CLASIS LAW

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Contents

Introduction
Page 1

Insurance update
Page 2

Legal alert
Page 4

Indirect taxation
Page 6

Corporate and commercial
Page 7

Projects, energy and natural resources update
Page 8

Intellectual property update
Page 10

Recent event
Page 14

Welcome to the new chapter of 2015 of the Clasis Law newsletter.

This edition brings to our readers a featured article on "Insurance Laws (Amendment) Bill" passed as Ordinance in India.

On 26th December 2014, the President of India passed the much awaited Insurance Laws (Amendment) Bill as an Ordinance, which has the same force and effect as that of an Act. The Bill among other things raises the foreign investment in the insurance sector from 26% to 49% wherein it is mandated that managerial control shall remain with Indian companies.

Further, the President of India has also recently passed Ordinances in relation to the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, the Motor Vehicle Amendment Bill, the Citizenship Act and the Coal Mines (Special Provisions) Second Ordinance.

We continue to highlight certain key judgements passed by the Hon'ble Supreme Court of India as well as changes in corporate and commercial matters, case laws in indirect taxation, updates in Projects, Energy and Natural Resources and Intellectual property.

Your inputs and feedback are always welcome and we look forward to our interactions with you.

Insurance update

Insurance Laws (Amendment) Bill passed as Ordinance in India

The long awaited Insurance Laws (Amendment) Bill (the "Bill") has become a provisional law in India. The Bill which could not be passed in the Parliament in its winter session has been promulgated by the President of India as an Ordinance on December 26, 2014. The Bill being passed as an Ordinance shall have the same force and effect as an Act of Parliament. The Bill amends three Acts viz. the Insurance Act, 1938; the General Insurance Business (Nationalisation) Act, 1972; and the Insurance Regulatory and Development Authority Act, 1999. The Bill has been passed with a view to enhance the foreign investment in the insurance sector so as to create a conducive environment for business and to increase the economic growth.

Highlights of the Bill

1. **Increase in foreign equity cap to 49%**

   The Bill increases the maximum permitted limit of foreign equity in Indian insurance companies from 26% to 49%. The limit shall be a composite cap – either as a direct investment or by a portfolio, or a combination of both. The management and control of the insurance companies shall remain with Indian companies. The term "control" has been defined to mean "the right to appoint a majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements".

2. **Lloyd's of London to be treated as a foreign company**

   To facilitate the entry of Lloyd's of London covered under the Lloyd's Act 1871 of the United Kingdom, the Bill amends the definition of "foreign company" which would now include a company or body established under a law of any country outside India and includes Lloyd's of London established under the Lloyd's Act 1871 or any of its members.

3. **Registration requirements for doing Insurance business in India**

   Every insurer is required to be registered in order to carry on insurance business in India. Under the Bill, public companies, co-operative societies, foreign companies operating through a branch and statutory bodies established by acts of Parliament have to be registered to carry on insurance. In order to be registered, each category of insurer requires a minimum amount of capital: for life insurance, general insurance and health insurance, the minimum paid up capital required is Rs 1 billion (around USD 16 million) and for reinsurance business, the minimum paid up capital required is Rs 2 billion (around USD 32 million). Such paid-up equity capital would not include the preliminary expenses incurred for formation and registration of the (re)insurance company.

4. **Branches for reinsurance business in India**

   The Bill permits foreign reinsurers to open branches only for reinsurance business in India. The provisions prohibiting an insurer to invest directly or indirectly outside India the funds of policyholder would apply to such branches.

5. **Power of appeal to the Security Appellate Tribunal**

   Appeals against decisions by Insurance Regulatory Development Authority of India (IRDA) would be filed before Securities Appellate Tribunal (SAT), set up under the SEBI Act, 1992.

6. **Enhancement of penalties**

   The Bill enhances penalties for offences such as
   carrying on the business of insurance without registration or not complying with the obligation towards the rural and social sector and third party insurance of motor vehicles.

7. **New definition of the term “intermediary”**

   The Bill defines the term intermediaries to include insurance brokers, re-insurance brokers, insurance consultants, corporate agents, third party administrator, surveyors and loss assessors and such other entities IRDA may notify by regulations from time to time.

8. **Licenses to insurance agents**

   The Bill provides that no person can be an agent for more than one life insurer and one general or health insurer. It also provides that IRDA shall ensure, while framing regulations, that no conflict of interest arises for any agent in representing two or more insurers.

The Ordinance will now be laid before the Parliament in the upcoming budget session for its approval. In case the Ordinance is not passed by the Parliament within six weeks of reassembling of the Parliament or if resolutions disapproving the Ordinance are passed by both the Houses then the Ordinance will cease to operate.

For any clarification or further information, please contact

Vineet Aneja
Partner
E: vineet.aneja@clasislaw.com

Rohan Jain
Associate
E: rohan.jain@clasislaw.com

Legal Alert

Recent judgments

Shenzen Oneplus Technology Company Limited v Micromax Informatics Limited (FAO (OS) 540/2014)

Interim Injunction

An important question of law came up for the consideration of the Division Bench of the Delhi High Court recently highlighting the importance of the pleadings being on record before granting an order of ad interim injunction.

The appeal arose when a Single Judge of the Delhi High Court granted Micromax an ad-interim injunction preventing Oneplus from marketing its products containing Cyanogen's software in India while disposing of Micromax's interim application (which inadvertently closed the right of Oneplus and Cyanogen to file their pleadings).

Micromax had been granted the exclusive right to use Cyanogen's software in India, Nepal, Bangaladesh, Sri Lanka, Pakistan and Myanmar while Oneplus had been granted a non-exclusive right to use Cyanogen's software worldwide except for the territory comprising of the People's Republic of China.

The agreements between Cyanogen and Oneplus had been executed in February 2014 while the agreement between Micromax and Cyanogen had been executed subsequently in September 2014.

Upon closely analyzing the agreement that had been entered into between Micromax and Cyanogen, the Appeal Court felt that it was imperative for the Single Judge to allow the parties to file their pleadings and it ought to have considered the same prior to granting an interim injunction.

The Appeal Court expounded that a delicate balance has to be struck between the right of the plaintiff and the right of the defendant at the stage of granting an ad-interim injunction. It stated that only if a court were to find that so grave and irreparable is the injury that even a day's delay cannot be allowed would the court be justified in granting an ad-interim injunction and thereafter should proceed to consider whether to confirm the same after hearing the defendant.

The Court ultimately held that this was not a fit case for granting an ad-interim injunction since the products being sold by Micromax and Oneplus were falling in different segments of the market and set aside the injunction passed by the Single Judge of the Delhi High Court. This case is currently ongoing in the Delhi High and we will bring you future updates as the court proceedings take place.

Vikram Bakshi v McDonald's India Private Limited (IA No. 6207/2014 in C.S. (OS) No. 962/2014)

International Commercial Arbitration

McDonalds and Bakshi had entered into a joint venture named Connaught Plaza Restaurants. The present matter arose when McDonalds wished to terminate its agreement with Bakshi and initiated arbitration proceedings in London under the London Court of International Arbitration (LCIA). Bakshi initiated proceedings before the Company Law Board alleging oppression and mismanagement on the part of McDonalds. The Company Law Board had granted a stay preventing any change in the shareholding pattern of the Joint Venture. Bakshi filed the present application seeking a stay on the arbitration proceedings that had been initiated in London.

The Delhi High Court had to consider the issue of its jurisdiction to interfere in ongoing international arbitration proceedings. In this regard it contrasted the Supreme Court judgments of *Chatterjee Petrochem Co. v Haldia Petrochemicals Ltd.* 2013 (4) Arb. L.R. 456 (SC) and *World Sport Group (Mauritius) Ltd. v MSM Satellite (Singapore) Pte. Ltd.* 2014 (1) Arb. L.R. 197 (SC). The Court followed the *World Sport Group* precedent due to its more recent nature and the facts of that case being pari materia with the facts of the present case.

The Court also held that the forum where the arbitration proceedings were to be conducted was a *forum non conveniens*, since, with the exception of one of the defendants, all the parties were carrying on business in India, cause of action has arisen in India, the governing law between the parties is Indian Law and the arbitral award, if any, will have to be enforced in India. It held that arbitration proceedings should be stayed on the ground that they had not only become vexatious but also oppressive.

The Court held that Bakshi had satisfied the three requirements for the grant of an ad-interim injunction. It further held that Bakshi had been able to *prima facie* show that the arbitration agreement between the parties is inoperative or incapable of being performed due to the ongoing suit before the Company Law Board for oppression and mismanagement. In addition, the Court restrained the defendants from pursuing the arbitration proceedings till the disposal of the suit or till the stay granted by the Company Law Board is vacated.

However, there is a likelihood that this order will be challenged and overturned due to the settled precedent in this regard and the recent judgments of the Hon'ble Supreme Court in *Bharat Aluminium Company and Ors v Kaizer Aluminium Technical Service Inc.* (2012) 9 SCC 552 and *Reliance Industries Limited v Union of India* (2014) 7 SCC 603.

This case is currently ongoing before the Single Judge of the Delhi High Court and is next listed for 15 January 2015. We will bring you future updates as the court proceedings take place.

Indirect taxation

Case laws

Indirect taxes

Service tax

Mobile/cell phone charger is an accessory to cell phone and is not a part of the cell phone

The Hon'ble Supreme Court, delivering a landmark verdict in the matter held that battery charger cannot be considered a composite part of the cell phone. The battery charger is an independent product which can be sold separately, without selling the cell phone. Thus, it would be liable to full rate of tax.

[*State of Punjab & Ors. v Nokia India Pvt. Ltd.* (SC), Civil Appeal no.s 11486-11487 OF 2014, dt. 17 December, 2014]

Value added tax

Subsequently discounted price and not the originally invoiced price would form basis for sale price of the goods realised or realisable

The Hon'ble Gujarat HC held that if, in case the sale price is reduced but for computing the royalty payable to the State Government, original invoice price is taken then, it does not imply that tax would also be calculated according to the invoice price.

If the sale took place as per the reduced sale price then, such price would only be exigible to tax.

[*ONGC Ltd. v. State of Gujarat* (2014-VIL-401-GUJ)]

Notifications

Service tax

Amendment in Rule 5A (2) of the Service Tax Rules, 1994

The notification states that every assessee would be required to place all the records, cost audit reports and income tax audit report to the empowered officer/audit party/ Comptroller and Auditor General of India/cost accountant or chartered accountant for scrutiny purposes.

Previously, cost audit reports were not required to be made available to the officers. Moreover, the power to demand production of records/reports was not to be exercised by the chartered accountant. Further, the relevant records and reports were to be made available within 15 days from the date of demand.

However, now such records/reports are to be made available within the time limit specified by the officer.

[Notification no. 23/2014 – ST dt. 5 December 2014]

Rajasthan VAT

Extension in the date of furnishing annual return for 2013 - 14

The date of filing the annual return for the year 2013 – 14, in Form VAT – 10A, has been extended to 31 January, 2015.

[Notification No. F. 26(315) ACCT/ MEA/ 2014/1664 dt. 23 December, 2014]

Corporate and commercial

Foreign Direct Investment (FDI) in railway infrastructure

The Reserve Bank of India (RBI) vide its A.P. (DIR Series) Circular No.47 dated 8 December, 2014 notified the Government of India decision to permit 100 per cent FDI in railways infrastructure sector under automatic route subject to certain conditions. Accordingly, FDI will be allowed in the following activities:

> *"Construction, operation and maintenance of: (i) Suburban corridor projects through PPP, (ii) High speed train projects, (iii) Dedicated freight lines, (iv) Rolling stock including train sets, and locomotives/coaches manufacturing and maintenance facilities, (v) Railway Electrification, (vi) Signaling systems, (vii) Freight terminals, (viii) Passenger terminals, (ix) Infrastructure in industrial park pertaining to railway line/sidings including electrified railway lines and connectivities to main railway line and (x) Mass Rapid Transport Systems."*

Further, FDI beyond 49 of the equity of the investee company in sensitive areas from security point of view will be brought before the Cabinet Committee on Security (CCS) for consideration on a case to case basis.

Foreign Direct Investment (FDI) in the defence sector

RBI vide its A.P. (DIR Series) Circular No.46 dated 8 December, 2014 notified the Government of India decision to increase the foreign investment ceiling in defence sector. Subject to certain specified conditions, foreign investment i.e. FDIs, FIIs, RFPIs, NRIs, FVCIs and QFIs upto 49 per cent have been permitted under the government route (FIPB). This cap was earlier set at 26 per cent. Further, portfolio investment (RFPI/FII/NRI/QFI) and FVCI investment will not exceed 24 per cent of the total equity of the investee company and portfolio investment will be under the automatic route.

Liberalization of overseas direct investments by Indian party

RBI vide its A.P. (DIR Series) Circular No. 54 dated 29 December, 2014 liberalized norms for Indian Companies investing abroad. The following are the liberalized norms that have been introduced as per the circular:

The designated AD bank may permit:

- Creation of charge on shares of JV/WOS/step down subsidiary (SDS) in favour of **domestic/overseas lender**
- Creation of charge on the domestic assets in favour of **overseas lenders** to the JV/WOS/step down subsidiary
- Creation of charge on overseas assets in favour of **domestic lender**

of an Indian party for securing the funded and/or non-funded facility to be availed of by the Indian party or by its group companies/sister concerns/associate concerns or by any of its JV/WOS/SDS (irrespective of the level) under the automatic route subject to certain specific conditions.

Projects, energy and natural resources update

Natural resources

Ordinance amending Mines and Minerals (Development and Regulation) Act, 1957: The NDA government has taken the ordinance route bypassing the legislature to bring about amendments in the Mines and Minerals (Development and Regulation) Act, 1957. The amendment will facilitate competitive bidding for allocation of iron ore, bauxite and other non-coal mines. The amendment to the law focuses on attracting private investment bringing latest technology and eliminating administrative delays.

Oil & gas

New York puts a ban on fracking on Shale Gas: A ban on fracking by the New York Governor Andrew Cuomo is a setback for India's largest private firm, Reliance Industries, which has invested USD 7 billion in US shale gas. The state ban on fracking is due to health concerns. Governor justified the ban that fracking with horizontal drilling and chemical-laced water could increase the risk of cancer, skin rashes, and upper respiratory tract problems. If the rest of the states in the US follow, it could put billions of dollars of investment at risk. Some Indian oil and gas players who have invested in Shale assets in the USA are likely to lose value for the shareholders.

OPEC members Saudi Arabia and Kuwait refuses to reduce production: The fall in oil prices has marked an income transfer from oil producers to oil importers. Powerful OPEC members Saudi Arabia and Kuwait said they would not cut production even if non-OPEC members reduced their output, while Iraq and the United Arab Emirates shrugged off calls for an emergency meeting of the 12-nation cartel. Kuwait's Oil Minister Ali Al-Omair said that he does not think a cut is needed. Although, there is a possibility that OPEC eventually may have to intervene if the global price of oil remains stubbornly around USD 60 per barrel or falls further, said Iraqi Oil Minister Adel Abdul Mahdi.

Oil Public Sector Undertakings to complete projects by 2015 end: The Modi-led government has given a strong push to the projects by Public Sector Undertakings especially in the oil & gas sector. ONGC, IOC, GAIL (India), BPCL and HPCL, among other public sector undertakings have been directed to complete as many as 21 of their pending projects, entailing capital investments of Rs. 60,000 crore, latest by the end of the financial year.

Russia's Rosneft struck oil & gas deal with India: Russia's top oil producer Rosneft struck oil and gas deals with India, seeking to strengthen ties with Asia and diversify its exports away from Europe, under pressure from Western sanctions. Rosneft signed an initial deal to supply 10 million tonnes a year or 200,000 barrels per day of oil to India's Essar Group over 10-years. The supply is projected to begin in 2015.

Defence

India to emerge as the third biggest defence spender by 2020: India currently stands at eighth position in terms of defence spending and is behind US, China, UK, Japan, the Russian federation, France and Saudi Arabia. India in 2014 spent USD 47.78 billion (Rs. 3,01,299 crore), higher than those like Germany, Brazil, South Korea, Italy, Canada, according to the IHS study. The study indicates that by the year 2020, India could emerge as the third-biggest country in terms of defence-related expenditure.

Coal

Revision of royalty rates on Coal: The rate of royalty on coal is currently at 14 per cent ad-valorem. The royalty rates on coal and lignite were last revised in 2012 and the next revision can take place with effect from May 2015. The nine-member sub-group was set up under the chairmanship of additional secretary coal and is due to submit its report in January, 2015.

Infrastructure

Government likely to award road projects worth Rs. 60,000 Crore: The government is likely to award road projects worth Rs. 60,000 crore in the last quarter of the fiscal year, providing much-needed relief to infrastructure companies that have been struggling with diminishing order books and muted cash flows due to halt in government contracts for almost three years. The projects will total about 8,000 km of roads awarded primarily as Engineering, Procurement and Construction (EPC) contracts. The government is trying to make cement and other raw materials available at discounted price for the infrastructure companies to reduce costs.

NDA eases rules for acquisition of land: Finance minister Arun Jaitley said projects in power, industrial corridors, Public Private Partnership (PPP) projects, rural infrastructure, affordable housing and defence would not require the approval of 80% of affected landowners. Further, land acquisition for these projects would also not require a social impact study involving public hearings, as prescribed in the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013. Despite the relaxation in the procedure, the higher compensation will continue to be paid to those whose lands are acquired. The ordinances will have to be ratified once Parliament reconvenes for the budget session in 2015.

Finance

Reserve Bank of India (RBI) relaxed norms for Indian companies investing abroad: Through RBI/2014-15/371 A.P. (DIR Series) Circular No.54 dated December 29, 2014, RBI relaxed norms for domestic companies investing abroad by allowing the following under automatic route subject to certain conditions: (1) Creation of charge on shares of JV/ WOS/step down subsidiary in favour of domestic/overseas lender; (2) Creation of charge on the domestic assets in favour of overseas lenders to the JV/ WOS/ step down subsidiary; and (3) Creation of charge on overseas assets in favour of domestic lender.

Intellectual property update

Trademarks. The Delhi High Court looks at The *Anti-Dissection* Rule. 'Haagen-Dazs'- 'D'Daazs'. Ice cream wars!

The plaintiffs, manufacturers of the popular ice cream brand Haagen-Dazs (General Mills Marketing Inc.) sued the Defendants (South India Beverages Pvt. Ltd.), who were also manufacturing their brand of ice cream under the name "D'Daazs". The plaintiff had initiated the action on the basis that the mark D'Daazs used by the defendant was deceptively similar to theirs. Interestingly, both parties were engaged in the business of the sale of ice-creams.

The single judge granted an interim injunction against the use of the mark D'Daazs by the defendant. The defendant filed an appeal before a two judge (division) bench of the Delhi High Court.

The appellants (defendants before the single judge) took the stand that the respondents (plaintiff before the single judge) mark would have to be considered as a whole and therefore no case for deceptive similarity could be made out as had been made out by the respondent-plaintiff. It was the case of the respondent-plaintiff that the Dazs was the dominant portion of their mark and as such needed to be given sufficient prominence and warranted protection as such.

The division bench ruled in favour of the respondent-plaintiff after a deep analysis of the Anti-Dissection Rule "*which mandates that the courts whilst dealing with cases of trademark infringement involving composite marks, must consider the composite marks in their entirety as an indivisible whole rather than truncating or dissecting them into its component parts and make comparison with the corresponding parts of arrival mark to determine the likelihood of confusion. The raison d'être underscoring the said principle is that the commercial impression of a composite trademark on an ordinary prospective buyer is created by the mark as a whole and not by its component parts*".

The court apart from analysing a plethora of Indian and foreign precedents on the Anti-Dissection Rule observed that it is not a violation of the anti-dissection rule to view the component parts of conflicting composite marks as a preliminary step on the way to an ultimate determination of probable customer reaction to the conflicting composites as a whole.

The appellant-defendant also made an argument that the products- ice creams and related dairy products were sold in different price brackets. The court rejected this contention observing that the average consumer of ice-cream is not as discerning a consumer as one that purchases other premium products like luxury cars or premium alcohol and therefore there is a likelihood of confusion in the present case.

It seems that the present judgement as passed by the two judge bench renders the Anti-Dissection rule powerless given that the court has not analysed the Respondent - Plaintiffs composite mark in its entirety, as an indivisible whole and has rather, truncated/dissected the same into its component parts whereby the court has afforded protection to one part of the composite mark as prayed by the respondent-defendant.

Patents. Telecommunications. Standard Essential Patents and FRAND Licensing. Ericsson sues Xiaomi over Standard Essential Patents (SEM's). Obtains *Ex-Parte* injunction. Xiaomi gets a breather in Appeal!

Ericsson is the owner of 8 patents that related to key technologies in the field of telecommunication with respect to EDGE/VYCDMA technology pertaining to 2G and 3G mobile devices. These patents as held by Ericsson are considered as Standard Essential Patents (SEM's)[1] patents, which are subject to FRAND (Fair, Reasonable and Non-Discriminatory) licensure terms whereby an entity seeking to implement the technologies covered by these patents is required to obtain a license from Ericsson prior to bringing their devices on the market. Interestingly, Xiaomi joins a long list of parties – Micromax, Gionee and Intex, all of which are engaged in the manufacture and sale of low cost smart phones in India.

[1] A Standard Essential Patent is a patent that covers technology required to implement a technology standard. Often, it is used more specifically to refer to patents owned by companies that work together to create a standard, and agree to *license* their "essential patents" to other people who are implementing the standard.

The court injuncted Xiaomi from selling, advertising, manufacturing or importing devices that infringe the SEPs in question. Additionally, the court also issued a direction to the Customs officials to stop the imports under the IP Rules, 2007. The court further appointed Local Commissioners[2] to ensure that the orders of the court were implemented.

The court passed the injunction against the defendant giving due regard to the fact that the defendant had paid no heed to the plaintiffs invitation (multiple) to the defendant to license out the plaintiffs technologies with respect to the sad SEP's. However, the defendant chose to ignore the invitation of the Plaintiff and proceeded to launch its products, which, according the plaintiff, infringed the SEP's as held by the plaintiff in India. It may be noted here that Xiaomi has enjoyed tremendous success with its low priced, high spec'd smartphones. Xiaomi claims to have sold over 2,00,000 of its Mi 3, Redmi 1S and Mi Note smartphones in India over the past year. In addition, the Plaintiff also referred to previous injunctions granted qua the same SEP's against other parties which was also considered by the court while passing the instant injunction. The distribution company Flipkart was also made a defendant in the matter as Xiaomi has an exclusive distribution arrangement with Flipkart.

Xiaomi appeals. Gets relief.

Xiaomi, filed an appeal before a division bench of the Delhi High against the *ex-parte* order as passed by the single judge. Xiaomi's arguments were essentially two fold, firstly that the *ex-parte* injunction that was slapped against Xiaomi had brought its business to a grinding halt and more importantly, Ericsson had suppressed material facts before the single judge in the sense that they did not disclose the fact that Xiaomi had been sourcing its handset chipsets from Qualcomm, which, in turn was authorised by Ericsson to do so under terms of an agreement between Ericsson and Qualcomm.

The court chose not to go into the merits of the case and instead, gave consideration to the fact that the order as passed by the single judge was rather sweeping in nature and had affected the business of Xiaomi to a major extent, the court permitted Xiaomi to sell its devices in India subject to certain conditions, whereby Xiaomi could only sell devices that carried chips imported from Qualcomm Inc., which was a licensee of Ericsson and that Xiaomi was to deposit Rs. 100 for every device sold in India or device that is sold in India till the 5 January 2015.

The matter is pending.

Patents. The Bristol Myers Squibb (BMS)-Mylan squabble. Export of HIV drugs permitted.

As we had previously reported, a district court in Andhra Pradesh had previously denied grant of an interim injunction to the Pplaintiff-BMS on the grounds of failure on part of the plaintiff to make out a prima facie case for grant of an injunction[3].

BMS went into appeal before the Andhra/Telangana High Court which rejected the prayer of BMS in a rather well reasoned order.

Interim Injunction - Three prong test.

The court based its decision after a detailed analysis of the facts in terms of the three point test for interim relief as set out by the *Supreme Court of India in Colgate Palmolive (India) Ltd., v. Hindustan Lever Ltd.*

1. Prima Facie Case and Burden of Proof.

Grant of an interim injunction would stem out of a prima facie case of infringement as made out against the Defendant.

BMS has two process patents in India for two intermediate (precursor) compounds (Patent Nos. 210496 and 206217 for manufacture of chloroketones and oxobutanes respectively) relevant for the manufacture of a precursor compound for Atazanavir.

BMS maintained the stand that to establish a prima facie case of infringement, they were only required to prove that:

1. Mylan was manufacturing a product identical to the product obtained by the patented process; and
2. That BMS had made reasonable efforts to determine what process was used by Mylan in obtaining the product.

[2] Officers of the court.

[3] BMS had sued Mylan for infringement of its patent over the anti-retroviral drug- Atazanavir. Mylan had entered into an agreement with PAHO- Pan American Health Organization whereby Mylan was to supply the said drug to Venezuela for a total value of INR 4.5 crore (approx. USD 700,000). The single judge declined to issue an injunction in favour of BMS.

BMS contended that once the above requirements were fulfilled, the burden of proof would shift on Mylan whereby Mylan was required to prove that it did not use the patented process to obtain the product.

It was Mylans stand that they were not manufacturing the compounds as protected by BMS's patents. These were precursor compounds that Mylan was procuring from third parties, which, in turn were not using the patented process to manufacture the same. Mylan further contended that the under Section 104A, of the Indian Patents Act, the patented process was accorded protection only against *identical* products that were subject to manufacture and sale. The respondents argued that they were not manufacturing the precursor compound themselves, but were purchasing it from a third party who was not using the patented process to manufacture the same. They further submitted that process patents only protect against manufacture and sale of an identical product as per Section 104-A.

The court held that on a reading of Section 104-A "*[t]he products being identical is sine quo non for applicability of Section 104-A of the Act. Only when the court comes to the conclusion that there is an identical product manufactured by the defendant similar to that of the plaintiff, then the Court can call upon the defendant to produce the particulars of the process by which his product is manufactured. It is only then, if the defendant refuses to furnish the particulars of the process, the Court may draw adverse inference and invoke Section 104-A.*"

The court placing emphasis on the scientific evidence observed that no evidence had been produced to show that the patents under question were for intermediate compounds, and not the final product and as such the burden of proof as under Section 104A would not shift on Mylan as product that were identical were not being manufactured by Mylan. As such BMS was not entitled for an injunction.

2. Irreparable loss

While BMS had alleged irreparable loss, Mylan maintained a stand that that monetary compensation would suffice to cover any and all losses should BMS eventually win on the point of infringement. The court was in agreement with this stand and accepted the same by ordering Mylan to furnish a Bank Guarantee before the trial Court to the extent of 5% of the cost of Atazanavir to be supplied to Venezuela every time and further maintaining a separate account for all sales in this regard.

3. Balance of Convenience

Mylan maintained the stand that should an injunction be issued, then the same would be detrimental to the interest of the public[4]. BMS interpreted public interest as the interest of the Indian public and not that of a third party/ country.

The court was silent on this issue. Contentions of both parties were duly noted. The matter is now pending adjudication on merits before the trial court.

Patents. Compulsory Licensing. The Bayer – Natco saga continues. Supreme Court dismisses Bayers appeal.

The Bayer-Natco compulsory saga has seen its way through each and every judicial authority in the Indian system (Controller, IPAB, High Court and Supreme Court).

You may recollect that we had reported that the Mumbai High Court had upheld the grant of a CL to Natco in the famous Nexavar CL case where Natco and Bayer had locked horns with each other (Bayer had all along objected to the grant of a CL to Natco). Bayer approached the Supreme Court in a Special Leave Petition (SLP) against the order of the Mumbai High Court (upholding the grant). Interestingly, the Supreme Court simply dismissed the SLP noting its unwillingness to interfere in the matter while keeping the questions of law open.

While this marks an end to the long drawn saga between Natco and Bayer, the lack of a detailed judgement by the apex court is a disappointment of sorts as this could very well have been a precedent setting case in as far as the CL provisions of the Indian Patent Act are concerned.

[4] *Hoffman-La Roche Ltd. v. Cipla Ltd.*, [(2008) 37 P.T.C. 71

Patents. Cipla's request to revoke Onbrez (Indacetorol) patent held by Novartis refused by the Government. Request to issue compulsory license refused.

We had previously carried a report about CIPLA's petition to the Department of Industrial Policy and Promotion (DIPP) wherein a prayer was made to revoke *Novartis' patents in public interest under S.66 of the Indian patent act.*[5]

According to press reports, India's Ministry of Health has stated that Cipla's petition does not make a compelling case for revocation of Novartis' Onbrez patents. The additional proposal for grant of a compulsory license for the said drug under Section 92 of the Indian Patents Act[6] was also not held fit enough to pass legal scrutiny. Any proposal for grant of a Compulsory License must be made under Section 84 and would be considered as such.

Cipla has already launched its generic equivalent of the drug.

Update: Novartis has since sued Cipla for infringement before the Delhi High Court. Novartis has requested the court to permanently restrain Cipla from manufacturing Indacaterol in any form and selling it in India. A claim for damages on account of infringement has also been made. Arguments have been heard from both sides and a verdict on the injunction application is expected.

[5] Cipla had launched a cheaper generic version of Novartis' Indacetorol (a drug used to treat chronic obstructive pulmonary disease). In addition, Cipla has also *further petitioned to the DIPP to revoke Novartis' patents in public interest* under Section 92(3) *and Section 66 of the Indian Patent* Act.

[6] Section 92 deals with issuance of a compulsory license by the Government to patents held by parties, in circumstances of national emergency or in circumstances of extreme urgency or in case of public non-commercial use.

Recent events

World Energy Policy Summit
11-12 December 2014, Delhi

Jatinder (Jay) Cheema, Partner, attended and was the speaker at the two days World Energy Policy Summit held on 11-12 December 2014 at New Delhi. The policy thinkers on Energy/Oil & Gas from across the World were the speakers and attendees at the Summit. Mr. Cheema spoke on the topic **"Building Oil & Gas Joint Ventures and Alliances in the Times of Heightened Uncertainties".** The presentations and discussion in light of recent downward trend in oil prices made the discussions interesting and topical. The presentation was followed by the Q&A session.

Hotel Investment Forum India
14 -15 January 2015, New Delhi

Mohit Sharma, Partner, attended the Hotel Investment Forum India Conference, 2015. The Hotel Investment Forum India Conference is considered to be India's most important hotel investment conference and a meeting place for the leaders in the Indian hotel and tourism industry to discuss important trends, network and identify new opportunities.

New Delhi
14th Floor
Dr. Gopal Das Bhawan
28, Barakhamba Road
New Delhi 110 001

T: +91 11 4213 0000
F: +91 11 4213 0099

Mumbai
1202B One Indiabulls Centre,
Tower 2B, Floor 12B,
841 Senapati Bapat Marg,
Elphinstone Road
Mumbai 400 013

T: +91 22 49100000
F: +91 22 49100099

London
The St Botolph Building
138 Houndsditch
London EC3A 7AR

T: +44 (0)20 7876 4848
F: +44 (0)20 7875 5132

info@clasislaw.com
www.clasislaw.com

New Delhi | Mumbai | London

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