.

Section 30 of the Designs Act, 2000, on the other hand, provides for a different scheme altogether. Clause (3) of Section 30 of the Designs Act, 2000, specifically provides that an assignment of a design or of a share in a design, a mortgage, licence or the creation of any other interest in a design “*shall not be valid*” unless, among others, the application for registration of title under such instrument is filed in the prescribed manner with the Controller within six months from the execution of the instrument or within such further period not exceeding six months in the aggregate as the Controller on application made in the prescribed manner allows. It is very clear that Section 30(3) of the Designs Act, 2000 corresponds to Section 68 of the Patents Act, 1970.

Yet, clause (5) of Section 30 of the Designs Act, 2000, contains a provision that is *pari materia* to Section 69(5) of the Patents Act, 1970 – it states that a document or instrument in respect of which no entry has been made in the register shall not be admitted in evidence in any court, unless the court, for reasons to be recorded in writing, otherwise

<sup>6</sup> (2) Except for the purpose of an application before the Registrar under sub-section (1) or an appeal from an order thereon, or an application under section 57 or an appeal from an order thereon, a document or instrument in respect of which no entry has been made in the register in accordance with sub-section (1), shall not be admitted in evidence by the Registrar or the Appellate Board or any court in proof of title to the trade mark by assignment or transmission unless the Registrar or the Appellate Board or the court, as the case may be, otherwise directs.

<sup>7</sup> 2009 (39) PTC 347 (paragraph 12 to 16).

<sup>8</sup> “registered trade mark” means a trade mark which is actually on the register and remaining in force.

<sup>9</sup> “assignment” means an assignment in writing by act of the parties concerned.

<sup>10</sup> *Hindustan Lever Ltd v. Bombay Soda Factory*, AIR 1964 Mysore 173

directs. When both clauses (3) and (5) of Section 30 of the Designs Act, 2000 are read harmoniously, it becomes apparent that to the extent the *application for registration* is not filed within the prescribed time, the transaction becomes void; however, so long as the *application for registration* is filed within the prescribed time, *but the entry in the register is not yet made*, a court is mandated to not admit the document into evidence as the default rule.

Therefore, the corresponding provisions under the trademarks legislation and the designs legislation reinforce the understanding that the registration or lack thereof, does not affect the validity of an agreement that transfers any right or interest in a patent.

### ***UK Patent Law regarding registration of assignment/license agreements***

The law regarding this subject has been clearly etched out in the Patents Act, 1977. It has been mentioned in Section 30 of the aforesaid Act that any assignment/any other interest in the patent shall be void unless the same is in writing and signed on behalf of the assignor/person acquiring interest. Section 33 outlines the effects of registration on the rights acquired by the third party in the patent - a later applicant has rights over an earlier one if the earlier transaction/instrument has not been registered. In addition, Section 68 of the UK Act also prescribes a penalty where an unregistered assignee or an unregistered exclusive licensee files a suit for infringement – the court will not award damages for infringement that occurred prior to the registration of the agreement; in addition, costs and expenses shall also not be awarded if the application for registration was not filed within six months (or within such as was reasonably practicable). The

provisions regarding the registration of license/assignment agreements in the UK Act have no ambiguity attached to it when compared to the corresponding provisions in the Indian statute.

### ***Conclusion***

In sum, acquisition of title to the patent is not dependent upon the assignment being registered, as the purpose of the registration is only to place on record the fact that title has been created and registration by itself does not create title which already stands created on the execution of the assignment deed. Consequently, the failure to register will not necessarily result in the transaction being deemed as invalid in law, though by virtue of Section 69(5) of the Patents Act, 1970, a licensee / assignee may be placed at a disadvantageous position from an evidentiary perspective.

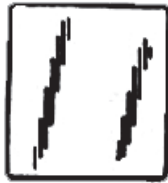
At the same time, for obvious reasons, registration of transactions is always better from a public policy perspective since public information on the chain on title / interest will be useful in curbing fraudulent and / or mutually contradictory transactions. Seen from this perspective, one reasonable way to look at Section 69(5) is that it incentivizes registration through some limited amount of penalty, without going to the complete extent of invalidating the agreement itself. To some level, the intent is similar to what is prescribed under stamp duty laws, whereby the failure to pay stamp duty would result in the document being considered as inadmissible in evidence and the impounding of the document.

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## RATIO DECIDENDI

### 3D 'Scrabble' Tile Mark struck down

In the matter of *J.W. Spear & Sons Ltd. and Mattel, Inc. vs. Zynga, Inc.* {[2012] EWHC 3345 (Ch)}, the Chancery Division of the High Court of England and Wales invalidated the 'Tile Mark' of the Claimants (Mattel), who are the owners of intellectual property rights associated with their well-known game SCRABBLE.



The Tile Mark is represented as above with the specification – “*The mark consists of a three-dimensional ivory-coloured tile on the top surface of which is shown a letter of the Roman alphabet and a numeral in the range 1 to 10*”.

The above decision of the Court was in relation to a counterclaim filed by the defendants, Zynga in a trade mark infringement suit filed by Mattel. It was contended by Zynga that registration of the Tile Mark is in contradiction to Article 2 of Trade Marks Directive of European Union, which has been implemented in the United Kingdom's

Trade Marks Act, 1994 vide Section 1(1). In giving a definitive interpretation to Article 2 of the Directive, the Court held that for a trade mark to be in accordance with Article 2, it must satisfy three conditions viz., (i) must be a sign; (ii) must be capable of being represented graphically and, (iii) must be capable of distinguishing the goods or services.

Allowing the Defendant's application, the Court held that the Claimants' Tile Mark does not comply with the first condition since it covers a multitude of different appearances of the tile by creating an infinite number of permutations of different sizes, positions and combinations of letter and number. This, according to the Court was an attempt to claim a monopoly on all conceivable ivory-coloured tile shapes which bear any letter-number combination on the top surface.

The Court also held that the representation of the Tile Mark is not clear, precise, intelligible or objective; therefore, being contrary to the second condition of Article 2 as well. The Court further held that it does not allow an average person to perceive any particular sign. For the said reasons, the Court held the registration of the Tile Mark to be invalid, while, at the same time, considering the same to have not acquired any distinctive character.

### Trademark protection is not meant to conquer all rivals

The IPAB has held that it would be unethical

to oust a small time bona fide trade mark owner dealing in unrelated goods albeit for identical marks over long period and trade mark protection under the statute is not meant to conquer all rivals. In the case before it, the applicant had sought removal of trademark of respondent as the latter was using an identical mark viz., 'Gopal' with device of Lord Krishna. The IPAB held that the goods in respect of which respondent was using the mark was snuff which was different from that of the applicant whose products were chewing tobacco and zarda and therefore, there was no possibility of confusion. It held that the impugned trade mark distinguished respondent's goods even without recourse to use and thus passed the test of Section 9 (of Indian Trademark law) barrier.

The Board rejected the objection under Section 11 by holding that the competing products were not substitutes to each other and they related to different markets. It noted that the mark had been in use for over four decades and it was not established by evidence that the respondents were aware of the applicant's trade mark that would perpetuate confusion.

Holding that there was nothing unique in adopting a device trade mark with image of Lord Krishna and Cow as the same was undertaken by several other traders for many products, the Board also noted that seeking removal of a registered trade mark after four decades would put the respondent to immense hardship and the public to great inconvenience. It thus held that the respondent's mark had the right to co-exist in

the register under Section 12. [*Hari Chand Shri Gopal v. Shri Girishkumar Savailal Dani*, IPAB Order dated 27-11-2012].

### **No inventive step in finding suitable dose for administration**

The Intellectual Property Appellate Board has held that to find a suitable dose for administration does not qualify as an inventive step. The invention in this case was the use of a particular conglutin (gamma conglutin) contained in Lupus seeds which was known to be anti-diabetic. The Board noted that as per 'Duranti' lupus albinus is considered to have anti-diabetic properties and that it is an unexplored source for isolation of new oral hypoglycemic agents especially for type 2 diabetes. The Board hence confirmed the findings of the Controller that the present invention was a mere use of known substances of which the properties were known. It was observed that the fact that it was not known that this particular globulin had hypoglycemic effect and not an alkaloid did not matter because the patentee was not claiming a patent for identifying and isolating this globulin by a particular process. [*Indena S.P.A. v. Deputy Controller of Patents & Designs* – IPAB Order dated 26-11-2012 in OA/16/2009/PT/DEL and M.P.No. 119/2012 in OA/16/2009/PT/DEL].

### **Order passed under Section 15 refusing application can be appealed against**

The issue revolved around an appeal by the plaintiff against an order refusing an application. The Registry of the IPAB contended that the order had been passed under Section 7 of the

Patents Act, 1970 read with Rule 137 of the Patent Rules, 2003 and could not be appealed against. Upholding the maintainability of appeal against an order by the Controller refusing an application for non-compliance of provisions, IPAB held that it had been passed under Section 15 of the Act. It reasoned that Section 7 deals

only with the requisites in the application and in case of non-compliance the Controller has power under Section 15 to refuse or give directions as necessary before processing it further. [*Direct Corporation v. The Controller General of Patent, Designs and Trademarks & Ors*, IPAB Order No. 252/2012 dated 2-11-2012]

## NEWS NUGGETS

### EU Parliament votes for “Unitary patent regime”

The European Union’s Parliament on 11th December has given an affirmative vote for the proposals on implementation of unitary patent regime and for having a unified patent court. This positive vote was possible after the EU member States had endorsed the regulations in their Competiveness Council meeting a day before. With the introduction of this new system, a patent application in English, German or French or the one translated into any one of these languages would be acceptable in the EPO which has been entrusted by 25 EU member States to deliver and administer unitary patents. Further, Unified Patent Courts, having exclusive jurisdiction concerning infringement and validity questions related to unitary patents, would be set up to provide for unified patent litigation system. It was way back in 1973, the 16 EU countries had signed a convention establishing a European patent system and since then it has been a long wait to finally bring the unitary patent system.

While the development is seen as inventor friendly as it would cut down cost of registration under various jurisdictions, some of the member

countries are not happy with it. The European Court of Justice (ECJ) has also dismissed, incidentally on the same date i.e. on 11th of December, application by Spain and Italy challenging the authorization of enhanced cooperation for establishment of unitary patent system and seeking for annulment of the same on the ground of lack of competence, misuse of powers and infringement of treaties.

### Tripping on compatability

Canada’s compliance with TRIPS and trade treaties guaranteeing patent protection has been questioned by a pharma major, whose patent has been invalidated on the ground of lack of utility. The patented drug had earlier received approval by the Canadian authorities but was challenged by generics companies under the ‘promise of the patent’ doctrine. This judicial doctrine measures utility of the patent against ‘promises’ which may be derived from claims or statement in the patent disclosure. Though the patent was found to be novel and non-obvious, it failed to meet the utility of “marked superiority” over other known antipsychotic agents. The Federal Court of Canada held that ‘marked superiority’ implied superiority over a longer term which was not supported by



test data. The pharma major has filed a claim under the investor state arbitration provisions of NAFTA (North American Free Trade Agreement) contending that Canada imposes a significantly higher onus on the patentee than the standard of credible or plausible utility that is mandated by the TRIPS Agreement and NAFTA.

### **New Zealand gives effect to Madrid Protocol**

Madrid Protocol took effect in New Zealand on 10<sup>th</sup> December, 2012, allowing international businesses to designate New Zealand as one of the jurisdictions where they wish to extend trade mark

protection. The Intellectual Property Office of New Zealand [IPONZ] has made certain declarations under the Madrid Protocol like extending the refusal period to 18 months, individual fees in case of applications where New Zealand is the designated country, declaration of intention to use the trade mark and recording of licenses not provided for in the domestic law. Rules and regulations governing the administration and execution of the Madrid Protocol in New Zealand were published in the official gazette on 8<sup>th</sup> November, 2012.

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