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An e-newsletter from
Lakshmikumaran & Sridharan, India

January 2016 / Issue 54

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Article

The curious case of patent infringement *CTR v. Sergi*

By **Vindhya Srinivasamani**

This case pertains to a suit filed by CTR Manufacturing Industries Limited against Sergi Transformer Explosion Prevention Technologies Pvt. Ltd. for infringement of its patent IN202302 (suit patent) for “A system and method for preventing and/or detecting explosion and/or fire of electrical transformers”, with an application seeking an interim injunction restraining the latter from selling or advertising for sale products that infringed said patent. Sergi, denying any infringement, filed a counter-claim challenging the validity of the suit patent. The Single Judge of the Bombay High Court vide order dated 23rd October, 2015 found a *prima facie* case of infringement, and also held that all the prerequisites for the grant of an interim injunction in favour of CTR existed. Accordingly, the court granted an interim injunction in favour of CTR, thus preventing Sergi from selling its Sergi 3000 product, as well as any other product that may infringe the suit patent pending the final disposal of the suit, effective from 23rd November 2015. The Court also held that CTR will be entitled to costs in accordance with the Bombay High Court (Original Side) Rules.

Subsequently, on an appeal by Sergi against the above order of the Single Judge, the Division Bench of the Bombay High Court while staying the order of the Single Judge listed the matter for adjudication on merits.

However, the judgment of the Single Judge of the Bombay High Court dealt with certain general principles with respect to patents in respect of inventions with multiple integers and their infringement, which deserves due deference.

Factual Background

CTR originally filed a suit for infringement in 2010 before the Thane District Court, but the filing of a counter-claim challenging the validity of the patent by Sergi necessitated the transfer of the case to the Bombay High Court, under the proviso to Section 104 of the Patents Act, 1970 (Act). Sergi had earlier filed both pre- and post-grant oppositions to the suit patent, as well as a revocation application before the Intellectual Property Appellate Board. The suit patent covers a method of detecting (and preventing) transformer explosions through a device that combines a Differential Relay sensor, a Buchholz Relay, and a circuit breaker. Sergi claimed that its product, the Sergi 3000, was covered by its own patent, IN189089 (‘089 patent), and did not infringe the claim of the suit patent. However, Sergi argued that all three components of CTR’s patent were anticipated by prior art, and therefore the patent itself was granted in error. CTR argued that Sergi had ceased manufacturing products according to its ‘089 patent, and instead began manufacturing different products that infringed the suit patent.

Further, CTR argued that its patent claims were non-obvious inasmuch as the arrangement of the three known components was inventive, and produced a new and improved result.

Decision of the Single Judge of the Bombay High Court

The Court pointed out that CTR's patent would not be prima facie invalid merely because the components employed by its system were known in prior art. The Court held that in order for Sergi to succeed, it had to show that CTR's combination of the three components was obviously non-inventive, or "self-evident and plain". The Court held that while the integers or components may be known, but they may be arranged or rearranged in some previously unknown and non-obvious manner to deliver a new or improved result. Further, the Court held that each of the integers must be essential and that if any one integer can be taken out without affecting the final result, it is not essential. Thus the Court held that it is not enough to merely state in the opposition that each of the integers was previously known; the opponents must show that the rearrangement of the integers is one that suggests itself for the defence to succeed. The Court also laid down the following general principles with respect to patents in respect of inventions with multiple integers and their infringement:

- If a patent claim is overbroad, and for that reason, includes in the sweep of the case for infringement the defendant's invention, i.e., by including every single

non-essential and essential addition, then the patent may be prima facie invalid for want of novelty. No person can claim such a monopoly as would result in a bar to future improvements. If the patent is, on the other hand, so narrow that it excludes the addition of another essential integer, then there is no infringement.

- Where a patent has been granted with a disclaimer on a particular integer, i.e., by saying it is not essential to his product, then the addition of that non-essential integer does not, *per se*, defeat the claim for infringement. It must be shown that the additional integer is essential, required and returns a result that is as or more efficient than that produced by the patent. Adding something superfluous to the essential integers does not defeat an infringement claim. It must be shown that what is added is also essential and that it satisfies the previous tests of interdependency, producing as good a result or a new and improved result.

The Court also clarified the relevance of the grant of a patent at the *prima facie* stage. Reconciling *Roche v. Cipla* with the observations in *American Cyanamid v. Ethicon*, the court held that a plaintiff would be entitled to rely on the grant of a patent as *prima facie* proof of validity, but the defendant would only be required to demonstrate (through scientific literature, expert evidence, etc.) the vulnerability of the patent, rather than its invalidity, to defeat an application

for interim injunction. However, the fact that the plaintiff holds a valid patent would not automatically entail the grant of an injunction, just as a defendant's claim that the validity of the patent would be challenged would not automatically entail the denial of an injunction. In both cases, the party must adduce evidence that demonstrates the *prima facie* validity or vulnerability of the patent, as the case may be.

The Court also held that in cases such as the instant case, the "pith and marrow" of the patented invention had to be examined. In the present situation, the court found this to be the manner in which the components of CTR's system interacted with each other. The Court held that the addition by Sergi of any superfluous element would not defeat the charge of infringement. The Court also observed that it is not required, at the *prima facie* stage, to determine the impact of the Supreme Court's judgment in *Aloys Wobben v. Yogesh Mehra*, and the court, therefore, did not address the question of whether Sergi could simultaneously sustain pre-grant opposition, post-grant opposition, revocation proceedings and a counter-claim challenging patent validity.

Having thus found an overwhelming *prima facie* case in CTR's favour, the Court also held that the balance of convenience and other determinants for interim relief also lay with the plaintiff, thus justifying the grant of an interim injunction.

In light of these findings, the Single Judge

ordered Sergi not to infringe the suit patent by making, using, offering for sale, or selling either the Sergi 3000 product or any other product that is identical or substantially similar to the patented system, pending the final disposal of the suit. The Court also restrained Sergi from circulating any literature, technical brochures, pamphlets, flyers, drawings, specifications or any other material that displays the patented system.

Appeal before the Division Bench of the Bombay High Court

Although the Single Judge's order was issued on 23 October 2015, its operation was stayed until 23 November 2015 at the request of Sergi's counsel. However, in the interim period, Sergi preferred an appeal against the order of the Single Judge before the Division Bench of the Bombay High Court on the following grounds:

- (a) the suit filed by CTR is not maintainable;
- (b) there is no infringement of the patent;
- (c) the appellant has raised credible challenge to the subject patent.

Additionally, Sergi also submitted that CTR is guilty of suppression of material facts regarding the fact that Sergi had initiated post-grant opposition proceedings under Section 25(2) of the Act, which proceedings were still pending. In this regard, Sergi asserted that in view of the judgment of the Supreme Court in the case of *Aloys Wobben v. Yogesh Mehra*, the suit filed by CTR was not maintainable. Sergi also averred that this objection was not dealt

with by the Single Judge in an appropriate manner.

In light of the above, the Division Bench of the Bombay High Court in its order dated 1st December, 2015 observed that the post-grant opposition proceeding against the suit patent initiated by Sergi before the Controller of Patents was pending and also observed that Sergi had raised substantial issues on merits and in law which deserve consideration. In light of the above, the Bench stayed the interim order passed by the Single Judge and also held that Sergi is entitled to continue to manufacture and deal in transformers and shall

maintain account of the sale transaction of its transformers. Further, the Bench also directed the Controller of Patents to expeditiously dispose the post-grant opposition filed by Sergi against CTR with respect to the suit patent.. Sergi was directed to submit the account in respect of said sale transaction as and when directed in a sealed cover. It will be interesting to see as to the outcome of the adjudication of the substantial issues on merits and in law raised by Sergi.

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Ratio Decidendi

Unauthorised use of trademark and selling counterfeit goods – Punitive damages awarded

The plaintiff-trademark owner sought relief in respect of infringing acts carried by an e-commerce portal which displayed trademark/styles and designs without authorisation. Counterfeit goods were also sold through the site –passing them off as original goods sold at heavy discounts. After examining the evidence of registration, worldwide reputation of the mark, entry in the register of well-known marks of the plaintiff and the conduct of the defendant in not responding to the plaint or participating in the proceedings, the High Court granted permanent injunction for using the marks, manufacturing, advertising or selling goods and also issued a decree declaring the marks

of other plaintiffs to be well-known marks. [*Cartier International AG & Ors v. Gaurav Bhatia*, CS(OS)Np.1317/2014, Judgement dated 4-1-2016, Delhi High Court]

The test of obviousness for parody

Observing that sometimes it is better to ‘accept the implied compliment in parody’ and to smile or laugh rather than sue, the United State District Court of South New York held in favour of the alleged ‘diluter’ of the trademark. The plaintiff contended that by using its distinctive marks, design and particular reference to its brand/trademark/name in advertisements the defendant was interfering with its rights in the marks. The defendants’s bags carried the words ‘my other bag’ with a representation of the plaintiff’s bag. The Court agreed that the cheaper canvas/tote

bags sold by the defendant would certainly not be confused with expensive goods of the plaintiff. The court reasoned that the purchasing public must be credited with at least a modicum of intelligence and concluded that the joke was so obvious that there could be no mistake as to source or affiliation. [*Louis Vuitton Malletier S.A v. My Other Bag, Inc.*, United State District Court of South New York, Order dated 1-1-2016]

Likelihood of confusion in trademarks – Trade channels and not physical or chemical attributes, important

Noticing that the classification of goods and services adopted by the Trademark Registry or the International classification is not the determining or guiding factor for ascertaining similarity of goods/service, the Calcutta High Court has granted injunction restraining the defendants from using the mark ‘Rhino’ in respect of their product ‘cement’. The petitioner here was using the mark in respect of its product ‘asbestos sheets’. The Court in this regard noted that though the products were not similar, both asbestos and cement are used for building purposes and are likely to be sold through the same trade channel. It was held that physical or chemical attributes of the goods are not relevant to determine whether they fall in the same class or description. The real test, according to the Court is as to what is the trade channel through which the goods reach the consumer and the class of consumers purchasing the goods.

Observing that there was overall similarity between the mark used by the plaintiff and the defendant, the Court was of the view that using the infringed mark is likely to cause confusion in the mind of the public that the products sold is of the plaintiff. It was also noted that the petitioner was the registered holder of the mark, using extensively the mark since 1977 and that the defendant had adopted the mark only recently without offering any explanation for adoption of the said name for its products and both the products were sold in North-East India. [*Assam Roofing Ltd. v. JSB Cement LLP - G.A. No.1412 of 2015 in C.S. No.106 of 2015, decided on 9-12-2015*]

Trademarks – Registration of personal names of others as domain names

Noticing that the name “Cyrus P. Mistry” falls within the category of personal names that besides being a personal name has attained a distinctive indicia, connotation, character or identity of their own, the Delhi High Court has directed transfer of websites www.cyrusmistry.co.uk and www.cyrusmistry.co in favour of the plaintiff No.2 (Mr. Mistry, Chairman of Tata Sons). It was held that the name due to its peculiar nature and distinctive name coupled with it gaining popularity in several fields, had become a ‘well-known personal name’, enabling the plaintiff to restrain others from using his name unjustifiably, in addition to his personal right to sue them for the misuse of his name. The Court, for this purpose, also observed that domain names

deserve protection just like trademark and that personal names forming a part thereof constitute no exception.

Further, finding *malafide* in the registration of such domain names, it was held that such acts of the defendant amounted to invasion of the right to publicity/privacy rights of Mr. Mistry, as well as passing off in right to protect his name, persona or anything emanating out of these as enshrined in Article 21 of the Indian Constitution. The High Court in this regard also observed that if commercial value in a personality is appropriated by persons like the defendant who are not authorized to do so, then the said personality should be granted the right to sue for such embezzlement. [*Tata Sons Limited v. Aniket Singh* – CS (OS) 681/2012, decided on 17-11-2015, Delhi High Court]

Trademarks – Composite marks to be compared as a whole

Considering the principles laid down by the Apex Court in the case of *Cadila Healthcare v. Cadila Pharmaceuticals*, the Delhi High Court has held that alleged use of the mark BECTODINE by the defendants subsequent to the documented use of the trademark BETADINE by the petitioner, by about 34 years, was fraught with malafide and dishonesty. Noticing that meticulous comparison of two marks, letter by letter and

syllable by syllable is not the right practice, the court observed that all composite marks are to be compared as whole. The Court in this regard noted that the degree of similarity between the two rival marks depends upon the first impression- whether visual or phonetic and in case, it is found that there is a risk of confusion which is the matter of public interest, it should not be authorised.

It was observed that competing marks BETADINE and BECTODINE when compared in its entirety are deceptively and confusingly similar. It was also held that in pharmaceutical cases the entire conduct of the defendants is to be examined, as far as the use of the mark and packaging thereof are concerned and that they are not allowed to split the mark for the purpose of comparison in the cases of infringement, as it is imperative to compare the impugned mark as a whole with the registered trademark of the plaintiff. Finally, noticing that colour scheme, get up, layout and combination of colours is covered under the action for passing off also, it was held that the defendant was guilty of infringement of copyright and passing off their goods as the goods of the plaintiff. The *ad-interim* injunction granted earlier was hence made absolute. [*Win-Medicare Pvt. Ltd. v. Galpha Laboratories Ltd.* - I.A. Nos.22711/2014 & 26365/2014 in CS(OS) No.3507/2014, decided on 4-1-2016]

Patent Office decisions

Amendment in application while filing national phase application

Controller of Patents, Kolkata has held that amendment of the claims from “Method of

treating proliferative diseases” to “Composition comprising nanoparticles...” and other types of claims are not allowable under Section 59(1) of the Patents Act as they are beyond the scope

of claims originally disclosed. The claims as filed in the international phase were method of treatment claims which were amended as composition claims filed at national phase by the applicant. The Controller in this regard held that no amendment of the claims shall be allowed which would claim subject matters which are beyond the scope of the claims submitted during filing of the application.

Further, noting that if something is not claimed initially it is actually disclaimed,

the Controller was of the view that matter is disclaimed after the application is being filed in PCT International phase and hence cannot be claimed afresh by making an application for amendment. It was noted that application has to enter the national phase along with the claims of PCT International phase as per Section 10(4A) of the Patents Act. [Abraxis Bioscience, LLC - In the matter of patent application No. 2662/KOLNP/2007]

News Nuggets

Controller refuses CL application

Deciding an application for Compulsory License in respect of Saxagliptin – an anti-diabetic drug, the Controller of Patents by order dated 19-1-2016 refused the application citing that no *prima facie* case had been made out for grant of the license. On the issue as to whether the reasonable requirements of the public with respect to the patented invention were not satisfied, the applicant failed to substantiate said assertion with any comparative study or authentic evidence from any statutory authority or doctors' body. As regards reasonably affordable price, it was held that if the other DPP IV inhibitors, priced similarly as that of Saxagliptin are held to be affordable, then, it cannot be said that Saxagliptin is being sold at an excessively high price in India.

Incubating startups

The Indian government recently made major policy announcements as part of its endeavour to encourage startups notably – SIPP or Start-Ups Intellectual Property Protection scheme. A Start-Up is a business that aims to develop or commercialise a new product or service or a significantly improved product or service. SIPP aims to provide knowledge about IP and also access to quality services. Appointment of facilitators who will be remunerated by the government and who will guide start-ups in securing their IP, drafting applications, assist in contesting oppositions are some of salient features of the scheme. The start-ups will have full rights in the IP generated by them and grant of registration will be subject to relevant statutes.

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