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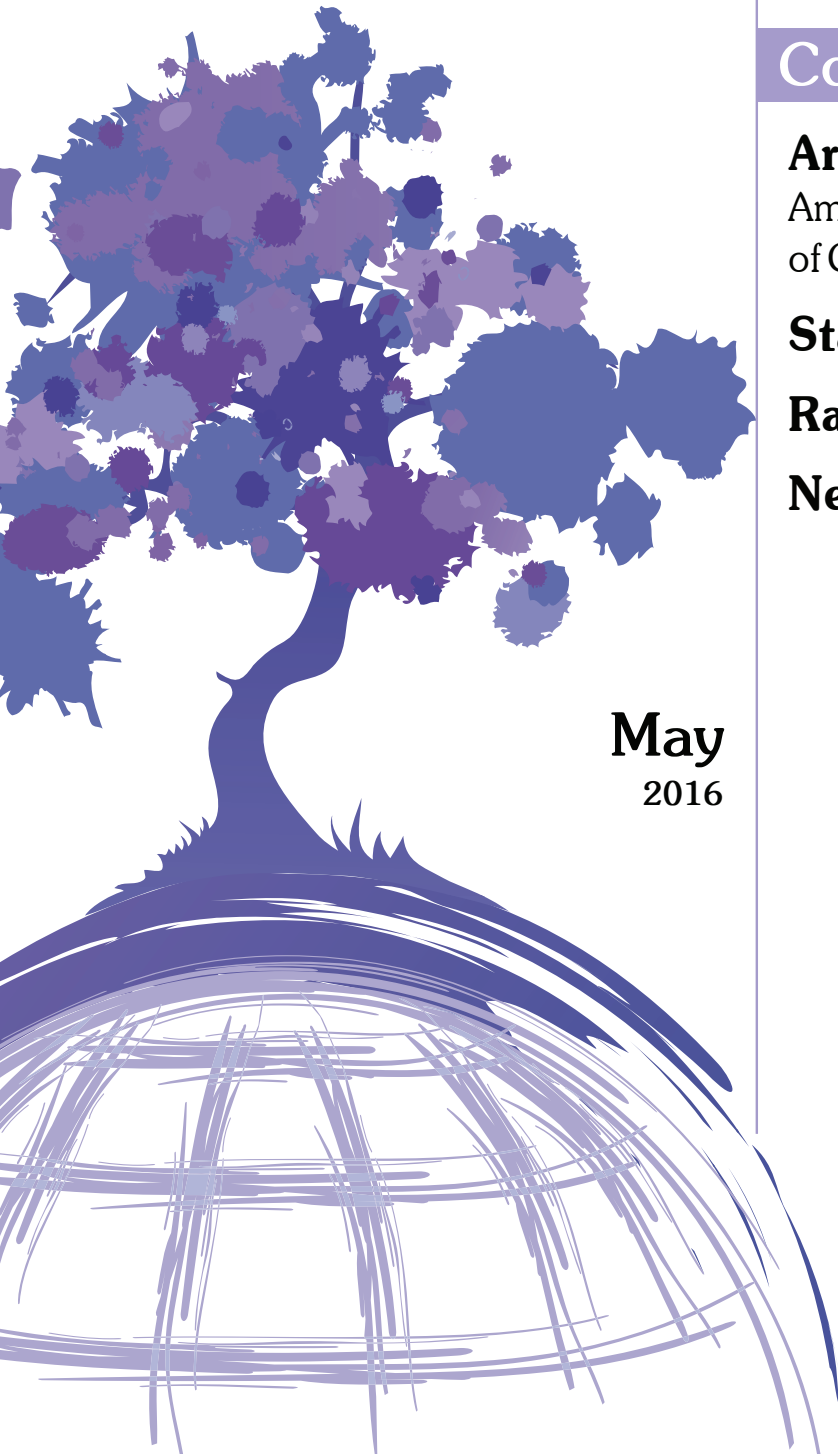
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Article

Ambiguous standard for examination of CRIs

By **Ankur Garg & Anurit Banerjee**

The Indian Patent Office had issued the modified guidelines for examination of Computer Related Invention (CRI)¹ on 19 Feb 2016. The CRI guidelines propose a framework for assessing patent eligibility of such claims under Section 3(k) of the Patents Act, 1970.

Specifically, the CRI guidelines provide a three-stage test for determining whether a claim falls within the exclusions of Section 3(k) of the Patents Act, 1970:

1. *Properly construe the claim and identify the actual contribution;*
2. *If the contribution lies only in mathematical method, business method or algorithm, deny the claim;*
3. *If the contribution lies in the field of computer programme, check whether it is claimed in conjunction with a novel hardware and proceed to other steps to determine patentability with respect to the invention. The computer programme in itself is never patentable. If the contribution lies solely in the computer programme, deny the claim. If the contribution lies in both the computer programme as well as hardware, proceed to other steps of patentability.*

One can infer from the above that if the contribution of a claim solely lies in a mathematical method, a business method, or an algorithm, the claimed subject matter is

patent ineligible. However, if the contribution of the claim lies in a computer program, and the invention is claimed in conjunction with a novel hardware, the application should be examined further to determine patentability of the invention. On the other hand, if the contribution of the invention is solely in a computer program, the claim is patent ineligible.

In instances, where the invention incorporates no novel hardware, it is to be seen if the contribution lies both in the computer program and the hardware. The hardware may be an existing hardware, however, the contribution of such invention should not lie solely in the computer programme. In other words, the claim, where a combination of computer program as well as hardware provide a contribution, should be considered patent eligible.

Therefore, determination of patent eligibility under the CRI guidelines does not require presence of novel hardware as the only condition.

In a recent order², the Asst. Controller of Patents and Designs rejected a patent application, holding that the claims of the patent application were directed to non-patentable subject matter under Section 3(k) of

¹ CRI Guidelines issued by the IPO, dated February 19, 2016

² Controller Order for Application Number 1500/DEL/2003

the Act, in view of the re-issued CRI guidelines. The patent application relates to a computer network and a method of communication between an email client and an email server using an appropriate application. Based on the subject matter of the case and in view of the CRI guidelines, the Applicant argued that the contribution of the claims lies in the combination of computer program and hardware, and that the contribution of the claims also provides technical effect.

The Asst. Controller, however, did not concur with the Applicant. While he admitted that the subject matter of the claims does not relate to a mathematical or a business method, to judge patent eligibility of the claims he has relied on a new two-step analysis, instead of relying on the framework of the CRI guidelines:

1. A hardware implementation performing a novel function is *not* patentable if that particular hardware is known or is obvious irrespective of the function performed; and
2. If the novel feature of the invention resides in a set of instructions (program) designed to cause the hardware to perform desired operations without special adoption of the hardware or modification of the hardware, *then the matter claimed either alone or in combination is not patentable.*

Accordingly, the two-step analysis captures two criterion for patent eligibility of CRI applications, namely, a novel hardware and a novel computer program implemented by a

specially adopted hardware. According to the Asst. Controller, if a CRI is implemented by a novel hardware, it is patent eligible, however, if the CRI is implemented on a known or an obvious hardware, it is not patent eligible.

Moreover, for a novel CRI to be patent eligible, it is to be implemented either by a specially adopted hardware, or by a hardware modified to execute the CRI. It would be evident that although the two-step analysis appears to describe two different scenarios of patent eligibility for CRIs, both the scenarios conclusively point towards a common requirement of presence of a specially adopted and/or a novel hardware.

According to the guidelines for examination of CRI, a claim for a CRI, where the contribution lies in both the software and hardware, is patent eligible.

During assessment of the current application, the Asst. Controller, agreed that there was a technical contribution in that the invention resulted in reduction of processing time of receiving of a message. However, the Asst. Controller identified the contribution of the invention to be limited to a software since the patent application did not disclose a novel hardware component, except for commonly used hardware, such as a server. For the contribution of any claim to lie in a combination of hardware and computer program, the Asst. Controller identifies presence of a novel hardware as a mandatory condition.

In the past, Controllers have relied on similar interpretation of Section 3(k) for patent

eligibility of CRIs. Another patent application (Application Number 0138/DELNP/2003), was rejected by the Patent Office relying on a similar two step analysis, as relied on by the Asst. Controller for the current application. *Accenture Global Services GMBH*, the Applicant for the other patent application, had appealed to the Intellectual Property Appellate Board (IPAB) against the order³ of the Controller. The IPAB did not concur with the decision of the Controller and stated⁴ that the Controller's decision is based on standards which are neither mentioned in the Indian Patents Act, nor in the Patent Office Manual

or in any guidelines by the Indian courts. The IPAB even stated that the decision of the Controller was based on ill-founded premises and is far from being logical and reasonable.

The Indian government has initiated a process of reviewing the CRI guidelines. It is hoped that new guidelines for examination of CRIs would soon be issued setting a clear, unambiguous standard for examination of CRIs.

[The authors are Principal Associate and Associate respectively, IPR Practice, Lakshmikumaran & Sridharan, New Delhi]

Statutory Updates

National IPR Policy announced

The Indian cabinet approved the National IPR Policy, with a mission statement to stimulate a dynamic, vibrant and balanced intellectual property rights system in India. Some of the highlights in the policy include creation of public awareness about IP, facilitating researchers, protection of traditional knowledge from being misappropriated, commercialisation of IPRs and strengthening enforcement and adjudicatory mechanisms for combating IPR infringements. As part of the 'Creative India; Innovative India' focus, the policy advocates encouraging public funding in research, promoting alternate dispute resolution measures in the resolution of IP cases by strengthening mediation and conciliation

centers and making IP an integral part of the curriculum in all legal, technical, medical and management educational Institutions. The institution of the Controller General of Patents, Designs and Trademarks is to be re-designated as Controller General of Intellectual Property Rights. The Department of Industrial Policy and Promotion shall be the nodal point to coordinate, guide and oversee implementation and future development of IPRs in India.

Patent (Amendment) Rules, 2016 Issued

On May 16, 2016, India brought in various changes to the Patent Rules, 2003 making it more aligned with use of technology like mandatory e-submission of documents and hearing through video-conferencing besides

³ Controller order for Application Number 01398/DELNP/2003

⁴ Order No. 283 of 2013

changes in procedure and providing for expedited examination and so on.

Some of the important changes are :

1. An Applicant may delete a claim when entering national phase of a PCT application [Rule 20(1) Explanation]
2. The time for putting an application in order for grant has been reduced to 6 months, with a possible extension of up to 3 months (at INR 4000 per month for a standard entity for non-expedited examination), from the date of the first examination report (FER) [Rule 24B(5) and (6)]. Earlier this time limit was 12 months with no extensions of time.
3. Applications where the Indian Patent Office served as the ISA/IPEA for the underlying PCT application and applications by startups are eligible for expedited examination. The fees for expedited examination is INR 8000 for startups and INR 60000 for eligible standard entities [Rule 24(c)]. Extensions of time for putting the application in order for grant are available under expedited examination, typically at twice the cost of extension of time for non-expedited examination. The controller shall dispose of the application within 3 months of the response date or 12 months of the FER date, whichever is earlier [Rule 24(c)(12)]. To qualify as a start up the application must meet the definitions set out in Rule 2(fb).
4. Patent Agents shall file all documents by electronic transmission only. Where original documents are to be provided, original documents must be provided

within 15 days of submitting the e-copies [Rule 6(1A)].

5. Reference numerals must be included in parenthesis in claims [Rule 13(4)]. Amendments to the specification must be accompanied with a marked up copy and a statement clearly indicating the page number and line number of the specification or the drawing being amended along with the basis for the amendment [Rule 14(2)].
6. No extension of time will be allowed for payment of renewal fees beyond what is provided under Rule 80(1A) and for application for review of decisions or setting aside orders of the controller under 130(1) and 130(2) [Rule 138].

Biological Diversity Act - 385 items notified under commodity exception

The Central government notified 385 items under commodity exception by way of Notification dated 7-4-2016. Under Section 40 of the Biological Diversity Act, the central government, in consultation with the National Biodiversity Authority is empowered to notify items, including biological resources normally traded as commodities, so that the provisions of the Biological Diversity Act, 2002 will not apply to them. The notification states that if any of these items is intended to be used for any other purpose, the relevant provisions of the aforesaid Act shall apply. The notification will apply to products derived from the notified products provided they are normally traded as commodities. It is for a claimant to prove that the product is normally traded.

Ratio Decidendi

Trademark – Non-receipt of consideration for assignment of trademark not relevant when assignment duly registered with trademark office

The Delhi High Court has held that even in case of non-receipt of consideration for assignment of the trademark by the assignor, unless the entry made in the Trademark Register is removed by the appropriate authority, the assignor has no right to infringe the same very mark which is assigned by him. The court in this regard also noted that the assignment deed itself stated that the consideration was received and that the entry in Trademark Register was not challenged by the assignor, by filing a rectification within the time prescribed. In respect of effect of pendency of earlier suits, it was held that pendency of suit for partition by the plaintiff prior to the present suit has no consequence as far as filing of infringement suit is concerned. Further observing that the defendants had not produced any detail of sales turnover or advertisement expenses of any of its products under the trademark in question, the Court rejected the contention of ‘long use’ by the assignor. Lastly, noting that plaintiff is the registered proprietor of the trademark and that the same was used earlier than the defendants, the balance of convenience was in favour of the plaintiff and against the defendants, it was held that in case the injunction order is not passed, the plaintiff will suffer irreparable loss and injury. [*Saurabh Agrotech Private Limited v. Radhey Shyam Agencies - I.A. No.23526/2015*

in CS(OS) No. 3341/2015, decided on 22-4-2016, Delhi High Court]

Phonetic similarity alone not sufficient to claim infringement of trademark

Deciding an application for grant of injunction against use of ‘LONDON DERRY’ for boiled confectionary which the plaintiff claimed infringed its mark ‘LONDON DAIRY’ for ice-creams, the Bombay High court was of the view that phonetic similarity is insufficient for grant of injunction. It found that other factors including visual similarity, packaging, price of product, channels of trade, goodwill, deceit weighed against the plaintiff. Though the goods belonged to the same class, the plaintiff’s ice-cream was a premium product and not available in roadside shops etc., unlike the product with the rival mark. The defendants also argued, forcefully, that the words ‘London Dairy’ were inherently descriptive and exclusivity could not be attached to the words. Thus, no monopoly could be extrapolated to similar sounding marks for entirely distinct products like the defendant’s boiled confectionary. [*International Foodstuffs Co. v. Parle Products, Suit 2497/2012, Order dated 11-4-2016, Bombay High court*]

Trademark identical to well known mark in same class of goods cannot be registered

IPAB has upheld the opposition filed against the mark ‘Maruti’ sought to be registered by the appellant, on the ground of the goodwill and reputation of the respondent associated with the mark. The contention of the appellant

that the Assistant Registrar had overlooked the voluminous evidence filed by them and also ignored the special circumstances, was hence rejected by the Board observing that the appellant had not substantiated their reputation and goodwill in order to establish the distinctiveness of their products for registration. The Board in this regard noted that the respondent company was established in 1972 and have obtained world-wide reputation and goodwill, and is a well known mark. It was observed that the mark of the appellant was identical with same wing device and that both the goods were related to automobiles, which would cause confusion in the mind of public. Further, provisions of Section 12 of the Trade Marks Act, 1999 were found to be not applicable as mark was only proposed to be used. [*Maruti Piston Private Limited v. Maruti Udyog Limited* - Order No. 221/2015, dated 17-12-2015, IPAB]

Arbitration of copyright issues, permissible

Bombay High Court has held that copyright issues that arise out of an agreement between parties are subject to arbitration, provided the arbitration clause in the agreement encompasses the same. The court while allowing the matter for arbitration, observed that Section 62 of the Copyright Act, 1957 and Section 134 of the Trademarks Act, 1999 do not oust jurisdiction of arbitral panel. The Court observed that it was a mistake to consider intellectual property statutes as relating to rights that stand wholly apart from the general body of law. The Court held that rights under these statutes are special

rights, but they are a species of property and share much with their more tangible cousins to whom Acts such as the Sale of Goods Act or the Transfer of Property Act apply.

The Court also held that between two claimants to a copyright or a trade mark in either infringement or passing off action, action and remedy can only be an action *in personam* and not an action *in rem*. It was held that where there are matters of commercial disputes and parties have consciously decided to refer these disputes arising from that contract to a private forum, no question arises of those disputes being non-arbitrable. The arbitration agreement here was part of the 'Term Sheet' contemplating an exclusive licensing contract for various audio-visual materials. [*Eros International Media Limited v. Telemax Links India Pvt. Ltd.* - Notice of Motion No. 886/2013 in Suit No. 331/2013, decided on 12-4-2016, Bombay High Court]

Trademarks – Presentation of additional documents, not produced at time of filing suit - Delhi High Court rejects plea

The Delhi High Court has denied leave to the plaintiff to produce copies of the annual reports for the earlier period to substantiate its plea relating to the sales, popularity and goodwill enjoyed by the plaintiff in respect of its trademark. The Court observed that there was no cause shown, for non-disclosure and non-filing of the documents, or at least copies thereof along with the plaint, or even till the stage of framing of the issues. It was held that to grant leave to, and permit the plaintiff to file

and lead in evidence, additional documents at stage of cross-examination, would put the defendants to serious prejudice. Reliance in this regard was placed on Civil Procedure Code, Order VII Rule 14 and the Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Act, 2015, Order XI, Rule 1(1). Noting that the said annual reports are of the plaintiffs themselves, the court found it difficult to believe that in spite of due diligence, the plaintiffs could not produce the documents at the time of filing of the suit or till the time of framing of issues. [*Polyflor Limited v. A.N. Goenka* - O.A. No.84/2016 in CS(OS) 504/2004, decided on 18-4-2016]

Trademarks – Test of wonderment and confusion

The Plaintiff changed from ‘Palm Grove Juhu-Mumbai’ to ‘Ramada Hotel Palm Grove’ and then to ‘Ramada Plaza Palm Grove’, and hence had never used the registered mark ‘Palm Hotel’ on its own. The Bombay High Court declined to grant injunction, holding that other than the use of plural and the phonetic similarity in the marks, there were important points of clear distinction in the defendant’s mark, particularly when used with ‘Tower and Villas’ or ‘Royal Palms’. It

was noted that the device of the vertical, twin, mirror-imaged palm fronds is also unique, and uniquely distinctive. Further, observing that in assessing the question of goodwill, the court should see how the plaintiff has conducted its affairs and used its mark, it was held that this is not a question of registration, but a question of actual use and the goodwill or reputation built on that use. The plaintiff had argued that visitors to the defendant’s hotel would be cast into a state of ‘wonderment’ and be deceived into believing that the defendants’ hotel is an upmarket version of the Plaintiff’s as both are in the same business, the trade channels are the same and there is commonality in the consumer-base. The Court however held that there is no question of any wonderment or shock. The defendants were however asked not to use the mark ‘Palms Hotel’, without the words ‘Royal Palms’ (additionally, with or without the words ‘Tower and Villas’), i.e., not use ‘Palms Hotel’ either solely or with merely ‘Mumbai’ and to maintain accounts in relation to their hotel operations, during the pendency of the trial. [*Palm Grove Beach Hotels Pvt. Ltd. v. Royal Palms (India) Pvt. Ltd.* - Notice of Motion No. 1233/2009 in Suit No. 815/2009, decided on 18-4-2016, Bombay High Court]

News Nuggets

Tobacco products and packaging – Clearing the air

The Court of Justice of the European Union has held that the EU directive on tobacco products as regards standardization

of packaging, EU-wide prohibition on methanol cigarettes and special rules for electronic cigarettes is lawful. The Directive requires Members to prohibit placing on the market of tobacco products with a

characterising flavor. It also requires to ensure that packets carry health warnings and information message ('Tobacco smoke contains over 70 substances known to cause cancer') occupying 50% of the surface or 65% in case pictures are also carried on the package besides adopting measures on reporting, testing of levels of nicotine, child-proof packing etc. Poland challenged the validity of this Directive but the Court held that given the objective of ensuring high level of protection of human health,

the Directive was not beyond the limit of what was appropriate and necessary and the measures like prohibition on flavouring substances and standards of packaging were valid.

The Indian judiciary will also shortly decide on the constitutional validity of the Cigarettes and Other Tobacco Products (Packaging and Labelling) Amendment Rules, 2014 which prescribes 85% coverage on the principal display area with pictorial and textual health warnings.

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