IP Protection and Licensing in India

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INTRODUCTORY OVERVIEW

The Republic of India is the largest democracy in the world. India today is a union of 25 states and 7 self-governing territories established under the country’s 1950 Constitution. India gained independence from British colonial rule in 1947. The adoption of the constitution on 26 January 1950 did not disturb, however, the existing laws or court system established under colonial rule.

India has a parliamentary form of government patterned after Britain’s parliament. India’s president is the constitutional head of the government’s executive branch. Executive power, however, resides in the Council of Ministers (Cabinet), led by the Prime Minister. The power to amend the Constitution resides in the two Houses of Parliament. India’s Constitution governs the sharing of legislative power between parliament and India’s 25 state legislatures. The Parliament has exclusive jurisdiction over matters of national interest, as enumerated in what is known as the Union List. This list includes defence, foreign affairs, currency, income tax, railways, shipping, posts and telegraphs. State legislatures have exclusive jurisdiction to legislate with respect to matters enumerated in what is known as the State List, which includes public order, police, public health, communications, and education. Other policy areas also exist over which parliament and the state legislatures have mutual legislative interest and powers, and these matters are found in the Concurrent List. This list includes criminal law, marriage and divorce, trade unions, and price controls. Local governments in India have far less autonomy.

India’s independent judicial system began under colonial rule and still closely resembles British common law courts in terms of process, development of case law and the application of stare decisis. Directly subject to the review of India’s highest court, the Supreme Court, are 18 intermediate appellate courts or High Courts, with one High Court presiding over one state or a group of states. Under each of the High Courts exists a hierarchy of courts of general jurisdiction. India’s law is based on the Constitution, statutes, governmental regu-
lations, and case law. Of course, state and local governments also promulgate legal statutes, but these are in many cases inferior to and subject to pre-emption by those of parliament. Although India has over 25 national languages and Hindi is the official language, English is the common working language of both the public and private sectors in India’s metropolitan areas. All official publications are available in English.

For almost four decades after it gained independence in 1947, India was known as a “closed economy.” India adopted an inward economic policy of import substitution and technological self-reliance (swadeshi), making the business climate less conducive to foreign investors. In the late 1980s, however, liberalisation efforts began and in 1991 those efforts culminated in watershed reforms. As a result, India today enjoys a vastly different, progressive commercial climate, with a robust and mixed economy in which the private sector plays an increasingly prominent role in the economic development of the country and the attraction of foreign capital.

Since 1991, technology inflow and foreign investment have dramatically increased in India. Intellectual property rights (“IPRs”) are therefore increasingly recognised as valuable economic assets to be protected and exploited. The following sections describe the legal status of IPRs in India.

**CURRENT STATUTES**

India provides statutory protection to intellectual property rights through the following legal instruments:

1. Patents Act 1970 (No. 39 of 1970), effective since 20 April 1972, with amendments effective since 26 March 1999, establishing a system of “mail-box applications” and “exclusive marketing rights,” in compliance with the transitional provisions of the World Trade Organization’s Agreement on Trade Related Aspects of Intellectual Property Rights (the “TRIPs Agreement”). In May 2002, India passed the Patents (Amendment) Act, 2002 to become effective upon notifica-
tion of implementing rules by the Central Government in the Official Gazette. The new Act places India in full compliance with the TRIPs Agreement.


(4) Designs Act 1911 (No. 2 of 1911), effective since 1 January 1912.


(6) Trade and Merchandise Marks Act 1958 (No. 43 of 1958), effective since 25 November 1959. This Act was repealed by the new Trade Marks Act 1999, which became effective upon notification by the Central Government in the Official Gazette in 2002.


(10) Various orders issued by the government of India with respect to the designation of convention countries, which include the International Copyright Order 1958; the Copyright (International Organizations) Order 1958; and the International Copyright Orders 1991 and 1999. These orders are promulgated by the government of India to update the list of convention countries, when necessary, and to extend the benefits of all or any of the provisions of the Copyrights Act 1957 to works published in any foreign country.


(14) Statement on Industrial Policy of 1991 on regulation of foreign technology transfer.

INTERNATIONAL TREATIES

India is a member to the following international treaties:

(1) Agreement on Trade Related Aspects of Intellectual Property Rights-World Trade Organization (TRIPs) (since 1 January 1994);

(2) Paris Convention (since 7 December 1998);

(3) Patent Cooperation Treaty (since 7 December 1998);

(4) Berne Convention (since 1 April 1928);

(5) Universal Copyright Convention (since 21 October 1957);

(6) Geneva Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of their Phonograms (since 12 February 1975);

(7) Nairobi Treaty on the Protection of the Olympic Symbol (since 19 October 1983); and


APPLICATION FIGURES

Patent Application Figures in India

The following table shows the number of patent applications filed and examined and the number of patents granted in India between 1989 and 1999. Since 1994-95, there has been a constant rise in the
filing of patent applications, the majority of which are filed by foreign applicants:

Patent Applications Filed and Examined and Patents Granted in India from 1989 to 1999

<table>
<thead>
<tr>
<th>Year</th>
<th>Total No. of Patent Applications Filed</th>
<th>Foreign Applicants Filings</th>
<th>Indian Applicants Filings</th>
<th>Total No. of Patent Applications Backlog</th>
<th>No. of Patent Applications Examined</th>
<th>No. of Patents Granted</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989-90</td>
<td>3661</td>
<td>2622</td>
<td>1039</td>
<td>8407</td>
<td>3333</td>
<td>1890</td>
</tr>
<tr>
<td>1990-91</td>
<td>3764</td>
<td>2584</td>
<td>1080</td>
<td>8613</td>
<td>2185</td>
<td>1791</td>
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<tr>
<td>1991-92</td>
<td>3552</td>
<td>2259</td>
<td>1293</td>
<td>9807</td>
<td>2431</td>
<td>1676</td>
</tr>
<tr>
<td>1992-93</td>
<td>3467</td>
<td>2239</td>
<td>1228</td>
<td>10630</td>
<td>2347</td>
<td>1272</td>
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<tr>
<td>1993-94</td>
<td>3869</td>
<td>2603</td>
<td>1266</td>
<td>11863</td>
<td>2590</td>
<td>1746</td>
</tr>
<tr>
<td>1994-95</td>
<td>5330</td>
<td>3589</td>
<td>1741</td>
<td>14379</td>
<td>2745</td>
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<td>1995-96</td>
<td>7036</td>
<td>5430</td>
<td>1606</td>
<td>18540</td>
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<td>8562</td>
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<td>1997-98</td>
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<tr>
<td>1998-99</td>
<td>8954</td>
<td>6707</td>
<td>2247</td>
<td>36981</td>
<td>2931</td>
<td>1800</td>
</tr>
</tbody>
</table>


The sharp increase in patent applications, as noted in the table above, can be attributed to many positive developments in the field of patents in India such as the enactment of the Patents (Amendment) Act of 1999 [retroactive since 1995], the WTO-TRIPs Agreement and India’s accession to the Paris Convention and the Patent Cooperation Treaty (“PCT”) in 1998. The decrease in patent applications filing recorded for the year 1998-99 may be attributed to the fact that many foreign applicants may have filed PCT applications designating India rather than filing convention applications. In 1998-99, the highest number of patent applications were filed by the U.S. (2807), followed by Germany (1912), Japan (1688), United Kingdom (401), France (351), and Switzerland (350).
India’s legal system is largely rooted in its British heritage. Its foundations originate from two charters granted in the 1600s to a British company, the East India Company, that gave it a monopoly to trade with India. The subsequent 250 years of British colonial rule gradually made English law an integral part of Indian law. The first body of laws in India relating to intellectual property rights reflected English law on the topic. India enacted its first patent rights legislation in 1856, which was replaced half a century later with the Indian Patents and Design Act 1911. After India gained independence in 1947, the 1911 Act was repealed and replaced by the Indian Patents Act 1970, which closely follows, albeit with important exceptions, Britain’s Patents Act 1949. Similarly, Indian legislation on copyright and trade marks has its origins in English law. India enacted its first copyright legislation in 1914, which mirrored Britain’s Copyright Act 1911. The 1914 Act was repealed by India’s Copyright Act 1957, which is again largely based on Britain’s Copyright Act 1956. The Indian Trade and Merchandise Marks Act 1958 is derived from the English Trade Marks Act 1938.

India’s modern IP system is largely an outcome of economic and political pressure, both internal and external. Since emerging from colonial domination, in the last 50 years India gradually has reformed its IP legislation to foster indigenous creations and inventions. In the 1990s, India has also attempted to bring its IP regime in conformity with global developments. Such international coordination to create a “level playing field” has of course not been easy or free of controversy, particularly in the area of patents, and mirrors the fierce ideological war between the developed and the developing countries that have held diametrically opposing views on the scope and minimum standards for international IPR protection and enforcement. For several decades, India successfully resisted any external pressure to reform its IP regime. Between 1991 and 1997, India remained on the United States Trade Representative’s Special 301 Priority Watch List for IPR violations, and has been threatened with unilateral trade sanctions. The impact of the GATT/TRIPs negotiations on India’s econ-
omy generated much debate among Indian politicians, which is likely to continue.

As a member of the WTO, India must implement the TRIPs Agreement in its entirety by the deadlines set in the Agreement. India’s current laws relating to designs, trade marks, geographical indications of origin and copyrights are mostly compliant with the minimum standards in the TRIPs Agreement. India’s patent law, however, falls well short of such compliance. Patent law reform in India has marked by much political debate and controversy, resulting in India’s default on its implementation deadlines under the TRIPs Agreement. Frustrated with India’s political stalemate, in 1996 and 1997 the United States and the European Community brought disputes against India before the WTO. The WTO’s rulings in the two disputes against India provided the impetus necessary to successfully push through the first phase of patent reforms in India. The second phase, involving major legislative amendments to India’s patent law, is still pending in Parliament.

INSTITUTIONS AND LAW PRACTICE

The three primary legislative acts in India relating to patents, trade marks and designs (i.e., the Patents Act 1970, the Trade and Merchandise Marks Act 1958 and the Designs Act 1911) are administered by the Office of the Controller General of Patents, Designs and Trade Marks. The Office of the Controller General is a subordinate office under the Department of Industrial Development, Ministry of Commerce and Industry of the Government of India. The Controller General supervises the administration and application of the laws and advises the government on matters relating to patents, designs and trade marks.

The Head Office for patents and designs is located in Calcutta, with branch offices in New Delhi, Chennai and Bombay. The Head Office for patents functions as the relevant office for international applications under the PCT. The Trade Marks Registry offices can be found in five locations: Ahmedabad, New Delhi, Chennai, Calcutta and
Bombay. The Controller General is also the Registrar of Trade Marks for purposes of the trade mark statute. The Head Office of the Trade Marks Registry handles the bulk of the work with respect to the examination of applications and registration, and also issues preliminary advice regarding distinctiveness of marks and search reports as to whether an identical or deceptively similar trade mark is registered or filed. Copyright legislation is administered through the Copyright Office under the auspices of the Department of Education, Ministry and Human Resource Development The Copyright Office is located in New Delhi and is headed by a Registrar of Copyrights.

The Patent Office has a total of approximately 40 patent examiners responsible for all technical fields. Similarly, the Trademarks Registry has a very limited number of trade mark examiners. Due to the constant need for additional staffing, and lack of technical expertise in developing areas of technology, a substantial backlog of patent and trade mark applications exists. For instance, to date the estimated backlog of unprocessed patent applications is approximately 30,000, which when measured against the average output of the patent office, means that a significant number might not be examined or granted well into the next decade. The backlog numbers for trade marks are equally staggering.

India has a system of patent agents specially registered to practice before the Controller of Patents under the Patents Act 1970, Secs. 125-132. The drafting and filing of specifications, subsequent correspondence with the Patent Office, and representing applicants in the proceedings before the Controller is entrusted to a qualified patent agent. Applicants may represent themselves, though this is not advisable. In addition to applying for and obtaining patents and providing technical advice, patent agents also provide counsel as to the validity of patents and possible infringement. To ensure high standards of efficiency and professional integrity, the Patents Act prescribes certain qualifications for persons practising as patent agents and provides for their registration in what is called the Register of Patent Agents, which is maintained by the Controller. An advocate who is
not a patent agent may participate in any proceedings under the Patents Act, except for the drafting of specifications.

Patent agents are not required to have a technical background. In order to qualify as a patent agent, a person must be a citizen of India, possess a university degree and be either an advocate or have passed the prescribed qualifying written examination. As of March 1999, there were 215 persons registered as patent agents in India.4

The Indian legal profession is governed by the Advocates Act 1961. Under this Act, the Bar Council of India has the authority to promulgate rules addressing certain aspects of the Act. The Act is a self-contained code of law relating to legal practitioners, and explicitly provides for the existence of the Bar Council of India and for various State Bar Councils. The Bar Council of India is responsible for enforcing stringent legal education standards and recognising universities whose law degree would qualify a graduate for enrolment as an “advocate” with the Bar Council. An advocate under the Advocates Act 1961 is entitled to practice law throughout the country, and must also be on the roll of a State Bar Council. India does not follow the British solicitor-barrister system except in Bombay. Law firms in India are fairly small in size partly due to a restrictive provision on partnerships under the Indian Companies Act 1956. Common law education in India began in 1857, initially with three universities in Calcutta, Chennai and Bombay. At present there are about 95 recognised universities in India providing legal education. Many universities are beginning to offer specialised courses in intellectual property law, both at the graduate and post-graduate level.

REFORM PROPOSALS

In the last several years, a wave of change has swept over India in the IPR field, and this progressive trend continues unabated. The most significant catalyst for this change was India’s membership in the Paris Convention and the Patent Cooperation Treaty beginning in December 1998. India’s commitment is reflected in the recent passage of the controversial Patents (Amendment) Act 2002 that radi-
cally changes India’s patent regime satisfying India’s obligations under the WTO-TRIPs Agreement, which were due 1 January 2000, providing for product patents on pharmaceutical, chemical and agricultural products, extending the term of patent protection to 20 years, reversing the burden of proof in infringement cases involving process patents and imposing conditions for compulsory licensing.

In 1999, India’s parliament extensively revised and updated the country’s trade mark law. The Trade Marks Act 1999 is expected to become effective in 2002 upon notification in the Official Gazette. India’s parliament will also promulgate rules to supplement the new legislation.

Other legislation under consideration are the proposed Plant Variety Protection and Breeders Rights Bill 1999, and the Biodiversity Conservation Bill 1999. The Monopolies and Restrictive Trade Practices Act 1969 will also likely be revised in the near future.

The government of India has taken several measures to streamline and strengthen the intellectual property administration. Specifically, the government implemented two projects for the modernisation of patent information and trade mark registry for improved services for users. The activities involved the computerisation and streamlining of administrative functions and the training of personnel. India is substantially modernising its patent offices, and focusing on human resource development, infrastructure support, computerisation and the elimination of a substantial backlog of patent applications.

**FURTHER ISSUES**

A significant difficulty in the development of a meaningful IPR system in India may be attributed to the lack of public awareness, weak statutory rights and perhaps the country’s colonial past. While the machinery in place to obtain trade marks and designs is moderately used by the public, the patent system with no more than 3500 applications per year is hardly used, the significant backlog in examining applications further decreasing the system’s attractiveness. This
number, however, is expected to surge in the coming years primarily due to recent amendments in India’s patents law and India’s recent accession to the PCT. Succinctly stated in the words of a U.S. patent practitioner, “India needs to overcome a cultural lack of concern for exploiting scientific intellectual development.” In addition to substantive law reform, building institutional capability and public awareness should be a high priority of the IP reforms in India.

PATENTS

SUBJECT MATTER

Patent law in India is governed by the Indian Patents Act 1970 (the “Patents Act”). Incredibly, the deliberations leading up to its passage in 1970 began soon after India gained its independence in 1947. The Patents Act, with important exceptions, is a copy of the British Patents Act 1949. Up until the passage of the Patents Act, patents rights in India were governed by the Indian Patents & Designs Act 1911, which unsurprisingly was substantially based on the British Patent Act 1852.

After independence, the Indian government determined that its laws, framed under colonial rule, required basic changes necessary to accommodate and support the aspirations of a newly independent country, whose economy, relatively speaking, was rapidly transforming into a dynamic industrial economy. The Indian government appointed two inquiry committees (the Tek Chand Committee in 1948 and the Ayyangar Committee in 1957) to review the Indian patent system with a view towards ensuring that the system conformed with national interests.

The committees reported that between 80 and 90 percent of the patents granted in India were held by foreigners, and more than 90 per cent were not worked in India. The committees asserted that the patent system in India was exploited by foreign companies to achieve monopolistic control over the market. Based on the reports’ recommendations, the Parliament enacted the comprehensive Indian
Patents Act 1970 and the Patent Rules 1972. Some of the major changes included a limitation of patentable subject matter; an extension of grounds for compulsory licences; a forfeiture of patents for “non-working”; and additional restrictions in the area of inventions relating to food and medicine. These modifications resulted in a system that was far “weaker” in scope and protection than the corresponding English patent law of the era.

The 1970 Patents Act balances the interests of inventors and consumers by seeking to ensure that the benefits of new inventions reach the marketplace without marginalizing the interests of the inventor. The Patents Act was amended by the Patents (Amendment) Act 1999 (the “1999 Amendments”) and the Patents (Amendments) Act 2002 (the “2002 Amendments”), to modernize India’s patent law and bring it into compliance with the WTO-TRIPs Agreement. The 2002 Amendments make significant revisions to the Patents Act which are to become effective in 2003 upon notification of implementing rules in the Official Gazette.

The intent and objectives of the Patents Act are stated in Sec. 83 thereof:

(i) Patents are granted to encourage inventions and to insure that the inventions are worked in India on a commercial scale and to the fullest extent that is reasonably practicable without undue delay; and

(ii) That they are not granted merely to enable patentees to enjoy a monopoly for the importation of the patented article.

Monopolies to an inventor are granted on conditions of:

(i) Working of the invention within the country so as to result in the establishment of new industry and employment of labour and capital in the country; and

(ii) Disclosure to the public of the invention so that upon expiry of the patent, the public is able to work the invention.
The legislature clearly sought not only to encourage innovation but also the local working of patents in India.

Under Sec. 2 of the Patents Act, a patent may be obtained only for an invention that is new and capable of industrial application, and relates to a machine, article or substance produced by manufacture, or a process, method or manner of manufacture that results in a tangible, non-living end-product. A dependent patent may also be obtained for an improvement of an article or process of manufacture of a previous invention already patented by the same inventor. The 2002 Amendments expand the scope of invention to include processes or methods that do not result in “tangible” or “non-living” end-products.

Sec. 3 of the Patents Act excludes from protection: (i) inventions contrary to law or morality, or injurious to public health; (ii) substances obtained by a mere admixture resulting only in the aggregation of the properties thereof or a process for producing such substance; (iii) discoveries of a scientific abstract theory; (iv) the discovery of a new property or use for a known substance, machine or process, unless it results in a new product or employs at least one new reactant, i.e., chemical substance; (v) methods of agriculture or horticulture; (vi) processes for the treatment of human beings, animals or plants to render them free of disease or increase their economic value; and (vii) inventions relating to atomic energy. The 2002 Amendments enhance the scope of exclusions in Section 3 by inserting additional categories, some of which include: (i) discovery of a living or non-living thing occurring in nature; (ii) plants and animals in whole or in part other than micro-organisms but including seeds, varieties and species and essentially biological processes for the production or propagation of plants and animals; (iii) a mathematical or business method or a computer program per se or algorithms; and (iv) an invention which, in effect, is traditional knowledge or which is an aggregation or duplication of known properties of a traditionally known component. Under the 2002 Amendments, micro-organisms are patentable.

Sec. 5 of the Patents Act provides that currently no product patents shall be granted for substances intended for use as food, medicines or
drugs or for substances produced by “chemical processes.” The 2002 Amendments expand the scope of such prohibition by including biochemical, biotechnological and microbiological processes within the definition of “chemical processes.” Process claims, however, regarding the method of manufacture are patentable. Pursuant to the WTO-TRIPs Agreement, however, India is under the obligation to reform its patent law by 1 January 2005, to provide for product patents for pharmaceutical, agricultural and chemical products. In the intervening period, by way of the 1999 Amendments, India has put in place a “mailbox” mechanism for accepting such product patent applications, effective retroactively from 1 January 1995. Such applications will be removed from the “mailbox” for substantive examination for grant of patents after suitable amendments have been made to the Indian patent statute or until 1 January 2005, whichever is earlier.

In addition, India provides for exclusive marketing rights (the “EMRs”) for such products if the following criteria are satisfied:

(i) If the invention is made outside India, the applicant has already filed an application for the same invention in a convention country on or after 1 January 1995, and the patent and the approval for EMRs have been granted on the basis of appropriate tests conducted in that country; or

(ii) If the invention is made in India, the applicant has filed an application for method or process of manufacture for that invention on or after 1 January 1995, and the patent has been granted in India; and

(iii) Approval to sell or distribute the invention (article or substance) in India has been received from the appropriate authority specified by the Central Government.

EMRs are available from the date of approval granted by the Controller for a period of five years or until the date of grant or rejection of patent application, whichever is earlier. EMRs are subject to compulsory licensing under certain circumstances and are not absolute—the government can intervene to safeguard public interest.
Under the 1999 Amendments, the infringement of EMRs is dealt with in the same manner as infringements of patent rights.

The granting of a valid patent requires that the invention be new and useful and involve an inventive step. Novelty can be destroyed by prior publication in any document in India or elsewhere by the specification of an earlier Indian patent application published after the priority date of the later application; or by prior public knowledge or use in India before the priority date. Use elsewhere is no bar. A grace period of six months is provided in cases where the invention is read by the inventor or published, displayed or used in a professional exhibition. The inventive step requirement is met if the invention is not obvious to a person skilled in the particular art on the priority date of the claim. The importation of a product into India that was manufactured abroad by a patented process constitutes knowledge or use in India of the invention on the date of importation. The utility requirement is met if the invention provides the results promised in the specification.

The grant of a patent confers an exclusive right to make, use, exercise, sell or distribute the patent invention in India. The 2002 Amendments enlarge the scope of a patentee’s exclusive rights by conferring (i) on a product patentee, the exclusive right to prevent third parties from making, using, offering for sale, selling or importing that product in India, and (ii) on a process patentee, the exclusive right to prevent third parties from making, using, offering for sale, selling or importing patentable products obtained directly by that process in India, without such patentee’s consent. The patent term is 14 years from the date of filing. For process patents relating to food, drugs and medicines, the patent term is five years from the date of grant or seven years from the date of the patent application, whichever is shorter. The 2002 Amendments eliminate this distinction and provided a single patent term of 20 years from the date of filing. A patent remains valid as long as renewal fees are paid within the prescribed period. Only under certain conditions can the patent be restored within one year from the date of expiration. The 2002 Amendments extend such period to 18 months under limited circum-
stances. The term of a dependent patent runs concurrently with and terminates with the main patent without a separate renewal fee.

APPLICATION PROCEDURE

Patent administration in India is decentralised. The Patent Office is split into four geographically separate units; the head office is located in Calcutta, with branch offices in Delhi, Bombay and Chennai. The Controller-General is the head supervisory officer. The application for a patent must be filed at the office having territorial jurisdiction.

India is a first-to-file country, with a system of domestic priority. The Patents Act permits the filing of a provisional specification followed by a complete specification within 12 to 15 months; otherwise, the application will be deemed abandoned. A complete specification must enable a person skilled in the art to work the invention, and should disclose the best mode of performing the invention known to the applicant and contain the claims defining the scope of invention. A provisional specification need only describe the invention briefly and need not contain claims. Each application should contain claims to a single invention. The 2002 Amendments, however, permit a single application to be filed for a group of inventions linked so as to form a single inventive concept. If an invention involves biological material, the 2002 Amendments require the applicant to disclose the source and geographical origin of such biological material in the specification and under certain circumstances, deposit such materials with an authorized depository.

The average time span for the examination of a patent application is between two and five years. Applications are examined as to formal requirements, patentable subject matter and novelty issues. Grounds for refusal exist where there is lack of novelty, or where the claimed invention has been published, claimed by any other person, or publicly used or known in India. There is no grace period and no provision for examination as to the inventive step (obviousness). The latter objec-
tion is often raised in opposition proceedings. Not examining for inventive step leads to patents being granted that are vulnerable.

If a patent application is accepted, it is published in the Official Gazette. Thereafter, third parties may raise objections as set forth in Sec. 25 Patents Act within four months. If there is no opposition, or if an opposition is asserted but overcome or rejected, a patent will be granted if the applicant formally requests what is called a “sealing” of the patent. After the final grant, the patent is registered and can be maintained by payment of an annual renewal fee. After the grant, an aggrieved party may appeal to the High Court to revoke the patent within three months of the Patent Office decision. The 2002 Amendments significantly change the examination procedures to provide automatic publication in the Official Gazette of patent applications upon the expiry of 18 months from their priority date or the date of filing, whichever is earlier, provided that such applications are not subject to secrecy requirements. Furthermore, the 2002 Amendments do not require examination of a patent application unless a request by an applicant is made within 48 months from the date of filing the application. For patent applications that are filed before the 2002 Amendments become effective, the request must be filed within 12 months of the Amendments’ effective date or 48 months from the date of filing, whichever is later. If no request is made within the time limit, the application will be deemed withdrawn. The grounds for revocation and opposition have also been expanded to include failure to disclose or wrongly mention the source of biological material used for an invention. The 2002 Amendments require that the Appellate Board established under the 1999 Trademark Act also serve as an Appellate Board for patent matters and that all appeals of any decisions, orders or directions of the Central Government or the Controller go to the Appellate Board rather than to the High Court.

Residents of India may now apply for patents outside of India. Before the 1999 Amendments repealed Sec. 39 of the Patents Act, residents of India were required to obtain written permission from the
Controller, who in turn required the Central Government’s consent, before applying for patents outside India.

**COMPULSORY LICENCING AND LICENCES OF RIGHT**

The Patents Act contains several limitations on the patentee’s rights, which include compulsory licencing, licences of right and revocation of the patent for non-working. Patented inventions may be freely used for the purposes of experiment, research or teaching. Under certain circumstances, the government may use the patented invention, acquire it on payment of suitable compensation, or prohibit a person from using an invention.

Sec. 83 of the Patents Act mandates the local working of patents. Pursuant to Sections 84 and 85, the Controller may grant compulsory licences when the patent rights have not been commercially exploited by the patentee or made available to the public in India at a reasonable price. The objective is to prevent the abuse of the patent monopoly and ensure that inventions are worked in India on a commercial scale for the benefit of the public. Any person can make an application for a compulsory licence to the Controller three years after the sealing of a patent. Under Sec. 86, certain patents may be endorsed with the words “Licences of Right” after three years from sealing. Sec. 87 states that all patents on processes for making food, chemicals, drugs and medicines are endorsed with these words three years from sealing. Sec. 88 regulates the terms of the licence and the royalties payable. The Controller typically decides these terms. Historically, the Controller has capped royalties at four per cent of the total wholesale price in bulk for the patented article. Even if the licences above are granted, the Controller may revoke the patent for non-working if public demand is not met. These compulsory licencing provisions have been applied 10 to 15 times in the past two decades. The compulsory licencing provisions also apply to exclusive marketing rights conferred under Sec. 24B of the 1999 Amendments in the same manner as they apply to a right under a patent to sell or distribute the invention in India. The government may determine the price of an article or substance sold subject to an
exclusive marketing right. The 2002 Amendments make significant changes to the compulsory licencing provisions in the Patents Act, some of which include empowering the Central Government to grant compulsory licences in circumstances involving national emergency, extreme urgency or for public non-commercial use and deleting the licence of rights provisions.

INFRINGEMENT

An action for infringement must be instituted within three years from the date of infringement in the District Court or High Court having jurisdiction. The plaintiff has the burden of proof for establishing infringement. In an infringement action involving a process patent, however, the 2002 Amendments reverse the burden of proof on the infringer to prove that the process to obtain an identical product is different from the patented process. Use by the government or use by a non-governmental entity for government purposes is not considered infringing, as is also the case with accidental or temporary use, experimental use or use on foreign vessels. The 2002 Amendments exempt from infringement (i) any use or selling of a patented invention solely for obtaining regulatory approvals in India or another country or (ii) importing patented products by any person from a person who is duly authorized by the patentee to sell or distribute the product. An exclusive licensee is entitled to institute proceedings against an infringer. A compulsory licencee may request a patentee to institute proceedings for infringement. If the patentee fails to do so within two months, the licencee may then institute proceedings on his own. An infringement suit can be instituted only after the sealing of a patent that can be delayed by an alleged infringer using opposition proceedings.

In an infringement suit, a successful plaintiff is entitled to injunctive relief and damages. These may be calculated as the plaintiff’s loss or the infringer’s profits, yet cannot be claimed in cases of innocent infringement or where the patented articles are not marked “Patented” followed by the number and date of the patent. An order for seizure of the infringing goods is within the court’s discretion. The Patents Act also provides for safeguards against groundless
threats of legal proceedings for infringement of a patent. The Act provides for criminal penalties for certain acts, such as falsification of the Register or unauthorised applications.

ASSIGNMENT AND LICENCING

A patentee may exploit the invention by wholly or partially assigning the patent right, or by granting licences, exclusively or non-exclusively, generally or subject to limitations. All assignment and licensing agreements are valid only if made in writing and if filed and registered with the Controller within six months of the execution of the agreements. It is at the time of such registration that the Controller may insist upon the deletion or modification of any restrictive conditions that are deemed contrary to Sec. 140 Patents Act. Co-owners of a patent cannot independently licence or assign a share in the patent without mutual consent. Special rules apply to technology transfer agreements with foreign participants, and these are subject to regulatory approval. For further discussion, see the section titled “Licencing and Technology Transfer,” beginning on page 44.

INTERNATIONAL AGREEMENTS

India joined the Patent Cooperation Treaty in 1998 by acceding to the Paris Convention. Prior to joining the Paris Convention and the WTO, the Indian government extended reciprocal patent rights to the nationals of other “convention countries” with respect to the grant of patents. If an applicant for a patent in a convention country makes an application for the same patent in India within 12 months, the applicant will be entitled to the priority date for claims in India. As of January 1995, priority may be claimed on the basis of a government notification, which designates WTO countries as being on par with the convention countries mentioned above.
DESIGNS

SUBJECT MATTER

Designs in India are protected under the Indian Patents and Designs Act 1911 (the “Designs Act”), supplemented by the Designs Rules of 1933. The Designs Act’s provisions closely resemble those of the British Patents and Designs Act 1907. Prior to the passage of the Indian Patents Act in 1970, the Designs Act also governed the registration and protection of patent rights in India. Today, however, the Designs Act applies only to the registration of designs. For the Designs (Amendment) Act 2000, see below e).

The Designs Act provides for the registration of new and original designs not previously published in India. Sec. 2 of the Act defines a design as “the features of shape, configuration, pattern or ornament applied to any article by any industrial process or means, whether manual, mechanical or chemical, separate or combined, which in the finished article appeal to and are judged solely by the eye.” To be registered, a design must consist of a shape or configuration that is three-dimensional in nature or must be represented by two-dimensional drawings or patterns in such a way that the article to which it is applied can be visualised. Because a “design” must be applied to an article by an industrial process, artistic designs, such as paintings, sculptures or industrial layouts and plans that are not produced in bulk by any industrial process, are excluded from registration. Functional designs, trade marks, trade names and property marks are also excluded from registration. A registered design under the Designs Act is not eligible for protection under the Indian Copyright Act even though it may be an original artistic work, yet a registrable but hitherto unregistered design may enjoy copyright protection. Such copyright will, however, cease to exist as soon as the owner of the copyright produces any article to which the design has been applied more than 50 times through an industrial process.

Registration under the Designs Act is a prerequisite for protection. It confers upon the proprietor an exclusive right to apply the design to
goods in any class for which the design is registered. With regard to goods of this class, the proprietor can prevent others from applying the design or an imitation of it to the goods, or importing or selling goods bearing the design. This exclusive right termed “copyright in design” is granted for a period of five years from the date of registration, and can be extended twice for periods of five years, for a total of 15 years.

APPLICATION PROCEDURE

A design must be registered with the Controller General of Patents, Designs and Trade Marks. An application for the registration of a design can be made in one or more of the 14 classes of goods to which the design generally applies. The substantive examination is relatively modest and consists basically of a novelty search. In determining the novelty and originality of a design, its prior publication, if any, is taken into consideration. India follows the principle of absolute domestic novelty and there is no grace period. Subject to limited exceptions, a design is considered published, and hence not eligible for registration if it was previously made available to the public in India through publication or use, was disclosed to a person without confidentiality obligations, or if the associated article was sold in the market. The exhibition of an article in certain trade fairs, however, may not amount to publication. A design previously published in a foreign country alone will not invalidate the registration in India.

A substantive examination leads to acceptance or rejection of the application. If any objections are raised, the applicant must respond within a statutory period of one month; otherwise the application is deemed abandoned. Unlike patents, there is no public opposition procedure before the grant and registration of a design. Under the Designs Act, one may appeal the rejection of an application to the “Central Government.” An aggrieved third party may petition for the cancellation of a registered design either to the Controller within one year from the date of registration or to the High Court at any time on the ground that the design has been previously registered or published.
in India or that the design is not new or original. Upon registration, a design is not published in the Official Gazette and is kept secret for the first two years after registration.

The Designs Act also provides for claims of priority as to the registration of a design in India. For this purpose, the application must be filed in India within six months of the date of filing of the application for the same design in any of the specified convention countries with which India has reciprocal arrangements, such as Australia, New Zealand, Sri Lanka and the U.K. The provisions relating to priority and reciprocity under the current Designs Act 1911 only refer to the UK and commonwealth countries. The Designs Act 2000, however, rectifies this situation by extending priority and reciprocity to a larger set of convention countries, including member countries of the Paris Convention and the WTO.

INFRINGEMENT

The following acts may constitute infringement if done without consent:

(i) Applying the design or its fraudulent imitation to goods belonging to the particular class for which the design has been registered;

(ii) Importing for sale any goods bearing the design; or

(iii) Selling such goods.

Infringement proceedings can be initiated at the level of a District Court or High Court. The judicial remedies available for infringement of a registered design include injunctive relief, monetary damages and handing over/destruction of the infringing goods. The Designs Act imposes a statutory ceiling of 1,000 Rupees in compensatory damages. No criminal remedy is available against piracy of a registered design.
ASSIGNMENT AND LICENCING

Every transfer of a registered design, by assignment or licence, should be in writing and registered with the Controller of Designs within six months of its execution. Otherwise, a deed of assignment or licence would be inadmissible as evidence in enforcement proceedings.

DESIGNS (AMENDMENT) ACT 2000

The Indian Parliament passed the Designs (Amendment) Act 2000 in May 2000. The new Act will likely become effective in 2002, pending notification by the Central Government in the Official Gazette, and will repeal the existing century old Designs Act 1911. Some of the noteworthy changes include: requirement of absolute novelty; increased duration of protection from five years to 10 years; and increased damage awards in cases of infringement. In addition, the new Act introduces the international classification, provides for maintaining a computerised register of designs, and revokes the two-year period of secrecy of the registered design.

TRADE MARKS

SUBJECT MATTER

The Indian Trade and Merchandise Marks Act 1958, supplemented by the Trade Marks Rules 1959, currently governs trade mark protection in India. Although the 1958 statute was actually repealed and replaced by the new Trade Marks Act 1999, the new Act (the “1999 Act”) is expected to become effective upon its notification in the Official Gazette in 2003. The accompanying rules to facilitate and regulate the implementation of the new Act are currently being drafted.

The 1999 Act modernises the existing legislation in view of the developments in trading and commercial practices. It significantly
simplifies the registration procedure, extends registration and protec-
tion to service marks, well-known trade marks and collective marks
owned by associations, broadens the scope of an infringement
action, and strengthens measures against counterfeiting and piracy.
The 1999 Act also broadens the definition of a mark to include the
shape of goods, packaging and combination of colours and extends
the period of registration from seven years to 10 years, renewable by
five-year terms. With these changes, India’s trade mark legislation is
on equal footing with that of more developed industrialised nations,
and brings India into compliance with its international obligations in
the field of trade marks under the WTO-TRIPs Agreement.

The statutory law establishes rights for the first user of a trade mark,
entitling the user to the registration of the mark and exclusive owner-
ship rights. Upon providing conclusive proof, a prior user of a regis-
tered mark may be able to maintain his rights or obtain concurrent
registration of the mark notwithstanding the pre-existing registration.

Both registered and unregistered trade marks are protected by statute.
A limited exclusive property right to the use of a trade mark in relation
to certain goods or services can be acquired by actual use.
Although a proprietor of an unregistered mark can protect the mark
against acts of infringement or passing off through common law
remedies, many benefits accrue through registration. A registration
confers statutory protection on the mark and is considered *prima
facie* evidence of its validity. Registration provides legal title to the
exclusive use of the trade mark for the goods or services for which it
is registered and entitles the proprietor or user to institute proceedings
to enjoin or to recover damages in the case of trade mark infringe-
ment. It also has other practical implications such as discouraging
third parties from adopting confusingly similar marks and serving as
a basis for filing trade mark applications in foreign countries.

The 1999 Act significantly simplifies the registration procedure.
Under the 1958 statute, trade mark registration is accomplished in
one of two registers: Part A or Part B. Part A consists of inherently
distinctive trade marks that were adapted to distinguish goods; Part B
consists of marks not inherently distinctive, but capable of distinguishing goods. The two registers confer different legal rights. The 1999 Act eliminates this distinction and maintains a single register with equal legal rights. It also establishes an Appellate Board for handling trade mark matters and for speedy disposal of appeals and rectification appeals, which at present are heard before the High Courts.

The absolute and relative grounds for refusal of registration of a mark are set forth in Secs. 9, 10 and 11 of the 1999 Act. A mark may be refused registration if it is devoid of any distinctive character, or if it is a direct reference to the character or quality of the goods or services or geographical name or surname, unless it has acquired distinctiveness or secondary meaning. For instance, in an infringement action involving the mark “SAFEGUARD,” which is used for antibacterial soap, the Delhi High Court held in favour of the alleged infringer because it reasoned that the mark was descriptive and therefore could not be monopolised.7 The mark “TAJ MAHAL TEA” was allowed registration in spite of its misleading geographical indication because the mark had acquired distinctiveness through use.

A mark will be refused registration if its use would likely deceive or cause confusion. Although there is abundant Indian case law that addresses this point, a degree of confusion unfortunately exists due to conflicting court decisions. For instance, in an infringement case involving marks for medicinal and pharmaceutical products, the Bombay High Court restrained the use of the mark “TOROLAC” on the grounds that it was confusingly similar to the mark “ROLAC” despite the fact that the drug under the first mark was sold only under prescription.8 On the other hand, in a similar case involving the marks “ZEXATE” and “MEXATE,” which apply to injections for cancer treatment, another High Court held that the two marks were not deceptively similar because they were used for specialised cancer drugs that could only be purchased by prescription from cancer specialists able to distinguish between the marks.9 In a case involving phonetically similar marks for electrical and electronic goods, the Delhi High Court restrained the use of mark “HITAISHI” even
though the mark was in Hindi, in contrast to the mark “HITACHI” in English, holding that the two were phonetically similar and that there was a danger of deception and confusion.\textsuperscript{10} In another infringement case involving the marks “MICROTEL” and “MICRONIX” for electronic equipment, the Supreme Court of India reversed a High Court’s order and rejected the claim that the word “MICRO” formed the basis of many micro-chip technology products. The Supreme Court held that the suffix “TEL” and the mark’s trade dress were distinct from the suffix “NIX” and that mark’s trade dress, and therefore there was no likelihood of confusion or deception.\textsuperscript{11}

Another common ground for refusal of registration is the identity with or similarity to a well-known trade mark registered outside India, but with international reputation and goodwill. Under the 1999 Act, statutory protection is available for well-known trade marks. The new Act recognises the theory of dilution in value or distinctiveness of a famous or well-known trade mark. Even before the new Act was passed, however, there were judicial precedents on the question of the trans-border effect of a trade mark’s international reputation. In November 1994, the Delhi High Court granted an interim injunction against a defendant’s use of the marks “BENZ” and “MERCEDES.”\textsuperscript{12} In this case, the defendant, an Indian company, was engaged in the sale of undergarments under the trade mark “VIP-BENZ” in combination with a three-pointed human figure in a ring—a characteristic of the three-pointed star device of Daimler Benz AG. The Court stated that “the trade mark law is not intended to protect a person who deliberately sets out to take the benefit of somebody else’s reputation with reference to goods, especially so when the reputation extends worldwide.”\textsuperscript{13}

In cases of honest concurrent use or in other special circumstances, the Registrar of Trade Marks may permit the registration of the trade marks of different proprietors even though the marks are identical or closely resemble each other with respect to the same or similar goods. Priority of use and priority of registration of a mark are of primary importance in establishing and determining ownership rights in respect to trade marks.
Registration of a mark will be refused if the mark is identical with or deceptively similar to one that is already registered in the name of a different proprietor with respect to the same goods or description of goods or if its use would be contrary to any law in force, or contains any matter likely to hurt the religious sensibilities of any class or other discernible demographic segment of Indian citizens or contains scandalous or obscene matter, or if it would otherwise not be entitled to protection in a court. The trade marks administration is semi-centralised, with four branch offices (in Ahmedabad, Calcutta, Chennai and Delhi) and a head office in Bombay. While applications are received in the branch offices, including the head office, the substantive examination of the applications and their registration takes place only at the head office in Bombay. Until 1996, the searches were conducted manually and communication between the offices was mainly by mail because the Trade Marks Registry was not computerised and there was no on-line connection between the offices. In 1996, however, the government of India implemented a project to enhance and streamline the trade marks administration through computerisation and modernisation of the Trade Marks Registry for improved services for users. The on-going modernisation of the Registry has strengthened the Registry in terms of modern computer equipment, searches being conducted electronically, networking established between the head and branch offices, and streamlining the trade mark registration procedures.

APPLICATION PROCEDURE

Any person or entity that actually uses or intends to use a mark can file an application for registration. The intended user must use the mark within five years of registration to avoid cancellation. A single application may be made for the registration of a mark in more than one class of goods or services. Although not a member to the Vienna or Nice Agreements, goods and services are classified in accordance with the Nice Classification, devices in accordance with the Vienna Classification. Upon receipt, the application is examined as to form and substance and reviewed with regard to distinctiveness of the mark, possible deceptiveness and conflicting prior marks. The
Registrar may either refuse the application or accept it, absolutely or qualifiedly, with amendments and modifications. If objections are raised, the applicant is allowed a defined period of time to overcome them. If the application is accepted for registration, it is advertised in the Trade Mark Journal, a bi-weekly official publication. Third parties have an opportunity to oppose the registration within three months (extendable by one month) from the date of its advertisement. The applicant must respond to the objections within the prescribed time, and if failing to do so, the application may be deemed abandoned. Parties must submit all evidence in the form of sworn affidavits, and a final hearing may be held before a tribunal if necessary. A party aggrieved by the Registrar’s order may appeal to the High Court within the prescribed time. If the opposition proceedings are withdrawn or dismissed, the trade mark is registered as of the date of the application.

The application procedure usually requires about 2-3 years, but it can be longer if the Trade Mark Office raises objections.

The registration confers on the proprietor the exclusive right, for a period of 10 years, to use the trade mark in relation to the goods or services for which it is registered. This registration period is renewable indefinitely for further periods on payment of the prescribed fee.

**INFRINGEMENT**

The Trade Marks Act 1999 considerably broadens the scope of infringement. Under the new Act, the use of a registered trade mark as a trade name or part of the trade name, or its use or mere reference in any advertisement can constitute infringement. In some instances, even spoken use of word marks may constitute infringement. In addition, the identity of goods is no longer a prerequisite to establish infringement. In other words, the use of an identical or similar mark in respect of similar goods can constitute infringement. In an infringement or passing off action, the onus is on the plaintiff (proprietor or user) to prove that the mark used by the defendant is identical or deceptively similar to the registered trade mark in relation to
the goods or services specified in the registration, and that such use by the defendant will likely be perceived by the public as use of a trade mark.

Infringement proceedings must usually be commenced in a District Court with jurisdiction over the territory in which the alleged infringement occurred or the parties are domiciled. An action may be commenced in a High Court whose jurisdiction must be determined on a case-by-case basis. The period for filing a suit is three years from the date of infringement. Subject to a prima facie case, the 1999 Act makes trade mark offences “cognisable”. This permits the police to search and seize before obtaining a court order. The remedies available in infringement and “passing off” proceedings include interlocutory injunctions (which may be ex parte), damages or an accounting of profits, and an order mandating seizure and destruction of the infringing labels and marks. As a practical matter, Indian courts rarely award damages, and any such awards are generally nominal. The Act also provides for criminal remedies in cases of the falsification or the false application of a trade mark and other trade mark violations, which include a minimum penalty of six-months imprisonment and a fine of 50,000 Rupees and a maximum of three-years imprisonment and a fine of 2 million Rupees.

ASSIGNMENT AND LICENSING

A trade mark, whether registered or not, is assignable with or without the goodwill of the business concerned, and for all or only part of the goods or services for which the trade mark is registered. Secs. 40 and 41 of the 1999 Act impose certain restrictions on assignments that create multiple exclusive rights or exclusive rights in different parts of India. Certification trade marks cannot be assigned without the prior written approval of the Registrar of Trade Marks.

An assignment of a trade mark should be registered with the Registrar within six months of its execution. Upon registration, an assignee obtains all of the rights and privileges of the proprietor, and is legally recognised thereafter as the proprietor of the mark. A licensing
agreement, on the other hand, need not be registered to be valid. A licensee may be recorded as a registered user with respect to any or all of the goods or services for which the trade mark is registered. In such a case, both the registered proprietor and proposed registered user make a joint application that is accompanied by the licensing agreement and evidence of the degree of control to be retained by the proprietor. For all purposes, the permitted use by the registered user will be deemed to be use by the registered proprietor of the trade mark, but registered users do not have the right to assign the use thereof. As a consequence, an unregistered licensee or permitted user does not have the right to sue for infringement; registration alone confers this right because only through registration is a licensee’s use of the mark deemed to be a proprietor’s use of the mark. Registered user agreements are subject to Registrar’s approval and approval is normally granted if they are not prejudicial to the public interest and do not have a negative effect on the development of any industry, trade or commerce in India.

INTERNATIONAL ASPECTS

The 1999 Act provides for the recognition of priority rights with a convention country or a country that is a member of a group of countries or an inter-governmental organisation, such as the Paris Convention or the World Trade Organisation, which affords Indian citizens reciprocal privileges in respect of the registration and protection of trade marks. A convention/priority application must be filed in India within six months of filing the application in the convention country.

Until June 1992, the Guidelines for Foreign Joint Ventures prohibited the use of foreign trade marks for goods produced for the domestic market. The Indian government removed this restriction in 1993, thereby freely allowing the use of foreign brand names and/or trade marks for goods for sale within the country.
GEOGRAPHICAL INDICATIONS

India recently enacted the Geographical Indications of Goods (Registration and Protection) Act 1999, which came into effect in 2000 (the “GIA”). India has recently recognised the benefits of creating an adequate legal framework to protect goods of Indian origin in light of globalisation, and in particular because of the highly controversial and publicised disputes concerning the grant of a U.S. patent on a strain of Basmati rice.14

The GIA provides for the establishment of a Geographical Indications Registry. It also provides for the registration and protection of a geographical indication that: “identifies such goods as agricultural goods, natural goods or manufactured goods as originating or manufactured in the territory of a country or a region or locality in that territory, where a given quality, reputation or other characteristic of such goods is essentially attributable to its geographical origin and in a case where such goods are manufactured goods then either the goods are manufactured or processed in such territory, region or locality as the case may be.” Such goods should also have an identifiable quality, reputation or other characteristics attributable to its geographical origin. Foreign entities and citizens of convention countries may also apply for registration, subject to the principle of reciprocity.

The registered proprietor of a geographical indication and the authorised user or users have the right to use the geographical indication exclusively for the goods for which it is registered, and to obtain relief in respect of infringement of the geographical indication. This protects local products such as Basmati rice, Darjeeling tea, Alfanso mango, and other products indigenous to India for a period of 10 years, renewable every 10 years. The certificate of registration constitutes prima facie evidence of the geographical indication’s validity in all legal proceedings. The GIA sets forth the grounds for refusal of registration of geographical indications, which include likelihood of confusion, scandalous or obscene matter, unenforceability in a court of law and non-distinctiveness. Under the GIA, falsifying a
geographical indication is punishable by imprisonment for six months to three years and a fine between 50,000 and 200,000 Rupees.

The application procedure is very similar to the procedure for trade marks and patents. All applications accepted for registration are advertised in the Official Gazette. Third parties may oppose the registration within a four-month period following the advertisement. The opposition procedure is very similar to the procedure applicable to patents. Upon registration, a geographical indication becomes public property that cannot further be assigned, licensed or mortgaged.

To the extent the GIA overlaps with the Trade Marks Act 1999, with respect to the registration of a geographical indication as a trade mark, the GIA explicitly states that registration of a trade mark will be refused if the mark conflicts with a geographical indication registrable in India. The GIA, however, does not prejudice the validity of an existing trade mark consisting of a geographical indication merely because the trade mark may be identical or similar to a geographical indication, provided that the trade mark has been acquired either through good faith registration or use in India.

**Domain Names**

To date, Indian law provides no statutory protection for Internet domain names. A domain name registration in the “.in” domain (“.in” signifies India) can be obtained from the National Center for Software Technology (NCST), the officially designated administrator of domain names in India. NCST assigns domain names on a first-come first-served basis without regard to whether the domain name infringes upon another party’s trade mark rights. Registration is valid for a period of two years in the following sub-domain levels:

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co.in  firm.in  ac.in  res.in
gov.in  mil.in  net.in  .in
org.in  ind.in  gen.in
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The “.in” domain name is available only for companies and organisations that are registered in India. According to the NCST statistics, approximately 4,000 domain names have been registered in the .in domain since 1999, and Indian residents have registered more than 100,000 domain names in the top level domains “.com,” “.net” and “.org.”

The increasing use of the Internet by commercial entities has generated serious efforts to protect domain names as trade marks. A substantial increase in legal proceedings has accompanied these new efforts, which primarily involve companies seeking to enforce their trade mark rights to stop unauthorized third-party use. Although domain names enjoy no statutory protection, courts increasingly look to common law doctrines to resolve conflicts between domain names and trade mark rights. The first reported Indian dispute involving a domain name and a trade mark infringement claim was *Yahoo, Inc. v. Akash Arora*,15 decided by the Delhi High Court in February 1999. The court there relied on the common law doctrine of passing off. The plaintiff, the U.S. based YAHOO!, Inc. and the registered owner of the domain name “YAHOO.COM,” obtained an interim injunction restraining the Indian defendant, which also provided Internet-related services, from operating any business involving services or goods on the Internet or otherwise under the trade mark/domain name “YAHOOINDIA.COM” or any other trade mark or domain name which is identical with or deceptively similar to the plaintiff’s mark “YAHOO!” The defendant had not only copied the plaintiff’s domain name but had literally duplicated the format, contents, lay-out and colour scheme of the plaintiff’s own Indian website, which it had created prior to defendant’s. The plaintiff could not rely on its trade mark rights because the trade mark application for registration of “YAHOO!” was still pending. The case is important because the court effectively held that domain names might enjoy the same protection as trade marks under the passing off doctrine. Indeed, not long after the Yahoo decision, the Bombay High Court faced the same issue and reached a similar ruling, citing the Yahoo case in its decision. Specifically, the case *Rediff Communications Ltd. v. Cyberbooth*16 involved a dispute between proprietors of the domain
names “REDIFF.COM” and “RADIFF.COM.” The Bombay High Court held in favour of the plaintiff with domain name “REDIFF.COM” prohibiting the defendant from using “RADIFF.COM” because defendant’s domain name was deceptively similar to plaintiff’s “REDIFF.COM.”

In an even more recent decision in 2001, the Delhi High Court followed the reasoning in its Yahoo decision and the Bombay High Court’s reasoning in the Rediff decision, but took a significantly more aggressive position in terms of the remedy used to enforce the rights of the trade mark holder. In the case, Dr. Reddy’s Laboratories v. Ramada Soft, the Delhi High Court held that the defendant’s domain name “DRREDDYSLAB.COM” was deceptively similar to the plaintiff’s trade mark “DR REDDY’S” and that defendant’s use of the domain name might lead to dilution of distinctiveness of plaintiff’s trade mark. While the holding itself merely added another decision reflecting a willingness to ascribe intellectual property protection to trade mark holders with similar domain names, the Delhi High Court ordered the defendant not just to cease its use of the domain name, but also to transfer to plaintiff its rights in the domain name. This remedy marks a significant departure from traditional remedies and might reflect an acknowledgement among the Indian High Courts of India’s developing role in global technology and a willingness to provide aggressive protection against infringers in India’s high-tech community, thus fostering a tech-friendly climate for development.

More generally, this trend is reflected in the fact that the number of disputes over domain names are rapidly growing in India, with more than 50 cases being instituted in various courts in India in the last two years. It remains to be seen, however, if India’s parliament will enact any legislation to regulate domain names and their conflict with trade mark law. In the interim, this writer firmly believes that clear guidelines must be timely promulgated to address domain name disputes and their relationship with principles of trade mark law and dilution.
UNFAIR COMPETITION/PASSING OFF/WELL-KNOWN MARKS/TRADE SECRETS

UNFAIR COMPETITION/PASSING OFF/PROTECTION OF WELL-KNOWN MARKS

In India, unfair competition law is grounded largely in common law through claims of breach of contract and passing off. Indeed, the very definition of what constitutes unfair competition arises from the common law, the definition of which is now codified in the trade mark statute discussed above and India’s one statute governing competition law and policy.

The common law claim of passing off is well established in India, particularly as it relates to trade mark law and associated business goodwill. Indian case law has evolved significantly and passing off claims have been successful even in cases in which there was no use of the trade mark in India. A 1994 decision of the Delhi High Court involving the trade mark of the non-profit organisation, World Wildlife Fund, succinctly states the principle consistently applied by other courts in India. In deciding this case, the court relied on the internationally acclaimed reputation of the mark belonging to the plaintiff and held that:

“the mere fact that the plaintiff has never manufactured any products in this country does not prevent it from acquiring the goodwill here in its trade mark. It is no doubt true that an action for passing off relates to the business and it must be established that the plaintiff has a reputation or goodwill of his business in this country. The foundation for the action for passing off is the protection of goodwill and so one must prove the existence of goodwill in this country before obtaining a relief of passing off. The principle of law of passing off has been also made applicable to non-trading business or non-profit making bodies as well.”17
In deciding unfair competition and passing off claims, courts in India apply the legal standard of overall similarity between the marks\textsuperscript{18} and recognise the equitable defence of “unclean hands.”\textsuperscript{19} It is unnecessary to prove actual deception or actual damage in a passing off action. Protection of well-known marks in India is covered in detail in section titled “Trade Marks, Geographical Indications and Domain Names,” beginning on page 24 above.

**TRADE SECRET PROTECTION**

In India, no specific statutory protection is available for trade secrets or confidential information.\textsuperscript{20} Protection may be obtained only in common law civil actions enforcing private contractual rights or asserting a breach of confidentiality, which is considered a claim in equity.

Trade secrets can be protected through contractual arrangements with inclusion of confidentiality, non-disclosure and non-competition covenants. Indian contract law, however, has its limitations. Sec. 27 of the Indian Contract Act 1872 states that subject to the sole exception that the seller of a business’s goodwill may agree to a reasonable restriction of the seller’s trade, “[e]very agreement by which anyone is restrained from exercising a lawful profession, trade or business of any kind is, to that extent, void.” Under Indian law, a restraint to operate a competitive business during employment is valid, but if the restraint operates after the expiry of employment, it is illegal and void.\textsuperscript{21} The courts typically apply a stricter level of scrutiny to contracts for the provision of services than to contracts solely for the sale of a business.

In the two landmark cases involving breach of confidentiality issues, *John Richard Brady v. Chemical Process Equipment Pvt. Ltd.*,\textsuperscript{22} and *Konrad Wiedmann GmbH v. Standard Castings Pvt. Ltd.*,\textsuperscript{23} the courts held that trade secrets are protected against misuse, irrespective of the existence of a contract, express or implied, based on the broad equitable principle that a person who has received information in confidence shall not take unfair advantage of it because of the duty to
maintain confidentiality or the duty of fidelity. To protect a trade secret or confidential information in an action for breach of confidentiality, three conditions must be satisfied: (i) the information must be confidential; (ii) it must have been disclosed in circumstances from which an obligation of confidentiality arises; and (iii) the confidant has made or is attempting to make an unauthorised disclosure or use of the information. The courts will not restrain such disclosure if the information is divulged in the public interest to one who has an interest in receiving it.

The common law remedies of injunction and damages (including the infringer’s profits) are available in a breach of confidentiality action. These remedies are discussed in the section titled “Matters Related to Enforcement,” beginning on page 53.

Parliament is currently drafting legislation addressing “undisclosed information” as part of India’s obligation under the WTO-TRIPs Agreement.

COPYRIGHTS

SUBJECT MATTER

Copyright protection is granted under the Indian Copyright Act 1957 (the “1957 Act”), supplemented by the Copyright Rules 1958. The first Indian Copyright Act, passed in 1914, was mainly based on the British Copyright Act 1911 and was repealed by the 1957 Act. During the last four decades the 1957 Act has been amended several times (1983, 1984, 1992, 1994 and 1999) to keep pace with commercial developments. The most recent amendment to the Copyright Act addresses new developments in satellite broadcasting, computer software and digital technology. In a sense, the threat to uniformity in copyright law is the proliferation of the Internet, which is evolving at such a rate that the issues that arise from it unfortunately have to be assessed on a case-by-case basis. The newest amendment also brought India into compliance with its international copyright obli-
gations under the TRIPs Agreement and at par with the international standard of copyright protection.

Under Indian copyright law, works of authorship are protected upon creation; that is, as soon as they are fixed in a tangible medium. The creator of the work is presumed to be the owner of the copyright unless the author creates the work within the scope of employment, in which case ownership in the copyright is vested in the employer. The purpose of the 1957 Act is to encourage the creation of original works and to prevent those less creative from unlawfully appropriating them. It further seeks to protect the expression of an idea or thought, in print or in writing, provided that sufficient labour, skill and knowledge have been employed in creating the expression.

A copyright can subsist in original literary, dramatic, musical and artistic works, cinematographic films and sound recordings, as soon as the original work comes into existence. A copyright is a multiple right consisting of a bundle of different rights in the same work as described in Sec. 14 of the 1957 Act. Copyright cannot exist in any design that is registered or is capable of being registered under the Indian Designs Act 1911; see the section titled “Designs” beginning on page 21 above.

The 1957 Act confers both moral and economic rights on the author. Moral rights are recognised as “Author’s Special Rights” under Sec. 57 of the Act. They are not assignable or otherwise transferable and do not apply to computer programs in certain circumstances. The term of copyright for any literary, dramatic, musical or artistic work (other than photography) published within the lifetime of the author is the author’s lifetime plus 60 years. In the case of joint authorship, copyright exists during the lifetime of the author who passes away last plus the additional 60 years. The term of copyright in photographs, cinematographic films, records, posthumous publications, anonymous and pseudonymous publications and works of government or international organisations is 60 years. Broadcasting reproduction rights are granted for 25 years from the year of broadcast.
Of the many amendments made to the 1957 Act, the major amendments include the Copyright (Amendment) Act 1994 (“1994 Amendment”) and the Copyright (Amendments) Bill, 1999 (“1999 Amendments”). The 1983, 1984 and 1992 amendments incorporated compulsory licensing provisions into the 1957 Act and enhanced penalties for infringement. These amendments did little to curb the widespread piracy of music and videocassettes, literary publications and computer software in India. Technical advances in communications and digital technology further fuelled the piracy problem. The 1994 Amendment, which broadly amended the 1957 Act, updated and strengthened India’s copyright laws. Changes included precise definitions of copyrightable work, an expanded scope of protected works, protection for performers and stiff mandatory penalties for misuse of copyrighted works. Copyright protection for computer software was strengthened, making the deliberate use of pirated software an infringement and a cognisable offence. Sec. 53A of the 1957 Act was amended to deal with the resale of original works, whereby during the term of the copyright the first owner of the rights now has a rightful share (not exceeding 10%) in the resale price of the original copy if the resale price exceeds the original price at which the original copy was assigned or licensed. This ensures that the original artist is compensated if the work is resold at a higher price several years later (droit de suite). The 1999 Amendments explicitly added “databases” to Sec. 2 of the 1957 Act to be protected as literary works and expanded the term of protection of performers’ rights from 25 to 50 years. It also expanded the scope of fair use with respect to computer software.

NEIGHBOURING RIGHTS AND DATABASES

The 1957 Act protects “neighbouring rights,” such as performers’ rights, rental rights for videocassettes, broadcasting rights and recording rights. Databases, if original, are now protectable as literary works under the Indian statute as a result of the 1999 Amendments. Non-original databases also may be protectable, but under a body of Indian case law applying the common law “sweat of the brow” doctrine.
APPLICATION PROCEDURE

As mentioned previously, copyright exists with the creation of a work and hence registration is not necessary. Registration of the copyright has meaningful benefits, however. Most importantly, registration is considered *prima facie* evidence of ownership in a copyright infringement action and is also necessary for recovering statutory damages for acts of infringement taking place after registration.

On receipt of the application for registration, the Registrar of Copyrights makes any inquiry deemed necessary and, if satisfied, enters the particulars of the work in the Register of Copyrights. The entry of registration is also published in the Official Gazette. If an applicant or a third party is not satisfied with the Registrar’s decision, an appeal may be taken to the Copyright Board within three months. The Board is a quasi-judicial body created to discharge certain judicial functions under the Act. The Board is deemed to be a civil court and an appeal of the Board’s decision lies with the High Court having jurisdiction.

INFRINGEMENT

The list of infringing acts includes the importation of infringing copies except for private use for other than cinematographic films or records. Under Indian copyright law, “import” also includes the importation for transit across the country.24 Sec. 52 of the 1957 Act enumerates general fair use exceptions for the legitimate and bona fide use of copyrighted works for the promotion of science and knowledge. The 1999 Amendments broadened the scope of fair use as to computer programs. The following acts are now not considered acts of infringement: making copies of or adaptation of a computer program by the lawful possessor of a copy of such program (i) using the computer program for the purpose for which it was supplied; or (ii) making backup copies as a temporary protection against loss; or (iii) for non-commercial personal use, or (iv) acts necessary to obtain information essential for interoperability of an independently created computer program with other programs provided that such information is not readily available; or (v) the observation, study or func-
tionality testing of the computer program to determine the ideas and principles underlying the basic elements of the program, while performing such acts necessary for the functions for which the computer program was supplied.

**ENFORCEMENT**

Three kinds of remedies are available against infringement: civil, criminal and administrative. In civil cases, the copyright owner or exclusive licencee, or in the case of anonymous works, the publisher may seek an injunction, damages or an accounting of profits, and the handing over of infringing copies under the statutory framework. A plaintiff may also seek relief in the form of damages and injunctive relief through a common law claim of tortious conversion of property. A conversion claim, however, offers no greater protection than the statutory claims that are available. Under the copyright statutes, Indian courts will not usually award damages if the alleged infringer can satisfactorily establish that at the time of the infringement he was not aware and had no reasonable ground for believing that copyright subsisted in the work. In such a case, the plaintiff is entitled only to injunctive relief and an award of the infringer’s profits. Civil proceedings can be instituted in the District Court or High Court having jurisdiction.

Criminal remedies are available against any person who knowingly infringes or abets the infringement of a copyright. Sec. 63 of the 1957 Act, as amended, provides that infringement is punishable by imprisonment for a minimum period of six months to a maximum of three years and imposes fines ranging from 50,000 to 200,000 Rupees. Sec. 63A provides for even harsher penalties against repeat infringers. Under another special provision in the 1957 Act, Sec. 63B, knowingly using pirated software is a cognisable offence. Law officials may seize without warrant all copies of the infringing work and all equipment used for making the infringing copies, provided that the official reasonably believes that an infringement is being or will likely be committed. Although this process may be questionable, it is a very effective remedy as it eliminates the delay in obtaining
warrants from the Magistrate before conducting a seizure, and can check the threatened infringement in its infancy. It also sends a strong, and frankly much needed signal of intolerance to would-be infringers in an effort to assist India’s growing role as a world market. If the infringing act is not committed in the course of trade or business, a lesser punishment and sentence may be imposed. Ultimately, the intent or knowledge of the infringer is an essential element for criminal liability. The criminal provisions under the Indian statute are among the toughest in the world.

An administrative remedy is available under Sec. 53 of the 1957 Act, pursuant to which the Registrar may issue an order prohibiting the importation of offending copies in India, and the handing over of the confiscated goods to the copyright owner.

In addition to the above statutory remedies, the government of India has taken a number of other administrative measures to strengthen the enforcement of copyright and neighbouring rights in India. The Copyright Enforcement Advisory Council has been created to monitor and review the progress made in enforcement measures and elimination of piracy. The government has initiated many training programs on copyright enforcement for law enforcement officials and has set up special sections within police departments to deal with cases involving copyright infringement. For the collective administration of copyright, many copyright societies have arisen that work in tandem with the police to curb piracy. The government has also taken complementary measures to consistently lower tariffs on importation of computer software in the last five to six years from 80% to 20%, which has significantly reduced piracy.

ASSIGNMENT AND LICENSING

Ownership in a copyright can be transferred by assignment, wholly or partially, or subject to limitations, for the whole term or any part thereof. Agreements can be made to assign or licence future copyrighted works, where the assignment or licence becomes effective only when the work comes into existence. A copyright assignment or
licence is valid only if made in writing and duly signed by the assignee. The deed of assignment or licence need not be registered with the Registrar of Copyrights. Nevertheless, registration of the licence or assignment has evidentiary value should disputes arise.

The 1957 Act empowers the Copyright Board to direct the Registrar to grant compulsory licences under certain circumstances subject to suitable terms and conditions, for example, royalty payments. The aggrieved party can appeal to the High Court within the prescribed time limit against the order of the Copyright Board.

**LICENCING AND TECHNOLOGY TRANSFER**

**APPLICABLE RULES**

For almost all of the 50 years of its independence, India remained reticent about any form of foreign investment or technical collaboration. The Indian government has adopted the policy of “selectivity” toward the importation of technology, being more favourably disposed toward agreements in high technology areas, either export-oriented or for import substitution that would enable indigenous industry to upgrade its existing technology. As stated in the Technology Policy of 1983, special emphasis has been placed on the local absorption and adaptation of imported technology through adequate investment in research and development. Until the late 1980s, a complex and highly bureaucratic regulatory framework controlled the international flow of capital and technology to local markets. Beginning in 1991, India substantially liberalised its regulatory regime by making watershed reforms to its industrial policy and making the investment climate more conducive to foreign investment and technology transfer. The basic thrust of the new policies is to move from a highly regulated to a market-driven system.

Foreign investment and technology transfer are generally subject to one or more of the following laws, rules, regulations and procedures formulated by the Central Government. Various bodies and financial
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Institutions have been established to regulate and administer these laws and policies so as to foster foreign investment in India.

- The Industrial (Development and Regulation) Act 1951
- The Monopolies and Restrictive Trade Practices Act 1969
- The Foreign Exchange Regulation Act 1973
- The Import & Export (Control) Act 1947
- The Companies Act 1956
- The Patents Act 1970
- The Trade and Merchandise Marks Act 1958
- The Income Tax Act 1961
- Statement on Industrial Policy, 1991
- Foreign Investment Board guidelines
- Technology Policy Statement, 1983

APPROVAL PROCEDURE

Since 1991, approval requirements for industrial licensing has been abolished for all projects except for a short list of industries related to national security and public concerns. The New Industrial Policy of 1991 has significantly liberalised the economy and deregulated foreign investment and technology licensing. Certain regulatory approvals and requirements still remain. For example, foreign investors are typically required to have local equity partners and may require approval from the Foreign Investment Promotion Board (the “FIPB”)—a special body created to provide “fast track” clearances for foreign investment and technology transfer proposals, or clearance for the import of Capital Goods under the Import & Export (Control) Act 1947, and permission from the Reserve Bank of India (the “RBI”) for foreign exchange remittance under the Foreign Exchange Regulation Act 1973.
Pursuant to Sec. 39C of the 1991 Statement on Industrial Policy, foreign technology agreements are automatically approved in “high priority” industries (listed in Annex III of the Statement), if the lump sum payment of the price of the technology does not exceed 10 million Rupees and the royalty payments do not exceed 5% of domestic sales or 8% of exports, subject to total payments of 8% of sales over a 10-year period from the date of agreement or seven years from commencement of production. These prescribed royalty rates are net of taxes. The Indian party to the agreement is typically made responsible for taxes at a rate of 30%. Technology agreements involving higher rates of royalty or lump sum payments than those described above require specific approval from the FIPB or the Secretariat of Industrial Approvals in the Ministry of Industry, which can require approximately four to six weeks from the filing of the application. No permission is necessary to hire foreign technicians and to conduct foreign testing of indigenously developed technologies. Technology agreements in non-priority industries are automatically approved if there is no foreign exchange required for any payments. Typically, the Indian government is more receptive to royalty arrangements that offer continued access to technical know-how, rather than the right only to exploit a patent. The government also requires sub-licensing clauses to avoid duplicative licensing of similar technology. Under Indian regulations, former licensees may continue production after the licensing contract expires without further consent or payments to the licensor, even if the product is still protected by Indian patents.

Additional approval is required from the MRTP Commission if a technology agreement has a restrictive or anti-competitive effect on trade in India. Such agreements must be filed with the Registrar of Restrictive Trade Practices after they are executed. Foreign technology partners also need to be aware of the following additional statutory restrictions:

(i) Royalty payable is to be capped at 5% (of net sales minus the value of imported items) over a period of five years. Higher rates of royalty may be permitted on exports and on imports of sophisticated technology;
(ii) Minimum guaranteed royalties are not permitted in agreements;

(iii) Upfront royalty payments are generally paid in instalments: one-third after the government approves the agreement; one-third after the transfer of documentation; and one-third after the commencement of production;

(iv) Export restrictions on the licensee are unlawful unless the collaborator has existing sublicensing arrangements;

(v) Any restrictions placed on the licensee regarding procurement of capital goods, components, pricing policy, selling arrangements, etc., are unlawful;

(vi) Provisions on payment of interest on delayed payments are unlawful;

(vii) If a technology agreement involves payment in foreign currency, the RBI stipulates that Indian law governs the agreement;

(viii) Technology agreements are typically valid for a period of 10 years from the date of the agreement or seven years from the commencement of production.

REGISTRATION PROCEDURE FOR THE LICENCE OR TRANSFER OF INTELLECTUAL PROPERTY

Under Indian law, all forms of intellectual property rights can be licensed or transferred, except for geographical indications of origin. Agreements relating to licensing or transferring of such rights should be in writing and registered with the relevant authorities in order to be valid. For instance, a patent or a design licence is valid only if it has been registered with the Controller of the Patents. These procedures, including the rights ensuing from such registration, are discussed in detail under the relevant intellectual property sections above.
ANTI-COMPETITIVE OR RESTRICTIVE TRADE PRACTICES

Restrictive trade practices are governed by various statutes, namely the Indian Contract Act 1872 (Sec. 27), the Patents Act 1970 (Sec. 140) and the comprehensive Monopolies and Restrictive Trade Practices Act 1969 (the “MRTP Act”).

The MRTP Act contains the comprehensive law on competition policy in India and was originally enacted to restrain the disproportionate growth of large undertakings and to prevent the concentration of economic power in the hands of a few. In the last three decades, however, it has been considerably restructured to keep pace with changing requirements. The requirement of prior approval for expansion of existing units, establishment of a new undertaking, amalgamation, merger and take-over of undertakings of a particular size has been removed. The MRTP’s focus has significantly shifted to regulating the monopolistic, restrictive and unfair trade practices that are prejudicial to public interest. The statute establishes the MRTP Commission and vests it with broad powers to investigate and monitor restrictive trade practices. The statute applies equally to domestic and foreign enterprises, as well as to private and government owned companies. Its provisions are broadly based on the antitrust legislation in the U.S., the U.K., Japan, Canada and Germany.

The MRTP Act defines a “restrictive trade practice” in Sec. 2(o) as “any trade practice which has or may have the effect of preventing, distorting, or restricting competition in any manner, or which tends to bring about the manipulation of prices or conditions of delivery, or which tends to affect the flow of supplies in the market relating to goods or services in such manner as to impose on the consumers unjustified costs or restrictions.” This broad definition covers not only restrictive trade practices arising out of collective or bilateral action, but also unilateral trade practices that are restrictive in nature.

A “monopolistic trade practice” is defined in the Act as any practice of preventing or reducing competition in the production, supply or
distribution of any goods or in the provision of any services by adopting unfair methods or unfair or deceptive practices.

An “unfair trade practice” is defined as a practice which, for the purpose of promoting the sale, use or supply of any goods or for the provision of any services, adopts one or more of the practices mentioned in Sec. 36A and thereby causes loss or injury to the consumers, whether by eliminating, distorting or restricting competition. Unfair trade practices enumerated in Sec. 36A include misleading representations, false advertising, bargain price or bait advertisements, offering of gifts, prizes, etc., conducting promotional contests and the hoarding or destruction of goods.25

The MRTP requires mandatory registration of any agreement that could be construed as giving rise to or otherwise expressly or implicitly promoting a restrictive trade practice that falls within any of the categories enumerated in Sec. 33(1). These categories include customer restrictions, tying clauses, differential concessions, resale price restrictions, refusal to deal, territorial restrictions, control of manufacturing process, boycott, predatory pricing practices and exclusive dealing arrangements. An agreement that results in the engagement in any of these practices is void unless (i) the agreement has been expressly authorised by law; or (ii) it has the approval of the Central Government; or (iii) if the MRTP Commission is satisfied that the agreement has a beneficial effect or a redeeming virtue under what is known as a Sec. 38 “gateway” provision. Sec. 38 provides that a restrictive trade practice is prejudicial to the public interest unless it meets one or more of the criteria or gateways (mitigating circumstances) listed in sub-clauses (a) through (k) of Sec. 38(1). Consequently, a restrictive trade practice may be allowed under these gateway provisions provided the harm caused by injury to competition is determined to be outweighed by the benefits to the public good. This involves a balancing act between the pro and anti-competitive effects of restrictive practice in the agreement. In addition, the MRTP Commission must be satisfied that the restriction is not unreasonable, taking into account the balance between its purpose.
and any detriment to the public, resulting or likely to result from the operation of the restriction.

The MRTP provisions apply mainly to know-how licences rather than patent licences. Patent licences fall within the ambit of the Patents Act 1970, which requires them to be in writing and registered with the Controller of Patents within six months of their execution (or within a period extended by the Controller). It is at the time of registration that the Controller may insist upon the deletion or modification of restrictive conditions deemed to violate Sec. 140 Patents Act. See above, II.1.

In practice, competition law and policy in India plays a dual role: to protect competition and local licensees and to encourage the establishment of local export-based industries. Consequently, the clauses in a licensing agreement that are most likely to raise concerns and risk invalidation include:

(i) **Export Restrictions.** A restriction imposing a total ban on exports from India is unlawful except in certain circumstances when extended to countries where the foreign licencor has patent rights or existing distribution or manufacturing arrangements. These restrictions must be limited to a reasonable period of time, and a list of such countries must be disclosed in the agreement.

(ii) **Tying Arrangements.** Sec. 140 Patents Act makes it unlawful to require a patent licensee to purchase unpatented material from the licencor or to restrict the licensee’s right to acquire or use unpatented material from other suppliers. The licencor may, however, retain the exclusive right to supply any parts necessary for manufacturing the patented article and for subsequent repair and maintenance. In a know-how agreement, a tying restriction may be permitted only if necessary for the quality control and maintenance of the licencor’s product, and must be limited to a reasonable period of time.
(iii) **Exclusive Dealing.** Sec. 140 Patents Act permits limited exclusive dealing clauses in patent licences that prohibit the licencee from selling, acquiring or using goods other than those of the licencor. In the case of know-how agreements, such clauses are analysed for their effect on competition under the gateway provisions of Sec. 38 of the MRTP Act.

(iv) **Post-Expiry Restrictions.** Termination of a licence may not necessarily mean that the licencee needs to cease use of the licenced intellectual property rights after such rights have expired. Under Sec. 141 Patents Act, the licencee has the right to terminate a licensing agreement by giving a three-month notice at any time after the patent expires. After this, the licencee may still have the right to continue use of the expired patent. Hence, imposition upon the licencee of an obligation not to use the licenced technology after the expiration of the patent right or to pay royalties for the use of the licenced technology after the expiration of the patent right will not be permitted under the Indian law. In know-how agreements, the government insists on the licencee’s right to use the imported know-how and to avoid its repetitive import after the expiry of the licence agreement. However, the licensing agreement may contain a secrecy clause to prohibit the disclosure of information to third parties, provided it is for a reasonable period of time.

(v) **Exclusive Grant-Backs.** A restriction on the licencee to assign back improvements to the licencor without any consideration is normally not permitted. It would be permissible, however, if the licencee grants back to the licencor a non-exclusive licence with the right to sub-licence the improvements developed by the licencee.

(vi) **Price Fixation.** Any agreement between purchaser and seller, or between groups of dealers or suppliers, agreeing to sell the product at a certain stipulated price or on certain specific terms and conditions is a restrictive trade practice under MRTP and is declared void if the MRTP Commission passes an order to that effect. Again, the Commission’s decision on
whether the agreement is restrictive is based on the gateway provisions of Sec. 38 and not on the theory that any restriction concerning price is per se illegal.

(vii) **Resale Price Maintenance.** Under Sec. 39 of MRTP, any restriction relating to resale price maintenance is per se illegal and unenforceable. This applies only to the resale of goods. This section also applies to patented articles when supplied to a dealer for resale. The supplier may not impose any condition fixing the resale price. However, a patent owner may impose certain restrictions thereby regulating the price at which articles produced or processed by the licensee or assignee are sold. Secs. 39 and 40 of the MRTP Act impose criminal penalties for offences relating to resale price maintenance.

**ENFORCEMENT OF MRTP ACT**

The MRTP Act provides for civil remedies, which include injunctions, consent orders, or cease and desist orders and compensation for damages caused by restrictive trade practices. The MRTP Commission is vested with the powers of a civil court for certain purposes. The Commission may start an inquiry into a restrictive trade practice either on the basis of a complaint or on the basis of its own knowledge and information. It has the power to issue temporary injunctions of restrictive trade practices even during the pendency of its investigation, as well as to order a party to pay compensation for damages caused by restrictive trade practices. The MRTP’s orders have the same force and effect as court orders. The MRTP also provides for stringent criminal remedies. Failing to register an agreement that falls within the ambit of the MRTP may be punishable by imprisonment for up to three years and fines of up to 5000 Rupees. Persons engaging in unfair trade practices may be imprisoned for up to six months and fined up to 5000 Rupees. Harsher penalties are levied for continuing offences. For violations of injunctions, property may be seized and the person incarcerated for up to three months. Violation of an order of the MRTP Commission may result in imprisonment for up to three years and fines up to 500 Rupees per day. If
the MRTP order relates to unfair trade practices, the penalty is three years imprisonment and a fine of up to 10,000 Rupees.

**MATTERS RELATED TO ENFORCEMENT**

The enforcement system for intellectual property rights consists of civil as well as criminal remedies. Criminal prosecution is available in trade mark and copyright cases, but not in cases involving patents or designs. Most cases in India relating to IPR infringement are decided and settled at the interlocutory stage and often out of court. This is so because civil cases have a long lead time to come to trial and litigation can take years before a case is finally concluded. Another discouraging factor for IPR owners in pursuing civil claims is the difficulty in proving the actual extent of damage caused by infringement and recovering reasonable compensation. A criminal remedy is generally more effective and carries a deterrent effect that usually provides adequate protection of the rights.

**CIVIL REMEDIES**

In India, civil remedies are pursued by instituting a suit in a court of competent jurisdiction, usually the District Court. The types of civil relief typically sought in an infringement action include:

(a) **Injunction:** The right to seek an injunction is expressly provided for in the provisions of various intellectual property statutes, the Code of Civil Procedure and the Special Relief Act 1963. Injunctions sought to restrain the defendant from engaging in certain specific acts may be temporary or permanent. The three main types of orders are:

(i) **Anton Piller Order:** This order derives its name from the British case, and is a pre-emptive *ex parte* injunction that aims at protecting the plaintiff against the activities of an unscrupulous defendant, who may destroy or remove incriminating evidence. This remedy is employed only on evidence of a strong *prima facie*
case, a serious potential damage to the applicant and the real possibility of destruction of the evidence.

(ii) **Norwich Pharmacal Order**: This is an interlocutory order that is frequently combined with an Anton Piller Order in an infringement proceeding, and also derives its name from a British case. The defendant is required to disclose to the plaintiff the identity of other persons who may be involved in the infringing activities. This enables the plaintiff to effectively pursue a remedy against all those responsible for infringement.

(iii) **Mareva Injunction**: This order is granted to prevent the defendant from removing assets from the jurisdiction of the court or otherwise disposing them pending litigation so that the claim of the plaintiff to recover damages is ultimately defeated even if the plaintiff succeeds in the litigation.

(b) **Damages**: Damages shall put the plaintiff in the position he would have occupied had the infringement not occurred. Damages are calculated based on a direct and consequential loss resulting from infringement, lost fees the plaintiff would have charged as licence royalties, loss of profit of sales due to competing infringing goods, injury to goodwill or reputation plaintiff suffered due to passing off of goods by the defendant, and loss of market as a result of lowering of prices by the plaintiff to compete with the infringing goods.

(c) **Infringer's Profits**: The court may, as an alternative to damages, award the infringer’s profits wrongfully made from selling the infringing goods. This is usually ordered for the period the defendant knowingly infringed the plaintiff’s rights.

(d) **Handing over of Infringing Goods**: The court may order delivery to the plaintiff of infringing goods, advertising material, other related documents and the apparatus used for making infringing goods.
CRIMINAL REMEDY

Criminal complaints can be filed in the Magistrate’s Courts against the alleged infringer. The usual criminal remedies include search, seizure, forfeiture and destruction of goods, and penalties such as imprisonment and fine, for wilful acts of infringement. Generally, if infringement has not been made in the course of trade or business, the court will impose a lesser sentence or punishment. In case of second and subsequent infringement, the penalty is usually enhanced.

ADMINISTRATIVE REMEDY

A number of administrative remedies are available under the intellectual property statutes, which are described in the relevant sections dealing with patents, designs, trade marks and copyright.

ENDNOTES


5 Compared to the annual patent application filings in the U.S. or Japan, the patent activity in India is de minimus.

6 The primary function of a collective mark is to indicate a trade connection with the proprietor association or organization.
INTELLECTUAL PROPERTY PROTECTION AND LICENSING IN INDIA

7 Procter & Gamble Co. v. Satish Patel, Delhi High Court (22 August 1996).
8 American Home Products, Inc. and Wyeth Labs Ltd. v. Lupin Labs, Bombay High Court (December 1995).
10 Hitachi Ltd. v. Ajay Kumar Agarwal and others, Delhi High Court (31 March 1995).
11 J.R. Kapro v. Micronix India, Supreme Court of India (10 August 1994).
13 Id.
14 Basmati rice is long grain aromatic rice grown in Northern India and Pakistan. United States Patent Number 5,663,484.
15 1999 PTC (19) 201 (19 February 2000).
16 AIR 2000 Bombay 27 (23 April 2000).
17 See WWF International v. Mahavir Spinning Mills Ltd., Delhi High Court (October 7, 1994). See also Calvin Klein Inc. v. International Apparel Syndicate, Calcutta High Court (16 March 1993). In this case of passing off, the court restrained the defendant from using the marks “CALVIN KLEIN” and “CK” for clothing despite the fact that the marks were not registered in India and no sale of goods was made in India. Other important cases in point are Apple Computer Inc. v. Apple Leasing & Industries, Delhi High Court (1991), 7 IPA 23; Aktiebolaget Volvo v. Volvo Steels Limited, 1998 PTC 47; Caterpillar Inc. v. Jorange and KK Panduranga, Madras High Court (1 October 1997).
18 Corn Products Refining Co. v. Shangrila Food Products Ltd., AIR 1960 SC 142.
20 Government secrets, however, are protected by penal sanctions under the Indian Official Secrets Act 1923.
22 AIR 1987 Delhi 372 (20 August 1987).
24 See Gramophone Co. of India Ltd. v. Birendra Bahadur Pandey, Supreme Court of India (21 February 1984). In this case, the defendant was routing pre-recorded music cassettes from Singapore to Nepal through India. The Supreme Court reversed the lower court’s order that there was no “importation” when the goods were in transit, holding that pirated copies of musical works were prohibited under the Copyright Act as well as the Customs Act and therefore could not be routed through India.
25 Unfair trade practices are also covered under the comprehensive Consumer Protection Act 1986, and several other Indian statutes such as the Sale of Goods Act 1930, Essential Commodities Act 1955; Prevention of Black Marketing and Maintenance Act 1968; and Trade and Merchandise Marks Act 1958, etc.
WRITINGS ON INDIA’S IP SYSTEM


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