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Article

Design infringement - Liability of intermediary & Information Technology Act

By **Godhuli Nanda**

The term 'intermediary' in legal terminology and as per the Information Technology Act, 2000 means any person who on behalf of another person receives, stores or transmits that record or provides any service with respect to that record and includes telecom service providers, internet service providers, online-auction sites, online market places, etc.

A Single Judge of the Delhi High Court on January 18, 2017 deliberated on the extent of liabilities and rights of an intermediary in the case of *Kent RO Systems Ltd & Anr. v. Amit Kotak & Ors.* Kent RO and Mr. Mahesh Gupta (Chairman and Managing director of Kent RO Systems Ltd.) had sued for permanent injunction to restrain one Mr. Amit Kotak from infringing its registered designs and e-Bay India Private Limited for channelizing and aiding in the design infringement by Mr. Amit Kotak and others by being an intermediary. Besides the relief of injunction, Kent RO had also sought the relief of rendition of accounts and recovery of damages from the two Defendants. On December 21, 2016 the Single Judge directed e-Bay by way of *ex-parte* order to block access to all the URLs from which the infringing products were claimed to be sold and issued summons to the two Defendants. The Single Judge, on the next hearing date, while delivering its judgement mainly discussed the powers/limits of an intermediary while hosting any contents on its portal which might be infringing.

Brief facts:

Kent RO Systems Ltd and Mr. Mahesh Gupta (Plaintiffs) are the manufacturer of water purifiers and have several design registrations under the Designs Act, 2000 (Design Act) in respect of the aesthetic appearance of its water purifier systems. The Plaintiffs have a huge presence in the online market and various e-commerce websites including eBay.

Mr. Amit Kotak (Defendant No. 1, manufacturer) is a manufacturer and/or trader of water purifier systems whose shape, look and appearance are deceptively similar to the water purifiers of the Plaintiffs. Mr. Kotak sells its goods to various customers through the website of e-Bay India Private limited (Defendant No. 2).

The Plaintiffs before instituting a suit for permanent injunction, had brought into the notice of e-Bay, the infringement caused by Defendant No. 1 as well as of e-Bay and several others who were similarly offering for sale and selling water purifiers which were infringing the Intellectual Property Rights of the Plaintiffs. E-Bay responded to the Plaintiffs stating that they had removed all the products complained of. However, the Plaintiffs found that a large number of other infringing products were still being sold and offered for sale on the website of e-Bay.

In view of the above factual background, the

Plaintiffs filed the suit for permanent injunction against the Defendants seeking the following reliefs:

- (i) To restrain the Defendant No. 1 from infringing the registered designs of the Plaintiffs;
- (ii) To issue directions against e-Bay to take down all products infringing the registered design of the Plaintiffs;
- (iii) To issue prohibitory injunction against e-Bay, from allowing products infringing the registered design of the Plaintiffs to be offered for sale and sold from the portal of e-Bay;
- (iv) To render the accounts of profits made by both the Defendants.

The suit first came up on December 21, 2016, where summons were issued to both the Defendants and by way of an *ex-parte* order e-Bay was directed to block access to the Uniform Resource Locators (URLs) from which the infringing products were claimed to be sold.

The beginning of the judgement by the Single Judge on January 18, 2017, made clear that the Defendant No. 1 had no objection to the suit instituted by the Plaintiffs as long as they give up their claim for damages and accounts, which was agreeable by the Plaintiffs. Thereafter and therefore, the Single Judge passed a decree in favour of the Plaintiffs and against the Defendant No. 1 and directed both these parties to bear their own costs.

The Single Judge, however, did not issue any

directions which were sought by the Plaintiffs as against E-Bay after taking into account the facts and after deliberating on the provisions and rules of the Information Technology Act, 2000. The different arguments taken by these parties and the reasoning of the Single Judge in coming to this conclusion are discussed below.

Contentions of the parties:

E-Bay contended that immediately after the receipt of the complaint from the Plaintiffs they had started removing the offending products from their website from time to time and were agreeable to remove any offending products from its website, on receipt of any future complaint from the Plaintiffs.

The Plaintiffs argued that the statement of e-Bay regarding removal of any future offending products from its website on receipt of the complaint shall not serve their purpose. The Plaintiffs contended that once they lodge a complaint with e-Bay with respect to the offending product of any other seller/retailer, e-Bay should, before hosting the same verify if it infringes the registered designs of the Plaintiffs or not. The Plaintiffs asserted that e-Bay being an intermediary within the meaning of Information Technology Act, 2000 is required to devise a mechanism to verify whether a product infringes the Intellectual Property Rights of any other person before hosting the same for sale on its system/website. The Plaintiffs relied on Rules 3(1), 3(2)(d), 3(3) & 3(4) of the Information Technology (Intermediaries Guidelines) Rules, 2011 (IT

Rules) along with Rules 3(5), 3(6), 3(7), 3(8) & 3(11).

The Plaintiffs further relied upon Section 22(1)(c) of the Designs Act and contended that e-Bay is also guilty of piracy of registered design because even after knowing that a registered design was infringed, it published or exposed or caused to be published or exposed for sale, the article infringing the registered design.

E-Bay sought defence under Section 79 of the Information Technology Act whereby e-Bay cannot be held liable for any third party information, data or communication link made available or hosted by him as long as its function is limited to providing access to a communication system over which information made available by third parties is transmitted or temporarily stored or hosted and does not initiate the information contained in the transmission, select the receiver of the transmission or modify the information contained in the transmission.

The Plaintiffs argued that according to Section 79(3) of the Act, the above contention does not apply because e-Bay has abetted and conspired in the infringement of the registered designs of the Plaintiffs within the meaning of the said section.

Decision of the court:

The Single Judge was of the view that the IT Rules that were relied upon by the Plaintiffs only require the intermediary to publish the rules, regulations and privacy policy and ensure that sufficient safeguards are in place. The Rules

direct the intermediary to inform the users of its computer resources not to host, display, uphold or publish any information that infringes any patent, trademark, copyright or other proprietary rights. The Rules further mandate that the intermediary, only upon receipt of written complaint of the infringing products, must disable the infringing information within 36 hours. The Court, however, observed that the contention of the Plaintiffs was neither regarding the publications of the privacy policy by e-Bay nor regarding the removal of the infringing information in spite of receipt of complaints by the Plaintiffs as the removal was admittedly performed.

The Court observed that the Plaintiffs not only wanted e-Bay to remove the infringing contents upon issuance of the complaint but also to *suo-motu* screen other contents being hosted on its portal and determine whether such contents/products amount to infringement. The Single Judge held that to say that an intermediary is required to satisfy itself before posting any information on its computer resource, that the same does not infringe the intellectual property rights of any person, would amount to converting the intermediary into a body to judge whether there is an infringement of intellectual property rights or not. The IT Rules only oblige the intermediary to remove/disable the information hosted on the portal on receipt of any complaint.

The Single Judge further held that for a case to be made under Section 79 (3), the Plaintiffs have to plead and prove conspiracy

or abetment or aiding or inducing within the meaning of Section 79 (3) of the Information Technology Act, 2000. The Plaintiffs needed to plead and furnish proof of common intention, which they had not and therefore this argument had no merit.

The Single Judge after thorough deliberation and after taking into account all the factors of the case held that merely because an intermediary has been obliged under the IT Rules to remove the infringing content on receipt of complaint it cannot be said that the intermediary had *suo-motu* detect and refuse hosting of infringing contents. To require an intermediary to do such screening would be unreasonable interference with the rights of the intermediary to carry on its business. Furthermore, an intermediary would be considered as acting wilfully negligent only when it has been given information of infringement and ignores the same.

On the basis of the aforementioned, the

Single Judge disposed of the suit against e-Bay and directed the Plaintiffs and e-Bay to bear their own costs. The court did not issue any directions sought by the Plaintiffs against e-Bay.

Analysis

It is quite germane to understand that the Indian Legislature only requires the intermediaries to declare to all its users its policy and advise them not to host any information regarding the infringing products on their website and further to remove any information regarding the infringing products within 36 hours of receipt of a complaint by an aggrieved right holder. The intermediaries are, however, not equipped to screen all information being hosted on their portal for infringement of the rights of all those persons who have at any point of time complained to them.

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Statutory Update

Trade Marks Rules, 2017 notified

Ministry of Commerce and Industry, Department of Industrial Policy and Promotion has notified new Trade Marks Rules, 2017 which supersede Trade Marks Rules, 2002 with effect from 6-3-2017. While the number of forms has been considerably reduced, fees for filing these forms electronically will also henceforth be 10% less than the fees payable compared to physical filing. It may also be noted that where the applicant is an Individual or a

Startup or is a Small Enterprise, fees payable for application for registration of a trademark is 50% of the amount which is required to be paid in other cases. With the objective of simplifying various processes the new Rules have restricted number of adjournments and provide the option of hearing through video conferencing. Further, according to new Rule 124, any person may, request the Registrar for determination of a trademark as 'well-known'.

Ratio Decidendi

Trademarks – Stay of suit till adjudication of rectification proceedings – Section 124(1)(a)(ii) interpreted

A Division Bench of the Delhi High Court has set aside the Order of the Single Judge wherein the Bench had rejected the application seeking stay of the suit till the time the rectification proceedings, as initiated by them before the IPAB, were finally adjudicated. The Single Judge had rejected the application on the grounds of limitation in view of the provisions of Section 124(3) of the said Act, observing that application was not made for rectification before the IPAB within the period of three months from the date of framing of issues and, therefore, the application was beyond time and could not be entertained. The Division Bench has however issued a stay of the trial till the disposal of the rectification proceedings before the IPAB.

The Court in this regard was of the view that when the court did not pass any order specifically adjourning the case for a period of three months from the date of framing of the issue to enable the appellants / defendants to apply to the IPAB for rectification, the clock had not even started to tick insofar as the said period of three months is concerned. It was also held that in the peculiar circumstances of the case, even the provision of extension of time could have been invoked and the trial stayed by the Single Judge. Further, Full Bench decision in the case of *Data Infosys Ltd.* was distinguished by the Court observing that

the said decision did not take into account the possibility of the framing of an issue with regard to invalidity of the plaintiff's trade mark. [*Bhagwan Dass Khanna Jewellers Pvt. Ltd. v. Bhagwan Das Khanna Jewellers* – Judgement dated 8-3-2017 in FAO(OS) 551/2015, Delhi High Court]

Copyrights in advertisement - Advertisement Standards Council of India may entertain complaint

Delhi High Court has dismissed, as premature, the suit seeking restraint of groundless threats of legal proceedings under Section 60 of the Copyright Act and Section 142 of the Trademarks Act, and for declaration of non-infringement of copyright. The plaintiff had instituted the suit to restrain the defendant No.2 from issuing threats to the plaintiff for infringement of copyright in the defendant's advertisement and for restraining defendant No.1 Advertisement Standards Council of India (ASCI) from assessing or proceeding with the complaint filed by the defendant No.2 against the plaintiff.

The Court found no merit in the contention that ASCI, by virtue of Section 62 of the Copyright Act and/or Section 134 of the Trade Marks Act is barred from entertaining the complaint made by the defendant against the plaintiff before ASCI. It was held that the provisions cannot be read as ousting the jurisdiction of a self-regulatory body, ASCI. The question as to whether ASCI is competent to deal with the complaint with regard to the

plaintiff having plagiarised and infringed the copyright of the defendant, was hence answered in favour of the defendant. The Court in this regard took note of the fact that ASCI was constituted as a Self-Regulatory body for the purpose of advertisements and the 'Code for self-regulation in Advertising' by ASCI has been given a statutory flavour. Reliance in this regard was also placed in the case of *Procter & Gamble Home Products Private Limited v. Hindustan Unilever Ltd.* [2017 SCC OnLine Del 7072].

Further the court was of the view that Section 60 of the Copyright Act, invoked by the plaintiff, had no application inasmuch as the defendant was not threatening but had already initiated proceedings before ASCI. It was also held that there can be no defamation of the plaintiff by the defendant by preferring the complaint against the plaintiff. Bombay High Court Judgement in the case of *Century Plyboards (India) Ltd.* was also distinguished by the court in this regard. [*Metro Tyres Ltd. v. The Advertising Standards Council of India* – Decision dated 17-3-2017 in CS(COMM) 1484/2016 & IA No.13737/2016, Delhi High Court]

Patent infringement – Bioequivalence not the test for infringement

US District Court for the District of Delaware has granted the defendant (Aurobindo Pharma) motion for summary judgment of non-infringement in an action under the Hatch-Waxman Act brought in respect of the plaintiff's patents for the cold and cough drug Mucinex® DM, an extended-release tablet that

contains dextromethorphan hydrobromide and guaifenesin. The plaintiff was aggrieved by the fact that the defendant had submitted an Abbreviated New Drug Application (ANDA) to market a generic version of the plaintiff's drug. The suit patents claim controlled-release formulations of the drug guaifenesin, which contain both immediate-release and sustained release portions or quantities.

The District Court observed that plaintiff did not analyze the ingredient list laid out in defendant's ANDA; that it did not offer any evidence about the excipients that make up the alleged two formulations; and that it did not discuss the composition of the ANDA product. The court also observed that plaintiff failed to provide evidence regarding the physical structure of defendant's product to demonstrate that it includes more than a single formulation. Observing that plaintiff's infringement assertion was essentially on the basis of bioequivalence, and that bioequivalence is not the test for infringement, it was held that bioequivalence further does not establish that defendant's product contains two distinct formulations as claimed in the suit patents. [*Reckitt Benckiser LLC v. Aurobindo Pharma Limited* – Memorandum Opinion dated 7-3-2017 in C.A. No. 14-1203-LPS, United States District Court for the District of Delaware]

Trademarks – Goodwill and not reputation of the mark required in a case of passing off

Noting that while reputation is a matter of fact and its existence does not require that there

should be a business in this country, and that there must be some business in the country for goodwill to exist, High Court of Delhi has held that establishment of ‘goodwill’ is an essential ingredient of the tort of passing off. Observing that while the respondents may have a reputation in other parts of the world insofar as its mark is concerned, it cannot be regarded as having a goodwill in India unless and until there are sales and an established market in India, the Court set aside the Order of the Single Judge granting interim injunction for use of mark ‘Aqua’ for mobile phone [Refer *IPR Amicus – January 2017 issue for the Single Judge Order*]. It was hence held that the respondent-plaintiff had not been able to establish that it had a goodwill/reputation in India in the mark when appellant-defendant had launched its product under the said mark.

Further, the Court was of the view that when the mark is used in conjunction with the appellant’s trade mark “Intex”, there is no scope for deception or misrepresentation as the mark “Intex” is as prominent as the mark “AQUA” in the appellant’s product packaging. It was held that if the added matter is so prominent as to completely distinguish one product from the other, then there would be no case for confusion. Setting aside the Order impugned, the court also took note of the fact that there was delay in filing the suit, and that the plaintiff’s conduct in copying the font and style of the logo used by the appellant-defendant was dishonest disentitling it to equitable remedy of injunction. [*Intex Technologies (India) Ltd. v. AZ Tech (India) – Judgement dated 10-3-2017 in FAO (OS) No.1/2017 & CMNos. 301/2017 & 303/2017, Delhi High Court*]

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