

Legal Issues in ‘Parallel Importation in Patent’

Issue: Will the Importation of Patent Product Components Without a License
Constitute Infringement?

Concepts & Definitions

❖ **Parallel Import–**

- When a product made legally (i.e. not pirated) abroad is imported without the permission of the intellectual property right-holder (e.g. the trademark or patent owner).

❖ **Doctrine of Exhaustion –**

- The Doctrine of exhaustion establishes that the rights of the intellectual property holder with respect to the property stand exhausted when the property is legally sold in the market. It exists in terms of regional, national and international exhaustion.

Concepts & Definitions (Contd.)

❖ **Standard Essential Patent (SEP)–**

- A patent that protects a technology that is necessary, namely “essential” to a standard is termed a standard essential patent. The term “standard” referred here indicates a standard derived from technical specifications for specific technologies.

❖ **Fair, Reasonable, and Non-Discriminatory (FRAND) terms–**

- FRAND terms are basically a method to ensure that SEP implementors are able to license and use standardized technology on fair grounds.

Relevant Legal Provisions

❖ Section 48, Patents Act, 1970 –

“Rights of patentees. – Subject to the other provisions contained in this Act and the conditions specified in section 47, a patent granted under this Act shall confer upon the patentee-

(a) where the subject matter of the patent is a product, the exclusive right to prevent third parties, who do not have his consent, from the act of making, using, offering for sale, selling or importing for those purposes that product in India;

(b) where the subject matter of the patent is a process, the exclusive right to prevent third parties, who do not have his consent, from the act of using that process, and from the act of using, offering for sale, selling or importing for those purposes the product obtained directly by that process in India”

❖ Section 107A(b), Patents Act, 1970 –

“Certain acts not to be considered as infringement. - For the purposes of this Act,-...importation of patented products by any person from a person who is duly authorised under the law to produce and sell or distribute the product, shall not be considered as a infringement of patent rights.”

Relevant Judicial Decisions

- ❖ ***Strix Limited v. Maharaja Appliances Limited* [C.S. (OS) No. 1206/2008, Delhi High Court, September 10, 2009]**

“...As regards the applicability of Section 107A of the Act, the Defendant has merely averred that it has written to Chinese supplier to give information on the patent held by it and is awaiting a reply. The plaintiff cannot be made to wait indefinitely for an injunction just because the Defendant is awaiting information from the Chinese supplier. As long as the Defendant is not able to produce any information about the patent held by the Chinese supplier, the court will proceed on the footing that there is no such valid patent held by the Chinese supplier. In any event, it cannot delay the protection that the plaintiff is entitled to seek on the basis of the patent registered validly granted to it.”

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Relevant Judicial Decisions (Contd.)

- ❖ ***Strix Limited v. Maharaja Appliances Limited* [C.S. (OS) No. 1206/2008, Delhi High Court, September 10, 2009] [Contd.]**

“...the Defendant is not expected to import a product without first checking if the Chinese supplier holds a valid patent. The Defendant knew that the plaintiff held a valid patent for the product that the Defendant was marketing viz., the electric kettle. Even according to the Defendant, it was purchasing this electric kettle from the plaintiff in the years 2005- 2006. Therefore, there was an obligation on the Defendant, even while it imported the same product from China, to ensure that it was not violating the plaintiff's patent.”

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Relevant Judicial Decisions (Contd.)

- ❖ *Telefonaktiebolaget LM Ericsson (PUBL) v. Xiaomi Technology & Ors.* [CS COMM 434/2016, Delhi High Court, October 24, 2017]

“It is one thing to say that the plaintiff was not aware the applicants are using Qualcomm chipsets, hence no reference to the agreement was made. But another thing, that being aware still no reference to the agreement was made. Further,...the agreement dated 1.10.2011 at least stipulates Qualcomm chipsets are licensed in respect of the plaintiffs patent to the extent that such a patent is relevant to CDMA applications.”

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“...The e-mails refer to the fact that neither the applicants nor Qualcomm are licensed for GSM or EDGE. The e-mails do not refer to CDMA applications.”

Relevant Judicial Decisions (Contd.)

- ❖ ***Telefonaktiebolaget LM Ericsson (PUBL) v. Xiaomi Technology & Ors.* [CS COMM 434/2016, Delhi High Court, October 24, 2017] [Contd.]**

“The onus was more on the plaintiff to place on record the agreement dated 1.10.2011 as it was its case that the applicants are infringing the eight patents and sought an ad interim ex-parte order. So the contention on behalf of the plaintiff that its agreement with Qualcomm is immaterial and irrelevant for the grant of the ad interim ex- parte order with regard to CDMA applications needs to be rejected. Having held so, the law being well settled in terms of the judgments relied upon by Mr. Sibal, it is clear that a party seeking an ex-parte order, has a heightened duty to disclose all the material, which is relevant for the purpose of the ex-parte injunction sought by it. The ground of concealment as urged by the applicants needs to be accepted to the extent of the two patents relating to CDMA applications.”

Relevant Judicial Decisions (Contd.)

- ❖ ***Koninklijke Philips Electronics N.V. v. Rajesh Bansal & Ors.* [CS (COMM.) 24/2016, Delhi High Court, July 12, 2018]**

“Claim of Plaintiff in IN-184753 was only for a decoding device and not entire DVD player or other functions. A decoding device was an integral part of a DVD player and in absence of a decoding device, information embedded by way of codes could not be read and transmitted/received. Besides proving that suit patent was a standard essential patent, Plaintiff had also proved infringement independently by evidence....Plaintiff had proved that Defendants' video players were sold under brand names SOYER and PASSION besides other brands. Defendants' two DVD video players under brand names SOYER and PASSION confirmed that DVD video players used EFM + Demodulation techniques, thus infringing suit patent.”

Relevant Judicial Decisions (Contd.)

- ❖ ***Koninklijke Philips Electronics N.V. v. Rajesh Bansal & Ors.* [CS (COMM.) 24/2016, Delhi High Court, July 12, 2018] [Contd.]**

“Defendants having failed to prove that, articles purchased by them were sold by Plaintiff or its licensees, defence based on doctrine of exhaustion needed to be rejected as Defendants had failed to prove that product using suit patent was sold to Defendants by Plaintiff or its licensee, onus to prove which fact was on Defendants. Plaintiff had been able to prove that it was owner of a standard essential patent, thus Defendant's products if manufactured, sold without license necessarily infringed suit patent.

10 *Plaintiff having proved that, suit patent was a standard essential patent, use or manufacture by Defendants without a license amounted to infringement.”*

Relevant Judicial Decisions (Contd.)

- ❖ ***Sotefin Sa v. Indraprastha Cancer Society* [CS (COMM) 327/2021, Delhi High Court, February 17, 2022]**

“...the said provision underwent an amendment in 2005 and the words "who is duly authorized by the patentee to sell or distribute the product", were replaced by the words "who is duly authorized under the law to produce and sell or distribute the product", however, the amendment does not mean that as long the imported product is patented - in any jurisdiction - it would fall within the ambit of Section 107A(b) of the Act....the term 'patented product' found in Section 107A(b) has to be understood with reference to 'patented article' read with definition of 'patent' and 'invention' as per Section 2 (1)(o), (m), and (j) respectively.....patented products covered under Section 107A(b) would include only those products which are patented under the Indian Patents regime.”

Relevant Judicial Decisions (Contd.)

- ❖ *Sotefin Sa v. Indraprastha Cancer Society* [CS(COMM) 327/2021, Delhi High Court, February 17, 2022] [Contd.]

“Section 107A(b) of the Act grants protection for importation of patented products, however the purport of such a provision is not to give a blanket protection to parallel import....The provision cannot be construed to mean that the importation of products manufactured by a person who is not authorized by a patentee, is now permissible. Such a construction would render the Indian patent nugatory and cannot possibly be the intent of the law. The 'patented product' so imported to India, which would fall within the ambit of Section 107A(b) of the Act, can only be construed to mean such products which are manufactured with the authority of the patentee or by way of a compulsory license granted under law.”

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Relevant Judicial Decisions (Contd.)

- ❖ *Sotefin Sa v. Indraprastha Cancer Society* [CS(COMM) 327/2021, Delhi High Court, February 17, 2022] [Contd.]

“An interpretation which negates the rights of an Indian patentee under the Act, cannot be the intent of the provision, and any interpretation to that effect which violates the rights of the Indian patentee, is impermissible....The words 'duly authorized under the law to produce and sell or distribute the product' which replace the previous expression noted above, has to be understood by reading the entire provision, consistent with the rest of the statute. It could apply to importation of the Indian patented product, manufactured under a compulsorily license in the country of origin. Such entity would be 'duly authorized under the law to produce and sell or distribute the product' as provided under of Section 107A(b).”

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THANK YOU!

Questions?

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