From The Editor’s Desk

Dear Reader,

Welcome to the fourth edition of the "IP India News"!

We have entered a new year - here is wishing you a very happy new year and happy reading too. Shortly after entering the New Year the Prime Minister Mr. Modi set the goals for start-up India Action Plan. As can be seen it is a very forward looking and ambitious project - designed to give impetus to innovation and encourage talent.

There shall be no capital gains tax on personal property sold to invest in startups. Further, startups will be exempted from paying income tax on their income for first 3 years.

The provision for self certification compliance for startups shall be initiated. No inspection for first 3 year of a startup business in respect of labour, environment law compliance post self-certification.

Startups hubs will be a single point source for information & mentoring and even for obtaining finance. Dedicated fund worth 10,000 cr will be set up for startups. Will bring in new policies to help women entrepreneurs. Launched on a pilot basis for a year, the central government shall bear the cost of patents, trademark and designs, with an 80% rebate to encourage the creation and protection of its Intellectual Property.

Exit policy to be introduced for startups which enable them to wind up within 90 days with the aid recently tabled Bankruptcy Bill, 2015. This will respect the concept of limited liability.

These are exciting times in Indian IP scenario, ones that would benefit all and sundry. We hope that they would be beneficial to you as well. I would take this opportunity to thank everyone who has supported this edition by providing useful information. We hope you will find this a useful update on Intellectual Property in India.

Yours Sincerely,

Ms. Richa Pandey

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**IP Scoop**

*A bitter battle of anti-diabetic pills*

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**Facts**

The Plaintiff, Merck Sharp & Dohme Corporation, is holding valid Patent no. 209816 selling its diabetic drug under the brand name of “JANUVIA” and “JANUMET” in India. The chemical compound Sitagliptin is specifically claimed by the Plaintiff under the above said patent. The Plaintiff’s keeping in mind; the public interest in India launched its drug “Januvia” with a price tag of INR 43 per pill which is roughly one-fifth of its price in the USA. The Plaintiff’s also launched patient access program under the name “MSD Sparsh Helpline” which is the first of its kind in India under the objective that this will facilitate optimal and comprehensive management of patients with Type II diabetes mellitus by improving patient’s understanding of the disease and its management; patient’s adherence and compliance to prescribed therapy and patient’s self-involvement in the disease management process.

The Defendant i.e. Glenmark manufactures, sells, offers for sale and advertises the pharmaceutical compositions, Sitagliptin Phosphate Monohydrate under the brand “ZITA” and Sitagliptin Phosphate Monohydrate and Metformin Hydrochloride under the brand name “ZITA–MET”. These are the generic versions of “Januvia” and “Janumet”.

**Plaintiff’s Contentions**

Sitagliptin in all its forms and salts (including Sitagliptin phosphate) are covered by claims 1, 15, 17 and 19 of the suit Patent. The therapeutic moiety in Januvia and Janumet, is Sitagliptin.

Suit Patent is the basic Patent for Sitagliptin and its pharmaceutically acceptable salts, in all its forms, be it chemical or physical. Phosphoric acid is disclosed as an acid that can form a salt with the Sitagliptin free base; and hydrates are also disclosed in the specification. One skilled in the art would know how to make the dihydrogen phosphate salt from the Hydrochloride salt.

In India efficacy is restricted to therapeutic efficacy, therefore, such technical advantages are not sufficient to protect the invention claimed in 5948/DELNP/2005 from the prohibitory ambit of Section 3(d) of the Act.

**Defendant’s Contentions**

Products that are marketed and sold by Defendant/Glenmark are not covered under the patent.

Patent suit discloses the products Sitagliptin/Sitagliptin Hydrochloride; whereas Sitagliptin Phosphate Monohydrate is a different chemical entity having different physical and chemical properties.

Products disclosed in the patent suit are not capable of being administered as a medicine as the same are chemically and physically unstable in nature.

Plaintiff did not pursue the application in respect of Sitagliptin Phosphate Monohydrate in India and voluntarily abandoned the same, thus resulting in Sitagliptin Phosphate Monohydrate being in the public domain.

The Plaintiffs did not approach the Court with clean hands and have suppressed material facts.

The generic drugs “ZITA” and “ZITA-MET” are beneficial to the public at large because of their low cost. Further in this light, MSD has been overcharging the Indian customers by charging the same price for “JANUMET” and “ISTAMET” regardless of potential and strength of the tablet. Disclosures in the patent suit were extremely broad.

**Reasoning and decision of the Court**

The Hon’ble Delhi High Court noted that the onus to prove that the invention in the patent suit was obvious to a person skilled in the art, rested on the Defendant and it failed to prove the same. The Hon’ble Court said that mere comparison of chemical structure is not
sufficient, and neither the picking up parts of chemical structures of different patents and clubbing them, sufficient to prove that the invention is not novel or obvious. The Defendant’s witness in this case is said to have followed a methodology referred to as ‘hindsight analysis’ which is a prohibited methodology under the Patent law. Upon questioning this fact, the DW2 reserved his comments. The Court felt the plaintiff’s witness is more trustworthy and reliable in chemical, biological & medicinal field. The Court felt the need to reiterate the reading of Section 2(1)(j) of the Patents Act, which defines “invention” as a new product or process involving an inventive step and capable of industrial application along with Section 2(1)(ac) according to which ‘capable of industrial application’ in relation to an invention, means that the invention is capable of being made or used in an industry.

Another Section that has claimed significance in this judgment is none other than Section 83 of the Patents Act. The reading of Section 83 revealed that when an invention is said to be capable of being made or used in an industry. Such an invention should benefit the public and should be affordable. While answering the issue of infringement, two things that the Court observed to be relevant were that, one Sitagliptin is the molecule with the therapeutic utility; whereas Sitagliptin Phosphate Monohydrate has advantage over the Sitagliptin Free Base, in that it has got better physical and chemical characteristics so as to make it in tablet forms.

On the issue of lack of sufficient disclosure and broad claiming, the Court in this case has observed that the disclosure in the suit Patent is not for a lay person but is addressed to a person of ordinary skill in the art. Further, since the Defendant itself has been successful in making Sitagliptin Phosphate Monohydrate, it cannot claim that the patent in question is too wide and broad. To quote the court “Defendant cannot be permitted to blow hot and cold in the same breath.”

The provisions under Section 64 of the Patents Act make it clear that it is not mandatory for the Court to revoke the patent merely because any of the grounds mentioned in Section 64(1) are made out. It is the discretion of the Court to revoke or not to revoke in the given facts and circumstances of a case. The word “may” used in Section 64(1) of the Act makes it clear that it is the discretion of the Court to revoke the patent under this provision if any of the ground(s) stipulated therein are disclosed or made out and “may” cannot be read as “shall” as contended by the defendant.

With respect to the arguments made about “public interest”, the court noted that Sitagliptin is not the only inhibitor for treatment of type II diabetes in the market and there are several other inhibitors, including the one manufactured and marketed by Defendant called “Teneligliptin”.

The Court further pointed out that merely because Defendant who is manufacturing generic version of drug and selling it at a lower price than plaintiff is no ground for declining the injunction against them; if they are found to be involved in infringing plaintiff invention.

Based on the above said findings of the Hon’ble Court Defendant has been restrained by a decree of permanent injunction from making, using, selling, distributing, advertising, exporting, offering for sale or dealing in Sitagliptin Phosphate Monohydrate or any other salt of Sitagliptin in any form, alone or in combination with one or more other drugs thereby infringing the Patent suit.

**The War of Crayons- from our corner**

<table>
<thead>
<tr>
<th>Plaintiffs’ Products</th>
<th>Defendant’s Products</th>
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<tbody>
<tr>
<td>Faber-Castell</td>
<td>TiO2</td>
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**Facts**

It all started when the Faber-Castell Group found colourably similar crayons in the Indian market
manufactured and/or marketed and being sold in a red colour packaging by Cello. Aggrieved by such a finding, Faber-Castell Group (“Plaintiffs”) preferred to move the Bombay High Court against Cello (“Defendant”) on the grounds of infringement of its design of crayon, infringement of its copyright and passing off.

**Plaintiff’s Contentions**

It was the Plaintiffs’ case that they were manufacturing and/or marketing and/or exporting the ‘Grip Erasable Crayon’ under a distinctive red colour packaging and a distinctive/unique getup as displayed on the left in the figure above. Further, the said unique red colour packaging had become very popular in a short span of time and had thus acquired a formidable goodwill and reputation amongst consumers at large. Furthermore, the Plaintiffs’ contented that their in-house team of designers had designed a triangular shaped crayon with dotted portion on three sides which had a unique, distinctive and novel shape and configuration. Therefore, the Plaintiffs sought to exercise their rights on the shape and configuration of the crayon in its entirety viz. a triangular shaped crayon coupled with embossed and/or dotted portion on three sides which appealed to the eyes and served as a design.

What the Plaintiffs claimed was that the combination of all the above mentioned elements in a particular manner as depicted by the Plaintiffs and in such presentation went beyond the merely functional. Furthermore, the Plaintiffs alleged that the Defendant’s impugned crayon bore an unholy resemblance to the crayon of the Plaintiffs which was nothing but the most slavish imitation imaginable and as such there was no method to distinguish the two rival crayons except that the words “Faber-Castell” and the miniscule logo embossed on one side of the triangular shank of each of the crayon of the Plaintiffs, were missing on that of the Defendant’s crayon. In view of this and that as the target audience of crayons were children, the Plaintiffs contended that the chances of confusion were not just exceedingly high, they were certain, which would amount to a violation of the Plaintiffs’ proprietary rights and passing off of the Defendant’s crayon as and for that of the Plaintiffs’.

**Defendant’s Contentions**

On the other hand, the Defendant alleged that the Plaintiffs had suppressed certain material facts as the plaint had carefully omitted the mention of prior publication of the Plaintiffs’ own design of this very nature in respect of writing instruments and these crayons themselves. The Defendant contended that this suppression was material because each of the elements mentioned by the Plaintiffs were purely functional and not capricious additions. Further, the Defendant also contended that since there had been a prior publication of the Plaintiffs’ design, the burden of proof on the Plaintiffs would be significantly higher and therefore the Plaintiffs would be unable to argue design infringement at the present interlocutory stage. Furthermore, the Defendant contended that the Plaintiffs must also show that the matters sought to be protected were neither purely descriptive nor purely functional and consequently the Plaintiffs would also need to prove that despite the presence of several distinguishing marks, confusion was inevitable or had in fact actually occurred in the present case.

**Reasoning and decision of the Court**

The Hon’ble Justice G.S. Patel after hearing the submissions of both parties relied upon a number of authorities to determine the issue of capriciousness and the issue of passing off.

Firstly, he observed that capriciousness is something that is not purely functional. He stated that “In the context of design law, it means none of these things. It does not mean frivolous, flippant or facetious. It means, at least in my comprehension of it, simply something that is not purely functional; a triumph of form over function, perhaps. It speaks to the existence of an aesthetic or artistic appeal in a design as opposed to one that serves only a functional purpose”.
With respect to the issue of passing off, the Hon’ble judge heavily relied on the judgment of Jones vs. Hallworth [(1897) RPC (14) 225] to determine permissible copying, and came to a conclusion that it was perfectly innocent to pickup various individual elements of different manufacturers which were common to the trade. But, by an inductive process, one may come to the conclusion that every one of those perfectly innocent things when combined in a series may produce something which is the reverse of innocent. The Hon’ble Court further relied on the Whirlpool of India Ltd. v Videocon Industries Ltd. [2014 (60) PTC 155] decision of the Bombay High Court to determine whether a particular element can add both functionality and aesthetic appeal. In conclusion, the Hon’ble Justice Patel stated that as the target audience were children or harried parents, there was no distinction between the two products and consequently observed that “every single feature that is being used in a unique fashion by Faber-Castell in creating their products has been replicated, down to the last millimetre, in Cello’s product. This is an exact fit with the Jones v Hallworth, Whirlpool and Pikpen tests. Indeed, other than the embossing of the Faber-Castell name and logo on one face of the triangular crayon, I do not see how at a visual glance anyone would be able to tell one product from the other. To adopt one feature may be happenstance; two might be coincidence; to replicate them all, I think with some considerable justification, is, if not actually enemy action, certainly deserving of an injunction” (emphasis added).

In light thereof, the Court was pleased to hold in favor of the Plaintiffs and grant an interim injunction restraining the Defendant from manufacturing and/or marketing the impugned crayons. It is important to mention that the Plaintiffs did not press for injunction in respect of the outer packaging of Defendant in which the impugned crayons were being sold as the Defendant had adopted a new packaging.

It is also pertinent to note that while adjudicating the present matter, the Hon’ble Court considered most of the landmark decisions that relate to design law in India and thus it can be said that this present ruling ought to be considered as a highly reputable resource while attempting to understand design protection in India.

**Impetus**

**Enforceability of secrecy clauses in India – What is ‘reasonable’?**

It is widely known that trade secrets or confidential information do not receive statutory protection in India, and the same are typically protected contractually vide non-disclosure agreements (“NDA”) and/or secrecy clauses embedded within a master agreement. Due to the increased focus on protection of trade secrets in commercial transactions and employment/service contracts, it is important to explore the validity and enforceability of non-disclosure or secrecy obligations during the term and post the termination of such contracts.

Earlier decisions of the Hon’ble Supreme Court and other subordinate judicial fora in India indicate that the key issues debated upon while deciding the validity and enforceability of secrecy clauses post-termination inter alia include, i) whether confidential information or a trade secret sought to be protected under a secrecy clause is indeed a secret and ought to be treated as such; ii) whether the obligation of non-disclosure can survive the termination of the contract; iii) if the said obligation can survive the termination, then for how long?
Two recent cases from the Kolkata High Court address the issue of validity and/or enforceability of secrecy clauses post-termination of an agreement.

It is interesting to note from earlier decisions as well as the decisions discussed hereunder, that typically the Courts have upheld the survival of secrecy or non-disclosure obligations post termination that are ‘reasonable’. However, meaning of the term ‘reasonable’ either in terms of restrictions or time frame has not yet been settled by Courts in India. The decisions of the Hon’ble Kolkata High Court passed in 2015 discussed below may act as illuminators on this issue.

In Hi-Tech Systems & Services Ltd. v/s. Suprabhat Ray and Ors. [AIR 2015 Cal 261], the Plaintiff, a company that manufactured and sold technologically advanced highly engineered products and equipments for the power and process sector industries had employed the Respondents who were obliged to keep confidential all information and material provided to them during their employment with the Plaintiff, and thereafter until a period of three years from the date of termination/resignation vide a code of conduct/human resource policy circulated to them during the course of their employment. Soon after the resignation by the Respondents, the Plaintiff learned that the Respondents had started a competing business and solicited the Plaintiff’s clients using valuable data and information illegally procured from the Plaintiff’s database. As a result of such finding, the Plaintiff filed an application before the Hon’ble Kolkata High Court praying for an order of injunction restraining the Respondents from divulging and/or using in any manner the Plaintiff’s computer database containing confidential information and trade secrets.

After hearing both the parties the Court held that-

“The respondents by reason of their employment were in possession of all the confidential information and trade secrets such as prices, clientele, database, the exact requirements and other confidential information attached to the trade which the said respondents are not entitled to reveal.”

The Court further held that-

“A trade secret or a business secret may relate to financial arrangement, the customer list of a trader and some of the information in this regard would be of a highly confidential nature as being potentially damaging if a competitor obtained such information and utilized the same to the detriment of the giver of the information. Business information such as cost and pricing, projected capital investments, inventory marketing strategies and customer’s lists may qualify as his trade secrets. The Courts need to find out if the information that were acquired during the course of their employment are now being used as the spring board to enable the said respondents to exploit such database in the course of their business.”

Even further, the Court was pleased to restrain the Respondents from utilizing trade secrets and confidential information of the Plaintiff and from acting as a sales agent of the Plaintiff’s client for a period of three years from resignation/termination of the employment as stipulated in the said code of conduct/human resource policy. Furthermore, although the Court held that its order shall not prevent the Respondents from carrying any business, which maybe same and/or similar to the Plaintiff, it added a condition that the same should be carried out without using and/or utilizing the database and trade secrets of the Plaintiff in course of their business, thus protecting the trade secrets of the Petitioner.

In the matter of Fairfest Media Ltd. v/s. ITE Group Plc [2015(2) CHN (CAL) 704], the Petitioner, a company engaged in the business of organizing travel trade shows entered into a NDA on March 15, 2013 for a period of six months with the Respondent in the anticipation of entering into a Joint Venture Agreement at a later date. As per the said NDA, the recipient was required to keep the information confidential and not disclose directly or indirectly the said information for a period of two years after the termination of the NDA. The information supplied to the respondent related to matters concerning marketing strategy, customer base, costing and profitability for organization of travel trade show. Thereafter, due to various issues, the
negotiations between the parties broke down, which resulted in the Petitioner filing an application before the Hon’ble Kolkata High Court for restraining the Respondent from sharing any confidential information received by it for the period stipulated under the NDA. Upon hearing the parties, the Hon’ble Court held that

“Business information such as cost and pricing, projected capital investments, inventory, marketing strategies and customer lists may qualify as trade secrets”

and passed an injunction restraining the defendant from sharing any information concerning marketing strategy and customer base received from the Petitioner until the time stipulated under the NDA i.e. for a period of 2 years from the date of expiry of the NDA September 30, 2015, thus, enforcing the secrecy clause as stipulated in the NDA between the parties.

The ruling in both the above decisions suggests that Courts may not be impervious to enforcing secrecy clauses post-termination of an agreement. In the cases mentioned above, an obligation of secrecy surviving for two to three years post termination of an agreement was enforced without any objections as to the time frame, which could be construed to mean that such a time frame may be considered reasonable. However, it would be premature to conclude that the law is settled on what are reasonable restrictions that can be enforced in a secrecy/non-disclosure clause post termination of an agreement.

With the growing importance of trade secret protection and enforcement, it would be a welcome move by the Courts to settle the law.

Note: The above views are based on the decisions reported in this article. The article is merely a report on the said decisions passed by the relevant judicial authority on such subject matter. The author has not aimed to draw any conclusion, as each judicial authority has interpreted such subject matter on a case to case basis, thus making it difficult for the author herein to provide a definitive stance or even identify a meaningful trend on such matters in India.
and development plans submitted by Ferani or its architects for approval from the Corporation. Since the request demanded third party information, the PIO notified Ferani under Section 11 of the Act. The latter responded with a list of objections, leading to the application’s dismissal. Following a partially successful First Appeal, Wadia appealed before the State Information Commissioner, who directed the Corporation to fulfill the request in its entirety. In response to the order, Ferani filed a Writ Petition before the Bombay High Court.

**Petitioner’s Contentions**

1. The information sought to be disclosed was exempted under Section 8(1) (d) of the RTI Act as their disclosure would erode its competitive advantage in the market.

2. The development plans were subject to copyright, and the unauthorized reproduction of such material would amount to infringement against which its interests are protected by Section 9 of the RTI Act.

3. Inability of Respondent No.3 to induce production of documents in the civil suit proceedings would preclude him from requesting the documents under the RTI Act.

**Reasoning and decision of the Court**

The court held that development plans constituted information of a public nature, and to extend the protection of Section 8 to them would deprive the public of the opportunity to examine layout plans approved by the Corporation, leading to a “total lack of transparency and accountability” in the manner in which the Corporation granted approvals. The court also sought to draw the line between trade secrets protected by Section 8 and public records capable of being disclosed under the Act, holding that the transition from trade secret to public record occurred at the point where the public authority, granted approval in exercise of its statutory authority.

The court also rejected the Section 9 argument, noting that the Petitioner had conflated trade secret protection with copyright protection. Further, the Court cited Section 52(1) (e) of the Copyright Act, which carves out an exception for the reproduction of a work in the form of certified copies issued in accordance with any law.

Even the Petitioner’s third contention was rejected, holding that in the absence of explicit prohibitory orders issued by a competent Court, mere unsuccessful efforts to admit the documents in trial would not take away the Respondent’s statutory right as granted under Right to Information Act.

**IP Spectator**

*Are IPRs acquired fall within the ambit of ‘plant and machinery’ for claiming tax depreciation?*

The Apex Court has considered the question on the issue “whether the acquisition of trademarks, copyright and technical know-how can be treated as “plant and machinery” so that depreciation may be claimed on them under Section 32 of the Income Tax Act, 1961”.

**Facts**

Mangalore Ganesh Beedi Works (herein after referred as MGBW) is a beedi-manufacturing business, which was established in the year 1940 as a partnership firm. The partnership firm was reconstituted from time to time contained Clause 16 which relates to winding-up of the partnership firm’s affairs after its dissolution. The relevant clause 16 of the partnership agreement read as follows:-

“If the partnership is dissolved, the going concern carried on under the name of the Firm Mangalore Ganesh Beedi Works and all the trademarks used in course of the said business by the said firm and under which the business of the partnership is carried on shall vest in and belong to the partner who offers and pays or two or more partners who jointly offer and pay the
highest price therefor as a single group at a sale to be then held as among the partners shall be entitled to bid. The other partners shall execute and complete in favour of the purchasing partner or partners at his/her or their expense all such deed, instruments and applications and otherwise and him/her name or their names of all the said trademarks and do all such deed, acts and transactions as are incidental or necessary to the said transferee or assignee partner or partners.”

Due to difference between the partners of MGBW, the firm was dissolved in December, 1987 by filing a Company Petition in the Karnataka High Court; the High Court appointed an Official Liquidator and passed a winding up order in June, 1991 and the High Court fixed the reserved price for the auction as INR 30 crores.

Pursuant to orders the auction was duly conducted in June 1991 and the business of the firm passed into the hands of three former partners of the firm, forming an association of persons who had bid highest amount of INR 92 crores for the assets of MGBW; the sale took place with effect from November 18, 1994; but the tangible asset of the firm were actually handed over to them on January 1995.

MGBW (hereinafter referred to as the ‘Assessee’) filed income tax returns for the period of November 18, 1994 to March 31, 1995. The Assessee claimed depreciation under Sections 35A and 35AB of the Act towards acquisition of IP such as trademark, copyright and technical know-how (Section 35A allows deductions for expenditure on acquiring patents and copyrights and Section 35AB on acquisition of know-how); alternatively, the Assessee claimed deduction through depreciation on the value of the IPRs by treating them as “plant”.

On March 30, 1998; the Assessing Officer passed an order rejecting all the claims of the Assessee. Subsequently, the order was appealed by the Assessee and the Commissioner of Income-Tax (Appeals) rejected the Assessee’s claim for depreciation on IPRs.

The Assessee appealed the order before the Income-Tax Appellate Tribunal (hereinafter ‘the Tribunal’) which allowed the Appeal. The Revenue appealed the order of the Tribunal in the Karnataka High Court which set aside the Tribunal’s findings and restored the order of the Assessing Officer aggrieved by the same; the Assessee appealed to the Supreme Court.

**Reasoning and Decision**

Now the questions to be considered by the Hon’ble Apex Court is “Whether the Assessee was entitled to claim any deduction on the alleged expenditure on acquisition of patent [trademarks] rights, copyrights and know-how, in terms of Section 35A and 35AB of the Act?”

The Karnataka High Court ruled in favour of the Revenue on this issue because the High Court accepted the Revenue’s contention that what was transferred in the auction sale was the goodwill of the firm and not MGBW’s IPRs as alleged by the Assessee. However, the Apex Court chose not to rule on the applicability of Sections 35A and 35AB in the instant case and instead focused on the alternative issue involved in the case, i.e. whether the Assessee can claim depreciation on the acquisition of IPRs by treating them as “plants and machinery” as if the assesse is given the benefit of Section 32 read with Section 43(3) of the Act (Depreciation on plants) as has been done by the tribunal.

Hence, the Hon’ble Apex Court considered that Whether the Assessee can claim benefit under Section 32 read with 43(3)?

The Apex Court observed that the definition of ‘plant’ in Section 43(3) of the Act is inclusive and took into account its decision in CIT v. Taj Mahal Hotel wherein it was held that the word ‘plant’ must be given a wide meaning:-

“Now it is well settled that where the definition of a word has not been given, it must be construed in its popular sense if it is a word of everyday use. Popular sense means “that sense which people conversant with the subject-matter with which the statute is dealing, would attribute to it”. In the present case, Section 10(5) enlarges the definition of the word “plant” by including in it the words which have already been mentioned before. The very fact that even books have been included shows that the meaning intended to be given to “plant” is wide. The word “includes” is often used in...
interpretation clauses in order to enlarge the meaning of the words or phrases occurring in the body of the statute. When it is so used, those words and phrases must be construed as comprehending not only such things as they signify according to their nature and import but also those things which the interpretation clause declares that they shall include. The word “include” is also susceptible of other constructions which it is unnecessary to go into.”

The Court held that the intellectual property such as ‘trademarks, copyrights and technical know-how’ would come within the definition of ‘plant’ in the sense which people conversant with the subject matter with which the statute is dealing. The Hon’ble Court held that “…there can be no doubt that for the purposes of a large business, control over intellectual property rights such as brand name, trademark etc. are absolutely necessary. Moreover, the acquisition of such rights and know-how is acquisition of a capital nature, more particularly in the case of the Assessee. Therefore, it cannot be doubted that so far as the Assessee is concerned, the trademarks, copyrights and know-how acquired by it would come within the definition of ‘plant’ being commercially necessary and essential as understood by those dealing with direct taxes.”

The Court further observed that Section 32 of the Act initially did not distinguish between tangible and intangible assets for the purposes of depreciation and that the distinction came about by way of an amendment after the relevant assessment year in the present case. Therefore, the Assessee should be entitled to claim benefit under Section 32 read with Section 43(3) of the Act.

The Court further noted that the Revenue is actually seeking to re-write Clause 16 of the partnership agreement between the erstwhile partners of the MGBW (assessee herein); the clause 16 of the partnership agreement specifically states that “the going concern and all the trademarks used in the course of the said business by the said firm and under which the business of the partnership is carried on shall vest in and belong to the highest bidder.”

Therefore, the hon’ble Court negated the Revenue’s contention that it was the goodwill and not the trademarks that were auctioned in the sale and cited the case of D.S. Bist and Sons v. CIT wherein it was held that “the Act does not clothe the taxing authorities with any power or jurisdiction to re-write the terms of the agreement arrived at between the parties with each other at arm’s length and with no allegation of any collusion between them. The commercial expediency of the contract is to be adjudged by the contracting parties as to its terms. Hence, therefore, the Hon’ble Court answered the question in favour of Assessee and disposed the matter leaving the question open about the applicability of Sections 35A and 35AB in the instant case.

**Cipla’s erlocip drug infringing Roche’s patent over cancer drug erlotinib: The Delhi High Court**

**Facts**

The Plaintiff’s herein Roche, along with Pfizer, claimed that it had been granted a patent for ‘erlotinib’, the molecular [6, 7-bis (2-methoxyethoxy) quinazolin-4-yl]-3-ethynylphenyl amine hydrochloride in the year 2007. The patented product was introduced by the Plaintiff onto the Indian market in 2006 and was marketed under the brand name TARCEVA.

Defendant’s Contentions

1. It had been selling its drug under the brand name ERLOCIP since December 2007.
2. Plaintiff’s Patent was invalid because ‘erlotinib’ was a derivative of Quinazolin, which had been used in cancer treatment. Hence, deriveat of known compound and hit by Section 3 (d) of the Indian Patents Act.

3. Plaintiff’s invention, as per complete specification was obvious or did not involve any inventive step.

4. The complete specification did not sufficiently and fairly describe the invention or the method by which it was to be performed.

5. The huge difference in price between Plaintiff’s drug (Rs.4,800 tablet) and Cipla’s drug (Rs.1,600) because the drug in question was a life saving drug and pricing is one of the most important factor.

**Plaintiff’s Contentions**

1. The Section 3 (d) of the Patents Act only prohibits the derivatives of ‘a known substance’.

2. The argument on prior art was adequately dealt by the Patent Office during opposition proceedings.

3. Balance of convenience can be seen from the accessibility of the product in particular territory it is not necessary that that product/drug should be manufactured there.

**Reasoning and Decision**

The Court clearly elaborated the nature of infringement in the abovesaid case and found that "This (the patent claim) is a sufficiently broad claim that is clearly not limited to any polymorphic version of erlotinib hydrochloride, but to erlotinib hydrochloride itself."."This compound may exist in several polymorphic forms, but any and all such forms will be subsumed within this patent. Therefore as Cipla’s Erlocip is admittedly one particular polymorphic form of the Erlotinib Hydrochloride compound (Polymorph B), it will clearly infringe IN’774 patent."

The Hon’ble Court has made the Section 3(d) more clear and said that: "We understand Section 3(d) as a positive provision that in fact recognizes incremental innovation while cautioning that the incremental steps may sometimes be so little that the resultant product is no different from the original. The inherent assumption in this is that infringement of the resultant product would therefore be an infringement of the original i.e. the known substance and by no stretch of imagination can Section 3(d) be interpreted as constituting a defence to infringement."
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