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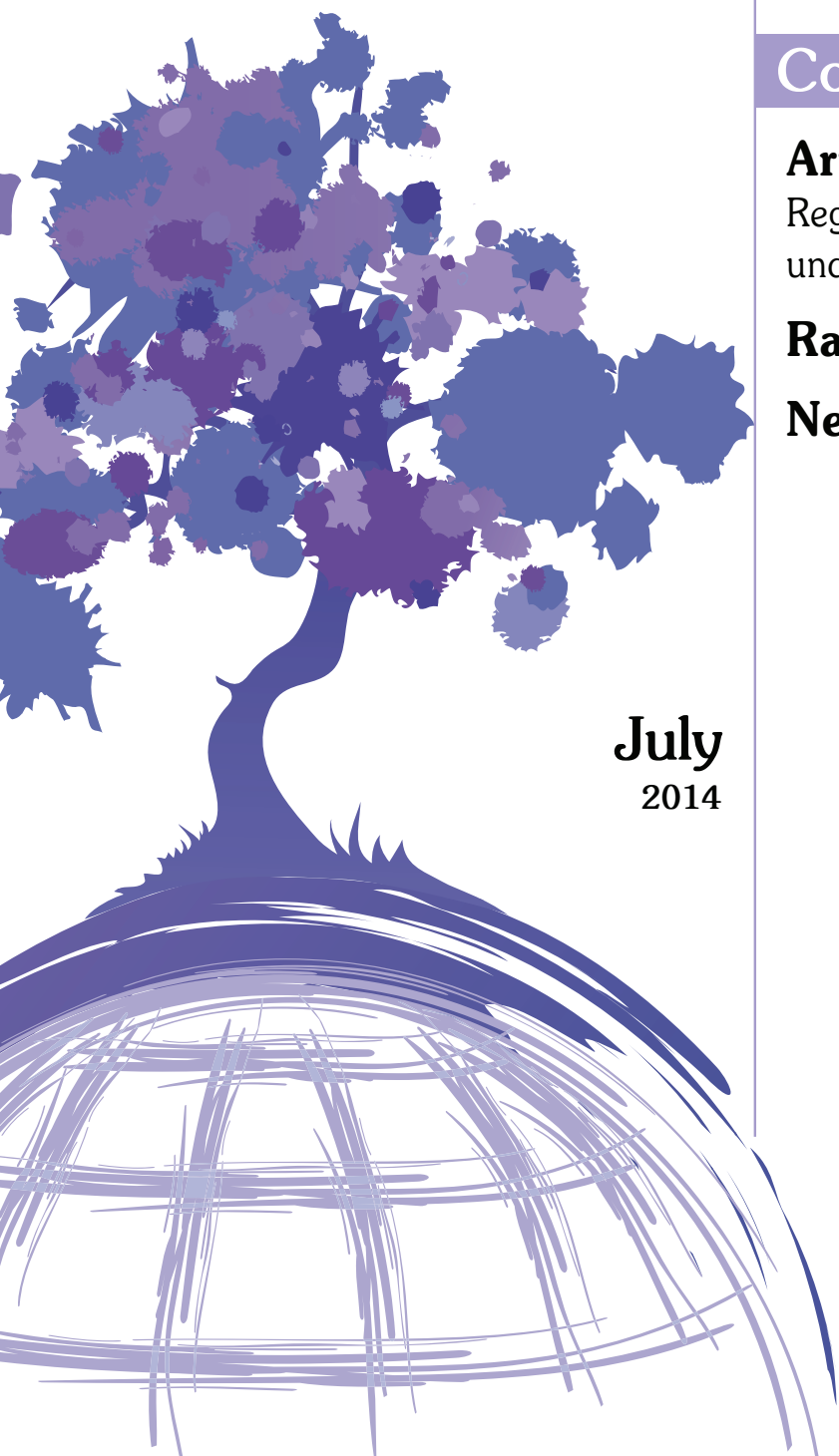
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## Article

### Registration of license / assignment deed under the Patents Act - Mandatory or not?

By **Vindhya S. Mani**

A license agreement or an assignment deed is an agreement between a right holder and the licensee and/or assignee wherein the right holder permits the licensee and/or assignee to use rights owned by the right holder in exchange for a consideration, whether in the form of a one-time settlement or a periodic royalty. Generally an agreement may be in writing or oral but Section 68 the Patents Act, 1970 (the Act) mandates that the license/assignment agreement shall not be valid unless the same is in writing embodying all the terms and conditions governing the rights and obligations of the parties and are duly executed. Further Section 69 of the Act embodies the procedure for registration of an assignment or license agreement. The questions that arise for discussion are - what is the importance of the registration of a document under Section 69 of the Act and what are the consequences that follow if such registration is not obtained. This issue was adjudicated by the Delhi High Court by order dated 16th April, 2014 in *Sergi Transformer Explosion Prevention Technologies Pvt. Ltd. v. Kumar Pratap Anil & Ors.* [I.A. No. 16042/2010 in CS (OS) No. 1610/2010].

#### **Factual background**

The Plaintiff, Sergi Transformer Technologies Pvt. Ltd. (Sergi Transformer) filed a suit seeking permanent injunction against the Defendants and Mr. Phillipe Magnier (proforma defendant-the patentee) from infringing the Indian Patent No. 189089 (the suit patent) in respect of a “Method and Device for Preventing / Protecting

Electrical Transformer against Explosion and Fire”. Sergi Transformer claimed to be the exclusive licensee of the above-mentioned patent by virtue of a license agreement dated 1st August, 2006. Further, it was also averred in the plaint that Sergi Transformer had initiated the process of registration of the license agreement with the Patent Office in Kolkata on 15th March, 2010.

During the pendency of said suit, the Defendants filed an application under Order VII Rule 11 read with Section 151 of the Civil Procedure Code, 1908 (CPC) to dismiss the above-mentioned suit on the ground that the suit was not maintainable as the license agreement forming the basis of the said suit was not registered with the Patent office.

The primary ground raised by the Defendants was that the license agreement relied upon by the Plaintiff was not a valid legal document as it has not been duly executed and it was a back-dated document that had been created to file the said suit. More importantly it was argued that although the license agreement was signed on 1st August, 2006, with effect from 1st January, 2006; it was not until 15th March 2010, that Sergi Transformer took steps to register the license as required under the Act.

Sergi Transformer argued that the non-registration of a license deed does not render it void and it had written to the Controller of Patents under Section 69 of the Act to have the same registered. It was further argued that there is no bar under the provisions of Sections 109 and 69

of the Act to bring the suit against infringement and that post-amendment of the Act there is no time stipulation for filing the application before the patent office for registration of the license deed.

### **Delhi High Court on the application under Order 7 Rule 11 CPC**

The Delhi High Court, relying on judgment of Supreme Court in *Liverpool & London S.P. & I Assn Ltd. v. M.V. Sea Success* [(2004) 9 SCC 512], observed that at the stage of considering an application under Order 7 Rule 11 of the CPC, the court has to only examine the plaint averments and the list of documents filed along with the suit. The Court thus held that other pleas advanced by parties including pleadings in the written statement have no relevancy in deciding such an application.

### **Delhi High Court on registration of licenses under the Act**

On perusing Sections 68 and 69 of the Act prior to and after the amendment in 2005, the Court observed that the un-amended Section 68 states that, a license or assignment agreement shall have effect from the date of execution, only on registration and an application for such registration has to be filed with the Controller within six months from the date of execution of document. In contrast, post-amendment under Section 69(5) of the Act, the validity of the license or assignment agreement as evidence is to be considered only after the document is registered in the office of the Controller, unless the Controller or the Court direct otherwise with reasons recorded in writing. Further under Section 69 of the Act there is no time prescribed for filing such an application for registration.

The Court emphasized on a conjoint reading of Sections 68, 69, 109 and 110 of the Act. Although there exists no bar to file a suit for infringement by the exclusive licensee even if the license agreement is not registered under the Act, in light of the wordings “*unless the Controller or the Court...directs otherwise*” under Section 69(5) of the Act, the Court clarified that the only case where an un-registered license or assignment agreement shall be admitted in evidence of the title of any person to a patent is if the Controller or the Court specifically directs in this regard in writing. In the instant case, though the Plaintiff had filed the license agreement before the patent office for registration, the Controller had not passed any specific order. Hence, the Court held that unless the agreement is registered or the court passes any such order, the license agreement is not to be considered in evidence by the Court.

With respect to the averments on the illegality of the license agreement of Sergi Transformer, the Court held that these issues would be considered by the Patent Office when it decides on Sergi Transformer’s application to register the agreement.

Although the Court declined to dismiss the suit on the basis of lack of registration of Sergi Transformer’s license agreement, the Court directed the Patent Office to decide on the registration of Sergi Transformer’s license agreement within 6 months from the date of the order. Further, the Court also directed that all pending applications and suit proceedings in relation to the instant subject matter stand adjourned till the Patent Office passes an order on the registration of Sergi Transformer’s agreement.

## Conclusion

In the light of the above judgment, it seems that the courts are hesitant to grant any relief whether interim or final, pending registration of the patent license or assignment agreement under the Act. Thus, while it is mandatory to register the license or assignment agreement with the Patent Office, given the huge backlog of applications pending

in the patent office for registration of licenses, the practice of staying proceedings pending the determination of registration of the license agreement is a matter of concern for a patentee/licensee.

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## Ratio Decidendi

### Bombay High Court upholds grant of compulsory licence for cancer drug

The Bombay High Court has upheld the decision of the Controller and IPAB to grant compulsory licence (CL) for a cancer drug. The court in this regard, considering the TRIPS Agreement, Doha Declaration and various provisions of the Patent Act, 1970, rejected the writ petition filed by the patent holder. Submission that efforts to obtain voluntary licence, as prescribed in Section 86(4) of the Patents Act, were not made by the respondent company, was rejected by the court noting the correspondence between the parties conveying refusal of voluntary licence by the patent holder-petitioner to the applicant-respondent. Concurrent finding of the authorities below was also noted by the court in this regard.

Observing that the applicant seeking CL was required to make a prima facie case that reasonable requirement of public was not satisfied, it was held that such exercise can never be carried out on mathematical basis but was to be determined on the basis of evidence led by the parties before the authorities. Evidence as placed before the authorities regarding number of

patients requiring the drug and number to whom it was supplied was taken into consideration by the court in this regard. Further, while holding that even quantity of goods supplied by infringers cannot be taken into account for this purpose (as such supply could stop any day, case of infringement being pending) it was observed that obligation to meet the reasonable requirement of the public is of the patent holder alone. The question of meeting public requirement was concluded to state that 'adequate extent' test as laid down in Section 84(7) of the Patents Act has to be taken as 100% in the case of medicines.

On the question of price being affordable, it was held that the price of the applicant-respondent was much lower than that of the patent holder-petitioner and hence would be the reasonably affordable price. It was also noted that the petitioner had not made available balance sheets to determine price of the product and though some medicine was given free based on certain purchases and as per the discretion of the petitioner, such exceptional price was not the price at which the patented drug is made available to the public.

Considering provisions of Section 83, the



court upheld the findings of the IPAB that manufacture in India may not be necessary in all cases to establish working in India and that it can be established even by imports, but the patent holder would have to satisfy the authorities as to why the invention was not being manufactured in India. Submission seeking providing of more time before grant of compulsory licence was also rejected by the court after taking note of Section 86 and absence of steps taken for working the patent in India. [*Bayer Corporation v. Union of India* – Judgment dated 15-7-2014 in Writ Petition No.1323 of 2013, Bombay High Court]

### Trade mark - Lower threshold of deceptive similarity for pharmaceutical products

Deciding on an application for interim injunction, the Bombay High Court has opined that a lower threshold of proof is sufficient to establish deceptive /confusing similarity where the trade marks in question are being applied to medicinal products. The rival marks were O2 and O1B in respect of certain medicinal preparations. Applying the test of ‘deceptive similarity’ the court held that phonetic similarity is an important factor to determine likelihood of confusion even when trade dress is different. The defendant’s plea of delay and acquiescence also failed since the court opined that mere delay cannot be the ground to deny relief when acquiescence was not proved. The defendant had earlier been restrained from using a similar mark and thus had knowledge of the plaintiff’s trademark. [*Medley Pharmaceuticals v. Twilight Mercantiles Limited*, Judgment in Notice of Motion No. 657 of 2008 in Suit No. 451 of 2008, dated 7-7-2014, Bombay High Court]

### Registration under Section 33(3) of Copyright Act essential to administer license

The Bombay High Court has held that only a society registered under Section 33(3) of the Copyright Act, 1957 (amended in 1994), can carry on the business of issuing and granting licenses. The plaintiffs had been served notices in respect of certain ‘public performance’ of copyrighted material by the defendant. The plaintiffs argued that as the defendant is not a duly authorised society, it cannot administer or grant license nor act on behalf of the right holders. One plaintiff was duly registered with TRAI and another held a license from Phonographic Performance Limited. The High Court opined that, *prima facie*, the action by the defendant was unlawful and granted interim injunction. [*Leopold Café & Ors. v. Novex Communications*, Order in NMSL/ 603/2014, dated 26-6-2014, Bombay High Court]

### Difference merely in degree of results is not patentable contribution

Agreeing with the Controller’s order on lack of inventive step the Intellectual Property Appellate Board (IPAB – India) reasoned that to be patentable, the results obtained from the claim must be different not just in degree but in kind. The claims related to discovery of new stabilizer mixture of particular amino acids in predetermined ratio for stabilization of recombinant factor VIII before lyophilisation (freeze drying). The ‘new’ mixture claimed to use amino acids in place of albumin which was susceptible to viral infection. However, perusing the prior art, the IPAB held that substitution of

stabilizer was within the capabilities of a person skilled in the art. [*Green Cross Holdings v. Controller of Patents & Ors*, Order No. 78/2014, 18-6-2014, IPAB]

### Public performance when content is provided to individual viewers

The US Supreme Court has held that in enabling subscribers to view broadcast of copyrighted content, using individual antennae, both elements of 'performance' and 'public' were satisfied and such activity amounted to infringement. In the instant case, the defendant transmitted content by means of individual antenna to subscribers which enabled them to view programmes of their choice almost

contemporaneously. The court did not find force in the arguments that there was only supply of equipment enabling performance and hence the service provider was not liable or since only one individual at a time viewed the content, there was no public performance. The court reasoned that the changes in statute were brought in 1976 to cover cable TV like operations and emphasised that the relationship between the set of people for whom a work is performed and the underlying work is determinative. In the instant case, people who viewed the content were not owners and the defendant did not have license to perform the works. [*American Broadcasting Companies v. AEREO*, Opinion No. 13-46, dated 25-6-2014, United States Supreme Court]

## News Nuggets

### Canada amends trademark law

Bill C-31, seeking to amend law relating to trademarks, besides a host of areas like income tax as part of the changes announced in the Canadian Budget, received royal assent on June 19. It is reported to facilitate accession to the Madrid Protocol, Singapore Treaty and Nice Agreement and bring Canada's laws on par with international legislation. 'Sign' will now include a word, a personal name, a design, a letter, a numeral, a colour, a figurative element, a three-dimensional shape, a hologram, a moving image, a mode of packaging goods, a sound, a scent, a taste, a texture and the positioning of a sign. The date of filing for registration abroad will be deemed as date of filing in Canada subject to certain conditions like

request for priority, filing within six months of filing abroad, etc. The period for each subsequent renewal of trademarks will now be ten years. The new provisions do away with the requirement that the applicant or his predecessor in title 'has used in Canada or made known in Canada in association with wares or services' the trademark sought to be registered.

### Confusion while purchasing under normal marketing conditions

The General Court (CJEU) did not find any likelihood of confusion between Hani, Ilani, Rani and Sani used for carbonated water and beverages and for edible foods including butter, fish products, pasta and so on. The Board of Appeal for OHIM had held that the

average public could distinguish between the marks since Hani and Ilani and Rani were not visually or conceptually similar and that the marks had a lower than average degree of aural similarity owing to the differences between their first syllables. Hence, Sani could be registered in class 29, 30 and 32.

The argument, that confusion might result when the goods are ordered in a noisy bar or restaurant, was not persuasive. The court sought to assess confusion during purchase under normal marketing conditions though it was possible that the purchase might be made in a noisy environment.

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