“Wishing you all a Very Happy & Prosperous New Year”-From the family of Singh and Associates

It gives me an immense pleasure to present you with the January 2014 issue of our Newsletter “Indian Legal Impetus”. This Newsletter is one more addition towards our constant effort to discuss the latest developments in the legal arena and their application in the various fields.

The present edition brings forth the article on “Patentability of Software: a comparative analysis in various jurisdictions” providing an introductory overview and discussing the comparison of the legal provisions governing the patenting of software in India, the United States, and Europe.

An article on “Compulsory licensing: an emerging trend towards Indian-patent regime” which analyzes the approach followed by the Court while deciding the cases relating to grant of compulsory licensing and also explores as to whether the recent decision of Controller General in BMS case is justified in the light of public policy and India’s International Commitments. Moving further we have an article discussing the Interpretation of Section 8 of the Indian patents Act in Koninklijke Philips Vs Sukesh Behl case. Then we have an article on Significance and interpretation of Section 3(d) of Indian patents act 1970. An article on “Movie Title: Protection Under Law Of Trademark” which highlights the Limitation on the Protection of Title of Cinematographic Film under the Law of Trademark in India and a comparative analysis between India and U.S Laws.

Our Corporate section starts of with an article “Independent Directors- Under the Companies Act, 2013” analyzing the new concept of having Independent Directors which is a welcome step for corporate governance in India to ensure transparency in the working of the Companies. Then we have an article giving brief on the Determination of Relevant Market – ‘easier said than done’. An article which gives an overview on “Contract of Service and Restrictive Covenants”. Further an article on “Listing on the Bourse – SMEs” which highlights the insertions of regulations in the SEBI (ICDR) 2009.

In the Litigation section, there is an article on “Scope of inquiry by the police at the time of registration of FIR” which talks about the latest judgment of the 5 judges bench of the Hon’ble Supreme Court of India in the Lalita Kumari Case which finally decided the issue whether registration of FIR is mandatory in all cases.

Last but not least, latest developments in various fields of law which has been summarized in the Newsbytes Section of the present issue.

I hope that our esteemed readers find useful the information furnished through this newsletter and also such an effort will enable them to understand and further interpret the recent legal developments thus enabling our readers to avail new gateways. I welcome all suggestions, opinions, queries or comments from our readers. You can also send your valuable insights and thoughts at newsletter@singhassociates.in
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PATENTABILITY OF SOFTWARE: A COMPARATIVE ANALYSIS IN VARIOUS JURISDICTIONS

By: Kailash Choudhary & Rangoli Nigam

INTRODUCTION

The businesses around the world are depending more and more on technology these days. The importance of software therefore can hardly be undermined. Thus it has become increasingly important to provide legal protection to the intellectual property in software. Patenting of software is one of the most desired methods of procuring such legal protection. However, various jurisdictions take varied stands for granting patents to software.

This article aims at providing an introductory overview and comparison of the legal provisions governing the patenting of software in the United States, the European Patent Office (EPO) and India.

POSITION IN U.S. FOR PATENTING OF SOFTWARE

U.S Patent and Trademark office (USPTO) grants patents for softwares. However, this was not the case always. The patent office, in the year 1968 issued guidelines which stated that a computer process could not be patented either as an apparatus or as a process. As per these guidelines, patents could be granted only if an invention, in relation to computer programs, would produce results in combination with computer and non-obvious elements.

In the case of Gottschalk v. Benson, US Supreme Court held that an algorithm to convert binary coded decimal numbers to true binary numbers was not a patentable invention since algorithms are mathematics. The US Supreme Court equated mathematics to abstract ideas and abstract ideas cannot be patented.

In the case of Parker v. Flook, US Supreme Court held that a method for updating the alarm limit in a catalytic conversion process was a mere ‘post solution activity’ hence it was not patentable.

However, in the case of Diamond v. Diehr, USPTO for the first time granted the petition for grant on software. In the instant case, the invention was for a computer determined and controlled heating of rubber for its best curing. The Supreme Court held that the invention was not just a mathematical algorithm but also a process including steps to cure rubber hence was a patentable invention. Even if the only feature added in the invention was the calculation of timing, it was held to be patentable.

In re Bilski, the United States Court of Appeals for the Federal Circuit (CAFC) laid a single test ‘machine or transformation test’ for the patentability of processes. It said that a process can be patented if

(i) It can be performed on a particular apparatus ;
(ii) The process is capable of transforming an article into a different state.

The US Supreme court later revised and upheld the Bilski decision but also declared that the ‘machine or transformation test’ was not the sole test, patent applications should be subjected to.

POSITION IN EPO FOR PATENTING OF SOFTWARE

European Patent Convention provides that ‘programs for computers’ as such cannot be considered as patentable inventions. The EPC does not define an invention, however in its Article 52 (2), it provides a list of inventions that shall not be regarded as an invention. The list includes:

1. Discoveries, scientific theories and mathematical methods;
2. Aesthetic creations;

1. Student of BBA. LLB, 4th year, Symbiosis Law School, Pune.
2. 409 U.S. 63 (1972)
3. 437 U.S. 584 (1978)
4. 450 U.S. 175 (1981)
5. 545 F.3d 943
3. Schemes, rules and methods for performing mental acts, playing games or doing business, and programs for computers;

As per the current position of the EPO concerning the patentability of software, only such software can be granted a patent which provides a ‘technical effect’ which is beyond the normal output from the interaction between the computer and a process.

The Examination Division examines the application for patent. The invention is examined on the basis of:

1. Novelty and;
2. if it has an inventive step.

The novelty of an invention can be established by ascertaining that the invention was not publicly known prior to the filing of the application. After establishing the novelty, the invention is examined if the output obtained has an inventive step and is beyond the obvious results. Section 56 reads as follows with regard to inventive step:

"An invention shall be considered as involving an inventive step if, having regard to the state of the art, it is not obvious to a person skilled in the art. If the state of the art also includes documents within the meaning of Article 54, paragraph 3, these documents shall not be considered in deciding whether there has been an inventive step." 6

Thus, while software could have an inventive step, that is, it provides a technical result but still it could be an obvious one. In the case of Two identities/COMVIK7, Board of Appeals held that while establishing non obviousness, it should be so to a person skilled in the relevant field of technology. The application to the EPO should establish a technical problem which the invention seeks to provide a solution for. Also, the technical feature of the invention should be able to provide a non obvious solution to the technical problem.

**POSITION IN INDIA FOR PATENTING OF SOFTWARE**

The Indian Patents Act does not mention that what software shall be patentable. However, Section 3(k) of the Act provides for software which cannot be patented. It provides under section 3(k) “a mathematical or business method or a computer program per se or algorithms” 8 cannot be patented. In 2004, attempts were made to include “section 3(k) a computer programme per se other than its technical application to industry or a combination with hardware” 9 However, the said modification to the instant section was rejected by the Parliament. Hence as per the current provision, “computer programs per se” are excluded from the purview of patents. It is not clear if software when applied to a computer can be patented. The recent Manual of Patent Office Practice and Procedure (2011), however clears the interpretation that software when applied to a computer apparatus shall be patentable is an incorrect interpretation of the Section 3(k). The manual states that:

"If the claimed subject matter in a patent application is only a computer programme, it is considered as a computer programme per se and hence not patentable. Claims directed at computer programme products are computer programmes per se stored in a computer readable medium and as such are not allowable. Even if the claims, inter alia, contain a subject matter which is not a computer programme, it is examined whether such subject matter is sufficiently disclosed in the specification and forms an essential part of the invention." 10

To provide a clearer understanding of the law regarding patenting of software, Indian Patent Office issued draft guidelines for the examination of Computer Related Inventions (CRIs) in June 2013. The guidelines provide the examiners of the Patent Office the method of analyzing the merit of the patent application for patenting software. The claims for computer related inventions are categorized as follows:
1. Method/process
2. Apparatus/system
3. Computer program product
4. Computer readable medium

In Vicom/Computer-related invention\(^{11}\), it was held that an image processing method which involved mathematical method for the handling of data representing an image to achieve the technical effect of an enhanced quality of image was a patentable invention.

More recently in Electronic Navigation Research Institute Vs Controller General of Patents\(^{12}\), the invention was a mathematical method for evaluating time series signals. Patent to the said invention was denied on grounds that a mathematical method cannot be patented even if it produces a technical effect as it is falls within the ambit of Section 3(k). Intellectual Appellate Board (IPAB) relied on the judgment in Yahoo v Controller of Patents\(^{13}\), where it was held that ‘the inventive step’ is the subject matter of the application for patent of software, hence should not be excluded in Section 3(k).

**CONCLUSION**

USPTO and EPO have varying standards for patenting of software. The US has a much more liberal approach and states that inventions in relation to software are patentable if it is capable of transforming the input into some useful output. The EPC, on the other hand, grants patents to software but has a much more stringent approach. Software shall be granted patents by the EPO if it is non obvious to a person skilled in the relevant field of technology and also has a ‘technical effect’.

Software patenting standards in India also state that patents shall be granted to those computer related inventions which are based on a technical process. Hence the basis for granting the patents to software in India is not the Computer program per se but the technical result that the process can obtain.

\(^{11}\) [1987] 1 OJEPO 14 (T208/84)
\(^{13}\) IPAB, OA/22/2010/PT/CH.
COMPULSORY LICENSING: AN EMERGING TREND TOWARDS INDIAN-PATENT REGIME

BY: PRIYANKA RASTOGI & ANSHU BANSAL

AN INTRODUCTION

Compulsory licenses are generally defined as “authorizations permitting a third party to make, use, or sell a patented invention without the patent owner’s consent.” Under Indian Patent Act, 1970, the provision with regard to compulsory licensing is specifically given under Chapter XVI. Internationally also, the provision of compulsory licensing is well-recognized. The inbuilt flexibility provided under TRIPS agreement also paved the way to grant of compulsory licensing. This is done while keeping in mind the interest of public at large.

Since compulsory licensing limits the right of exclusive ownership conferred by patents, it has long been controversial. When it comes to implementation of compulsory licensing, there has been little consensus. Among the signatories of TRIPS, developed countries generally tend to view this provision with suspicion, while the developing countries consider it as an issue of prime importance. Recently, India granted its first compulsory license which triggered the debate as to position taken by India in the international scenario.

In this article, it has tried to analyze the approach followed by the court while deciding the cases relating to grant of compulsory licensing and also explore as to whether the recent decision of Controller General in BMS case is justified in the light of public policy and India’s International Commitments. Last but not the least, it is also intended to throw some light on the incidental issues relating to the concept of compulsory licensing like anti-trust laws etc.

FROM NATCO CASE TO BMS CASE: A CRITICAL APPRAISAL

Compulsory licensing should be considered as a last resort and it is required that the applicant should first make an attempt to get voluntary license from the patentee itself. When the applicant is not able to procure the same within the prescribed period (6 months) then the applicant can file for compulsory licensing. In the recent case, when BDR (applicant) requested BMS, a Multinational Pharma company for grant of voluntary license, BMS responded with number of queries asking the applicant to answer. BDR made these queries as their bone of contention and contended that BMS used these queries as a delayed tactics.

In the above case concerning compulsory licensing for anti-cancer drug, Controller General (CG) unequivocally said that before going to the merits of the case the threshold requirement of establishing a prima facie case must be satisfied. CG held that BDR had not really made any credible attempt to procure a license and therefore could not be said to have satisfied the statutory requirement that the applicant must have negotiated in good faith for 6 months at least. Pursuant to section 87 of Indian Patent Act, 1970, on receiving the application, the Controller should consider the evidence therein to determine whether a prima facie case is made out on the basis of the facts disclosed in the application.

In the year 2012, Bayer v. Natco (Nexavar) case emerged as India’s first case in which compulsory licensing was granted. The case opened a plethora of questions with regard to India’s patent policies. The decision of the case, which came in less than 6 months, reflected that instead of having very strict IP protection regime, the interest of public at large will be of paramount importance. However, the decision also encountered severe criticism from the large segment of multinational companies internationally. It was alleged that despite being a member of the WTO and an important global trading partner, India has systematically failed to interpret and apply its IP laws in a manner consistent with recognized global standards. In

1. Student of BBA. LLB (Hons.), 4th Year, National Law University, Odisha, Cuttack.
addition to this, potential investors also see growing trend of anti-IP developments in India which is creating a significant uncertainty in the market.³

However, India is following a consistent practice. The ground upon which compulsory licensing was granted in Bayer’s case hold good even for BMS case. It’s just that prerequisite for getting into the merits of the case was not satisfied in the latter case (BMS case). Hence, the approach followed by India is in compliance with its international commitments. India has made several amendments to the existing patent act to make its laws TRIPS complaint.

It has also been claimed that, Compulsory licenses dissuade pharmaceutical and biotech companies from innovating and that the grounds for granting a compulsory license in the case of Natco “did not meet international standards.”² The reason for granting compulsory licensing is always debated and for this reason United States Patent and Trademark Office (USPTO) is taking all available steps to encourage other nations to find solutions to public health issues that do not undermine the incentives provided by intellectual property rights. To this author believe that, granting compulsory licensing is not inconsistent with the incentive provided to the patentees. This is because compulsory licensing can only be obtained after the expiration of 3 years of patent grant and moreover, one of the basic jurisprudence governing the subject of IPRs lies in balancing the conflicting interest of patentee’s exclusive rights and benefitting public at large from the invention.

**ANTI-TRUST ISSUE: ISSUE DEMANDING IMMEDIATE RESPONSE**

In the BMS case, the issue of anti-competitive practice as raised by the applicant in BMS case was also not answered considering section 61 and sub-section (5) of section 3 of Competition Act, 2002. The non-consideration of issue of anti competitive practice is justified considering the facts of the present case. However, again the question regarding the application of anti-trust laws has being raised and in majority of the cases its application goes unanswered. It is believed that although Competition Act, 2002 strictly bars the civil court to exercise its jurisdiction over the cases in which competition authorities is entitled to deal with , these provision should not provide leeway to the patentees to go scot-free.

One of the grounds for grant of compulsory licensing is that reasonable requirement of public is not being satisfied. High pricing of drug is one of the prominent reasons behind it. Under Patent Act of many countries, high prices of patented products are considered as anti-competitive practice. For instance, under Argentinean Patent Act, high pricing of drugs are considered as anti-competitive. Hence, being a common ground under both IPR and competition law, high prices are capable of being dealt under the ambit of Competition Law and under an IPR abuse by allowing compulsory licensing as well.

**CONCLUSION**

The decision if BMS case is correct in its entirety. The position is well-settled that before going into the merits of the case, it is required for an applicant to establish a prima facie case. Hence, the BMS case cannot be treated in the same manner as Natco case was dealt. Also the opposition made by multinational companies when Natco case was decided with regard to India following Anti IP policies does not hold water. The case of BMS further clarifies this stand that even though the interest of public at large is of paramount importance, in the view of majority of population, interest of minority (Patentees) cannot be overruled.

It is also required to ponder upon some ancillary issues related to compulsory licensing. In case any patentees tries to go scot-free by taking the defense under section 61 of Competition Act, 2002 , some provisions under the Patent Act should be there in order to prevent them from such easy lee-way. The provision should be interpreted in a manner which will make the act of entering into anti-competitive practice culpable under Patent Act. India is in its nascent stage, however the amount of development going around in the concerned area is reflective of the fact that India is trying to fulfill all its International Commitments. It will take some time to establish India’s firm stand in international scenario but as of now the growth in the field of compulsory licensing is unprecedented.

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The importance of Section 8 requirement of the Indian Patents Act, 1970 was felt in the case of Chemtura Corp Vs Union of India where it was strictly enforced. Section 8(1)(a) of the Indian Patents Act requires applicants to file a statement along with the application setting out the detailed particulars of the application filed by such applicant in any country outside India with regards to same invention or substantially same invention. Section 8(1) (b) provides that the applicant needs to submit an undertaking that up to the date of grant of grant of patent in India, the Applicant will keep the Controller of Patents informed of the detailed particulars in writing every 6 months from the date of filing of such application outside India.

REQUIREMENTS OF SECTION 8
The Delhi High Court in the above case reiterated that details regarding the search and/or examination report including claims of the applications allowed, as referred to in rule 12 (3) of the Patents Rules, 2003, in respect of same or substantially same inventions filed in any one of the major patent offices, such as USPTO, EPO and JPO etc., along with appropriate translation where applicable, should be submitted within a period of 30 days from the date of receipt of this communication as provided under section 8 (2) of the Indian Patents (Amendment) Act, 2002. The Court further observed Section 64(1) Patents Act provides that failure to comply with Section 8 of the Patents Act is one of the grounds for the revocation of the patent.

RELAXATION OF THE STRINGENT STANDARD
The relaxation of the stringent implementation of Section 8, during patent prosecution was observed in 2012 specifically in Roche Vs Cipla decision taken by the Delhi High Court. In the said decision, the learned judge of Delhi High Court allowed for the exercise of discretion by the Court on whether the patent needs to be revoked or not with regards to Section 64(1)(m) of the Act, despite the violation of Section 8. To quote from the judgment1.

"156. Consequently, the ground of violation of Section 8 read with Section 64(1)(m) is made out. However, still there lies a discretion to revoke or not to revoke which I have discussed later under the head of relief. Under these circumstances, even in case, the said compliance of Section 64(1)(m) of the Act has not been made by the plaintiffs, still there lies a discretion in the Court not to revoke the patent on the peculiar facts and circumstances of the present case. The said discretion exists by use of the word - may II under Section 64 of the Act. Thus, solely on one ground of non-compliance of Section 8 of the Act by the plaintiffs, the suit patent cannot be revoked"

GSK PATENTS CASE
A revocation application was filed by Fresenius Kabi Oncology Limited on 27th July 2013 for the patent entitled “Quinazoline Ditosylate salt compounds” (Patent: No: IN221017). At the same time another revocation petition was filed for GSK’s another patent entitled ‘Bicyclic Heteroaromatic Compounds’. Both of the revocation petitions were argued at the same time before the Intellectual Property Appellate Board (IPAB). With regards to Section 8 of the Act, the board held that merely reproducing the language of the section is not enough and must be accompanied by pleading and proof of violation. To quote the Board2, “A S.8 violation has severe consequences and the case for it has to be made out. The facts have to be pleaded and the applicant must state how the particular undisclosed application was for the same or substantially the same invention. It is also not enough to just file the documents along with an affidavit. The least that the desponent shall state is how each application mentioned therein is for the same or substantially the same invention. We have indicated the principles behind the S.8 objection, how it should be raised, defended and decided. The Act says failure to disclose the information required by S.8 is a ground for revocation. It does not qualify it by saying that the failure must be deliberate nor are there any words to indicate that the failure must be in regard to material particulars. In any event, in the absence of

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1. F. Hoffmann-La Roche Ltd vs Cipla Ltd., Mumbai Central, ... on 7 September, 2012 CS (OS) No.89/2008 and C.C. 52/2008
pleading and proof of violation, we reject this ground of attack.”

**KONINKLIJKE PHILIPS VS SUKESH BEHL CASE**

In Koninklijke Philips Vs Sukesh Behl case, Philips filed for a patent in 1999 and granted in 2007 related to DVD Standards technology under Indian Patent: No: 218255 titled “Method of Converting Information Words to a Modulated Signal.” In 2012, Philips Electronics sued Maj (Retd). Sukesh Behl, Proprietor of Pearl Engineering company for allegedly infringing its Essential DVD Video/DVD ROM Disc Patents (Patent: No: 218255) who in turn filed an application to invalidate the patent for failure to comply with Section 8 of the Act. According to Behl, Philips did not submit the details of corresponding foreign applications within the prescribed three months time under Section 8 of the Act and contented that since there was an obvious suppression of vital information, “the ground for vacation of patent” under Section 64(1) (m) is prima facie attracted. Hence, prayed to the Court for the revocation of the aforesaid patent.

In a reply statement, Philips submitted an affidavit from the patent agent who prosecuted the patent who in turn mentioned that the full information concerning the pending foreign applications was submitted by a letter dated 16th March 2004 but one of the pages containing additional information was inadvertently missed out by paralegal who failed to photocopy the back of a document while submitting the application. Philips further submitted that the failure to file additional information under Section 8 was inadvertent hence do not prejudice to the prosecution of the said patent.

The Delhi High Court held that the information concerning the pending foreign applications were inadvertently not disclosed by Philips, so in order to invalidate a patent under Section 8, the Court must ascertain whether there was deliberate or wilful suppression of information which was indispensible and material to the present case. The Court further held that it was not possible at that stage to form a definitive opinion for Mr. Behl as the patent raises a triable issue thereby dismissed Mr. Behl’s application for the revocation of Patent: No: 218255.

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**CONCLUSION**

A waning trend is observed in the implementation of Section 8 from Chemtura judgment to Koninklijke Philips Vs Sukesh Behl case. Such a dilution in the implementation of Section 8, bring a huge sigh of relief to patent applicants/owners who find it challenging to comply with Section 8 and facing revocation threat even on extremely valid patents. The High Court of Delhi in the above case, have read “willingness” into Section 8 of the Patents Act, 1970. Such a reading along with the failure to comply with Section 8 is taking the case closer to ‘inequitable conduct’ of United States.

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Patent system is a contract between the inventor and authority whereby the inventor gets exclusive rights for a period of 20 years in return for disclosing full details of the invention. The main purpose of patent system is to encourage innovation and eventually results in technological development.

The present Patents Act, 1970 came into force in the year 1972, amending and incorporating the existing laws relating to Patents and Designs act 1911 in India. The Patent (amendment) Act 2005 came into force from 1st January 2005, which brought changes in the previous patent system of India wherein product patent was extended to all subjects of technology consisting of food, drugs, chemicals and micro organisms. Moreover, Section 3(d) introduced in to the said amendment act 2005 and introduces pharmaceutical product patents in India for the first time. The Patent (amendment) Act 2005 defines what invention is and makes it clear that any existing knowledge or thing cannot be patented. The provision defines that a 'novelty' standard - which, along with ‘non-obviousness' or ‘inventive step' and industrial applicability, are the three prerequisites for ‘patentability'. “Discovery” essentially refers to finding out something which already existed in nature but was unknown or unrecognised. Therefore, discoveries are excluded from patent protection under section 3 of the Indian Patent Act 1970.

**MERE DISCOVERY OF A NEW FORM OF KNOWN SUBSTANCE**

A mere discovery of a new property of known substance is not considered patentable. For instance, the paracetamol has antipyretic property. Further discovery of new property of paracetamol as analgesic can not be patented. Similarly, ethyl alcohol is used as solvent but further discovery of its new property as anti knocking, thereby making it usable as fuel, can not be considered patentable.

**MERE DISCOVERY OF ANY NEW USE OF KNOWN SUBSTANCE**

For instance, new use of Aspirin for treatment of the cardio-vascular disease, which was earlier used for analgesic purpose, is not patentable. However, a new and alternative process for preparing Aspirin is patentable. Similarly, the new use of methyl alcohol as antifreeze in automobiles is not patentable. The use of methanol as a solvent is known in the prior art. A new use has been claimed in this claim as antifreeze which is not allowable.

The main objective of this section is to prevent several pharmaceutical companies from obtaining patents on old medicines which are just a mere increment or trivial improvement of the known substances and also a refusal to the patent on discovery of new form or new use of old drugs.

The most recent case, *Novartis AG v Union of India* decided by Supreme Court of India in 2013 where the case began in the year 1997 with patent application filed by the petitioner before Chennai patent office related to drug name GLIVEC which was slightly a different version of their 1993 patent for ANTI LEUKAEMIA drug. In this case the Assistant Controller of Patent and design, Chennai Patent Office rejected the application under section 3(d) of the Indian patent act 1970. Consequently

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5. AIR 2013 SC 1311
the petitioner challenged the constitutionality of section 3(d) before High Court at Madras.

The applicant in the present appeal contented on two issues:

• Section 3(d) is unconstitutional as it violates the provision of the TRIPS agreement.
• The Indian patent act doesn’t define the term ‘efficacy’ and provides unguided power on the Controller. Hence it is arbitrary, illogical and vague.

In response to the above contention the court held that:

• The WTO’s Dispute Settlement provides the exclusive remedy and a comprehensive dispute mechanism for violation of TRIPS Agreement. The High Court looked into the conflict between the international law and municipal law and decided that municipal law prevails in such conflict. Moreover, in India, international treaties are not directly enforceable.
• The court also rejected the second contention that the provision is providing unguided power to the patent controller being arbitrary on the basis of the term ‘efficacy’ was undefined and therefore the court observed that “Efficacy means the ability to produce a desired or intended result. Hence, the test of efficacy in the context of section 3(d) would be different, depending upon the result the product under consideration is desired or intended to produce. In other words, the test of efficacy would depend upon the function, utility or the purpose of the product under consideration. Therefore, in the case of a medicine that claims to cure a disease, the test of efficacy can only be ‘therapeutic efficacy’.

Therefore it is found that the Novartis’ patent application for the beta-crystalline form of Imatinib Mesylate (polymorph B) did not pass the test of section 3(d) as it did not have any enhanced therapeutic efficacy. The Supreme Court thereby upheld the observation of the High Court and Indian Patent office and rejected the patent application filed by the petitioner.

The provision under section 3(d) has been approved by WHO Public Health, Innovation and Intellectual Property Rights Report, 2006, that countries can adopt legislation and examination guidelines requiring a level of inventiveness that would prevent ever-greening patents from being granted. The ruling of the Novartis’s case in Indian patent law represents a major victory for community’s access to inexpensive medicines in developing countries and influences the access of medicines to the poor. If Novartis had succeeded the case, patenting on drugs would have likely been approved more widely in India, restricting generic competition and thus also hindering access to reasonable medicines in the developing world. Moreover the practice is anti-competitive in its effect as the practice will enable pharmaceutical MNCs to eliminate competition from the generic manufacturers and charge exorbitant prices for their patented drugs. This in turn will cause adverse effect to public interest in developing countries since many essential drugs become inaccessible to the general public on account of unaffordable pricing.

CRITICISM OF SECTION 3(D) OF INDIAN PATENT ACT 1970

Section 3(d) specifically disallows patent protection for mere discovery of known substances unless such substance express substantial efficacy in the known substance. In effect of this provision it expressly excludes such substances having incremental innovations. The provision is disputed as being violative of TRIPS agreement not only on the ground that the provision does not provide any specific guidelines for incremental innovation but also lake the standard protection to all categories of inventions as provided by TRIPS. Novartis’s case further pointed out that the TRIPS agreement gives WTO members the option of providing patent rights more generous than the basic criteria mandated by TRIPS but does not allow members to go in the opposite direction by implementing stricter requirements for obtaining a patent. The court defines the scope of the term efficacy as therapeutic efficacy. However the scope of the term is unclear as to what count as therapeutic efficacy. The court fails to give the rationale as to why subject matter lacks enhanced efficacy. Consequently, because of the interpretation aforesaid mentioned any kind of incremental innovation will not get patent protection in India⁶.

⁶. **AIR 2013 SC 1311**
CONCLUSION

Notwithstanding the compatibility of section 3(d) with TRIPs agreement, it has been comprehended that the words of the relevant section is inadequate as it lacks clarification. The act does not specifically define the scope of enhanced efficacy nor is there any guidelines stated in that effect. Therefore it is important to alter the wordings of section 3(d) to clarify the meaning of enhanced efficacy. However, the significant provisions in TRIPS clearly indicate that member nations have been given significant flexibilities to frame patent laws which reflect their social and economic needs. Article 27.1 of the TRIPS agreement does not provide any definition for the term invention, inventive steps and industrial application and therefore the member countries are provided flexibility to establish the criteria of patentability. In the absence of a precise definition of patentability, there is nothing to prevent the Section 3(d) from using an “efficacy” requirement, i.e. a higher level of inventiveness for determining patentability of new forms of known substances. Accordingly, in order to acquire patent protection in India, the substance has to go beyond establishing the novelty, inventive steps, non obviousness and industrial application test set forth in TRIPS agreement and also fulfill the additional improved efficacy incorporated under section 3(d). It is concluded that Section 3(d) does not violate the TRIPS mandate rather prevents frivolous patenting without neglecting valuable incremental innovations in pharmaceuticals and is very well compatible with TRIPS agreement.
MOVIE TITLE: PROTECTION UNDER LAW OF TRADEMARK

By: Himanshu Sharma & Shradha Deb

Name and title of the work creates the sense of identity. Film makers all over the world are specific about choosing an exclusive and distinctive name for their movies for viewers to associate with the producers. One of the issues under the ambit of trademark protection is the subject related to the protection granted to the title of cinematographic film. Consequently, registration of title turns out to be prerequisite for every producer.

Before discussing about any case laws it is necessary to highlight about how film titles are protected in India. Customary way of getting the film title registered is with the association such as Indian Motion Picture Producers’ Association (IMPPA), the Association of Motion Pictures and Television Programme Producers (AMPTTP) and the Film and Television Producers’ Guild of India (Guild). These associations are constantly working with the purpose of endorsing and encouraging the production of films and protecting the commercial interest of films produced in India. The film industries customarily functions through these associations. Before registering the title, the association generally substantiates with other associations as to whether the same or deceptively similar title has been registered with another association. However such registration only establishes priority in the adoption of title of film and authorship of the script. Moreover, film titles are also registered as a trademark under the Trademark Act, 1999 with limitations.

LIMITATION ON THE PROTECTION OF TITLE OF CINEMATOGRAPHIC FILM UNDER THE LAW OF TRADEMARK IN INDIA

Under two main circumstances Trademark Law protects the title of the cinematographic film:

Firstly, the title of the series of literary work where the title of the series of the film enjoys standard trademark protection to indicate that each edition comes from the same source as the others and can therefore be registered as a trademark. Consequently, registration of title turns out to be prerequisite for every producer.

Secondly, with respect to the title of single literary work where in order to be entitle to the protection of trademark, the title need to have acquired secondary meaning to qualify as registrable trademark. The fundamental assumption behind this is that the question of likelihood of confusion of source, affiliation, sponsorship or connection in the minds of potential buyers/users would arise and can be contended only if the disputed title has acquired the secondary meaning and is capable of associating itself with the particular work or source. Even if the work has not been released, a sufficient amount of pre-release publicity of the title may cause a title to acquire recognition, sufficient for protection under the proviso clause stated under clause (1) of Section 9 of Trademark Act, 1999 which specifically gives trademark registration to well known mark or mark which acquired distinctive character as a result of the use made of it.

SEVERAL CASE LAWS WHERE TRADEMARK LAW RECOGNIZES THE REGISTRATION OF MOVIE TITLE IN INDIA

Sholay Media and Entertainment Pvt Ltd. v. Parag M. Sanghavi before the Delhi High Court in which the Ram Gopal Verma’s film “Ram Gopal Verma Ke Sholay” was restrained from release due to copyright and trademark infringements in relation to the cult film Sholay. One of the basic issues raised was whether trademark protection could be granted to the title of the film. The Delhi High Court issued an ex parte injunction to restrain the defendants from infringing the plaintiff’s rights and recognised rights in the title of the film after a series of hearings and the defendant gave an undertaking that it would not infringe the plaintiff’s rights.

Biswaarop Roy Choudhary v. Karan Johar Under this case the plaintiff sought an interim injunction from the Delhi High Court to use title of film which plaintiff had registered with Registrar of Trade marks to restrain the defendant from using the tile

1. Student of final year in KIIT Law School, Bhubaneswar
2. CS (OS). 1892/2006
3. 2006(33)PTC381(Del)
“Kabhi Alvida Naa Kehna” for the defendant’s movie. However, Delhi High Court was of the opinion that although the defendant had not registered the title with the Registrar of Trademarks (as was done by the plaintiff), the defendant was the actual user of the mark, and in fact had completed the production of the film which was ready for release. Accordingly, Delhi High Court further opined that the actual use of the trademark was always a relevant factor which would deter the Court from granting injunctory relief. Hence, the Court resulted in denial of interim relief to the plaintiff were that Kabhi Alvida Naa Kehna was a phrase in common parlance and therefore could not be used with exclusivity and furthermore there was delay in approaching the Court.

**Kanungo Media (P) Ltd v RGV Film Factory**

This case is a commendable attempt by the judiciary to fill the gap and establish a position that even a single title of the film can acquire trademark protection under the Trademark Act, 1999. The court opined that film titles fall into two categories firstly, titles of series of film and secondly titles of single copyrighted works. Protection is certain as regards titles of series of film, and such titles enjoy standard trademark protection. However, the court found that in order to extend this protection to the title of a single copyrighted work, it must be proven that such title has acquired a wide reputation among the public and the industry that is, has acquired secondary meaning. Therefore, in order to obtain an injunction the onus is on the plaintiff to establish that its film title has acquired secondary meaning. And had also concluded that the law with respect to the protection of move title under trademark in India is similar to the law of trademark in United States.

**THE UNITED STATES TRADEMARK LAW ON THE PROTECTION OF MOVIE TITLE**

Motion Picture Association of America (MPAA) is first and foremost association introduced in 1922; the organization represents the interests of the American motion picture, home video and television industries both in the US and internationally through Motion Picture Association (MPA). The organization works with the purpose of endorsing and encouraging the production of films, protecting the commercial interest of films produced and protection from any copyright theft. However, the trademark protection is also available related to movie title subjected to limitations stated below.

Registration of titles as trademarks with the United States Patent and Trademark Office requires that the work designated by the title is not a single film, television show, or book. If it is being used on a television series, book series or other continuing work, registration is possible and recommended. The USPTO refuses registration of a proposed mark related to the title of a single book and/or movie including marks being: a surname; geographically descriptive of the origin of the goods/services; disparaging or offensive; a foreign term that translates to a descriptive or generic term; an individual's name or likeness. A portion of the title of any single creative work is registrable only if the applicant can show that the portion of the title meets the following criteria:

1. creates a separate commercial impression apart from the complete title;
2. is used on series of works; and
3. is promoted or recognized as a mark for the series.

Therefore the law of trademark under USPTO implements the refusal to register titles of a single work regardless of whether it is a book, television program or a movie.

In **Paramount Pictures Corporation v. Pete Gilchrist** the Courts in the United States of America uniformly have given trademark protection to literary title of single works only upon a showing of secondary meaning, even where the title may not be merely descriptive of the contents of the work. The panel finds that the Respondent registered the disputed domain names primarily with the intention of taking advantage of the Complainant’s trademark rights. The panel determine that the movie title acquired secondary meaning and thus the use of complainant’s trademark is confusingly similar does not constitute a legitimate noncommercial or fair use of the domain names. Accordingly respondent was restrained from using the disputed domain name.

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6. [http://www.uspto.gov/trademarks/resources/exam/examguide4-06.jsp](http://www.uspto.gov/trademarks/resources/exam/examguide4-06.jsp)
7. Administrative Panel Decision Case No. D2007-0128
In *Warner Brothers Entertainment v. The Global Asylum, Inc* 8

Plaintiff owns various trademarks that include the word “Hobbit,” filed a trademark infringement suit against defendant seeking a temporary restraining order against the distribution of defendant’s film Age of Hobbits. The court established four factor test for injunctive relief that is

(1) likelihood of success on the merits,
(2) likelihood of irreparable harm to them if the injunction were not granted,
(3) a balance of hardships favoring plaintiffs and
(4) that an injunction would benefit the public.

Whereby the plaintiff satisfies the four factor test and the court found that plaintiff had protectable interest in the HOBBIT mark and that the defendant’s use of the mark was likely to cause consumer confusion. The court also explored whether the “Hobbit” mark had gained secondary meaning in the marketplace, and concluded that plaintiffs had extensively used the word “Hobbit,” including in three prior series of *Lord of the Rings* films, constituted additional evidence of secondary meaning. The court found the balance of hardships also weighed in favor of plaintiffs, rejecting defendant’s contention and granted injunction on the basis of public interest.

**CONCLUSION**

India recognizes trademark rights to the title of the movie even in case of single literary work under the Trademark protection in India. The title that acquires secondary meaning and the use of the same by another may cause overlapping of the source and likely to create confusion in the mind of the consumer. The comparative analysis of law related to trademark protection in India and U.S. provides that unlike India, U.S. laws grant protection to series of movie title but no such protections are being given to the single literary work. Where, USPTO treats all single title work as inherently descriptive unless the single title has had wide promotion and great success. The registration not only imparts an exclusive right to the registrant to use the title and restrain the unauthorized use/adoption or infringement of title but also in case of suits of infringement or passing off, the registrant can seek permanent injunctions and damages.

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8. CV 12-9547 PSG (CWx) decided on 12 December, 2012
INDEPENDENT DIRECTORS- UNDER THE COMPANIES ACT, 2013

By: Yogesh Malhan & Siddhesh Singh

In India, the gravity of Independent Directors (referred as “ID’s”) was recognized with the introduction of corporate governance. The Companies Act, 1956 (referred as “the Act, 1956”) do not directly talks about ID’s, as no such provision exists regarding the compulsory appointment of ID’s on the Board. However, Clause 49 of the listing agreement which is applicable on all listed companies mandates the appointment of ID’s on the Board. A need has been felt to update the Act and make it globally compliant and more meaningful in the context of investor protection and customer interest.

The Companies Act, 2013 (referred as “the Act, 2013”) came into force as Act no. 18 of 2013 after obtaining the assent of the President on August 29, 2013. The Ministry of Company Affairs (referred as “MCA”) enforced the 98 sections of the Act through the notification dated September 12, 2013.

One of the sections of the Act, 2013 is section 149 which also deals with the appointment and qualification of ID’s on the board of the Company and their importance in good corporate governance in the Company. However the same section has not been implemented till date and will come into force as may be notified in the Gazette. The Act, 2013 has specifically defined the roles, duties, liabilities and the manner of selection of ID’s in board and various committees of the Company which are as follows:

INDEPENDENT DIRECTORS - AN OVERVIEW

The need for the ID’s aroused due to the need of a strong framework of corporate governance in the functioning of the company. There is a “growing importance” of their role and responsibility. The Act, 2013 makes the role of ID’s very different from that of executive directors. An ID is vested with a variety of roles, duties and liabilities for good corporate governance. He helps a company to protect the interest of minority shareholders and ensure that the board does not favour any particular set of shareholders or stakeholders.

The role they play in a company broadly includes improving corporate credibility, governance standards, and the risk management of the company. The whole and sole purpose behind introducing the concept of ID is to take unbiased decisions and to checks various decisions taken by the management and majority stakeholders. An ID brings the accountability and credibility to the board process. These ID’s are the trustees of good corporate governance.

POSITION UNDER THE STATUE

The Act, 1956: The Act, 1956 do not specifically give the definition of the ID. However one can find parameters mentioned in the Clause 49 of the listing agreement which is applicable to all listed companies in order to recognize a director as an ID. According to this clause ID’s are those who apart from receiving director’s remuneration do not have any material pecuniary relationships or transactions with the company, promoters, senior management, holding company or subsidiary or associates which affect their independence. Moreover he is not related to promoters or persons occupying management positions at the board level or at one level below the board and has not been an executive of the company in the immediately preceding three financial years. Apart from this he will be disqualified if he is not less than 21 years of age or holds 2% or more block of voting shares or shares or if he is a partner or executive of any statutory audit firm or the internal audit firm or the legal firm(s) and consulting firm(s) that have a material association with the company. All provisions of clause 49 are mandatory to be followed by every listed company.

According to NASDAQ “Independent director” means a person other than an executive officer or employee of the company or any other individual having a relationship which, in the opinion of the issuer’s board of directors would interfere with the exercise of

1. Intern BBA LLB, IV Year, B.V.D.U New Law College, Pune
2. As available on the website of BSE & NSE
independent judgment in carrying out the responsibilities of a director\(^4\).

**The Act, 2013:** The Act, 2013 has adopted many of the provisions of clause 49 of the listing agreement and has defined the term ‘Independent Director’ u/s 2(47) which says that ‘Independent Director’ means an Independent Director as referred to in sub-section (5) of section 149. The new Act along with the definition of ID’s also provides the criteria for appointing, qualifications, tenure, remuneration and liability of ID’s.

As per sub-section 6 of Section 149 of the Act, ID means a director other than a managing director or whole-time director or a nominee director,

a) Who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;

b) 1. Who is or was not a promoter of the company,
   2. Who is not related to promoters or directors in the company

c) Who has or had no pecuniary relationship with the company

d) None of whose relative has or had pecuniary relationship or transaction with the company.

e) Who, neither himself nor any of his relative---
   i. Holds or has held the position of a key managerial personnel
   ii. Is or has been an employee or proprietor or a partner, in any of the three financial years preceeding.
   iii. Holds together with his relative two per cent or more of the total voting power of the company; or
   iv. Is a Chief Executive or director, of any nonprofit organization, or who possesses such other qualifications as may be prescribed.

**MANNER OF SELECTION AND APPOINTMENT OF INDEPENDENT DIRECTOR**

The process of identification and appointment of an ID itself provide hints about the likelihood of the person acting independently. A good way to identify and appoint an ID is to involve a nominations committee of the board, or involve the entire board. This will ensure that prejudice and proximity to management, or a majority shareholder, do not influence the selection of ID.

Under the Act, 2013, strict eligibility criteria have been laid down for the appointment of an ID for example; an ID should not be related to the company or its holding or its subsidiary or its associate company, he himself or his relatives should not have or had any pecuniary relationship or transaction with the company or its holding or its subsidiary or its associate company during the current financial year. He also has to declare to the board that he is independent at the time of his appointment and also whenever there is a change that may affect his independence. Both the company and the ID shall abide by the provisions of the Act\(^5\). Also the appointment of ID shall be approved at the meeting of the shareholders and the explanatory statement attached to the notice of the meeting for approving the appointment of an ID shall include a statement that in the opinion of the Board, the ID’s proposed to be appointed fulfils the conditions specified in the Act, 2013 and the Rules and the proposed director is independent of the management. An ID shall hold the office for a term up to five consecutive years, but shall be eligible for re-appointment on passing of a special resolution by the company and disclosure of such appointment in the board's report. He is not entitled to any stock option or any remuneration, but he may receive sitting fee and any profit related commission as approved by members.

The Act, 2013 has described the manner or procedure for selection of ID’s under section 150. This section says that selection of an ID shall be done from a Data Bank maintained by anybody, institute or association, as may be notified by the Central Government, containing names, addresses and qualifications of persons who are eligible and willing to act as ID. It also says that the appointment of an ID shall be approved by the company in general meeting and the explanatory statement indicating the justification behind appointing such person, attached with the notice of general meeting.

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4. *NASDAQ Rule 4200 a(15)*

ROLE AND DUTIES OF INDEPENDENT DIRECTORS

The role of an ID is considered to be of a great significance. The guidelines, role and functions and duties and etc are broadly set out in a code described in Schedule IV of the Act, 2013. The code lays down certain critical functions like safeguarding the interest of all stakeholders, particularly the minority holders, harmonizing the conflicting interest of the stakeholders, analyzing the performance of management, mediating in situations like conflict between management and the shareholder’s interest and etc.

The code also lays down certain important duties like keeping themselves updated about the company and the external environment in which it operates, not disclosing important and confidential information of the company unless approved by the board or required by law, actively participating in committees of the board in which they are chairperson or members, keeping themselves update and undertaking appropriate induction and refreshing their knowledge, skills and familiarity with the company, regularly attend the general meetings of the company and etc.

MEETINGS & COMMITTEES

The Act, 2013, requires all the ID’s to meet at-least once in a year. The meeting must be convened without the presence of the non-independent directors and members of the management. An ID would also evaluate the performance of the chairperson of the company. Also, the Act, 2013 requires an ID to review the performance of the non-independent directors and the Board as a whole of the company. These measures would immensely aid in ensuring the smooth and proper functioning of the Board of Directors of a company.

The Act, 2013 has also emphasized on the appointment of an ID as a member or as a chairperson in various committees. For instance in the Audit committee which shall comprise of minimum three directors, ID’s should form a majority. In the same way, the Nomination and Remuneration Committees which shall consist of three or more non-executive directors, ID’s should not be less than half of the total number of members. For the Stakeholders Committee, the Board of Directors of the Company which consist of more than one thousand shareholders, debenture-holders, deposit-holders and any other security holders at any time during a financial year shall constitute a Stakeholders-relationship Committee consisting of a chairperson who shall be a non-executive director and such other members as may be decided by the board.

LIABILITY

The Act, 2013, has sought to balance the wide nature of the obligations, functions and duties imposed on an ID. The Act, 2013, restricts and limits the liability of ID’s to the matters which are directly relatable to them. Section 149 (12) limits the liability of an ID “only in respect of acts of omission or commission by a company which had occurred with his knowledge, attributable through board processes, and with his consent or connivance or where he had not acted diligently”.

Nominee directors, despite not being considered as ‘independent’ under the new definition, would nevertheless be eligible for immunity, as long as they are non-executive.

CONCLUSION

The new concept of having ID is a welcome step for corporate governance in India. The Act, 2013 has conferred greater empowerment upon ID’s to ensure that the management & affairs of a company is being run fairly and smoothly. But, at the same time, greater accountability has also been placed upon them. The Act, 2013 empowers the ID’s to have a definite ‘say’ in the management of a company, which would thereby immensely strengthen the corporate governance.

However it is also important to keep in mind that good corporate governance is not just the outcome of appropriate selection and effective functioning of ID’s. Every director, whether independent/non-independent, executive/non-executive has a distinct role in the functioning of the company. It is only when the entire board functions effectively which results to good corporate governance and benefit minority as well as majority shareholder in its long term which maintains a good corporate image in the market.
With progress comes new set of challenges; same is true in context of the challenges faced by Indian Competition watchdog. With the enactment of the Competition Act 2002 (‘the Act’) our competition regulator Competition Commission of India (‘CCI’) was entrusted with the task of assuring that the Indian market operate in a competitive environment.

Under all circumstances, the CCI is obligated to curtail any abuse of dominance by a market player. For this the CCI relies on the investigation conducted by the Director General (DG), who determines whether the market player is abusing its dominant position or not and thereafter the CCI pronounces its order. Such order passed by CCI is premised on the said scrutiny of each factor mentioned in Article 19(4) of the Act.

The above said procedure sounds like a cakewalk but it can be aptly remarked as ‘it is easier said than done’. In the matter titled as “Belaire Owner’s Association vs. DLF Limited and Ors.”, CCI pronounced its order which created ripples in the Competition jurisprudence; as the said order being a fore-runner in the infant Indian competition jurisprudence, was perceived to settle the dust surrounding the concept “relevant market”. But soon the notion seemed to whittle down with more such orders being pronounced by our own CCI. It can be rightly asserted that the concept ‘Relevant market’ is an indelible ingredient in determining the abuse of dominant position by a market player and thus every time CCI pronounces its order, it needs to interpret the concept ‘relevant market’.

**CONCEPT OF RELEVANT MARKET**

Relevant market has been defined in different statutes all over the world like the Act, UK laws, European laws and anti trust laws of US; however it is neither possible nor justifiable to limit the scope of ‘relevant market’ to few theoretical definitions. Even the adjudicating forums find it difficult to restrict the ambit of the said concept and each dispute results in a new and unique interpretation. So the whole scrutiny boils down to determination as to what is the relevant market in a particular set of facts. Only then the remaining issues can be settled.

Definition of the relevant market as enshrined in Section 2(r) of the Act cannot be exhaustive as the term owes its origin to the concept of Economics and thus is bound to be dynamic depending on the unique set of facts for each case. Section 2(r) of Competition Act 2002 reads as:

"relevant market" means the market which may be determined by the Commission with reference to the relevant product market or the relevant geographic market or with reference to both the markets;

It is manifest from the above definition that the task of determining the “relevant market” is left with the Commission and the terms like ‘relevant product market’ and the ‘relevant geographic market’ involves understanding of the legal concepts, concepts of Economics and also involves analysis of volumes of data/statistics before arriving unto a conclusion.

Relevant market in common parlance refers to the market where competition takes place. A relevant market can further be divided into ‘relevant product market’ and ‘relevant geographic market’.

To put in simple words, a relevant product market basically refers to two kinds of substitutability of the product/service – one is the ‘demand side substitution’ which stipulates a situation where the market player is not benefited by a slight increase in price because the consumer has the option of substituting the use of such product/service and the second is the ‘supply side substitution’ when other market players increase supply of such product/service canceling the effect of any increase in price.

Section 2(t) of the Competition Act 2002 defines the ‘relevant product market’ as follows:

"relevant product market" means a market comprising all those products or services which are regarded as interchangeable or substitutable by the consumer, by
reason of characteristics of the products or services, their prices and intended use;

Relevant Geographic market being the other facet of relevant market basically involves two elements viz. homogenous condition of competition and distinct condition of competition. Section 2(s) of the Competition Act 2002 defines the relevant geographic market as:

“relevant geographic market” means a market comprising the area in which the conditions of competition for supply of goods or provision of services or demand of goods or services are distinctly homogenous and can be distinguished from the conditions prevailing in the neighbouring areas”.

CONCEPT OF ‘RELEVANT MARKET’ FROM GLOBAL PERSPECTIVE

Are the above definitions as enshrined under our Competition Act different from the definitions adopted globally? In fact, the said definitions have been directly imported from the definition as provided in the EC Treaty. Competition Law in European Commission is ruled by the provisions of EC treaty, Article 81 and Article 82 being the two relevant articles. Article 82 is of utmost relevance being closely affiliated to the term relevant market. In Europe, there are basically two sources for relevant market; one is the 1997 Commission notice on market definition and other is the ratio decidendi derived from different case laws. In Europe, jurists place huge reliance on the data for evidentiary value and thus the authenticity of such data are a vital determinant for deciding the relevant market suited to each and every case. Despite a notice and lots of precedents; paradox and conflicting judgments are a common phenomenon in the competition jurisprudence of Europe. A final and settled set of rules for determining the issue of relevant market is still a distant dream.

Section 2 of The Sherman Anti Trust Act of United States (US) states as under:

“Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a felony…”

Therefore the requirements of above section can be summarized as follows:

1. the possession of monopoly power in the relevant market and
2. the willful acquisition or maintenance of that power as distinguished from growth or development as a consequence of a superior product, business acumen, or historic accident.

It can be observed from the said section of Anti- trust Act that in evaluating an offence under this section, the first issue that needs to be zeroed in is the determination of the relevant market. Only after such determination, the adjudicating authority can successfully carry any further investigation related to alleged abuse of dominant position by a market player.

CCI PERPLEXED – A SNAPSHOT

It is easy to present the definition of a concept as aggregation of few words but it is equally difficult to interpret such words in different set of facts and circumstances. Every now and then, our CCI finds itself in the same paradox. In the famous Belaire case DG concluded that since the cost of each flat was above 1.5 Crore the relevant market was the ‘high-end residential market’ in Gurgaon. It further argued ‘a customer wanting a flat in Gurgaon would not look at Noida or another city; and that a small change in price – say 5 % - will not make buyers in Belaire shift to lower priced flats under development in Gurgaon. This way both the relevant geographic market and relevant product market seemed to be determined successfully.

But very soon the CCI found itself in an imbroglio when innumerable cases against builders were filed involving the determination of the relevant market to reach unto a conclusion. Very sadly, the regulator while dismissing such complaints seemed perplexed as is evident from the different benchmarks and yardsticks adopted. In the case of Emaar MGF, even though the flats were priced at over Rs. 2 Crore the relevant market was ascertained to be the ‘residential accomodation’ in Gurgaon. In its very own order, the CCI remarked ‘Since the apartments in the case comes to about Rs. 95 lakh…'

the relevant market will be high-end residential apartments’.

Such interpretation of ‘Relevant Market’ in these two cases led to utter confusion giving rise to a moot question; if price of apartments is taken into consideration in determining the ‘Relevant market’, then how can CCI in one case determine relevant market to be ‘residential accommodation, for flats priced over 2 crores’ while in other case relevant market was determined to be ‘High end residential apartments for flats priced around 95 lakhs’?

Further in the case of another Unitech project, Unitech Habitat in Greater Noida, the relevant market was determined to be the residential units on sale in Noida, greater Noida and the area around the Noida Expressway. In this case, the flats were priced at about Rs. 50 lakh and thus this may be the reason why CCI did not feel the need of adding any prefix like high end or low end to the definition of relevant market.

These are the few perplexities that CCI had faced in last few months as it suffers badly from the absence of scientific economic analysis. As such, it had to rely heavily on scanty information available in the public domain thus leading to such contradictions.

ANALYSIS OF ‘RELEVANT MARKET’ CONCEPT

From the above detailed discussion highlighting the different definitions of the concept ‘relevant market’ which are more or less similar in its ambit all round the globe and from the recent paradox that has caught unawares our adjudicating authority, it is now evident that determination of ‘relevant market’ is the subject matter which needs to be determined first to decide the issue of abuse of dominance. Despite having various case laws along with statutes at discretion, determination of ‘relevant market’ had been a nightmare for the adjudicating authorities of almost the whole world as it involves the complexities of both Economics and Law. Even country like US with its archaic Anti-trust laws had not been able to settle down the issue and give finality to the complexities involved in determination of relevant market.

CONCLUSION

It cannot be disputed that competition jurisprudence of our country is in its infancy. It is also a well settled fact that determination of relevant market is dependant upon set of data/statistics. CCI being the watchdog had been entrusted with this job which in no way can be said to be an easy task. Law being dynamic is bound to witness contradictions. But, instead of being complacent and criticizing CCI every now and then, better way needs to be chalked out.

Determining more than one relevant market for each case and then examining dominance in each relevant market may be given a try. The most vital factor in such determination is the data relied and thus, the data collection and analysis needs a prime consideration by all involved in this process. It must be appreciated that the concept of relevant market is a cornerstone of the competition law and thus must not be misinterpreted to have a restricted reach only to the infrastructure sector. Some or the other day its tentacles will certainly take even other sectors in its grip. It invites the sector representatives and experts to do more research and try to come out with more concrete documents related to the said purpose. Even though it will not be binding, it will certainly have some persuasive value. Last but not the least, competition advocacy initiatives must lead all the relevant measures.
CONTRACT OF SERVICE AND RESTRICTIVE COVENANTS

By: Vatsala Singh

INTRODUCTION

Contract of service can easily be termed as ‘when one person has agreed to employ another person as an employee, and the other person has agreed to the terms of employment and of an employee, then the party have said to be entered in Contract of Service’. Contract of service is also known as Apprenticeship Contract. The employer without the consent of the employee cannot alter the terms of contract.

A contract is an instrument which is legally enforceable and also for protecting the rights of the contracting parties, be it an employer or an employee. There are restrictive provisions in a service contract. It is basically being incorporated for the protection of confidential information and protection of Intellectual property of the employer. The employer should be clear on the terms of confidential information in the contract of service. Hon’ble Supreme Court of India has given its observation and has upheld the validity of section 27 of the contract Act in landmark judgments Niranjan Shankar Golikari V/s Century Spinning and Manufacturing1, Superintendence Co. Vs. Krishna Murgai2 and also in the most recent judgment of 2006 Hon’ble Supreme Court of India has upheld its validity in Percept D’Mark Vs. Zaheer Khan3.

INVOLUNTARY TERMINATION

Involuntary termination can easily be understood when in a certain situation an employer decides to terminate an employee, it could be done on immediate basis or it’s in the discretion of the employer to give a notice to the employee of certain period before the employment could be terminated.

Involuntary termination can be in form of:-

a. Lay offs
b. Disciplinary actions
c. Recessions
d. Unsatisfactory work of an employee

In addition to the above, an employer can also terminate an employee on the principle of Termination Simpliciter. In a very recent Judgment of Hon’ble Delhi High Court in Satpal Yadav Vs Cambata Aviation4, High Court has observed that “If the termination is in the terms of contract, then the termination remains to be as termination simpliciter”.

On the contrary if the Dismissal of the employee is on the terms of Disciplinary actions, then an employer is under an obligation to carry out domestic inquiry in respect of the same. The Hon’ble Supreme court of India in its numerous judgments has held the same. In Punjab national bank ltd vs. its workmen5, it was held that ‘there shall be proper enquiry which has to be held in accordance to the provisions of the standing orders’. In Ritz theatre Pvt Ltd vs. Its workmen6 it was categorically held that ‘Employer serve the relevant charge or charges on his employee and holds a proper and fair enquiry, it would be open to him to act upon the report submitted to him to act upon the report submitted to him by the enquiry officer and dismiss the employee concerned’. There were certain principles laid down in The workmen of Firestone Tyre And Rubber Co. Of India (Pvt) Ltd Vs The Management And Ors7.

VOLUNTARY TERMINATION

Voluntary termination can be of following types:-

a. Retirement of an employee
b. Resignation of an employee
c. Failure to return from leave
d. Failure to report to work without notice, for three consecutives days without notice.

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1. AIR 1967 SC 1098
2. AIR 1980 SC 1717
3. AIR 2006 SC 3426
4. MANU/DE/2024/2013
5. 1959(IILJ) 666 SC
6. 1962 (IILJ498b) SC
7. AIR 1973 SC 1227
The above was the law as laid down by the Hon’ble Supreme Court of India is applicable to all industrial adjudication arising out of orders of dismissal or discharge. Industrial Employment (Standing Orders) Act, 1946 applies only to those industrial establishments which are covered by Section 1(3). But the field of operation of the Act is much wider and it applies to employers who may have no standing orders at all.

CONTRACTS ON RESTRICTIVE COVENANTS

Restrictive covenants may sound contrary to Section 27 of the Indian Contract Act, but such covenants shall be drafted in a manner which protects the confidentiality of the firm and also does not restrict the Employee to work in his desired profession. Companies have certain trade secrets which are supposed to be protected, so there is a need to incorporate the restrictive clause in the service contracts so that the trade secrets of the firm are well protected.

Section 27 of Indian contract Act, 1972 states that,

"Agreement in restraint of trade, void – Every agreement by which any one is restrained from exercising a lawful profession, trade or business of any kind, is to that extent void.

Exception 1.- Saving of agreement not to carry on business of which goodwill is sold.-One who sells the goodwill of a business may agree with the buyer to refrain from carrying on a similar business, within specified local limits, so long as the buyer, or any person deriving title to the goodwill from him, carries on a like business therein, provided that such limits appear to the Court reasonable, regard being had to the nature of the business."

It is well-settled that a contract which is in restraint of trade cannot be enforced unless it is reasonable as between parties and it is consistent with the interest of the public. These two principles are the sine qua non for a contract which is in restraint of trade.

The situation with regard to the application of section 27 was further clarified in BLB Institute case. It was held that under Section 27 of the Contract Act-(a) a restrictive covenant extending beyond the term of the contract is void and not enforceable, (b) the doctrine of restraint of trade does not apply during the continuance of the contract for employment and it applies only when the contract comes to an end, (c) this doctrine is not confined only to contracts of employment, but is also applicable to all other contracts.

RESTRICTIVE COVENANTS CAN BE OF THE FOLLOWING TYPES

a. Non-Compete Covenant
b. Non-Solicitation Covenant
c. Non-Poaching Covenant
d. Confidentiality covenant

The non-solicitation clause does not amount to a restraint of trade, business or profession and would not be hit by Section 27 of the Indian Contract Act, 1872 as being void¹¹. Hence, there are certain non-solicitation agreements which are prima facie negative in nature but still stand as an exception and are enforceable.

India has an obligation to shape its law in accordance with Trips, but till now there is no specific legislation which deals with trade secret. The law on this issue is common based.¹² In accordance with common law “non-disclosure” agreement also stand as an exception to this general rule and the Courts have upheld the validity of such clauses post-employment period.

In this connection, it is also pertinent to point out that for Copyright protection to confidential information the degree of control would determine the obligations of the parties.¹³ Hence, copyright in data base is also allowed.

However, the judicial decision does not follow a set pattern. Hence, the uncertainty of the judicial decision’s over the non-competitive clauses made the Corporate guru’s to develop a concept called “garden leave,” in which employees are paid their full salary during the period in which they are restrained from competing.

8. Vancouver Malt and Sake Brewing Co. v. Vancouver Breweries Ltd., 1934 PC 101
10. Ibid.
this had its genesis in England. However, "Garden leave" clauses have not received much appreciation as they are considered to be as unreasonable restraint of trade which goes deep into the root of freedom of contract which is a fundamental postulate of right to contract.

**REMEDIES FOR PROTECTION OF CONFIDENTIALITY**

Under Indian Law, some remedies are provided in case of infringement upon confidentiality. These are:

a. Injunction preventing the third party from using trade secrets,

b. return of confidential information and

c. Compensation for damages

In addition to this, Section 72 of the Information Technology Act, 2000 any breach of confidentiality and privacy is also penalized.

**CONCLUSION AND SUGGESTION**

The constitution of India in article 19(1) (g) provides an individual to practice any profession, vocation or trade of his own choice. The legal position with regard to the post-contractual covenants is well settled in India. As a general rule, negative covenant restricting the employee beyond the period of employment are considered to be unreasonable but there are some exceptions to it. The exceptions include confidential information and non-solicitation agreements (to a reasonable period of time).

Hence, it is suggested that while drafting negative clause all the possible consequences of such clause should be pondered upon. Decisions of High Courts and Supreme Courts serve as a guiding law in this regard.

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LISTING ON THE BOURSE – SMES

By: Gopal Bageria

INTRODUCTION

“Every cloud has a silver lining”. Certainly, this must be the phrase in the wordings of every entrepreneur who runs a small or medium enterprise, as the conditions, rather rigid rules framed by Securities Exchange Board of India (SEBI) for listing the securities in the bourses have been relaxed.

The Small and Medium Scale Enterprise (SMEs) were unable to list on the Stock Exchanges as they were unable to comply with the special SME norms laid down by SEBI on 18th May 2010. These norms required market making for a minimum period of three years apart from the issue of shares to public, required certain minimum requirement in the form of dividend distribution, net tangible assets etc, complying all added to be a vigorous task.

SEBI had indicated that the ITP Regulations are framed with the intention of allowing easier exit options for the informed investors who risk their capital to support SMEs. It will serve as an alternate and easy exit mechanism for most of the investors like angel investors, venture capital funds (“VCFs”) and private equities (“PEs”) from such companies as company would fetch better valuation and easy price discovery mechanism would enable liquidity for the shares of such companies.

Finance Minister P Chidambaram in his annual budget had announced that start-ups and SMEs can get listed on the bourses without bringing IPO. Consequently, capital markets regulator SEBI decided to permit the listing without IPO and trading of specified securities of SMEs, including start-up companies, on Institutional Trading platform (ITP) on the exchanges. SEBI vide its circular no. CIR/MRD/DSA/33/2013 dated 24th October 2013 and Gazette Notification No. LAD-NRO/GN/2013-14/27/6720 dated 8th October 2013, expressly notified the rules for the SMEs, which appear to be less stringent, for the listing of these SMEs on the Institutional Trading Platform (ITP). Accordingly, BSE also had announced the launch of ITP on November 28th 2013 for accepting the Information Memorandum from the companies for listing on ITP and until now 43 SMEs have listed themselves and are actively trading in the platform.

THE REGIME

The salient features of SEBI (Listing of Specified Securities on Institutional Trading Platform) Regulations, 2013 (ITP Regulations) are as follows:

- Regulation 106 X defines Institutional Trading Platform (ITP) as the trading platform in a SME exchange for listing and trading of specified securities of small and medium enterprises for informed investors.
- Small and Medium Scale Enterprise means a public company including Start-up Company, that complies with all the eligibility conditions.
- Regulation 106Y provides for the eligibility criteria:
  - The company, its promoter, group company or director does not appear in the willful defaulters list of Reserve Bank of India as maintained by Credit Information Bureau (India) Limited.
  - There is no winding up petition against the company that has been admitted by a competent court;
  - The company, group companies or subsidiaries have not been referred to the Board for Industrial and Financial Reconstruction within a period of five years prior to the date of application for listing;
  - No regulatory action has been taken against the company, its promoter or director, by the Board, Reserve Bank of India, Insurance Regulatory and Development Authority or Ministry of Corporate Affairs within a period of five years prior to the date of application for listing;
  - The company has not completed a period of more than ten years after incorporation and its revenues have not exceeded one hundred crore rupees in any of the previous financial years;
  - The paid up capital of the company has not exceeded twenty five crore rupees in any of the previous financial years;
  - The company has at least one full year’s audited financial statements, for the immediately preceding
financial year at the time of making listing application;
♦ Any one of the following criteria:
♦ At least one alternative investment fund, venture capital fund or other category of investors/lenders approved by the Board has invested a minimum amount of fifty lakh rupees in equity shares of the company, or
♦ At least one angel investor who is a member of an association/group of angel investors which fulfils the criteria laid down by the recognized stock exchange, has invested a minimum amount of fifty lakh rupees in the equity shares of the company through such association/group, or
♦ The company has received finance from a scheduled bank for its project financing or working capital requirements and a period of three years has elapsed from the date of such financing and the funds so received have been fully utilized, or
♦ A registered merchant banker has exercised due diligence and has invested not less than fifty lakh rupees in equity shares of the company which shall be locked in for a period of three years from the date of listing, or
♦ A qualified institutional buyer has invested not less than fifty lakh rupees in the equity shares of the company which shall be locked in for a period of three years from the date of listing, or
♦ A specialized international multilateral agency or domestic agency or a public financial institution as defined under section 4A of the Companies Act, 1956 has invested in the equity capital of the company.

♦ PROCESS OF LISTING (REGULATION-106Z)
♦ A company which meets the requirements of the Regulations may apply to the recognized stock exchange for listing along with the information document containing disclosures as specified under Schedule XIX A of ICDR Regulations. This information document shall be made available to public through the website of the recognized stock exchange.
♦ The concerned recognized stock exchange may issue an in-principle approval to companies eligible for listing on ITP.
♦ A company which has received in-principle approval from a recognized stock exchange for listing of its specified securities on ITP shall be deemed to have been waived by SEBI from rule 19(2)(b) of Securities Contracts (Regulation) Rules, 1957 for the limited purpose of listing on ITP. The rule requires minimum public offer of at least 25% of its securities through offer document in order to get listed.

♦ REGULATION 106ZB MANDATES MINIMUM PROMOTER SHAREHOLDING AND LOCK-IN PERIOD:
- Not less than twenty percent of the post listing capital of the company shall be held by the promoters at the time of listing and the same shall be locked-in for a period of three years from date of listing.
- The minimum investment limit is Rs. 10 Lakh.
- Companies have to enter into agreement with Stock Exchange as per Annexure A to the Regulations.
- Annexure B provides a listing agreement to be executed by the stock exchanges with the companies seeking listing on ITP.

♦ REGULATION 106ZD PRESCRIBES FOR EXIT FROM THE PLATFORM
A company listed on ITP may exit the platform voluntarily after obtaining approval of its shareholders as below:
♦ Its shareholders approve such exit by passing a special resolution through postal ballot where ninety percent of total votes and the majority of non-promoter votes have been cast in favor of such proposal;
♦ It shall also obtain the SME Exchange's approval.
- In the event of any of the following, the company would be required to exit the platform within 18 months from the occurrence of such event:
  ♦ The company has been listed on ITP for a period of 10 years;
  ♦ The company has paid up capital of more than twenty five crore rupees;
  ♦ The company has revenue of more than three hundred crore rupees in the last audited financial statement;
  ♦ The company has market capitalization of more than five hundred crore rupees. For the purposes of market capitalization, it shall be calculated based on the average closing price of the shares for the previous three months.
- A company listed on ITP shall be delisted and permanently removed from that under any of the following circumstances:
Failure to file periodic filings with the recognized stock exchange for more than one year;

Failure to comply with corporate governance norm(s) for more than one year;

Notwithstanding anything contained above, non-compliance of the condition of listing as may be specified by the recognized stock exchange.

SEBI Takeover Code not applicable to direct and indirect acquisition of shares or voting rights in, or control over, a company listed on the ITP.

One of the most important aspects of the aforesaid Regulations is that the company cannot raise capital through any other mode apart from,

- Right issue
- Private Placement

In case of Right Issue, there should be no option for Renunciation of right.

However, in case of Private placement, the requirements of obtaining in-principal approval of Stock Exchange, Shareholders approval under Section 81(1A) of Companies Act 1956, completion of allotment within 2 months etc… must be complied with.

**CONCLUSION**

These insertions of regulations in the SEBI (ICDR) 2009, has not only made it easy for the SMEs to list themselves but also has slayed down the huge cost associated with listing. Listing on ITPs shall grant existing investors better chances to find buyers. The listing of the SMEs will result in the public accountability of the SMEs providing the benefit of liquidity.

Moreover, the Listing of securities in the stock exchange reflects a good image of the company the benefit of which can be reaped by these SMEs including the availability of loans from the Banks and other Financial Institutions as the listing will enhance companies’ visibility and credibility. The listing will lead to the check on the Corporate Governance of such companies. As the mode of exiting from the platform is also relatively simplified, the migration to the main exchange would possibly be much smoother for a company whose specified securities are listed on the ITP of a recognized stock exchange.
CONSTITUTIONAL BENCH OF HON’BLE S.C. COMPRISING CHIEF JUSTICE P. SATHASIVAM, JUSTICE B.S. CHAUHAN, JUSTICE RANJANA PRAKASH DESAI, JUSTICE RANJAN GOGOI AND JUSTICE S.A. BOBDE.¹

In a very important judgment passed in November 2013 by the Constitutional Bench of Hon’ble Apex Court of India, it has been held that Police must register FIR upon receiving any information relating to commission of a cognizable offence under Section 154 of the Code of Criminal Procedure.

The issue which was considered by Hon’ble Supreme Court is of great public importance. In view of the divergent opinions in a large number of cases earlier decided, it was important to have a clear enunciation of law and adjudication by a larger Bench for the benefit of all concerned, the courts, the investigating agencies and the citizens.

The court’s direction came on a reference by three judges’ bench headed by Justice Dalveer Bhandari in February 2012 in a matter² relating to kidnapping of a minor girl in Uttar Pradesh. The mother of the victim challenged the refusal of local police to register an FIR against the kidnappers on the basis of her complaint. Hon’ble Apex Court, after hearing various counsel representing Union of India, States and Union Territories and also after advertizing to all the conflicting decisions extensively, referred the matter to a Constitution Bench.

The important issue which was considered by the Constitutional Bench in the referred matter was whether “a police officer is bound to register a First Information Report (FIR) upon receiving any information relating to commission of a cognizable offence under Section 154 of the Code of Criminal Procedure, 1973 (in short ‘the Code’) or the police officer has the power to conduct a “preliminary inquiry” in order to test the veracity of such information before registering the same?”

It was contended on behalf of petitioner that upon receipt of information by a police officer in-charge of a police station disclosing a cognizable offence, it is imperative for him to register a case under Section 154 of the Code and placed reliance upon two-Judge Bench decisions of this Court in State of Haryana vs. Bhajan Lal³, Ramesh Kumari vs. State (NCT of Delhi)⁴ and Parkash Singh Badal vs. State of Punjab⁵. On the other hand it was argued on behalf of State that an officer in-charge of a police station is not obliged under law, upon receipt of information disclosing commission of a cognizable offence, to register a case rather the discretion lies with him, in appropriate cases, to hold some sort of preliminary inquiry in relation to the veracity or otherwise of the accusations made in the report. In support of his submission, he placed reliance upon two-Judge Bench decisions of this Court in P. Sirajuddin vs. State of Madras⁶, Sevi vs. State of Tamil Nadu⁷, Shashikant vs. Central Bureau of Investigation⁸, and Rajinder Singh Katoch vs. Chandigarh Admin.⁹

Cognizable offences are those which attract punishment of three years or more in case of conviction and where an investigating officer can arrest an accused without warrant.

The only question before this Constitution Bench relates to the interpretation of Section 154 of the Code and incidentally to consider Sections 156 and 157 also.

After hearing the contentions and arguments as well as due interpretation of statute in this regard, Hon’ble

1. Lalita Kumari vs. Government of Uttar Pradesh & Ors (2013)13 SCALE559
2. Lalita Kumari vs. Government of Uttar Pradesh & Ors. (2012) 4 SCC 1
3. 1992 Supp. (1) SCC 335
4. (2006) 2 SCC 677
5. (2007) 1 SCC 1
6. (1970) 1 SCC 595
7. 1981 Supp SCC 43
8. (2007) 1 SCC 630
9. (2007) 10 SCC 69
Apex Court has held regarding registration or non-registration, what is necessary is only that the information given to the police must disclose the commission of a cognizable offence. In such a situation, registration of an FIR is mandatory. However, if no cognizable offence is made out in the information given, then the FIR need not be registered immediately and perhaps the police can conduct a sort of preliminary verification or inquiry for the limited purpose of ascertaining as to whether a cognizable offence has been committed.

Such a preliminary inquiry should be time bound and not take more than one week.

But, if the information given clearly mentions the commission of a cognizable offence, there is no other option but to register an FIR forthwith. The Hon’ble Constitutional Bench has concluded its findings in below mentioned directions:

(i) Registration of FIR is mandatory under Section 154 of the Code, if the information discloses commission of a cognizable offence and no preliminary inquiry is permissible in such a situation.

(ii) If the information received does not disclose a cognizable offence but indicates the necessity for an inquiry, a preliminary inquiry may be conducted only to ascertain whether cognizable offence is disclosed or not.

(iii) If the inquiry discloses the commission of a cognizable offence, the FIR must be registered. In cases where preliminary inquiry ends in closing the complaint, a copy of the entry of such closure must be supplied to the first informant forthwith and not later than one week. It must disclose reasons in brief for closing the complaint and not proceeding further.

(iv) The police officer cannot avoid his duty of registering offence if cognizable offence is disclosed. Action must be taken against erring officers who do not register the FIR if information received by him discloses a cognizable offence.

(v) The scope of preliminary inquiry is not to verify the veracity or otherwise of the information received but only to ascertain whether the information reveals any cognizable offence.

(vi) As to what type and in which cases preliminary inquiry is to be conducted will depend on the facts and circumstances of each case. The category of cases in which preliminary inquiry may be made are as under:

(a) Matrimonial disputes/family disputes
(b) Commercial offences
(c) Medical negligence cases
(d) Corruption cases
(e) Cases where there is abnormal delay/laches in initiating criminal prosecution, for example, over 3 months delay in reporting the matter without satisfactorily explaining the reasons for delay.

It was held that the aforesaid are only illustrations and not exhaustive of all conditions which may warrant preliminary inquiry.

(vii) While ensuring and protecting the rights of the accused and the complainant, a preliminary inquiry should be made time bound and in any case it should not exceed 7 days. The fact of such delay and the causes of it must be reflected in the General Diary entry.

(viii) Since the General Diary/Station Diary/Daily Diary is the record of all information received in a police station, we direct that all information relating to cognizable offences, whether resulting in registration of FIR or leading to an inquiry, must be mandatorily and meticulously reflected in the said Diary and the decision to conduct a preliminary inquiry must also be reflected, as mentioned above.

**CONCLUSION**

Preliminary inquiry can be conducted in certain matters only to determine if there was cognizable element in the complaint relating to matrimonial family disputes, commercial offences, cases of medical negligence, corruption cases and cases of abnormal delay in the lodging of the complaint.

If a police officer decides to conduct a preliminary inquiry and finds that complaint does not merit registration of FIR, then the same shall be recorded and a copy of the closure report shall be given to the first informant in seven days.
Failure to comply with said direction would entail disciplinary action against erring investigating officer. Registration of an FIR in cognizable offences is mandatory and no preliminary inquiry by a police official is permissible as a condition for registering FIR in cognizable offences. Police officials can’t avoid registration of FIR and action must be taken against them for not lodging FIR in cognizable offences.
INDIA SIGNS AGREEMENT ON LABOUR COOPERATION FOR DOMESTIC SERVICE WORKERS RECRUITMENT WITH SAND SAUDI ARABIA

India and Saudi Arabia have signed an agreement on Labour Cooperation for Domestic Service Workers Recruitment. The agreement was signed in New Delhi on 02.01.2014 by Minister for Overseas Indian Affairs Sh.Vayalar Ravi and Minister for Labour of Kingdom of Saudi Arabia Mr. Adel Bin Mohammed Fakeih.

Salient Features of the Agreement are:

- It aims to protect the right of both the employers and domestic service workers and regulate the contractual relation between them.
- It endeavors to control recruitment costs in both countries.
- It ensures recruitment of domestic sector workers directly or through registered recruitment agencies.
- It ensures authenticity and implementation of employment contract between the employer and the domestic workers.
- It ensures legal measures against recruitment agencies in violation of the laws of either country.
- It ensures that recruitment agencies and the employer shall not charge or deduct from the salary of the domestic worker any cost attendant to his/her recruitment and deployment.
- It ensures that recruitment agencies and the employer do not impose any kind of unauthorized salary deduction.
- It works towards fostering a harmonious relationship between the employer and the domestic workers.
- It facilitates the opening by the employer of a bank account under the name of the domestic sector workers.
- It endeavors to establish a mechanism to provide 24 hours assistance to the domestic sector workers.
- It facilitates the issuance of exit visas for the repatriation of domestic sector workers upon contract completion or in any emergency situation or as the need arises.

- A standard employment contract would be finalized that would provide minimum wage, working hours, paid holidays and dispute settlement mechanism.

RBI CLARIFIES THE OPTIONS IN THE SHAREHOLDERS AGREEMENTS

Reserve Bank of India has recently clarified its position as to the options in the shareholders and share subscription entered into by the Indian Companies allotting instruments to the person resident outside India. Prior to the August 2013, such options were illegal in terms of Securities Contracts Regulation Act but in 2013 Securities Exchange Board of India (SEBI) clarified that such options would be legal prospective to such notification issued by SEBI subject to the conditionalities issued in such notification and the regulations issued under Foreign Exchange Management Act, 1999. Reserve Bank (RBI) being the nodal agency for the same has clarified the said position by issuing the seventeenth amendment to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 wherein RBI has inter alia provided that; “the person resident outside India holding the shares or debentures of an Indian company containing an optionality clause in accordance with the seventeenth amendment regulations and exercising the option/right, may exit without any assured return, subject to the following conditions:

(ii) In case of equity shares of unlisted company, at a price not exceeding that arrived on the basis of Return on Equity (RoE) as per latest audited balance sheet. Any agreement permitting return linked to equity as above shall not be treated as violation of FDI policy.

Explanation - RoE shall mean Profit after Tax / Net Worth; Net worth would include all free reserves and paid up capital."

POLICY GUIDELINES FOR TELEVISION RATING AGENCIES IN INDIA

Television Rating Points (TRPs) have been a much debated issue in India since the present system of TRPs is riddled with several maladies such as small sample size which is not representative, lack of transparency,
lack of reliability and credibility of data etc. Shortcomings in the present rating system have been highlighted by key stakeholders that include individuals, consumer groups, government, broadcasters, advertisers, and advertising agencies etc. Members of Standing Committee on Information Technology had also expressed concern over the shortcomings. In 2008, the Ministry of Information & Broadcasting (MIB) had sought recommendations of TRAI on various issues relating to TRPs and policy guidelines to be adopted for rating agencies. TRAI, in its recommendations in August 2008, had amongst other things recommended the approach of self-regulation through the establishment of an industry-led body, that is the Broadcast Audience Research Council (BARC). The Ministry had constituted a Committee under the Chairmanship of Dr. Amit Mitra, the then Secretary General FICCI, in 2010 to review the existing TRP system in India. The committee also recommended that self-regulation of TRPs by the industry was the best way forward. Since, the BARC could not operationalise the TRP generating mechanism, the Ministry of Information & Broadcasting sought recommendations of TRAI in September 2013 on comprehensive guidelines/accreditation mechanism for television rating agencies in India to ensure fair competition, better standards and quality of services by television rating agencies. TRAI recommendations on Guideline for Television Rating Agencies were received in September 2013. While supporting self-regulation of television ratings through an industry-led body like BARC, TRAI recommended that television rating agencies shall be regulated through a framework in the form of guidelines to be notified by MIB. It also recommended that all rating agencies, including the existing rating agency, shall require registration with MIB in accordance with the terms and conditions prescribed under the guidelines.

Finally, the Union Cabinet on 09.01.2014 approved the proposal of the Ministry of Information and Broadcasting for bringing out a comprehensive regulatory framework in the form of guidelines for Television Rating Agencies in India. These guidelines cover detailed procedures for registration of rating agencies, eligibility norms, terms and conditions of registration, cross-holdings, methodology for audience measurement, a complaint redressal mechanism, sale and use of ratings, audit, disclosure, reporting requirements and action on non-compliance of guidelines etc. The proposal is based on recommendations made by the Telecom Regulatory Authority of India (TRAI) on “Guidelines for Television Rating Agencies” dated 11th September, 2013.

Based on the recommendations of TRAI, comprehensive policy guidelines for television rating agencies have been formulated.

**Salient features of these guidelines are as follows:**

- All rating agencies including the existing rating agencies shall obtain registration from the Ministry of Information and Broadcasting.
- Detailed registration procedure, eligibility norms, terms and conditions, cross-holding norms, period of registration, security conditions and other obligations have been delineated.
- No single company / legal entity either directly or through its associates or interconnect undertakings shall have substantial equity holding that is, 10 percent or more of paid up equity in both rating agencies and broadcasters/advertisers/advertising agencies.
- Ratings ought to be technology neutral and shall capture data across multiple viewing platforms viz. cable TV, Direct-to-Home (DTH), Terrestrial TV etc.
- Panel homes for audience measurement shall be drawn from the pool of households selected through an establishment survey. A minimum panel size of 20,000 to be implemented within six months of the guidelines coming into force. Thereafter the panel size shall be increased by 10,000 every year until it reaches the figure of 50,000.
- Secrecy and privacy of the panel homes must be maintained. 25 percent of panel homes shall be rotated every year.
- The rating agency shall submit the detailed methodology to the Government and also publish it on its website.
- The rating agency shall set up an effective complaint redressal system with a toll free number.
- The rating agency shall set up an internal audit mechanism to get its entire methodology/processes audited internally on quarterly basis and through an independent auditor annually. All audit reports to be put on the website of the rating agency. Government and TRAI reserve
the right to audit the systems /procedures/mechanisms of the rating agency.

- Non-compliance of guidelines on cross-holding, methodology, secrecy, privacy, audit, public disclosure and reporting requirements shall lead to forfeiture of two bank guarantees worth Rs. one crore furnished by the company in the first instance, and, in the second instance shall lead to cancellation of registration. For violation of other provisions of the guidelines, the action shall be forfeiture of bank guarantee of Rs. 25 lakh for the first instance of non-compliance, forfeiture of bank guarantee of Rs.75 lakh for the second instance of non-compliance and for the third instance, cancellation of registration.

- 30 days time would be given to the existing rating agency to comply with the guidelines.

- The guidelines would come into effect immediately from the date of notification. The Guidelines for Television Rating Agencies in India are designed to address aberrations in the existing television rating system. These guidelines are aimed at making television ratings transparent, credible and accountable. The agencies operating in this field have to comply with directions relating to public disclosure, third party audit of their mechanisms and transparency in the methodologies adopted. This would help make rating agencies accountable to stakeholders such as the Government, broadcasters, advertisers, advertising agencies and above all the people.

GOVERNMENT NOTIFIES DOMESTIC NATURAL GAS PRICING GUIDELINES, 2014

The Government has issued the Notification regarding Domestic Natural Gas Pricing Guidelines, 2014 on 10.01.2014. These Guidelines are hosted on website of the Ministry and will be published in the Gazette of India. Salient features of the Domestic Natural Gas Pricing Guidelines, 2014 are:

- These guidelines will be applicable to all natural gas produced domestically, irrespective of the source, whether conventional, shale, CBM etc. These guidelines shall apply from 1st April 2014.

- These guidelines shall not be applicable where prices have been fixed contractually for a certain period of time, till the end of such period. These guidelines shall also not be applicable where the production sharing contract provides a specific formula for natural gas price indexation/fixation. Further, the pricing of natural gas from small/isolated fields in the nomination blocks of NOCs will be governed by the extant policy in respect of these blocks issued on 8th July, 2013.

- The prices determined under these guidelines shall be applicable to all consuming sectors uniformly.

- These guidelines shall also be applicable for natural gas produced by ONGC/OIL from their nominated fields.

- The pricing of natural gas produced domestically shall be based on the following methodology:

  First, the netback price of all Indian imports at the wellhead of the exporting countries will be estimated as detailed in Para 1.7 below. Since there may be several sources of gas imports, the weighted average of such netback of import prices at the wellheads would represent the average global price for Indian LNG imports.

  Secondly, weighted average of prices prevailing at trading points of transactions – i.e., the hubs or balancing points of the major global markets will be estimated. For this, (a) the hub price (at the Henry Hub) in the US (for North America), (b) the price at the National Balancing Point of the UK (for Europe), and (c) the netback wellhead price at the sources of supply for Japan will be taken as the average price for producers at their supply points across continents.

  Finally, the simple average of the prices arrived at through the aforementioned two methods will be determined as the price for domestically produced natural gas in India.

- Domestic Gas prices shall be notified in advance on a quarterly basis using the data for four quarters, with a lag of one quarter.

- In respect of D1 and D3 gas discoveries of Block KG-DWN-98/3, these guidelines shall be applicable subject to submission of bank guarantees in the manner to be notified separately.
**REVIEW OF EXISTING POLICY FOR FDI IN PHARMA SECTOR**

According to Circular 1 of 2013 – consolidated FDI Policy, relating to FDI in Pharmaceuticals Sector, 100% FDI is allowed for green field and Brownfield projects under automatic route and the government approval route respectively. However, on 08.01.2014, vide press note 1 of 2014 series Government of India reviewed the position and decided that the existing policy would continue with the condition that ‘non-compete’ clause would not be allowed except in special circumstances with the approval of FIPB.

**CONVERSION OF EXTERNAL COMMERCIAL BORROWING AND LUMPSUM FEE/ROYALTY INTO EQUITY**

Reserve Bank of India (RBI) vide A.P. (DIR Series) Circular No. 94 dated January 16, 2014 has reviewed its circular on Conversion of External Commercial Borrowing and Lumpsum Fee/Royalty into Equity. The circular provides that an Indian company can issue equity shares against External Commercial Borrowings (ECB) subject to conditions and pricing guidelines as prescribed by the Reserve Bank from time to time regarding value of equity shares to be issued.

With respect to the issue relating to how the rupee amount against which equity shares are to be issued shall be arrived at, RBI has clarified that where the liability sought to be converted by the company is denominated in foreign currency as in case of ECB, import of capital goods, etc. it will be in order to apply the exchange rate prevailing on the date of the agreement between the parties concerned for such conversion.

Moreover, RBI will have no objection if the borrower company wishes to issue equity shares for a rupee amount less than that arrived at as mentioned above by a mutual agreement with the ECB lender.

The circular provides that the fair value of the equity shares to be issued shall be worked out with reference to the date of conversion only.

Further, it has been clarified that the above mentioned principle of calculation of INR equivalent shall apply mutatis mutandis, to all cases where any payables/liability by an Indian company such as, lump sum fees/royalties, etc. are permitted to be converted to equity shares or other securities to be issued to a non-resident subject to the conditions stipulated under the respective Regulations.

**PRIOR RBI APPROVAL FOR ESTABLISHMENT OF LIAISON OFFICE/ BRANCH OFFICE/ PROJECT OFFICE IN INDIA BY FOREIGN ENTITIES**

Reserve Bank of India (RBI) vide A.P. (DIR Series) Circular No. 93 dated January 15, 2014 has modified the Regulation 4 of Foreign Exchange Management (Establishment in India of Branch or Office or other Place of Business) Regulations, 2000. The said Regulation 4 provides that no entity or person, being a citizen of Pakistan, Bangladesh, Sri Lanka, Afghanistan, Iran or China shall establish in India, a branch office or a liaison office or a project office or any other place of business by whatever name called, without the prior permission of the Reserve Bank.

RBI has now clarified that the provisions of the Regulation 4 shall extend to and applicable for the entities from Hong Kong and Macau as well. Meaning thereby the prior approval from RBI shall be required for establishment of Liaison/ Branch/ Project Offices or any other place of business by whatever name called by the entities registered in/ resident of Hong Kong and Macau.

**NEW PAN ALLOTMENT PROCEDURE TO BE EFFECTIVE FROM FEB 3, 2014**

CBDT vide its press release has provided the new procedure will be effective from 03.02.2014. According to the press release, the procedure for PAN allotment process will undergo a change w.e.f. 03.02.2014. From this date onwards, every PAN applicant has to submit selfattested copies of Proof of Identity (POI), Proof of Address (POA) and Date of birth (DOB) documents and also produce original documents of such POI/POA/DOB documents, for verification at the counter of PAN Facilitation Centres. The copies of Proof of Identity (POI), Proof of Address (POA) and Date of Birth (DOB) documents attached with PAN application form, will be verified vis a vis their original documents at the time of submission of PAN application at PAN Facilitation Centre. Original documents shall not be retained by the PAN Facilitation Centres and will be returned back to the applicant after verification.
FOREIGN PORTFOLIO INVESTORS NOTIFIED AS FII’S IN TERMS OF SECTION 115AD OF IT ACT, 1961

Vide circular dated 22.01.2014 CBDT has specified Foreign Portfolio Investors registered under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, as Foreign Institutional Investor for the purposes of Section 115AD which deals with the provisions of “Tax on income of Foreign Institutional Investors from securities or capital gains arising from their transfer”.

INDIAN PATENT OFFICE (IPO) ISSUES A PUBLIC NOTICE REGARDING APPLICATION FILING RECEIPTS AND RELATED FACILITIES

In a move, to increase transparency in its transactions and to authenticate the documents delivered by IPO to the stakeholders, the office of Controller General of Patent Designs and TradeMarks (CGPDTM) issued a public notice (No.CG/F/Public Notice/2014/57) stating the following,

1. The system of QR Code(s) is further extended to other documents and henceforth the same will be printed in the Application Filing Receipts (AFRs) issued by the office of CGPDTM. This facility enables the verification of the contents of the AFRs by the applicants/stakeholders.

2. With the idea to eventually phase out the issue of AFRs by post, CGPDTM has come up with the idea of upgrading the system of intimation of AFRs through e-mails and SMS. Therefore, the intimation regarding the issue of AFR’s is made available to the applicant/agent on record immediately through e-mail (which will be extended to SMS in due course). For the enablement of this service, the applicants/stakeholders are advised to register their official mobile number as well as their official e-mail address with the patent office at the time of filing of the documents/ fee payment at the cash counter, more specifically at the time of CBR generation.

DELHI HIGH COURT RULES OUT COPYRIGHTS AND TRADEMARKS PROTECTION FOR YOGA ASANAS AND TECHNIQUES

In a recent judgment pronounced by Delhi High Court with regards to the case of Institute for Inner studies Vs Charlotte Anderson, it was clarified that exclusive rights over yoga asanas and pranic healing, which are derivatives of ancient yoga technique in India cannot be claimed under Indian Trade Mark Law and Indian Copyright Law. A Philippines-based Institute for Inner Studies(IIS) sought to restrain some persons from teaching the ‘asanas’ (postures) claimed to be developed by Master Choa Kok Sui, who is the founder of the institute. IIS also stated that their yoga techniques and ‘Pranic healing’ were claimed under copyright and trademark laws of the country.

With regards to the trademark infringement, the Court clarified that that the expression ‘Pranic Healing’ existed already in a book written by Swami Ramachakra in 1906, therefore it falls in a public domain. Also it was observed that the word ‘Pranic healing’ is a generic term and hence not coined by Master Choa Kok Sui of IIS. Obviously, there is a lack of distinctiveness as required by Section 9 of the TradeMarks Act. The Court noted that IIS made ‘false claim’ as to the proprietorship of the trademark as the expression was neither distinctive nor capable of distinguishing the goods and services of one person from that of another.

With regards to copyright, IIS claimed copyright over 9 titles of book written by the Master, CD Roms and trade literature where the techniques were complied. IIS further claimed that the performance of ‘Pranic Healing’ technique was a work of choreography and hence copyrightable under Section 13(a) of Copyright Act, 1957 as a “dramatic work.” The Court after detailed analysis, discussed the idea and expression of ideas dichotomy and reinstated that a copyright can be obtained over the manner in which the Master of IIS has demonstrated as to how pranayam can be performed and in a specific way that they had illustrated it. However, IIS cannot claim copyright ownership over pranic healing or any other yoga techniques per se, which is a part of traditional knowledge since the time of Maharishi Patanjali. The Court mentioned Section 2(h) of the Copyright Act which defines a “dramatic work” and cited Bikram’s Yoga(2012) case as an example in concluding that mere selection and arrangement of physical movements and naming it as ‘Pranic Healing’ will not make it a work of choreography and hence ruled out copyright protection as dramatic work.
This alert is with respect to submission of Working Statements (Form 27) for Patents granted by the Indian Patent Office. Please be informed that working statements regarding the working of patented inventions in a calendar year is required to be submitted for every granted patent within 3 months from the end of every calendar year i.e. 31st March of every year. Therefore for submission of working statements for calendar year 2013 due date is 31st March 2014.

In the above said working statements the patentee is required to submit the information regarding the working of the patented invention i.e. whether the invention is worked or not, if worked then quantum and value of the patented product. In case the invention is not worked, reason for non working is required to be provided. Further licenses and sub-licenses granted for the patent is also required to be submitted, if any, etc. Please find below the exact information required by the Indian Patent Office in respect of the working and draft Form 27 for your ready reference:

- **Worked**
  - If not worked: reasons for not working and steps being taken for working of the invention.
  - If worked: quantum and value (in Rupees), of the patented product:
    - i. Manufactured in India
    - ii. Imported from other countries (give country wise details)
- The licenses and sub-licenses granted during the year
- State whether public requirement has been met partly/adequately/to the fullest extent at reasonable price.

The provisions of the Indian Patents Act, 1970 under which the above working statement is required are mentioned below for your ready reference.

**Section 146: Power of Controller to call for information from patentees.**

1. The Controller may, at any time during the continuance of the patent, by notice in writing, require a patentee or a licensee, exclusive or otherwise, to furnish to him within two months from the date of such notice to within such further time as the Controller may allow, such information or such periodical statements as to the extent to which the patented invention has been commercially worked in India as may be specified in the notice.

**SUBMISSION OF WORKING STATEMENTS [FORM 27]**

(2) Without prejudice to the provisions of the sub-section (1), every patentee and every licensee (whether exclusive or otherwise) shall furnish in such manner and form and at such intervals (not being less than six months) as may be prescribed statements as to the extent to which the patented invention has been worked in a commercial scale in India.

(3) The Controller may publish the information received by him undersub-section (1) or sub-section (2) in such manner as may be prescribed.

Rule 131: Form and manner in which statements required under section 146(2) to be furnished.

1. The statement which shall be furnished by every patentee and every licensee under sub-section (2) of section 146 in Form 27 shall be duly verified by the patentee or the licensee or his authorized agent.
2. The statements referred to in sub-rule (1) shall be furnished in respect of every calendar year within three months of the end of every year.
3. The Controller may publish the information received by him under sub-section (1) or sub-section (2) of section 146.

Further, please also note that for refusal or failure to supply information regarding working of patent is punishable with fine which may extend to INR Ten Lakh (Section 122) and same can also be taken as ground for granting of compulsory license for the Patents for not being exploited.

For submission of Working Statements, Patentee can chose to provide either the Original working statements duly signed or provide a 'Power of Attorney' with which
Indian Agents can prepare and sign the working statements for any number of Patents, with the information provided by Patentee for working. In this regard, we hereby enclose draft Power of Attorney for kind perusal and execution if required.
INDIAN LEGAL IMPETUS