



Remfry & Sagor

IP Report

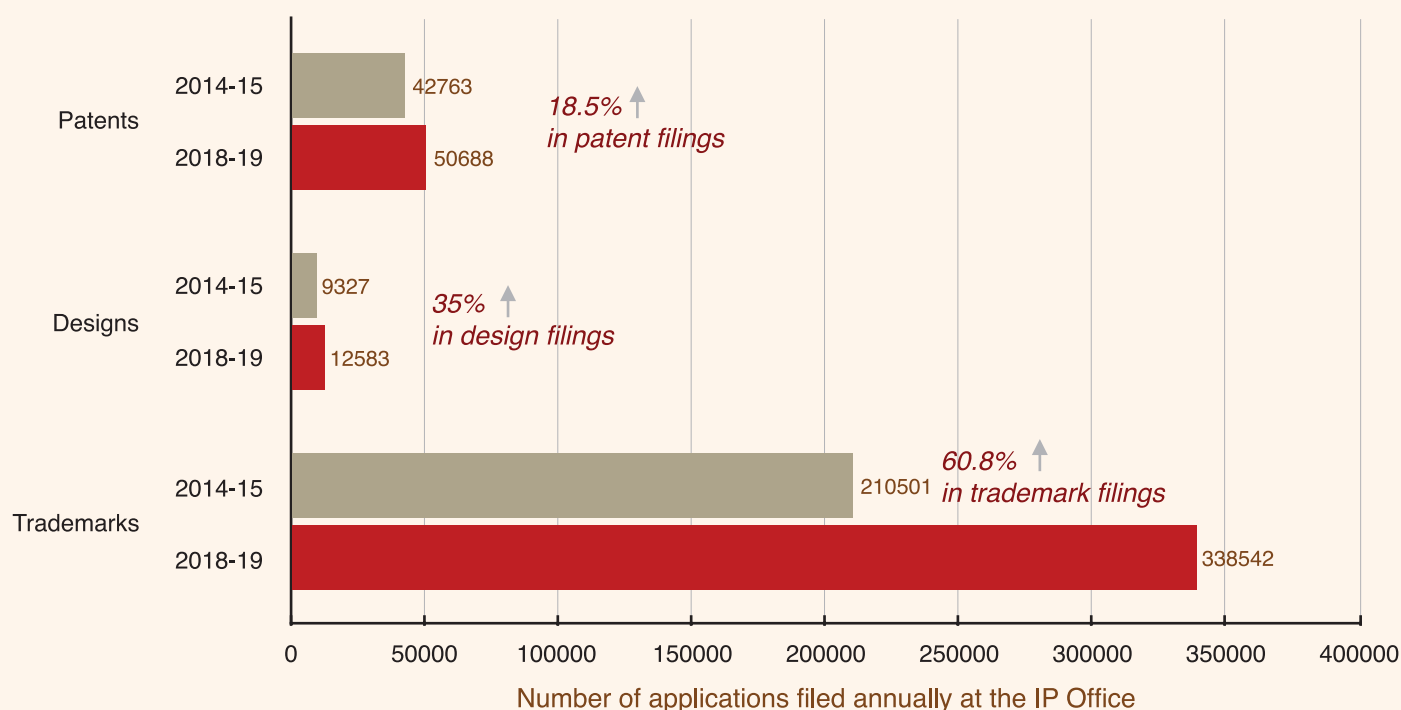
October 2019

Trends in IPR

INDIAN IP STATISTICS

<p>India is ranked 7th in the world in terms of patent filings at the Indian IP Office</p> <p>(WIPO (2019). World Intellectual Property Indicators 2019)</p>	<p>India is ranked 6th in the world in terms of trademark filings at the Indian IP Office</p> <p>(WIPO (2019). World Intellectual Property Indicators 2019)</p>	<p>India is ranked 12th in the world in terms of design filings at the Indian IP Office</p> <p>(WIPO (2019). World Intellectual Property Indicators 2019)</p>	<p>In 2019, India's rank in the Global Innovation Index (GII) jumped 6 places to 52.</p> <p>5 years ago, India was ranked 81 - the change is the biggest jump by any major economy.</p>
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Fig. 1 Rise In Indian IP Filings Over The Last 5 Years

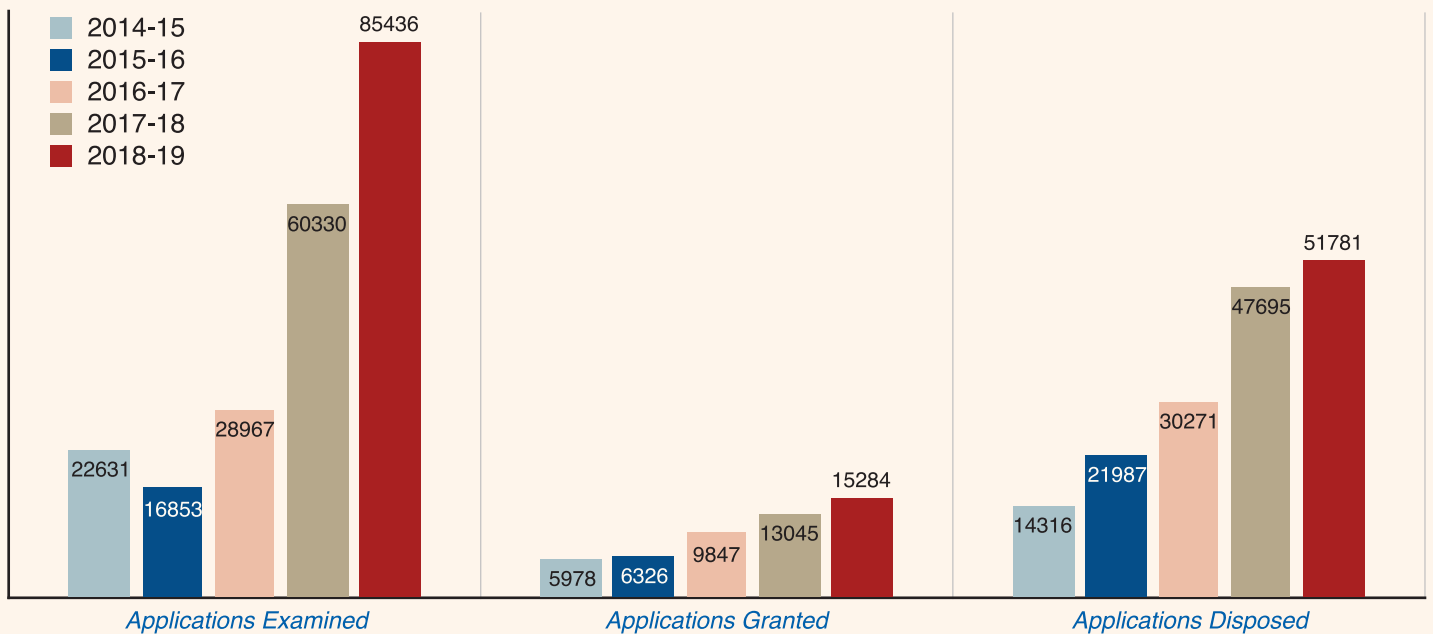


Source: www.cipam.gov.in

- In 2018, patent applications worldwide grew by 5.2% over the previous year. India was the 4th largest contributor to the growth in filings after China, the EPO and the Republic of Korea.
- Trademark applications increased by 19.2% in 2018 (WIPO: World Intellectual Property Indicators 2019). India registered stronger growth - it posted a 24% increase in trademark filings in the period between April 1, 2018 - March 31, 2019.
- Design applications worldwide rose 8.4% in the same period; however, Indian design filings in 2018-19 only rose 6.3% over 2017-18 figures.

PATENT FILINGS: INDIA

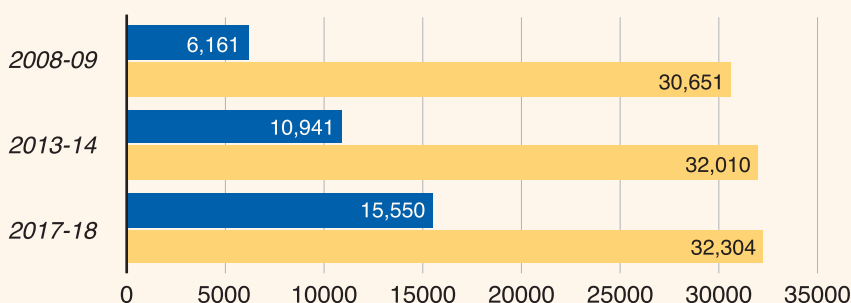
Fig. 2 Statistics from the Indian IP Office: 2014-19



Source: Office of the Controller General of Patents, Designs, Trademarks and Geographical Indications

- In 2018-19, patent filings at the Indian IP Office grew 5.9% over the previous year. However, as illustrated in Fig. 2 above, the increase in patent examination figures in the same period - 41.6% - was far higher. In fact, pendency in examination has reduced from 72 months to 54 months - the ultimate aim is to bring it down to 18 months. Overall, patent examination figures have risen nearly 280% over the last 5 years!
- Grant and disposal of patent applications has also shown a rapid increase. Numbers outlined in Fig. 2 reveal a 156% and 262% rise respectively in grant and disposal figures between 2014-19.
- IT-enabled functioning of the Patent Office (including video conferencing systems for hearings) and computerised work-flow for patent processing has resulted in quicker patent processing, examination and grant as well as increased transparency. Increase in patent examiner numbers is also a significant factor.
- Another interesting statistic is that the rise in patent filings at the Indian IP Office is driven primarily by growth in resident patent filings. Fig. 3 below sets out resident and non-resident filing figures over a decade.

Fig. 3 Resident Filings Non-resident filings



As Fig. 3 reveals, domestic filings have risen more than 150% over the last decade. In contrast, non-resident filings posted a 5.4% increase in the same period.

Statistics also reveal that in 2017-18, domestic filings increased 32.5% over the previous year - higher than the 29.2% growth in 2016-17.

Source: Office of the Controller General of Patents, Designs, Trademarks and Geographical Indications

Fig. 4 WHO FILES MOST IN INDIA - ORIGIN OF NON-RESIDENT APPLICATIONS

Rank	Country	No. of applications
1	USA	10,179
2	Japan	4,487
3	Germany	2,773
4	China	2,572
5	Republic of Korea	1,736

Source: Office of the Controller General of Patents, Designs, Trademarks and Geographical Indications: Annual Report 2017-18

Fig. 5 NATURE OF FILINGS IN INDIA: TOP FIELDS OF INVENTIONS

	Field of Invention	No. of applns.		Field of Invention	No. of applns.
1	Mechanical	11,573	6	Physics	2,996
2	Chemical	6,343	7	Pharmaceuticals	2,741
3	Computer/ Electronics	6,089	8	Polymer Science & Technology	1,116
4	Communication	5,486	9	Bio-medical	1,095
5	Electrical	4,278	10	General Engineering	1,032

Source: Office of the Controller General of Patents, Designs, Trademarks and Geographical Indications: Annual Report 2017-18

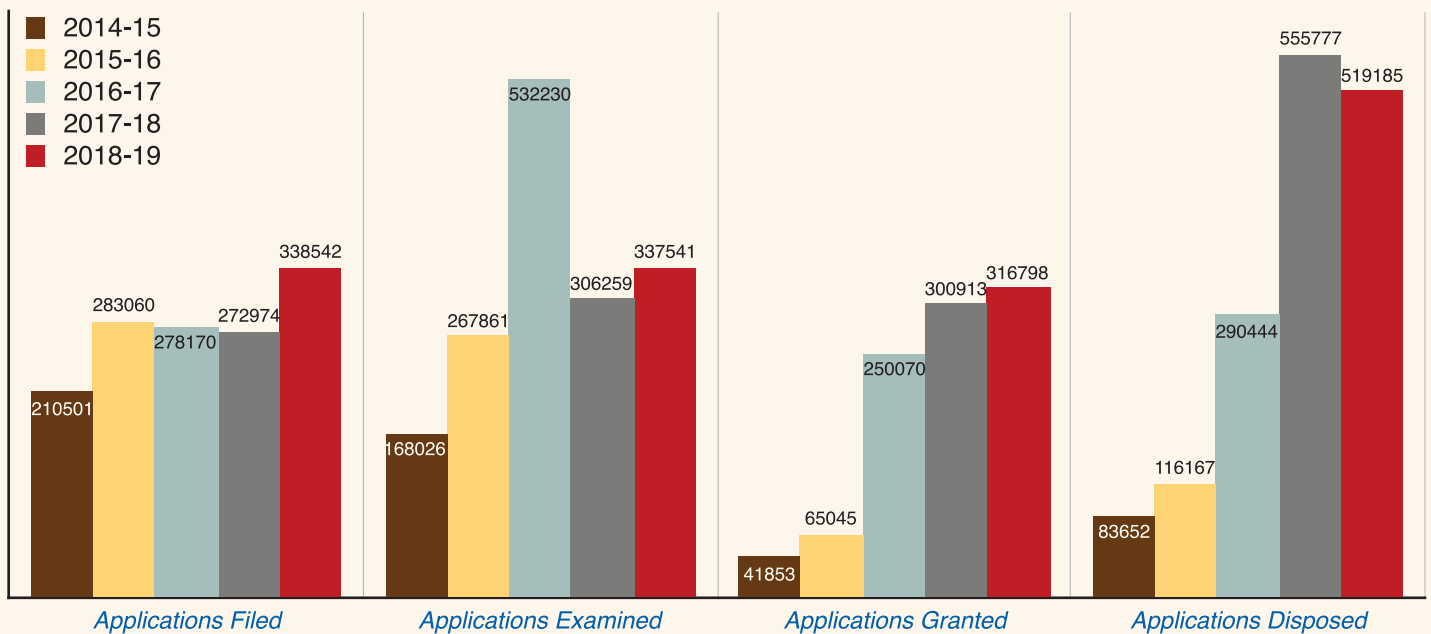
- India's largest trading partner is the USA - no surprise then that the highest number of foreign applications originate from the US. China and the Republic of Korea are also amongst India's top trading partners - No. 2 and No. 9 respectively. Interestingly, patent applications from China have risen nearly three fold in the past 5 years and those coming in from the Republic of Korea have more than doubled in the same period. In contrast, patent filings by US applicants in 2013-14 numbered 10,113 - so these figures have remained quite stable over the last 5 years. In the same period, applications coming in from Germany and Japan have posted a decrease of nearly 22% and 19% respectively.
- With regard to nature of inventions, some of the sharpest increases in the last 5 years have been in applications seeking to protect inventions in the fields of bio-medical (79%), bio-chemistry (74%), biotechnology (53%), computer/electronics (38%) and communication (36%).

WIPO's latest report - WORLD INTELLECTUAL PROPERTY INDICATORS 2019 - also looks at patent filings in terms of gender. Women inventors accounted for only 17.1% of all inventors listed in PCT applications in 2018.

India shared the 10th spot with Switzerland - 14.4% of PCT applications filed by Indian and Swiss applicants listed at least one woman as an inventor. Just ahead were Israel (14.9%), the UK (15%) and the US (16%).

TRADEMARK FILINGS: INDIA

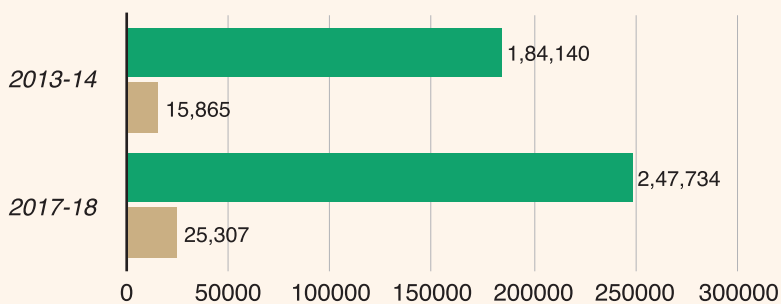
Fig. 6 Statistics from the Indian IP Office: 2014-19



Source: Office of the Controller General of Patents, Designs, Trademarks and Geographical Indications

- Following an increase in manpower, coupled with technological upgradation, the Indian Trademark Office had brought down pendency of examination of trademark applications from around 13 months to less than one month in January 2017 and it continued to be at the same level during 2018- 19. Fig. 6 shows a huge spike in examination in 2016-17; thereafter, the pace of examination has come down to a level in harmony with the pace of fresh trademark filings.
- The graph above also illustrates a steep increase in the number of granted and disposed trademark applications over the past 5 years. More than 5,50,000 trademarks were registered in two years (2016-18) against a total of 1.1 million registrations during the preceding 75 years. Procedural reforms have meant an increase in acceptance of applications at the initial stage from 10% to approx. 46%. Further, a trademark can be registered within 6-7 months from the filing date if no substantive objections are raised/ opposition filed.
- India also continues to be an attractive destination for overseas trademark applicants - foreign filings are increasing at a faster pace than domestic applications - see Fig. 7 below.

Fig. 7 Resident Filings Non-resident filings



Source: Office of the Controller General of Patents, Designs, Trademarks and GIs

WIPO statistics reveal that in the decade 2009-18, non-resident trademark applications (class counts) before the Indian Trademark Office rose nearly 6 times! Resident trademark filings grew at a comparatively modest rate of 122% in the same period.

Indians are also filing more overseas. 19,535 trademark applications (class counts) were filed overseas by Indians in 2009. This number nearly doubled to 35,690 in 2018.

Fig. 8 WHO FILES MOST IN INDIA - ORIGIN OF NON-RESIDENT APPLICATIONS

	Country	No. of applications (class counts)
1	USA	8,696
2	China	6,027
3	Germany	5,140
4	United Kingdom	3,584
5	France	2,602

Source: WIPO (2019). World Intellectual Property Indicators 2019

Fig. 9 LEADING JURISDICTIONS TARGETED BY INDIAN APPLICANTS

	Country	No. of applications (class counts)
1	USA	1,333
2	EPO	743
3	China	718
4	United Kingdom	504
5	Australia	357

Source: WIPO (2019). World Intellectual Property Indicators 2019

- As it is in the case of patents, the flow of trademark applications between India and the US is the highest. However, as Fig. 8 and Fig. 9 bear out, the number of outbound trademark filings from India is far lower than inbound filings - clearly, Indian brands have not proliferated in foreign markets to the extent that foreign brands have built up a presence in India.

MADRID SYSTEM OF INTERNATIONAL REGISTRATION OF TRADEMARKS

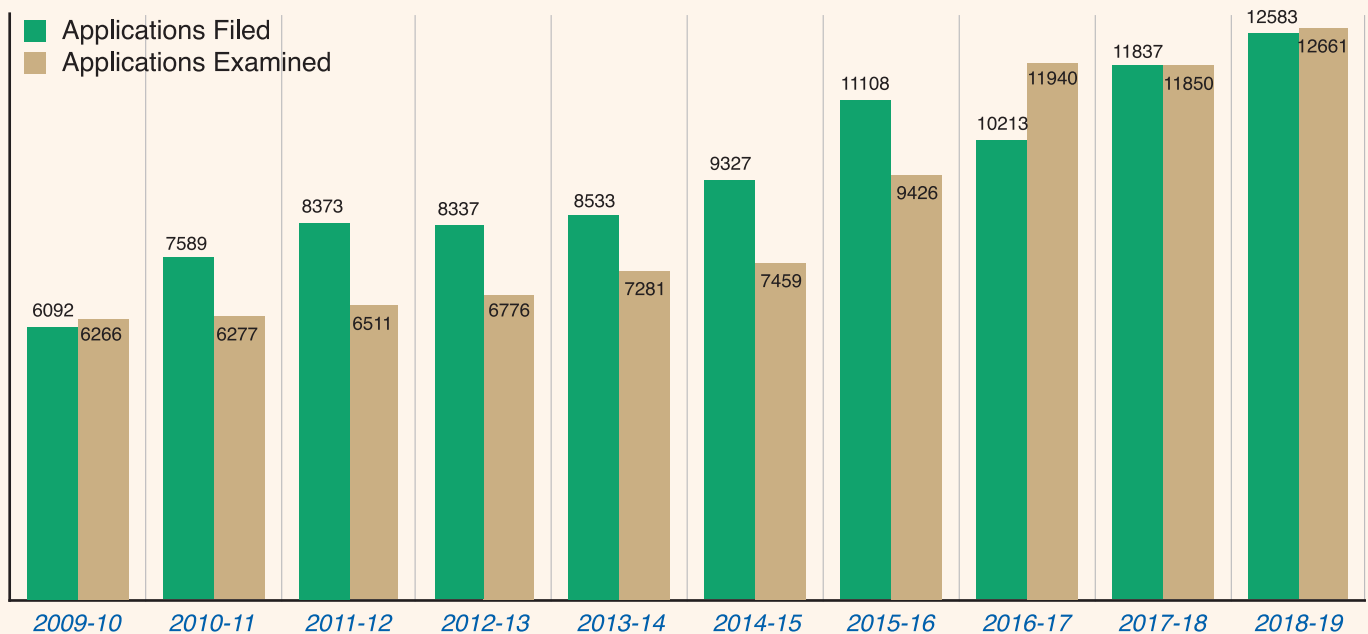
In 2018, international trademark applications filed via the Madrid System rose above the 60,000 mark for the first time - the resultant 6.4% increase represented a ninth year of uninterrupted expansion.

The EU (25,030), China (24,289) and the U.S. (22,827) attracted the highest number of designations in Madrid applications in 2018. India came in at No. 9 - attracting 12,254 designations (WIPO Statistics Database, March 2019).

Further, Indian IP Office statistics reveal that up to March 31, 2019, 62041 international applications under the Madrid system had been forwarded by WIPO to the Indian Trademark Office. On the other hand, the Indian Trademarks Office had received 1255 applications for international registration under the Madrid Protocol, out of which 1121 applications had been certified and forwarded to the WIPO and 800 stood registered at the WIPO International Bureau.

DESIGN FILINGS: INDIA

Fig. 10 Design Filings Over The Last Decade



Source: Office of the Controller General of Patents, Designs, Trademarks and Geographical Indications

- The number of design applications filed globally doubled between 2007 and 2018. As the graph above illustrates, design filings in India mirror this trend - figures over the last decade have doubled from 6,092 to 12,583. Fig. 10 also reveals that for designs, the gap between filing and examination of applications has at no point been very substantial - so pendency volumes for design applications are not a point of concern.
- Designs contained in resident applications accounted for 84.8% of the world's total design count in 2018 (WIPO 2019. World Intellectual Property Indicators 2019). However, if one looks at the latest data available at the Indian IP Office, resident applications constituted only 69.5% of the total applications filed in India in 2017-18. Having said that, statistics from the last 5 years reveal that growth in resident applications (48.7%) filed at the Indian IP Office has far outpaced the growth in non-resident applications (20.3%). Interestingly, between 2009-18, design filings (design count) overseas by Indian applicants increased from 619 to 6,283 - more than 9 times!

Fig. 11 WHO FILES MOST IN INDIA - ORIGIN OF NON-RESIDENT APPLICATIONS

	Country	No. of applications
1	USA	1021
2	Republic of Korea	434
3	Japan	433
4	United Kingdom	292
5	Germany	245

Source: Indian IP Office. Annual Report 2017-18

Fig. 12 LEADING FILERS IN INDIA: FOREIGN COMPANIES

	Company	No. of applications
1	Samsung Electronics Co. Ltd.	191
2	LG Electronics INC	132
3	Koninkilijke Philips N.V	120
4	Ethicon LLC	82
5	Dyson Technology Limited	75
6	SMC Corporation	70
7	The Gillette Company LLC	56
8	Google LLC	53
9	Honda Motor Co. Ltd	50
10	Mitsubishi Electric Corporation	41

Source: Indian IP Office. Annual Report 2017-18

- In design applications filed at the Indian IP Office that originated overseas, Class 14 (recording, communication or information retrieval equipment), Class 12 (means for transport or hoisting), Class 23 (fluid distribution equipment etc), Class 24 (medical & laboratory equipment) and Class 9 (package & container for transport or handling of goods) were the top 5 classes.
- However, among the applications filed by Indian residents, Class 02 (articles of clothing & haberdashery), Class 12 (means for transport or hoisting), Class 9 (packages and containers for the transport or handling of goods), Class 5 (Textile piece goods, artificial & natural sheet material) and Class 7 (Household goods not elsewhere specified) etc. were the leading classes.
- To compare the above with global trends, in 2018, the classes that accounted for the largest shares of the world total were furnishings (10.5%), clothing (8.3%) and packages and containers (7.7%). Combined, these three classes accounted for slightly more than one-quarter of all designs in applications.

REMFRY'S IP SEMINAR

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JANUARY 10, 2020 | NEW DELHI, INDIA

E-Commerce and Intermediary Liability

CASE REPORT

Convenient as they are, 'digital markets' bring with them the increased peril of counterfeit products. When brand owners discover unauthorised sales on e-commerce platforms, disputes between the two often end up before the courts. With online sales expanding exponentially in India, there have been a slew of judicial rulings of late on the determination and extent of liability to be fixed on different players in this space.

This article focuses on a landmark interim ruling passed recently by the Delhi High Court where it clubbed seven different suits and restrained e-commerce platforms - Amazon, Flipkart, Snapdeal, IMG, and Healthkart, as well as certain sellers enrolled thereon, from selling unauthorised products of three direct selling companies, namely, Amway, Modicare and Oriflame ('plaintiffs'). The legal complexities in the conflict involved intellectual property laws, information technology laws, unfair competition issues as well as tortious liability concerns.

Background

The plaintiffs are in the business of manufacturing, marketing and selling skin and health care products as well as nutrition supplements through two channels:

- (a) their own websites; and
- (b) a unique system of 'direct selling' wherein products are sold via direct authorised sellers under a 'direct seller's contract'. Such contracts prohibit the plaintiffs' products from being offered for sale without their prior consent on e-commerce platforms /online trade portals/ mobile applications or via retail stores.

The 'Direct Selling Guidelines, 2016 ('the Guidelines')' issued by the Government of India address this subject as well and therefore, are pertinent to the case.

The plaintiffs in the present dispute argued that the listing, advertisement and sale of their products on various e-commerce platforms without prior consent from them violated the Guidelines and intellectual property rights of the plaintiffs; and also amounted to tortious interference with contracts executed between the plaintiffs and direct authorised sellers. Specifically, the e-commerce platforms were offering the plaintiffs' products for sale on terms that diverged from contractual terms fixed for direct sellers - at cheaper prices, with repackaged/re-labeled conditions and divergent return/refund policies. This caused wrongful loss to the plaintiffs' direct selling distribution network and also tarnished the image of the plaintiffs in the market. Moreover, it was asserted that the online sales complained about were being concluded with minimal information on the sellers - in case of grievances, consumers would require investigative capabilities to trace the real sellers - thus posing a serious hazard to the reputations of the plaintiffs.

On the other hand, to escape liability, Amazon and the other e-commerce entities relied on the 'safe harbour' provision under Section 79 of the Information Technology Act, 2000 which grants immunity to intermediaries from liability for third party acts. They averred that e-commerce platforms function as 'facilitators' and merely provide a digital marketplace for integration of various sellers' goods. They do not consummate the sale between a seller and purchaser and are required to take down infringing content only upon receiving 'actual knowledge' of infringement. They contended that the sale of genuine products manufactured by the plaintiffs did not constitute 'infringement'



under the Trade Marks Act, 1999 and that in any case, the plaintiffs' rights in their respective trademarks were exhausted upon sale to authorised distributors as per the first sale doctrine /'principle of exhaustion'.

The court appointed 'local commissioners' to visit the premises of the e-commerce platforms and their sellers to seize products bearing the trademarks of the plaintiffs and thereafter, prepare a report of their findings. As per these reports, the local commissioners located the plaintiffs' products at various locations and further found that the unique QR codes on the same had been tampered with at warehouses. Also, the defendants' were found to not be candid about the source of the plaintiffs' products. Subsequently, the court framed the following questions:

1. whether the Guidelines were valid and binding on the defendants?;
2. whether the sale of the plaintiffs' products on e-commerce platforms violated their trademark rights – as they constituted misrepresentation and passing off - resulting in dilution and tarnishment of the goodwill and reputation of the plaintiffs' brands;
3. whether the e-commerce platforms were 'intermediaries' under the the Information Technology Act; and
4. whether the e-commerce platforms were guilty of tortious interference with the contractual relationship between the plaintiffs and their respective distributors/direct sellers.

Applicability Of The Direct Selling Guidelines



The court held that the Guidelines containing contractual obligations vis-à-vis the direct selling entities i.e. the plaintiffs and their direct sellers/ distributors were binding and that the e-commerce platforms had been repeatedly notified about the said Guidelines. Clause 7 (6) of the Guidelines read: "Any person who sells or offers for sale, including on an e-commerce platform/marketplace, any product or service of a Direct Selling Entity must have prior written consent from the respective Direct Selling Entity in order to undertake or solicit such sale or offer". Thus, per the court, e-commerce platforms /sellers were mandated under law to seek consent from the plaintiffs before offering/ displaying/ selling the latter's products on their websites.

E-commerce Platforms Liable For Infringement?

The e-commerce platforms, relying upon the defense of the 'principle of exhaustion' under which a trademark owner's rights are exhausted upon the 'first sale' of its product, apprised the court that since the products sold on their platforms were genuine, even if the unique QR codes had been removed and warranties/return and refund policies altered, the plaintiffs' had no right to control advertising, distribution and sale of their products after the 'initial first sale'. The court dismissed the applicability of the doctrine of exhaustion to the facts at hand and returned a finding of trademark infringement. For a defense of exhaustion of rights to succeed, the court stated that the following conditions must be inclusively met –

- (a) the persons who have lawfully acquired the goods through 'first sale' should be identifiable;
- (b) the e-commerce platforms and sellers thereon should be persons claiming 'under or through' such identifiable persons; and most importantly,
- (c) the conditions of the goods ought not to be changed or impaired subsequent to the plaintiffs placing the goods in the market.

Even if the products of the plaintiffs' being sold on the websites of the e-commerce platforms were genuine in the extant case, the e-commerce platforms were not permitted unbridled use of the plaintiffs' marks in advertising, promotion and meta-tags, especially when there was grave apprehension that the products of the plaintiffs' were being impaired and their condition changed (as the local commissioner's reports had revealed). Changes in warranties, refund and return policies, re-packaging, as well as the removal of codes of the products would, in the court's opinion, likely undermine the quality of the marks, constitute impairment and cause damage to the reputation of the plaintiffs' registered trademarks. The reports filed by the local commissioners had also revealed that the e-commerce platforms were affixing the plaintiffs' trademarks on the packaging of products being sold on their websites without actual knowledge *re* the genuineness of the products. In fact, specifically on the acts of removal of the unique codes of plaintiffs' products by the e-commerce platforms, the court held that the first impression that consumers got of the products in question were that they were being offered for sale by the plaintiffs themselves. Now if that was not the real case and further, the actual source of such products was being obliterated by alterations to packaging, the same would be deceitful and result in confusion for the customer. Thus, the High Court found the e-commerce platforms and sellers liable for infringement, passing off, misrepresentation and dilution/ tarnishment of the plaintiffs' products.

Protection Under Safe Harbour Provisions

Coming to the safe harbour provision under Section 79 of the Information Technology Act, 1999, the court reiterated the law i.e. to seek protection as an 'intermediary' due diligence ought to be observed by the intermediaries by constituting effective IPR protection policies, taking down of objectionable content, obtaining conclusive warranties/licenses from sellers on the e-commerce platforms to the effect that sellers are authorised to sell the products in question and that their goods do not infringe intellectual property rights. Though, in its opinion, the e-commerce platforms were not compliant with such 'due diligence' policies displayed on their own websites, the court did not adjudicate further on this issue – it was left to be decided later upon trial.

Tortious Interference

The High Court also found that continued sale of the plaintiffs' products on e-commerce platforms without the plaintiffs' consent would result in inducement of breach of contract, and tortious interference with contractual relationships of the plaintiffs with their distributors/ direct sellers, as the e-commerce platforms despite being notified of the direct selling contracts and the responsibilities of the distributors/direct sellers under the Guidelines, did not take steps to take down the plaintiffs' products from their websites. It was held that the legal system had to work towards preservation and compliance with contractual terms and not encourage violation of the same.

Conclusion

The court thus issued an interim injunction against the e-commerce platforms and certain sellers who had not obtained consent from Amway, Oriflame and Modicare, directing them to halt all sale and promotion of the plaintiffs' products. Further, it directed that e-commerce platforms would be required to display the complete contact details of all sellers. This decision was challenged before the Division Bench of the Delhi High Court by some of the defendants but the ruling was not stayed. Subsequently, a Special Leave Petition was filed before the Supreme Court of India – however, the judge merely asked both sides to make a 'joint request' to the High Court to advance hearing in the case and decide the matter expeditiously. The case, as of now, is listed for hearing before the High Court in February 2020.

This judgment is an important step forward as it imposes checks and balances on e-commerce platforms to ensure the preservation of the legal rights of trademark owners. The obligation cast upon the e-commerce platforms to disclose complete details of the sellers on their platforms is likely to benefit brand owners, sellers and e-commerce platforms but perhaps, most significantly, the online consumer.



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