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MAGIC' MASALA OR 'MAGICAL' MASALA: THE CASE OF ITC LIMITED V. NESTLE INDIA LIMITED

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While the 2020 pandemic may not yet end soon, the year did see the end of a seven-year-old legal battle between two Fast Moving Consumer Goods (FMCG) manufacturers - Nestle India Limited and ITC Limited.

The dispute arose over the use of the expression 'Magical Masala' in the Maggi brand of instant noodles. The contention put forth by ITC (**Plaintiff**) was that it had launched its 'Sunfeast Yippee! Noodles' with 'Magic Masala' flavor in the year 2010, and Nestle India's (**Defendant**) adoption of a misleadingly similar expression 'Magical Masala' in the year 2013 to market their noodles, amounted to passing off.¹

PLAINTIFF'S PRODUCT	DEFENDANT'S PRODUCT
	

THE CONTENTIONS PUT FORTH BY THE COUNSEL FOR PLAINTIFF WERE²:

(a) The plaintiff launched Sunfeast YIPPEE! Indian noodles in two variants – YIPPEE! MAGIC MASALA and CLASSIC MASALA, which have been available in the market since their launch in the year 2010.

¹ ITC Limited v. Nestle India Limited, C.S.No.231 of 2013.

² Id.

(b) The plaintiff claimed that their instant noodles have captured double digit market share in the instant noodles segment within a short span of two and a half years.

(c) 'Magic Masala' had become a source identifier and had gained immense goodwill and popularity amongst the consumers.

(d) The Counsel for Plaintiff further argued that owing to the immense reputation and goodwill garnered by the Plaintiff for its 'Sunfeast Yippee! Noodles', 'Magic Masala' itself had attained distinctiveness.

(e) Hence, the adoption of the mark "Magical Masala" by the Defendant was in bad faith and with the intention to pass off the goods of the Plaintiff. The Defendant had merely added the letters 'al' to the word 'Magic' in order to usurp the goodwill/reputation generated by the Plaintiff and pass-off its product as that of the Plaintiff's to the customers.

THE CONTENTIONS PUT FORTH BY THE COUNSEL FOR DEFENDANT WERE³:

(a) In response, the counsel for the Defendants argued that its trademark was 'Maggi' which was introduced in India by the Defendant in the year 1983 and that the expression 'Magical Masala' was only used as a "flavor descriptor" of the instant noodles.

³ Supra Note 1.

(b) It was further argued that the words ‘Magical’ and ‘Masala’ were expressions common to the trade and no single entity could claim proprietary rights over them.

(c) The word ‘Magic’ has an English Dictionary i.e. ‘marvelous’ or ‘exciting’, and the word ‘Masala’ refers to “a mix of spice for food preparation known to the Indian culinary”. Thus, when used together, one could not claim exclusive proprietary rights since the laudatory word ‘Magic’ was being used to describe the type of ‘Masala’.

(d) As per the Plaintiff’s own documents such as annual reports, newspaper advertisements, etc., their trademark is “SUNFEAST YIPPEE!!” and the three types of masala i.e., “Classic Masala, MAGIC MASALA and Chinese Masala” are merely product descriptor or flavor descriptor. The term ‘Magical Masala’ was merely to describe the ‘wonderful/excellent’ taste that the masala would bring to the bland noodles in the pack.

(e) Additionally, it was submitted that both the parties were selling their noodles under their respective brands namely, ‘Sunfeast Yippee! Noodles’ and ‘Maggi’, and not ‘Magic Masala’ or ‘Magical Masala’. Therefore, no grounds for confusion arose, especially since the products were being sold in entirely different packaging.

THE VERDICT⁴

The Madras High Court while dismissing the suit filed by the Plaintiff, made the following observations

(a) ‘Magic Masala’ was used by the Plaintiff merely to praise the ‘Masala’ in the sachet which made it a laudatory expression, incapable of being monopolized by anyone.

(b) The expression ‘Magic Masala’ was also adopted by ‘Lays’, much before its adoption by the Plaintiff. Thus, both words were common to the packaged food industry and could not be attributed to any particular trader.

(c) Even though it is evident that the expression ‘Magical Masala’ was inspired by the use of the expression ‘Magic Masala’ by the Plaintiff, the adoption of the same was legitimate as the words “MAGIC” and “MASALA” were common and laudatory, and hence no proprietary rights could be claimed over the same.

(d) The trademark law allows for the adoption of laudatory/descriptive term only if the same has acquired distinctiveness and/or secondary meaning in the market which identifies it with a particular product or as being from a particular source. In the present case, the expression ‘Magic Masala’ was used by the Plaintiff to help the consumers “*to decide between different flavors under its ‘Sunfeast Yippee!’ brand*” and were not intended to be used as a trademark or a sub-brand.

(e) The court established that there was no passing off in the present case.

CONCLUSION

While, the laudatory terms can be adopted as a trademark when they have established a secondary meaning and/or distinctiveness in relation to the goods sold under them, the same must undergo a

⁴ Id.

strict scrutiny before such an adoption is considered legitimate. In the present case as well, the court conducted a thorough analysis and even looked at the intention of the Plaintiff while adopting the said expression “MAGIC MASALA” for its ‘Sunfeast Yippee!’ instant noodles. Hence, the author agrees with the reasoning of the court while dismissing the present suit.

IS INDIA A DIFFICULT NATION TO OBTAIN PATENTS?

MONIKA SHAILESH

The statistics advocate that ever since India reformed its intellectual property laws in 2005 to permit product patents in India, the nation has been progressively granting patents, including those in the turf of medicine and pharmaceuticals. The field of medicine and pharmaceuticals is a specific area where the developed nations like US want India to be more relaxed in the grant of patents.

Regardless of the Coronavirus pandemic hounding the entire year of 2020 and the prolonged lockdowns announced by the governments across the world, the Indian Patent Office happens to have done an extraordinary job in settling patent and design applications. A perfunctory look at the overall patent grants reveals that the Indian Patent Office released over 26000 patents in 2020 versus 23527 patents issued in 2019¹. Similarly, over 51000 patent requests were published in 2020 versus 49351 patent publications in the year 2019. The office of the Controller General of Patents, Designs and Trademarks provides an 85-page list of product and process patents granted for drugs and medicines during last 3 years and current year on its website. Without a doubt, with respect to the time taken for assessment of patent requests as well as grant of patents, India has improved a lot.

A statistical analysis of the past data would indicate that global firms or overseas applicants have gained a lot too. In a response to a Lok Sabha question, on February 05, 2020, Commerce Minister Mr. Piyush Goyal declared that India has already granted 869

product patents for potential medicines in the area of cancer, diabetes, and cardiovascular diseases, Human Immunodeficiency Virus (HIV), Hepatitis C Virus (HCV) and Tuberculosis (TB) since 2005. At least 650 patents have been given to foreign companies or institutions. While 402 patents were granted for cancer medicines, 146 potential diabetes drugs managed to get patents after India changed its patent law. 42 patents were granted for innovations related to treatment of cardiovascular diseases, and 51 patents for tuberculosis. Only 37 patents, out of the 869, would have completed or are nearing the 20-year patent expiry term this year, leaving the rest technically valid for patent protection.

A detailed analysis of the statistics for 2020 revealed that in the year, an aggregate of 51,325 patent requests was published. Of these, about 17,875 applications belong to Indian candidates or where the applicant's address includes India. Based on the candidate city, Delhi surpasses the list with 2,275 patent applications followed by Bangalore with a total of 2,182 patent applications. Chennai-based applicants filed 1,859 applications while Mumbai-based applicant filed 1791 patent applications. Pune piped Hyderabad by contributing 1179 patent applications, while the latter contributed an aggregate of 1049 applications. At a mere 317 patent applications, numbers from Kolkata were significantly lower as compared to the other major Indian cities.⁵

⁵ <https://www.bananaip.com/ip-news-center/patents-and-design-statistics-recap-2020/>)

A total of 26,309 patent requests were granted in 2020 demonstrating an upsurge of approximately 12% from 2019. The highest grants came from the Delhi patent office which issued as many as 9,314 patents. The Chennai patent office issued 8,838 patents while the Mumbai and Kolkata patent office issued 3,915 and 4,242 patents⁶.

With reference to the assessment of requests and issue of First Examination Reports (FERs), the Chennai patent office issued over 22,400 FERs followed by the Delhi patent office where the number of examined and issued FERs stands at 20,926 applications. The patent offices at Mumbai and Kolkata issued examination reports for 12,087 and 7,505 requests respectively. In aggregate, the patent offices across India jointly issued 70,924 FERs in 2020 versus 83,226 examination reports issued in 2019.⁷

As for the quality of the indicated patents, a study on India's pharmaceutical patents published in 2018 submits that of the 2,293 patents granted between the years 2009 and 2016, 72% could have been granted for pharmaceuticals that are negligible enhancements over formerly recognized drugs. The study published by Azim Premji University and carried out by researchers Dr Feroz Ali, Dr Sudarsan Rajagopal, Dr Venkata S Raman and Roshan John had found that only a small fraction (15 per cent) of granted secondary patents were subjected to intricate examination, complemented by a comprehensive written order of the Patent Controller. "In most cases, the relevant exception to patentability has not been appropriately cited in the final written order", the

study said pointing to the loopholes that currently exist in the implementation of the law.

CONCLUSION

There is no doubt that the Indian Patent system is evolving at a rapid pace, the efficiency and the output in terms of number of patents examined, published, and granted is at its pinnacle. However, it is evident that this increase in efficiency is traded off with the quality and accuracy. Many loopholes in the system are visible and are widening further. Various civil society groups opposing the India-US collaboration plans in IPR warn against such trend of granting low-quality patents that enable ever greening and fear that any move to harmonize Indian Patents Act with the US Patent Act can undermine the legislative intent behind India's Patents Act.

⁶ Id

⁷ Id

PREVENTION OF INFRINGEMENT BY RECORDAL OF PATENTS AT CUSTOMS AUTHORITIES

SUCHI RAI

INTRODUCTION

The nuisance of cross-border counterfeiting and infringement of patents has assumed huge proportions in the present times. National Customs & Border Protection prevents the cross-border movement of counterfeits and pirated goods infringing intellectual property rights. Import of goods that infringe intellectual property into India is also prohibited under the Customs Act, 1962. To implement the same, the Government of India, in 2007, notified the 'Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007' (IPR Rules 2007) with a vision to protect the exclusive IP rights provided by the statute and prevent infringing goods transportation at the borders.

RULES

The IPR Rules 2007 were brought into force on May 08, 2007 by the Central Government in exercise of powers conferred by Section 156(1) read with Section 11(2)(n) and 11(2)(u) of the Customs Act, 1962. In pursuance of the same, the Central Board of Excise and Customs (CBEC) implemented an IPR Module to facilitate right holders to file IPR notices. The registration imposes an administrative duty on the Customs Department to protect the right-holder against violation of respective IPR rights.

Infringing goods are defined as "goods which are made, reproduced, put into circulation or otherwise used in breach of the intellectual property laws in India or outside India and without the consent of the

right holder or a person duly authorized to do so by the right holder"⁸.

NOTICE

A 'Notice' in writing by the right holder is required to be submitted at the Port of Import of allegedly infringing goods requesting suspension of clearance of such goods. The Notice is then registered by the Commissioner of Customs for a minimum period of one year, subject to execution of a bond and an undertaking to protect the importer, consignee and the owner of the goods and the competent authorities against all liabilities and to bear the costs towards destruction, demurrage and detention charges incurred till the time of destruction or disposal, as the case may be. The right holder also executes an indemnity bond indemnifying the Customs authorities for all liabilities and expenses on account of suspension of the release of alleged infringing goods.

The right holders may also be called upon for providing any information and assistance including technical expertise and facilities for the purpose of determining whether the suspected goods are, in fact, counterfeit or infringe their intellectual property rights. The right holders are also required to join the proceedings without delay once the suspension of the alleged infringing goods is effected by the Customs Authority. On account of delay of more than ten working days in joining of proceedings from

⁸ Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007

the date of suspension of clearance, there is a provision leading towards release of goods provided that all other conditions of import of such goods under the Customs Act, 1962, have been complied with.

PROHIBITION OF PATENTED GOODS

Import is prohibited, of products made or produced beyond the limits of India and intended for sale in India for which a patent subsists in as per the Patents Act, 1970, except in cases where the consent from the Patentee in India has been obtained. Further, such prohibition is not applicable to the cases where import is allowed as per provisions of the Patents Act, 1970.

Import is prohibited, of products obtained directly by the process made or produced beyond the limits of India and intended for sale, where patent for such process is in force under the Patents Act, 1970, except in cases where the consent from the Patentee in India has been obtained. Further, such prohibition is not applicable to the case where such importation is allowed under the Patents Act, 1970.

REGISTRATION

- Patentee/Right holder is required to give a written notice to the Commissioner of Customs at the port of import of goods infringing IPR, requesting to suspend the clearance of counterfeit or infringing goods.
- Documents required along with the notice are:
 - a. Proof of existence and ownership of valid IPR [*Granted Patent Number/ Certificate*]
 - b. Authorization from the right holder

[*Power of Authority from Patentee*]

- The information needed for the notice is required to be furnished within 15 days.
- The right holder is under obligation to inform customs authority when he ceases to be the right holder [*Patent Term Expiration*] or when his intellectual property ceases to be valid.
- The notice by the right holder is either registered or rejected within 30 days by the authorities.
- The validity of registration of the notice is of minimum one year from the date of registration.

SUSPENSION OF GOODS

- The Customs Department can ex-officio suspend clearance of the alleged counterfeit or infringing goods or put out notice, if the department has *prima-facie* evidence or reasonable grounds to believe the goods to be counterfeit.
- Customs is under duty to inform the right holder immediately about suspension of clearance of goods with the reasons for such suspension.
- The Goods suspended of clearance, are required to be released:
 - within 10 days (extendable further by 10 days), when the right holder fails to join proceedings in cases of suspension by Notice
 - within 5 days, when the right holder fails to give notice or fails to fulfil the

obligation of executing bond in cases of suspension by Department's own initiative.

- For perishable goods, the period of suspension is 3 days, which may be extended by another four days' subject to the satisfaction of the Commissioner or the officer authorized by him in this behalf that such extension shall not affect the goods.
- Customs officers/department is also authorized to seize and confiscate the infringing goods where it has reasons to believe that the goods are infringing intellectual property and thus liable to be confiscated under the Customs Act.
- Customs officer/department is under duty, upon request by importer, to provide the name and address of the right holder and other relevant information relating to the goods suspended from clearance.
- The right holder is under an obligation to provide custom authorities with the necessary information enabling them to identify infringing goods. The Custom authorities then seek information, from the importer, regarding the person by whom the goods are consigned to India and the address of the person to whom the goods are sent to, in India.
- The right holder is authorized to examine the suspended goods and to provide samples for examination and analysis to determine whether the goods infringe intellectual property rights.
- The department is required to provide,

upon request by the right holder, name and address of the importer and other relevant information relating to the goods suspended from clearance.

The counterfeit or infringing goods upon confiscation or seizure are destroyed or disposed by the Department after obtaining 'no objection' certificate from the right holder. The time period for raising objection by the right holder to the mode of disposal is 20 days. Counterfeit goods are not to be re-exported in an unaltered state.

In order to safeguard the rights of Patentee in the patented invention, the IPR Rules 2007 which prevent the infringement of patented invention at ports is a step in the right direction and requires the proactive participation of patentee in providing the notice to customs and assisting in identifying infringing goods.

TWO- PART CLAIM REQUIREMENT IN INDIA – A PRIMER

SAIPRIYA BALASUBRAMANIAN

INTRODUCTION

Most of the patent applications that enter Indian phase via PCT and with a priority application filed in the United States are met with objection regarding the claim format. The Indian Patent Office follows two-part form claim structure identifying elements in the prior art which is same as the European two-part claim. The US Patent office recognizes the same as Jepson format claims. Though the two-part claim structure as well as the Jepson claim are similar in nature, in order to comply with the Indian Patent Office requirement, it is important to know the nuances and subtle differences of both the claim formats. This will enable the applicant to tailor his application as per the Indian Patent office standards which will expedite the grant of his/her application. Classic/Pioneer Inventions Vs Improvements and Jepson Claims

Before understanding the Jepson claim format, it is important to know the difference between classic/pioneer inventions and improvements of old inventions. USPTO generally allows protection of patents that are improvements on the work of others. However, every improved patent has to pass the patentability test and must prove to the satisfaction of the patent examiner to be novel, inventive and industrially applicable. Claim construction plays a critical role in drafting the improvement as a substantial one and clearly depicting the distinctness from the patent on which the improvement is done. The Jepson format is recognized by USPTO where the preamble states a general description of all the

elements or steps of the claimed combination which are conventional or known (prior art) followed by the term “**wherein the improvement comprises**” which represents the inventive step with regards to the improvement of the feature of the prior art.

TWO-PART CLAIM STRUCTURE

The IPO generally requests the Indian patent applications have a two-part claim structure. The two-part claim system originated in Europe. Under EP convention, it is mandatory to, wherever appropriate, to draft claims in two-parts. Similarly, in India, patent applications are initially written with independent claims in 2-part form, or claims are converted to two-part during prosecution. The preamble is the statement of the prior art which contains a statement indicating the designation of subject-matter of the invention and technical features which are necessary for the definition of the claimed subject-matter, and the characterizing part is a phrase such as ‘**characterized in that** ‘or ‘**characterized by**’ and the body provides the novel elements of the invention.

EXEMPTIONS

The main purpose of Indian Patent office adopting European two-part claim format for the improvement patents is to demarcate the inventive step from the prior art. It serves as a very useful tool in cases of improvement where there are subtle differences in comparison with the prior art. However, not all improvement claims can accommodate two-part claim form and there are exemptions to it which are briefly mentioned in the Guidelines for Examination

in the EPO⁹. Few examples where the two-part claim structure is not suitable includes the combination of known integers of equal status, the inventive step lying solely in the combination; the modification of, as distinct from addition to, a known chemical process e.g., by omitting one substance or substituting one substance for another; and a complex system of functionally inter-related parts, the inventive step concerning changes in several of these or in their inter-relationships. The reason mentioned by the EPO states that for these claims, imposing a two-part claim structure would result in a distorted or misleading picture of the invention or prior art, or lead to an inordinately lengthy and involved claim.

CONCLUSION

While India is a popular destination for patent filings of US based applicants, there exists notable differences between India and United States when it comes to patent prosecution. It is important for an applicant to understand these differences so that it is easier to tailor his/her application especially in a scenario where the Indian patent examiners also insist on characterizing the claims in view of the prior art cited during prosecution of the application.

⁹ https://www.epo.org/law-practice/legal-texts/html/guidelines2018/e/f_iv_2_3.htm

ABIDING IPR RULES & REGULATIONS: HOW INDIAN BUSINESSES CAN RETRIEVE AND APPLY IPR MORE EFFICIENTLY?

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The current world is completely driven by knowledge-based economy. Countries that excel in effective commercialisation of ideas, creative works, innovation, marketing and branding are purported to become strong economies in near future. The United States, the United Kingdom, Sweden, Singapore, and Switzerland are current leaders in “innovation” as per the World Intellectual Property Organization’s Global Innovation Index¹⁰. Monetization of knowledge through IP rights has never been India’s forte. However, knowing India’s potential, its vast pool of scientific and technological acumen which is spread across various R & D institutions, universities, enterprises like MSMEs and start-ups, there exists a gap in tapping the potential knowledge assets and stimulate the creation of IP assets. More specifically, the gap is in creating business ideas and opportunities that invest significantly more in knowledge-based assets such as software, patents, copyrights, designs, trademarks and industry specific know-hows as compared to physical assets.

A registered patent, trademark or a design gives you an exclusive right to export or import, manufacture and distribute your products in a market; a right to prevent others from using your patented product or process, trademark or design; a right to license your patent, trademark or design to third parties and earn royalties or use it as an intangible asset when negotiating joint ventures, R&D partnerships,

¹⁰ https://www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2020.pdf

exclusive agreements etc. Geographical Indications (GIs) are another promising IP Right, which offer protection to a number of indigenous, hand-made and manufactured goods. Copyrights can be obtained for a variety of things i.e., books, musical creations, drawings, sound recordings and films. Though copyright protection arises automatically, registration given its owner a protective shield in case of a dispute.

In corporate sectors, in any type of a merger/acquisition deal or any transaction for that matter, it is important to exercise due-diligence activity in order to assess a company’s assets, liabilities and potential risks associated with the deal/transaction in order to analyze the extent to which any liabilities or risks could be minimized, and finally negotiate the total value for the transaction. In the context of IP, due diligence is an audit to assess the quantity and quality of IP assets owned by or licensed to, a company, business or individual. The assessment also includes the extent of IP rights that has been captured and protected by the target company/business.

With regards to a third party’s IP Rights, which one is considering to acquire/obtain under a licensing agreement, it is vital to consider the importance of IP assets to a business and the willingness of owner of IP Rights to litigate in order to protect their IP Rights. In light of this, it is important for any startup business

to perform “freedom to operate” in respect of the present and future business activities so that resources and cost is not wasted in unwanted litigation and legal action which can thwart business progress. It is equally important to make sure that the third party from which you are acquiring IP rights has complete and genuine entitlement over them.

user agreements and licensing agreements and not to miss non-disclosure agreements will ensure good IP housekeeping practices especially in maximizing the value of a company’s IP assets as well to ensure smooth corporate transaction that propels technology proliferation and businesses.

For a long term successful business, it is important to have a good IP management strategy in place. Some of the key highlights of a good IP management practices include safeguarding all the IP assets generated by the start-up/small/medium business, making an unambiguous record of who owns the title to as well as the scope of IP Rights, ensuring that the unused IP rights are not incurring unwanted annuities fees (therefore, IP rights that are of no value to a business can be licensed out or sold), having a system or foolproof process in place to monitor the market for any infringing activity, ensuring that carrying out one’s business activities is not infringing a third party’s IP rights so as to avoid any costly litigation.

IP assets can be monetized and commercialized by companies and entities, whether big, or medium or small in the form of maintaining a robust IP Portfolio. An IP owner can either own the IP rights her/himself, or transfer/license it to other parties in exchange for a fee or royalties or any other kinds of payments. IP can be created under an employee agreement, a collaboration among multiple persons, a contractual agreement or any third party agreement like consulting or commissioning agreement. Having a contract that clearly establishes the IP rights held by the parties concerned in the form of assignments,



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