

## The Patents Newsletter

These are exciting times for science in India. The esteemed journal *Science* in its February 24, 2012 issue has dedicated the cover story to 'gunning for status as scientific power-house' - India. We have seen the country transform at the turn of the century – and how!! From the xenophobic years of the 1970s to years of exuberance, excess and excitement at the beginning of the twenty first century, we have indeed come a long way. Innovation is the new buzz word. Using knowledge to create wealth is not considered immoral anymore. With the Government of India pledging to increase investment in R & D to \$ 8 billion in the next five years, lucre is not filthy. Even researchers in academic institutes are considering the option of patenting their findings as compared to publishing them, the only option they ever thought possible a few years ago. In fact, in India the patenting activity of academic labs, universities and research organizations is higher than that of the industry. The industry needs to catch up. India ranks 62<sup>nd</sup> in the Global Innovation Index<sup>1</sup> (2011). And considering that it houses more than one-sixth of the world's population – reason enough to do the catching up.

An analysis of the 'Annual Report, 2009-2010' of the Indian Patent Office<sup>2</sup> throws up some interesting statistics on patenting activity in India. In the past one decade, from 2000 to 2010, the number of patents granted by the Indian Patent Office has increased by 69.5%. A startling fact is that there is an increase of 331.2% in the number of patents in force in 2010 as compared to 2000. This is indeed a huge jump, and speaks volumes of the 'innovation' being used for transformation in the country. The number of applications filed at the IPO has increased by 610.7% in the same period. Of course, the major part of this filing has occurred post-2005 when the Indian Patent law became TRIPS compatible. And still most of these filings are done by foreign companies and nationals. The number of National Phase Applications under the PCT being filed has increased by a whopping

<sup>1</sup> <http://www.globalinnovationindex.org/gii/main/fullreport/index.html>

<sup>2</sup> Annual Report 2009-10, The Office of the Controller General of patents,

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462.7% over the same decade. The Indian applicants, however, are not lagging behind either. While the number of patents granted to Indians has increased by 209.7%, the number of patents in force, of Indians, has increased by 208.2%. Technology wise break-up shows that maximum increase in the number of filings has occurred in the area of food technology (173.3%) from 2005 to 2010, but volume wise the three most active technology areas are computers/electronics, mechanical and chemistry, while there is a decline in filings in the biotechnology area. A huge surge in filings is also seen in other areas that are non-conventional like bioinformatics, bio-medical sciences etc. With the President of India declaring 2011-2020 as the 'Decade of Innovation', we expect these figures to look more attractive.

With the increase in patent activity, also comes increase in disputes. The last year saw both the Intellectual Property Appellate Board (IPAB) and the Courts busy with several patent cases being argued in these forums. We bring you a compilation of some interesting cases of 2011 and the beginning of 2012, in this issue. The compilation begins with the most awaited pronouncement – the first ever in the history of the Patent Law of India – the granting of compulsory license to NatcoPharma Ltd., a generic drugs Company based in Hyderabad, India. This may well change the playing field in the pharmaceutical industry in the country.

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## Compulsory Licensing<sup>3</sup>

A significant development took place in the second week of March 2012 with the grant of Compulsory License (CL) to Natco Pharma Ltd. (the applicant), a generics drug company based in Hyderabad, India for Patent Number 215758 covering 'Sorafenib Tosylate' a proprietary drug manufactured by Bayer Corporation (the patentee) and sold under the name 'Nexavar'. As elucidated by the Controller himself, this was the first case of compulsory licensing in India and that there were no precedents to guide the Tribunal. Compulsory License (CL) is a provision under the TRIPS (Articles 30 and 31) to 'prevent the abuse of patent rights'. It is an involuntary contract, enforced by the Government, between a willing buyer and an unwilling seller. It is also recognized by the Paris Convention (Article 5 (A)). Under the Indian Patent Act, 1970 any person interested may make an application for the grant of a CL if any of the following conditions persist:

- a. Reasonable requirements of the public with respect to the patented invention have not been satisfied or
- b. Patented invention is not available to the public at a reasonably affordable price or
- c. Patented invention is not worked in the territory of India.

Application for a CL can be made only after three years have already lapsed from the date of grant of the patent in India. If the Controller is satisfied that if either of the above-mentioned conditions is fulfilled and a *prima facie* case has been established, copies of the application are served on the patentee and it is published and can be opposed by the patentee. The hearings are made in the same way as in case of the Opposition proceedings and the matter is decided by the Controller.

The drug in question, manufactured by Bayer, has to be taken by the patient throughout his life time and the cost of a month's therapy turns out to be Rs. 2, 80, 428/- per month and Rs. 33, 65, 136/- per year. The applicant (Natco) proposes to sell the same drug at Rs. 8800/- per month. The applicant had earlier approached the patentee for a voluntary license and such a request did not materialize. The applicant raised all the three grounds as mentioned above for obtaining a CL. The Controller dealt with all the three grounds and the same are summarized as below:

- a. **Reasonable requirements of public are not met:** The Applicant and the Patentee both relied on statistics of GLOBOCAN 2008 (a publication by GLOBOCAN project of the World Health Organization) for calculating the patient base for liver and kidney cancers in India, the treatment

<sup>3</sup> [http://www.ipindia.nic.in/ipoNew/compulsory\\_License\\_12032012.pdf](http://www.ipindia.nic.in/ipoNew/compulsory_License_12032012.pdf)

for which the drug in question provides. From the statistics given to the Patent Office by the Patentee, the Controller concluded that the demand is far higher and is not being met by the patentee. Also the Controller went on to say that the drug was being imported into the country and the patentee had not taken adequate steps to supply adequate amounts to meet the demand and the reason for this was not justified since the Patentee already had a considerable field force and distributors in India. The Patentee's strategy of taking Cipla's supply of the drug also into account to justify enough supply in the market worked against it since it has filed a suit of infringement for the same patent against Cipla in the High Court of Delhi.

- b. Reasonably affordable price:** Both the Patentee and the Applicant vehemently argued their positions with the Applicant stating that 'reasonable' should be interpreted as being reasonable for the public only while the Patentee argued that 'reasonable' should be interpreted as being reasonable to both the public and the Patentee considering the amount of money being pumped by the Patentee in its R & D efforts and that it cost nearly 2 bn EURs to introduce a NCE in the market. Extrapolating this argument to 'affordability' the Patentee was of the view that since the society consists of both the rich and the poor, there should be a price differential as affordability would mean different to different strata of the society. The Controller wondered why the Patentee could not have introduced this kind of price differential while selling its drug in India and why it was offering it at similar prices all over the world. The Controller was of the view that 'reasonable' only pertained to being reasonable for the public and not the Patentee.
- c. Patented invention is not worked in the territory of India:** This provision was the last nail in the coffin for the Patentee as the Controller refused to accept its argument that the meaning of the word 'worked' would mean supplying to the Indian market and using it in the sense of actual manufacturing in India would be beyond the scope of the Act. The Controller said that this provision was in fact in consonance with both the TRIPS Agreement and the Paris Convention. Pondering further on this point the Controller was of the view that a patentee is obligated to transfer and disseminate technology both nationally and internationally to balance the rights of the patentees with its obligations. Despite having manufacturing facilities in India, including for Oncology drugs, the patentee had failed to manufacture the same in India and therefore attracted the provisions of this sub-section.

Besides rejecting Patentee's arguments against the granting of a CL for its patent, Controller also rejected their request for adjourning application for CL for a period of 12 months for them to offer the drug at the same price as Cipla through their Patient Assistance Program. According to the patentee presence of Cipla in the market had undercut them and this had hindered their working of the invention to the fullest possible extent. This argument however held no water with the Controller and he granted CL to Natco for Nexavar.

The main clauses of the terms and conditions of the Order (licensing agreement) are as follows:

1. The price of the drug covered by the Patent, sold by the licensee not to exceed Rs. 8800/- for a pack of 120 tablets, covering a month's treatment.
2. It is a non-exclusive, non-assignable license.
3. The licensee to pay a royalty of 6% of the net sales of the drug.
4. The license granted only for making, using, offering to sell and selling the drug for treating HCC and RCC in humans within the territory of India.
5. The licensee to supply the drug free of cost to at least 600 needy patients per year.
6. The licensee not to have the right to import the drug covered by the patent.
7. The licensee's product to be visibly distinct from the licensor's and the trade name must be distinct and packaging must be distinct.

It appears that this matter may not end here. It could result in a protracted legal battle. Its implications however will be far reaching with many generic companies expected to follow this route. This opens a wide window for the generic pharmaceutical companies to claim licenses to patents of proprietary drugs that the owners of such patents may be unwilling to give otherwise. Its reverberations will be felt in many other technology areas as well. It is pertinent to talk here about the turn-key projects that are being operated across technologies. Anybody being sued for infringement could apply for a CL! Will it stop foreign companies from introducing innovative products in India or given the fact that India is such a huge market, foreign companies might re-think their strategy and set up their manufacturing units in India - it is too early to come to any conclusion.

### [Expiry of deadline: Docketing error - I<sup>4</sup>](#)

An interesting question of law interpreting deadlines arose in **Nippon Steel Corporation v Union of India** due to docketing error of patent agent's compute computer. The Petitioner had filed a PCT application

<sup>4</sup> Nippon Steel Corporation v Union of India, 2011 (46) PTC 122 (Del.)

on 9.2.2007 and within 12 months of such filing filed a PCT application on 9.2.2008. Accordingly it entered the National Phase in India on 11.7.2008, well within 31 months deadline of National Phase entry in India. On 22.08.2008 the Petitioner filed a request for amendment to the application under section 57 of the Patents Act by filing Form 13. The Request for Examination (RFE) in Form 18 was to be made 48 months from priority date, in this case on 9.02.2010. According to the Petitioner due to **visual similarity of 3 and 8** a docketing error occurred and the person in charge of docketing in the Petitioner's attorney's office by mistake docketed date of filing request for amendment (Form 13) as date of filing for request for examination (Form 18). The deadline for filing for examination was thus missed. It was only when the Petitioner asked its attorney on 25.10.10 for an update on the status of patent application did the attorneys realized their mistake and immediately took the steps of rectifying the error by filing an application under section 57(5) (Form 13) to amend the date of priority. The amendment sought was to disregard the Japanese priority and to change the priority date to the date of filing of PCT application, i.e. 9.02.07 which would make the date of filing RFE to 9.02.11. The Petitioner's attorney filed an RFE in Form 18 on 1.11.10 but the software module of the Indian Patent office did not accept the RFE since the priority date had not been modified in the said module. On trying again on 18.01.11, the RFE was once again returned. On 1.02.11 the Petitioner's attorneys got a letter from the Assistant Controller of Patents & Designs (ACoP) that clarified that their request in Form 13 under section 57(5) to change the priority date had become time barred since the application to which amendment was being sought was deemed to have been withdrawn under section 11B(4) of the Patents Act due to non-filing of RFE within the prescribed period due on 9.02.10 and the request for amendment had been filed on 29.10.10. On 1.02.11 the Petitioner's attorney wrote to CoP giving details of the matter and an affidavit from the docketing in-charge at their firm that explained the docketing error that led to the mistake. To this DCoP, on 02.02.11, wrote back saying that since the application was deemed to be withdrawn by virtue of not filing RFE, the consideration of Form 13 became irrelevant. Further India has specifically made a declaration that it is not compatible to restoration of Right of Priority under PCT Rules (Rule 49ter.2(h)). In response to the CoP's reply, the Petitioner filed a writ petition seeking quashing the decisions of the DCoP's office of 1.02.11 and 02.02.11 and also to direct the Patent Office to accept amendment of priority date on Form 13 and take the RFE on record and issue an examination report. The main points in the Petitioner's arguments were that according to section 57(5) there was no limitation for filing request for amendment of priority date and that the Petitioner had filed request for amendment on 22.08.10. Once an amendment was allowed, it would date back to the date of application. They went on to say that they had bona fide reasons for failing to file RFE on or before 9.02.10 that was due to wrong docketing. Going further the Petitioner argued that that only where substantive rights of parties would be affected, the time limits set by a statute are to be rigidly applied. They went on to say that the time

limit of 48 months set in section 11B(4) of the Act was only directory and no rigidity could be applied to it. Developing further on this the Petitioner contended that where no substantive right of anyone was going to be affected by extending the time limit for doing an act, the CoP ought to take a liberal view and condone the delay in the interests of justice. They further argued that CoP could not say that the application 'did not exist' when it was physically present in the Patent Office. To this the Respondent replied that in the eyes of law the application did not exist once the deadline of 9.02.10 was crossed. The amendment sought on 22.08.08 was not with reference to amendment of priority date, but for amendment of clerical errors. Passing the judgment the Court dismissed all the contentions of the petitioner and said that neither Section 11-B of the Act nor Rule 24-B of the Rules gave any powers to the CoP to condone any delay in filing of RFE. It went on to say that Rule 137 could not be invoked as the application had already been 'withdrawn' by virtue of operation of Section 11-B (4) of the Act. It went on to say that there was logic behind setting out time-limits under the Act and that wordings of 11-B(4) underscored the mandatory, and not directory, nature of the time-limit for filing an RFE under section 11B(1) of the Act read with Rule 24-B of the Rules. The Court therefore dismissed the writ petition and did not find any error in the CoP's decisions. As a result of this order the application in question also stood dismissed.

### Doctrine of Election<sup>5</sup>

A patent battle has been raging between Enercon GmbH and its JV partner Enercon India Pvt. Ltd. and 2011 began with or rather 2010 ended with some major decisions being taken in this dispute. In **Dr. Aloys Wobben v Yogesh Mehra & Ors**, the plaintiff (Dr. Alloy Wobben) sought to restrain the defendant (Yogesh Mehra & Ors) from pressing its application for revocation of its (the plaintiff's) patents under section 107 of the Patents Act, 1970. The plaintiff had complained of infringement of four of its patents, no.s 224920, 198085, 202912 and 22650. All these patents relate to wind turbine technology that Enercon GmbH is the third largest manufacturer of, in the world. The Enercon GmbH patents are held in the name of Dr. Aloys Wobben, the founder and CEO of the company. The defendants had separately sought revocation/rectification of the plaintiff's patents in the proceedings before the Intellectual Property Appellate Board (IPAB), under provisions of Section 117G of the Patents Act, 1970 of India, and also sought for the cancellation of the said patent in the counter-claim to the suit of infringement. The plaintiff's assertion was that the defendant could not take recourse to two remedies i.e. take recourse to both the defense of revocation as well as apply for cancellation for the same set of patents. According to the plaintiff this amounted to 'election of remedies'. The plaintiff argued that pursuit of parallel and

<sup>5</sup> Dr. Aloys Wobben v Yogesh Mehra & Ors, 2011 (45) PTC 200 (Del.)

concurrent remedies by the defendant was unnecessarily hampering progress in the suit and requested that that the defendant should be directed to withdraw its applications for rectification or not pursue them during the pendency of the plaintiff's suits. The court in its order however rejected the reliefs saying that there are apparently public policy concerns which have been reflected by the Parliament that allow a patent to be challenged at various stages. For e.g. pre-grant opposition, post – grant opposition, appeal against orders of the Controller under Section 117-A and an independent remedy for cancellation or revocation of patents under section 117G to the IPAB. In addition, in the event of a suit, the defendant can, besides contending non-infringement, also counter claim and seek revocation under Section 107. According to the court decision though these remedies seem to overlap, but these may not be necessarily availed simultaneously. It goes on to say that an instance of this would be that a post grant applicant may not choose to carry the matter in appeal. A third party may be sued for infringement; either at that stage or before, he may prefer an application before the Board for cancellation or revocation. In the event of his being sued for infringement, if his application before the Board is held to be not maintainable or alternatively if he is asked not to raise the ground of cancellation in his written statement, his defense would be seriously prejudiced. The court further stated that it would be contrary to statute to hold that he cannot pursue his independent statutory remedy and it would be plainly against public policy. The application was hence rejected.

The IPAB has in the meantime revoked 12 patents of Enercon GmbH. In an earlier judgment<sup>1</sup>, the High Court of Madras had rejected the writ petition of Dr. Aloys Wobben to quash the orders of IPAB in response to various miscellaneous petitions filed by the petitioner in the original revocation applications pending before the IPAB. To give a little background of the case, Enercon India Pvt. Ltd. had filed 18 Original Revocation Applications before the IPAB for revocation of patents granted in favour of the writ petitioner under the section 64 of the Patents Act. The writ petitioner filed miscellaneous petitions for dismissal of the original petitions for revocation of patents on the grounds that Mr. Yogesh Mehra, the person who had filed the revocation application, lacked the competency to file the petition for revocation of patents. According to the defendant (Enercon India Pvt. Ltd.), Mr. Yogesh Mehra, being the Managing Director of the company, had been duly authorized to defend and institute proceedings on behalf of the company and that in terms of the said resolution, had the requisite *locus standi* to file the revocation proceedings on behalf of the company. The petitioner had also initiated proceedings against Mr. Mehra before the Company Law Board (CLB) and that it had granted an order of status quo to be maintained with regard to all issues pending in the proceedings and no further action could be taken without leave of the Board. . IPAB took up the miscellaneous petitions for hearing and after having heard the matter at length, the IPAB disposed of the petitions with the directions to the Registry to hear the



Original Revocation Applications on a day to day basis. The writ petition was filed against this order. The Court however rejected the petition. Relying on the Supreme Court Judgment in M/s Fomento Resorts and Hotels Ltd. v Gustavo Ranato Da Cruz Pinto and Ors., while laying down the practice of procedure to be adopted where several issues are raised before Court and there is a possibility of appeal, the Court must deal with all the issues instead of disposing of the case on only one issue. The Court went on to say that the facts of this case clearly indicated that there was a definite possibility of appeal against the decision of IPAB, and therefore the IPAB took the right decision of miscellaneous petitions to be considered along with the respective Original Revocation Applications.

### Patentability of an invention<sup>6</sup>

Another significant judgment in this 'war of patents' between Enercon India Pvt. Ltd. and Dr. Aloys Wobben is the revocation of the latter's patent (no. 198256) by IPAB. This judgment settles and helps to clarify several points of inquiry regarding the patentability of an invention. Quoting extensively from previous judgments, including those of other Common Law countries, this judgment may help in removing the fluidity of several concepts.

- a. **Person Interested:** The Tribunal decreed that the test to show a 'person interested' would be to prove that such a person has a real and genuine interest, together with a commercial interest that would be prejudiced with the grant of patent and also that such a person should have a manufacturing and trading interest in the same field as in which the patent is granted. Since the applicant (Enercon) manufactured and installed wind mills all over India, so it was established that it had manufacturing, trading and commercial interests, even if it did not have any patents in the same field.
- b. **Common General Knowledge:** Common general knowledge was dealt with in detail and was defined as the common knowledge in the field to which the invention relates...information which at the date of the patent in question is known and accepted without question by those who are engaged in the art or science to which the alleged invention relates...such knowledge need not even be found in a particular document...it can be taken as a well settled principle, that the common general knowledge is a knowledge that must be attributed to a skilled person, without which he may not be

<sup>6</sup> Enercon India Ltd. v Alloys Wobben, 2011 (46) PTC 558 (IPAB)

taken to be a skilled person....it need not be a matter in public domain at the priority date of the patent, or a particular fact well known to a witness or disclosed in a scientific paper even if it is widely read. Material which is known to exist and to which the skilled person would refer as a matter of course if he cannot remember it is part of the common general knowledge.

- c. **Skilled person in the art:** This was deemed to be essentially a legal construct and not mere lowest common order of all the persons engaged in the art at a particular time. The judgment went on to say that such a person will likely to have practical interest in the subject matter of the invention, he will have practical knowledge and experience of the kind of work in which the invention is intended to be used.
- d. **Novelty:** Again quoting from previous years' judgments, especially quoting from Lord Hoffmann in Smithkline Beecham PLC's patent [2005] UKHL 59, [2006] RPC 10, the Tribunal said that there were two points as being important to define novelty, (a) disclosure and (b) enablement; the prior art must disclose subject matter which, if performed, would necessarily result in an infringement of the patent.
- e. **Obviousness:** Raising the bar of inventive step the Tribunal stated that if a patent merely included the development of some existing trade, in the sense that it was a development as would suggest itself to an ordinary person skilled in the art, it would fail the test of obviousness. If a non-inventive mind could not have thought of the alleged invention, then the invention would deem to be non-obvious.

IPAB summed up by stipulating a multi-step strategy to assess a claimed invention for obviousness. The first step would be to identify the notional person skilled in the art and his relevant common general knowledge. The second step would be to identify the inventive concept of the claim in question. The third step would be to identify differences between the inventive concept of the claimed invention as against matters cited as forming the state of the art and if the said concept constituted a technical advance over the existing technology. The last step would be to identify if those differences, when viewed without any knowledge of the alleged invention as claimed, would have been obvious to the person skilled in the art or would they require any degree of invention. Analysis of each of these points would define the obviousness of an invention.

The patent was revoked on the basis of having failed at all the above-mentioned tests.

## Expiry of deadline: Docketing error - II<sup>7</sup>

The year 2011 saw another interesting judgment on the expiry of deadlines. This time for PCT national phase filing in India, in the Chennai High Court. In **Nokia Corporation v Deputy Controller of Patents and Designs** the Petitioner filed a writ in the nature of Certiorari for quashing orders of the Deputy Controller of Patents and Designs under Rules 137 and 138 of the Patents Act. The patent agent of M/s Nokia Corporation had filed a National Phase PCT application, on its behalf, beyond the stipulated period of 31 months that is allowed in India. The time limit of 31 months for the National Phase entry into India is stipulated under Rule 20(4) of the Indian Patent Act. Rule 22 clearly indicates that any failure to meet such deadline will render the application as being withdrawn. In light of these provisions the Deputy Controller returned the application filed on 18.8.2009 that had its 31 months being completed on 11.8.2009. The applicant subsequently filed the application online on 10.9.2009 along with a petition under Rules 137 and 138 for condoning the delay in filing National Phase application. Rule 137 of the Patents Act gives the power to the Controller to obviate any irregularity or amend any document for which no specific provision has been given in the Act and such act is not detriment to the interest of any person. Rule 138 gives the power to Controller to extend time to do any act under the Rules by a period of one month provided the request for such extension of time was made before the expiry of the prescribed period. The patent agent of the Petitioner clarified that their client had sent instructions to file the application in time but it was a docketing error in its computer that had resulted in the delay in filing the application. The Deputy Controller of Patents and Designs, however rejected the petition on the grounds that Article 48 and Rule 82 of the PCT Regulations gives immunity to meeting of deadlines only in case of delay in mail service or for unavoidable loss or interruption in mail and remaining provisions in Article 48 left it to the discretion of the National Offices to decide the case on merits. This along with Rule 6(5) of the Patents Rules 2003 could condone delay only in case of delay in mail service and not due to docketing error in the computer. On these grounds the application was not accepted for filing. The Petitioner was challenging this order. The Court was of the view that that Article 48 and Rule 82 of the PCT Regulations could be binding only on its enactment in India, under Rule 253 of the Constitution of India. These could be applied only in the absence of rule to the contrary in the statute or rules. However since we (India) have our own statutory rules, the Deputy Controller should have decided the case as per the Rules of the Patent Act and not PCT Regulations. It went on to say that Deputy Controller had wrongly applied the Rule 6(5) where no order is required to be passed, where Rule 138 gave it a quasi judicial power to extend time. While the Respondent maintained that application under Rule 138 could only be moved within the prescribed time under Rule 20 and not thereafter and that

<sup>7</sup> Nokia Corporation v Deputy Controller of patents and Designs, 2011 (46) PTC 70 (Mad.)

Rule 6(5) of the Patents Rule is in consonance with the Article 48 and Rule 82 of the PCT, the Petitioner contended that the application moved within a period of one month after the expiry of the time stipulated under Rule 20 was required to be considered on merit and by recording a finding as to whether the period was liable to be extended in terms of Rule 138 and that the Controller could not reject the application under Rules 137 and 138 by holding that the Controller did not have power to extend time beyond the prescribed period of Rule 20. The Court interpreted the Rule 138 as having two terms, 1) prescribed time under the Rules and 2) period for which time could be extended.

### National examination a must<sup>8</sup>

In **Tenxc Wireless Inc & Anr v Mobi Antenna Technologies (Shenzen) Co. Ltd** it was clarified by the Court that findings of International Search Report (ISR) and International Preliminary Report on Patentability (IPRP) generated for an International Application under the PCT procedure were not binding on the Indian Patent Office and could not override the provisions of the Indian Patent Act. It is mandatory for the examiner to examine the application as per norms laid down in the Act. It also clarified that the Draft Manual of the Patent Practice and Procedure 'cannot and is not' intended to override statutory provisions. Quoting from several earlier judgments, the most important of which was a Supreme Court judgment in *Ramrameshwari Devi v Nirmala Devi*, regarding the imposition of costs in litigation, the Court directed both the sides to submit their estimate of future cost before the commencement of the trial. It showed concern about the high cost of litigation being incurred by both the parties. The Court hoped that greater transparency about cost would promote access to justice.

### Commissioner of Customs no authority to impound products on the basis of patent infringement<sup>9</sup>

In **LG Electronics Pvt. Ltd. v Bharat Bhogilal Patel & Others**, the Defendant no. 1 had filed a complaint with the Commissioner of Customs against the Plaintiff and other importers alleging that these importers were importing products (GSM handsets) using laser marking and engraving process which infringed his patent rights. The Court however decreed that this complaint was contrary to clause 4 of the notification issued by the Government of India dated 29.10.2007 stating that '...While it is not difficult for Customs Officers to determine Copyright and Trade marks infringements at the border based on available data/inputs, it may not be so in case of the other three violations (Patents, Designs and Geographical Indications), unless the offences have already been established by a judicial

<sup>8</sup> Tenxc Wireless Inc. & Anr v Mobi Antenna Technologies (Shenzhen) Co. Ltd., 2011 (48) PTC 426 (Del.)

<sup>9</sup> LG Electronics India Pvt. Ltd. v Bharat Bhogilal Patel & Others, 2012 (49) PTC 170 (Del.)

pronouncement in India and Customs is called upon to merely implement such order. In other words extreme caution needs to be exercised at the time of determination of infringement of these three intellectual property rights'. The Court granted an ex-parte ad-interim injunction and stayed the operation of the complaint filed against the Plaintiff by the Defendant no. 1.

### Delay in Examination<sup>10</sup>

The Indian Patent Office got a rap on its knees by the Chennai High Court for not examining two pending patent applications within the stipulated time as given in the Patents Act. In **Dr. Vinitha Ponnukutty v The Controller of Patents and Designs and The Secretary to Government of India Ministry of Industry and Commerce Union of India**, the petitioner pleaded that she had filed two patent application in 2007 pertaining to a technology that allowed low cost feeding formulae for the critically ill and came up with a unique and indigenous enteral tube for doing so. Despite filing request for examination on 30.10.2008, her applications had not been referred to the examiner for preparation of examination report by the Respondents and she feared that her inventions would be tampered-with by somebody. As per section 12(2) of the Patents Act 1970 read with Rules 24-B(2)(i) and (ii) of the Patents Rules 2003, when a request for examination has been filed, the Controller is to refer the application and specification and other documents to the examiner within one month of date of request for examination. Thereafter the examiner shall make the report to the Controller within one month but not exceeding 3 months from the date of receipt of the application. The First Examination Report (FER) shall be sent to the applicant within six months from the date of request for examination or publication, whichever is later. In this case however, the Petitioner contended, that the application had not even be referred to the examiner for preparation of report and hence filed a Writ Petition under Article 226 of the Constitution of India seeking issuance of a Mandamus to direct the Respondent to issue the First Examination Report. The reason for not processing the application in time given by the Respondent was due to shortage of staff. The Court held that this argument of the Respondent did not merit any consideration and the fact that the Petitioner's application filed in 2007 had not be taken up for examination required immediate attention of the Respondent. It directed the Controller to issue FERs for both the applications within 5 months of receiving the Court's order and also directed the second Respondent, Ministry of Industry and Commerce to look into shortage of staff so that inventions by scientists should not be diluted by not registering them and also take into account the pendency of applications so as to comply with the provisions of the Act.

<sup>10</sup>Dr. Vinitha Ponnukutty v The Controller of Patents and Designs and The Secretary to Government of India Ministry of Industry and Commerce Union of India, 2011 (46) PTC 86 9Mad.)

Article

**Statutory provisions on transfer of patent rights under the Indian Patents Act**

One of the features of Intellectual Property Rights (read patents) is that they are tradable assets. They can be assigned, licensed, sold or purchased like any other piece of property. Patents are unique legal instruments since they vest legal rights in the owner over a scientific invention which could be a product or a process. In this article we discuss what the Indian Patent Law provides for the joint ownership and transfer of patent rights.

An Assignee is defined in the Indian Patents Act as including an assignee of an assignee and legal representative of a deceased assignee.

An exclusive license as per the Act means a license from a patentee who confers on the licensee, or on the licensee and persons authorized by him, to the exclusion of all other persons (including the patentee), any right with respect of the patented invention. A legal representative as defined by the Act means a person who in law represents the estate of a deceased person.

The rights of co-owners of a patent are governed by sections 50 and 51 and rules 76 and 77 of the Indian Patents Act, 1970. According to these provisions each co-owner is entitled to equal, undivided share in the patent. Each co-owner has a right to make, use, sell, offer for sale or import the patented invention for his own benefit without accounting to the other co-owners.

A co-owner however cannot assign or license his share in patent except with the consent of other co-owners.

A co-owner can license or assign his share of patent or exercise any other right in patent by requesting the Controller. The other co-owners are informed and given the opportunity to be heard by the Controller. After hearing the parties or if neither party desires to be heard, the Controller gives directions in pursuance to the application.

After receiving the above-mentioned directions of the Controller, if the other co-owner(s) fails to execute the directions within the prescribed period of being requested in writing to do so, the Controller may give directions empowering any person to execute that instrument or to do that thing on behalf of the co-owner(s) in default. This can be done only if any of the other co-owners makes an application to this

effect to the Controller. The Controller gives an opportunity to be heard by the co-owner(s) in default. After hearing the parties or if neither party desires to be heard, the Controller gives directions in pursuance to the application.

The Controller cannot give any directions that are inconsistent with the rights of co-owners as laid down in section 50(1) i.e. 'Where a patent is granted to two or more persons, each of these persons shall, unless agreement to the contrary is in force, be entitled to an equal undivided share in the patent'. The 'equal undivided share' held by joint owners of a patent implies a right to an equal share in any money received for the patent. If a patented article is sold by one or more co-owners, the purchaser will deal with the article in the same manner as if the article is sold by a sole patentee. Apart from the limitations imposed by the Act, patents are ruled by laws applicable to ownership and devolution of movable property. Mutual rights or obligations of trustees or legal representatives of a deceased person are however not affected.

### **Power of registered grantee or proprietor of patent**

Any person who is registered as grantee or proprietor of a patent has the right to assign, grant licenses under or otherwise deal with the patent as per provisions of the Act. This is however subject to the provisions laid down in the Act with regard to co-ownership of patents and also to any other interest vested in any other person with respect to the patent. The equities in respect of the patents are enforced in the same manner as in respect of any movable property.

### **Registration of transfer instruments**

All notifications of assignments and transmissions of patents, of licenses of patents are to be kept at the patent office. An assignment, a mortgage, license or the creation of any other interest in patent is not considered to be valid unless the same is in writing and all the terms and conditions governing their rights and obligations are in a document that is duly executed.

If a person becomes entitled by assignment, transmission or operation of law to a patent or to a share in a patent he has to apply in writing to the Controller for registration of his title. An assignor, mortgagor, licensor or any other party to that instrument can also do so. On receiving these details the Controller, upon proof of title, enters in the register the particulars of the person and the particulars of the instrument. If a person has any other interest in the patent, the Controller enters in his register notice

of his interest along with the particulars of the instrument. If however, there is a dispute between the parties regarding the instrument, the Controller will not take any action until such dispute is resolved by a competent court.

It is also recognized by the Act that the transaction of assignment, mortgage, license, transmission, operation of law or any other operation has validly vested in such person a title to the patent or any share or interest in patent. The Act recognizes that title or interest passes by virtue of contract between the parties and not by registration and that latter is only a formality.

Copies of all agreements, licenses and other documents affecting the title of a patent have to be submitted to the Controller. The Controller however takes steps to secure the terms of license so that they are not disclosed to anyone **if requested by the patentee or the licensee** except under the order of the court. Parties may not like to disclose all the terms of the contract and they may split up contractual terms and keep certain of the terms confidential offering for registration merely the formal ones. Any such document for which no entry has been made in the Register will not be admitted by the Controller as evidence of the title of any person to a patent or to a share or interest in it unless the Controller or the court directs otherwise. The reasons for such a direction have to be recorded in writing.

### **Avoidance of Restrictive Conditions**

The contracts in which it is unlawful to insert restrictive conditions are:

- i. Contract for sale or lease of a patented article or an article made by a patented process.
- ii. Contract relating to sale or lease of a patented article or an article made by a patented process.
- iii. License to manufacture or use a patented article
- iv. License to work any process protected by a patent.
- v. License in which any condition brings the effect mentioned below.

Conditions that are considered to be unlawful are:

- a. to require the purchaser, lessee or licensee to acquire from the vendor, lessor or licensor or his nominees any article other than the patented article or an article other than that made by the



- patented process or
- b. to prohibit the purchaser, lessee or licensee from acquiring or to prohibit him from acquiring except from the vendor, lessor or licensor or his nominees any article other than the patented article or an article other than that made by the patented process or
  - c. to restrict in any manner or to any extent his right to acquire from any person except from the vendor, lessor or licensor or his nominees any article other than the patented article or an article other than that made by the patented process or
  - d. to prohibit the purchaser, lessee or licensee from using an article other than the patented article or an article other than that made by the patented process, which is not supplied by the vendor, lessor or licensor or his nominee or
  - e. to restrict in any manner or to any extent the right of the purchaser, lessee or licensee, to use an article other than the patented article or an article other than that made by the patented process, which is not supplied by the vendor, lessor or licensor or his nominee or
  - f. to prohibit the purchaser, lessee or licensee from using any process other than the patented process
  - g. to restrict in any manner or to any extent the right of the purchaser, lessee or licensee to use any process other than the patented process
  - h. to provide exclusive grant back, prevention to challenges to validity of patent & Coercive package licensing.

All the conditions delineated above will be applicable even if the agreement containing conditions made in the above-mentioned points had been entered into separately, whether before or after the contract relating to the sale, lease or license of the patented article or process.

In case of infringement proceedings against **any person**, it shall be a defense to prove that at the time of the infringement there was in force a contract relating to the patent and containing a condition declared unlawful by virtue of the Act. However, if the plaintiff is not a party to the contract and proves to the satisfaction of the court that the restrictive condition was inserted in the contract without his knowledge, the afore-mentioned condition does not apply to him.

Conditions exempted from being restrictive:

- a. A condition in the contract by which a person is prohibited from selling goods other than those of a particular person.
- b. Condition in a contract by which lesser or licensor reserves to himself or his nominee the right to supply such new parts of the patented article as may be required or to put or keep it in repair.

**THE END**