

WIPO DEVELOPMENT AGENDA CHALLENGES AND OPPORTUNITIES

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ember States of WIPO have achieved a major breakthrough in their discussions on a development agenda for WIPO which marks a milestone in the history of the Organization. Negotiators from 93 member states and 40 observers, meeting from June 11 to 15, 2007 in the context of a forum that is looking at proposals to enhance the development dimension in WIPO's work, agreed on a final list of proposals which have been adopted by the WIPO Assembly General September 2007. This includes the establishment of a new Committee on Development and Intellectual Property (CDIP).

The breakthrough involved finding mutually acceptable solutions for a number of difficult issues. The process and the spirit of compromise and mutual understanding in which the discussions took place are an important contribution to international efforts to promote the development of a balanced intellectual property system that is responsive to the needs and interests of all countriesdeveloped and developing alike¹.

An effective intellectual property (IP) system can facilitate economic and cultural development but alone cannot bring about such development. Rather, the protection of intellectual property is only one

factor that leads to economic growth and the reduction of poverty. Other important factors include developing human capital (developing an educated and skilled labour force), liberalizing trade and investment policies, developing new technologies through indigenous R&D, creating an innovation infrastructure, strengthening the rule of law, pursuing stable macroeconomic policies, and implementing procompetitive regulatory policies. Conversely, endemic illegal copying and counterfeiting, ineffective government, and corrupt practices distort competitive markets, divert resources to non-productive uses, and deter investment and technology transfer.

knowledge-driven the economy of the 21st century, intellectual property will play an increasingly important role as a tool for economic, cultural and social development. WIPO is fully aware of the changing role of intellectual property in development and the related challenges and opportunities facing Member States. Most recently, for example, the Director General reported: "The increasing market value of knowledge-based creations and outputs, and the economic dynamism they can fuel, is generating new and broadbased opportunities economies to create national wealth, as the basis for sustainable development, and to deliver more widespread welfare gains from technological development."²

To maximize the use and effectiveness of IP as a tool for development, countries at various levels of development will need to adopt successful strategies tailored to their requirements that involve the sustained creation and use of knowledge. The World Bank Institute's Knowledge for Development Program recently identified "four pillars" of the modern knowledge economy: (1) an educated, creative and skilled labor force, (2) an effective national innovation system (including research centres and universities), (3) modern and developed information infrastructure, and economic and (4) an institutional regime that provides good economic policies and incentives for and innovators creators (including adequate protection and enforcement of intellectual property rights).3

WIPO could play the leading role for countries pursuing knowledge-based development strategies by providing assistance to countries that identify intellectual property-related weaknesses in their economic and institutional regimes. Using the World Bank Institute's "Knowledge Assessment Methodology" (KAM) benchmarking tool, for



example, a WIPO Member State could identify a weakness in its innovation system and its economic and institutional regime. The Member State then could search the WIPO Partnership Database for assistance opportunities. Under the "WIPO Partners" section of the database, for instance, the Member State may be able to identify a regional development bank offering assistance in improving the Member State's economic and institutional regime which coupled with civil society expertise could offer assistance in strengthening the Member State's innovation system.

The PCDA reached agreement on a set of general principles and objectives covering five clusters of activities on the following themes: Cluster A: Technical Assistance and Capacity Building; Cluster B: Norm-setting, Flexibilities, Public Policy and Public Domain; Cluster C: Technology Transfer, Information and Communication Technology (ICT) and Access to Knowledge; Cluster D: Assessments, Evaluation and Impact Studies; and Cluster E: Institutional Matters Including Mandate and Governance. A final set of 45 proposals were submitted to the general Assembly and approved.

In order to accelerate the implementation of the agreed proposals, the PCDA further decided to continue informal consultations on proposals that can be implemented immediately, following approval of the recommendations by the 2007 WIPO General Assembly

later this year. Member states also agreed to establish a Committee on Development and Intellectual Property composed of member states and open to the participation accredited all intergovernmental and nongovernmental organizations. The new committee, to be convened in the first half of 2008, will adopt rules of procedure based on the WIPO General Rules of Procedure. The number and duration of the meetings of the Committee are to be decided by the WIPO General Assembly. mandate of the PCDA will not be renewed4.

Cluster A: Technical Assistance and Capacity Building

Balancing incentives for IPR holders with access for users is the real challenge. While stronger IP regimes can lead to greater trade and inflows from FDI they can reduce social welfare by restricting access to protected technologies and knowledge. Developing countries require sophisticated technical expertise and decision making capabilities to formulate policy and adopt legislation that balances the different public policy objectives and stakeholders interests within the context of economic and technological development.

Use of IP in development should not only be equitable but also perceived to be so. Public interest should be kept paramount in making the transition to or expanding the use of intellectual property assets as a tool for economic development. Institutional

capacity is required to conduct surveys of specific sectors targeted for growth developing practical strategies with achievable goals. The surveys should identify problems and opportunities member states face in each identified sector. Countries may wish to pay special attention to the needs of small and medium-sized businesses (SMEs). Examples of such country-level assessments could be:

- A developing country seeking to develop its creative industries will need to evaluate, among other factors, available sources of investment, the adequacy of support services, methods of improving participation of local creative industries in domestic intellectual property regimes, level development of marketing and distribution systems, and possible deficiencies in its intellectual property rights system, including enforcement.
- Α country seeking domestic enhance productivity by attracting foreign technologies may wish to tailor a national survey to focus on possible impediments to the transfer of technology such as weaknesses in its intellectual property regime (including inadequacies in both norms and enforcement) and legal or regulatory obstacles to licensing and establishing business arrangements.

All this would require a robust IP infrastructure in terms of state of the art software & management tools, dedicated



and trained personnel in IP registration offices interconnected to each other and within easy reach of the stakeholders.

Local IP which includes copyright based industry, grass level innovations, root geographical indications. traditional knowledge and expressions of culture provides an enormous scope for wealth creation and development. In formulating a successful strategy for the creation and use of knowledge as an engine of economic growth, Member States need accurate and current data on the economic contribution of their creative and innovative industries. WIPO could play a leading role in this initiative, for example by helpina develop survey methodologies for Member States interested in conducting surveys targeted assessment of data on the economic contribution of such industries.

The results of the surveys should be made available to other Member States through WIPO the proposed Partnership Database, which also may be useful in identifying partners and resources for follow-on action. Based on the national experiences evidenced within the information collected through these survevs. Members should establish "best practices" relating to enhancing domestic environments for the development of creative industries and attracting foreign investment and technologies through strong intellectual property protection. Such best practices could be used to strengthen measures such as outreach efforts to local creative industries with respect to maximizing innovative capacity and participation in domestic intellectual property regimes and providing effective enforcement (in conjunction with the Advisory Committee on Enforcement) of intellectual property rights.

As outlined by Director General Kamil Idris in his book entitled INTELLECTUAL PROPERTY: POWER TOOL FOR ECONOMIC Growth, intellectual property serves as an important tool in economic, social and cultural development by encouraging domestic innovation and creativity, investment and technology transfer. WIPO's current vision for the Millennium, as approved by its Member States, is to promote intellectual property strategies that facilitate the "journey from developing to developed." Consistent with the United Nations Millennium Development Goals (MDG), the WIPO Proposed Program and Budget for 2006/07 sets forth in Program 3 (Strategic Use of IP for Development) the following important objective: "To assist Member States in effectively utilizing the IP system for development, extending **SMEs** support to and IΡ implementing assets management capacity."5

The WIPO Secretariat should explore the feasibility of WIPO conducting economic surveys on a regular basis to support the creative and innovative sectors with useful data and monitor growth of intellectual

property-based industries. Aggregate economic data obtained through such surveys should be made available to Member States who can then use this information formulating national strategies / IP policies. Ownership of the national strategies should however be with the national governments. The wider policy framework (e.g. R&D policy, Science & Technology policy, competition policy) should also be taken into account when establishing IPR regimes in developing countries

In most developing countries intellectual property rights remain neglected at the student level. Young people, leaving the universities with a degree have little or no knowledge of the relevance of IP. The upcoming generation needs to sensitized to the nuances and importance of intellectual property through education by introducing basic IP courses which could begin as an optional subject at the school level and included as a compulsory paper in technical education programmes. An increase in financial resources for providing technical assistance developing an IP culture which fuels innovation, encourages protection of IP and enables commercialization and trade in IP is critical to the success of the development agenda. A decade ago information and communications technology (ICT) was not widely regarded as central to the achievement of national economic growth and the reduction of poverty. Today such technologies are commonly viewed as a key



component to the achievement of both goals. According to a recent study by the Organization for Economic Cooperation and Development (OECD), there is clear evidence that ICT acts as a driver of economic growth for many industrialized countries.⁶

There are, nonetheless. persistent concerns about the disparities related to the spread of information and communications among rich and poor countries, a problem often referred to as the "digital divide." The G8's Digital Opportunity Task Force provided a useful description of this concept: "This 'digital divide' is, in effect, a reflection of existing broader socioeconomic inequalities and can be characterized by insufficient infrastructure, high cost of access, inappropriate or weak policy regimes, inefficiencies in the provision of telecommunications networks and services, lack of locally created content, and uneven ability to derive economic and social from benefits information-intensive activities."7

Harnessing ICT to advance a country's economic development goals requires developing and least developed countries to address complex issues related to infrastructure. investment, regulation, and human capital. It is clear that many of these issues are beyond WIPO's mandate, specialized competence, and institutional capacity. However, consistent with WIPO's core objective to support developing and least developed countries to maximize the use and

effectiveness of IP as a tool for economic and social, and cultural development, WIPO has an important role to play. many ways, WIPO's development-related work in the area of ICT is already well WIPONET, for advanced. example, provides Internet connectivity to all WIPO Member States, permitting access to intellectual property digital libraries, which contain important development-related technological information. More recently, WIPO noted that, from an IP perspective, the digital divide might be viewed as a "content gap," marked by a lack of online material, including works protected and managed through IP rights, originating from creators and innovators in developing countries.8 Viewed from a content perspective, WIPO is well positioned to further assist countries to use the intellectual property system to compete more effectively in the digital economy. To build on these and other efforts, the WIPO Standing Committee on **Technologies** Information (SCIT) could be a forum for discussion focused on the importance of intellectual property-related aspects of ICT and its role in economic and cultural development. Specific attention should be focused on assisting Member States to identify practical strategies to use IP/ICT for economic, social and cultural development. Once a Member State has identified specific projects with achievable goals, the proposed WIPO Partnership Database may play a useful role in matching IP/ICT developmentrelated needs and opportunities.

Countries need to think about the service levels that their national IPR administration offices need to deliver and the performance standards to which they will be measured. This should be taken into account while taking decisions on the design of the national regime and use of international/regional cooperation systems. There may be a need to think about minimum standards to deliver priorities for an IPR regime. The whole spectrum may not be necessary.

There is an urgent need to define realistic concepts regarding the role and function of small IP offices, in particular the patents field, in developing countries, instead of modeling the structure of developed countries. Regarding e.g. the issue of establishing examination capacities or not, the question of a threshold (size of country, economic level, human resources, etc), below which the feasibility of such a service could be seriously questioned, has to be put on the table. Such discussions are a missing element at present lowering are effectiveness of technical assistance.

Developing countries need an IP infrastructure which has the capacity to grant IPRs with a high presumption of validity keep accurate and readily accessible registries and records. The system should have the ability to correct defects in IPR titles through administrative rather than



judicial means as in many developing countries, judicial systems do not function well for any area of law.

Implementation is more than just law and that the gap between what exists developing countries and the requirements of WTO compliance has been underestimated. Small countries have taken quantum leap in legislation, and it was suggested that they have felt a pressure to implement new laws and that some countries have relied on implementing model legislation. Regulations and procedures are lacking. It also argued is that governments in these countries need to take paternalistic approach and energise stakeholders, which is not the case in developed countries. Developing countries do not have sufficient intellectual property expertise and there is low awareness about the operation, costs and benefits of an intellectual property regime. It is imperative that resources and talent in the area of intellectual property management he made available at an international level. The need for short-term technical assistance developing countries could be by secondment expatriate staff. This would allow immediate workloads to be processed and capacity to be built over the longer term.

Developing countries are essentially users of intellectual property assets. They need to have more than just the minimum institutional capacities required to provide a reasonable smooth system for administration and enforcement of IPR's. They require a wider institutional framework in order to regulate IPRs to ensure open contestable markets for goods and services essential to poor peoples livelihoods, support development of their national innovation capabilities through maximizing access to technologies and knowledge assets protected by IPRs through means like subsidized patent information services and support to upgrade technology transfer capabilities universities and strengthen research and educational institutions and create public awareness.

Intellectual Property is not mainstreamed into assistance programs, because they do not see how intellectual property can help poor people. In a number of developing countries, for example, there is some political support for copyright but it is slow to develop for patents. There is a need for short-term assistance since the IP law has to be administered immediately.

Developing countries require sophisticated technical expertise and decision making capabilities to formulate policy and adopt legislation that balances the different public objectives stakeholders interests within the context of economic and technological development. Developing countries may need assistance in making an assessment analysis before making formal requests for financial assistance. One way of doing this could be to support a national policy process that generates a national action plan with priorities. Small states have requirements for special technical and financial assistance similar to LDCs due to small market size and small volumes of IPR applications, leading to problems with the financial sustainability of IPR institutions. Small economies may also need long-term secondment of expatriate staff.

Fourteen activities under the theme "Technical Assistance and Capacity Building" have been approved which are as under

- 1. WIPO technical assistance shall be, inter alia, development oriented, demand driven and transparent, taking into account the priorities and the special needs of developing countries, especially LDCs, as well as the different levels of development of Member States and activities should include time frames for completion. In this regard, design, delivery mechanisms and evaluation processes of technical assistance programs should be country specific.
- 2. Provide additional assistance to WIPO through donor funding, and establish Trust Funds or other voluntary funds within WIPO specifically for LDCs, while continuing to accord high priority to finance activities in Africa through budgetary and extra budgetary resources, to promote, inter alia, the legal, commercial, cultural. and economic exploitation of intellectual property in these countries.
- 3. Increase human and financial allocation for technical



assistance programs in WIPO for promoting a, inter alia, development oriented IP culture, with an emphasis on introducing intellectual property at different academic levels and on generating greater public awareness on IP.

- 4. Place particular emphasis on the needs of SMEs and institutions dealing with scientific research and cultural industries and assist Member States, at their request, in setting up appropriate national strategies in the field of IP.
- 5. WIPO shall display general information on all technical assistance activities on its website, and shall provide, on request from Member States, details of specific activities, with the consent of the Member State(s) and other recipients concerned, for which the activity was implemented.
- 6. WIPO's technical assistance staff and consultants shall continue to be neutral and accountable, by paying particular attention to the existing Code of Ethics, and by avoiding potential conflicts of interest. WIPO shall draw up and make widely known to the Member States a roster of consultants for technical assistance available with WIPO.
- 7. Promote measures that will help countries deal with IP related anti competitive practices, by providing technical cooperation to developing countries, especially LDCs, at their request, in order to better understand the interface between intellectual property rights and competition policies.

- 8. Request WIPO to develop agreements with research institutions and with private enterprises with a view to facilitating the national offices of developing countries, especially LDCs, as well as their regional and sub regional IP organizations to access specialized databases for the purposes of patent searches.
- 9. Request WIPO to create, in coordination with Member States, a database to match specific IP related development needs with available resources, thereby expanding the scope of its technical assistance programs, aimed at bridging the digital divide.
- 10. To assist Member States to develop and improve national IP institutional capacity through further development of infrastructure and other facilities with a view to making national IP institutions more efficient and promote fair balance between IP protection and the public interest. This technical assistance should also be extended to sub-regional and regional organizations dealing with IP.
- 11. To assist Member States to strengthen national capacity for protection of domestic creations, innovations and inventions and to support development of national scientific and technological infrastructure, where appropriate, in accordance with WIPO's mandate.
- 12. To further mainstream development considerations into WIPO's substantive and technical assistance activities and debates, in accordance with its mandate.

- 13. WIPO's legislative assistance shall be, inter alia, development oriented and demand driven, taking into account the priorities and the special needs of developing countries, especially LDCs, as well as the different levels of development of Member States and activities should include time frames for completion.
- 14. Within the framework of the agreement between WIPO and the WTO, WIPO shall make available advice to developing countries and LDCs, on the implementation and operation of the rights and obligations and the understanding and use of flexibilities contained in the TRIPS Agreement.

Cluster B: Norm Setting, Flexibilities, Public Policy and Public Domain

Conventional IPR instruments have failed to ensure the enforceability of traditional knowledge related IPRs as they have been developed to protect modern industrial property. Protection of TK / TCE's thus requires separate treatment. This could be based on:

- defensive protection mechanisms i.e. preventing others from seeking IPRs to one's TK such as mandatory disclosure of source of genetic resources as well as PIC (prior informed consent) & benefit sharing; or
- positive protection i.e. establishing IPR to ones TK e.g. creation of TK registries or legislative tools such as declaration of rights of indigenous and local



communities including the ownership of their TK or the recognition of customary laws in national legislation

Specific TK protection measures should be developed on the basis of the international policy discussions carried out in the Intergovernmental Committee (IGC) on Intellectual property and Genetic Resources, Traditional Knowledge & Folklore.

In developing countries the economic and social conditions of the population and the need provide for basic requirements such as food, health and education, make it essential to establish priorities and on occasions to disregard elements which although important for development do not satisfy immediate requirements. In this context, even in the countries in which a modern intellectual property system exists, it has not been feasible to involve society in intellectual property matters. i.e. there is no appropriate culture of intellectual property use and enforcement.

The lack of knowledge of the system on the part of the commonly population is observed when the population considers the failure to observe the system or infringements thereof as conduct which is socially acceptable; for this sector, the benefits derived from the intellectual property system and the use of the system as a development factor are completely alien. Lack of awareness of the IP system has become a cause of inefficiency as well as an obstacle to development. Appropriate dissemination and understanding of the system is therefore a must.

A key issue for developing countries is the institutional capacity for commercialization of research and knowledge. Related to this, a new area for technical/financial assistance could be subsidizing acquisition/ maintenance of IPRs developing countries in developed countries, where costs can be very high. Best/ worst practices and guidelines could be developed, based on case studies and the experiences of concerned parties. More resources need to be devoted to document experiences of actual uses of IPRs to show to what extent they can be beneficial.

WIPO should devise programme to encourage and equip civil society groups and NGO's to take up these tasks by providing them specialized training and institutional support besides encouraging their participation in WIPO programmes and activities through a separate voluntary fund set up on the same lines as the voluntary fund to indigenous support communities and LDC's.

Counterfeiting and intellectual property piracy is having a devastating effect on large companies, SMEs. individual authors, artists and inventors around the world. The OECD estimates that counterfeiting and intellectual property piracy costs companies as much as \$638 billion per year. There is also significant and growing evidence that rampant counterfeiting and intellectual property piracy is a brake on economic development and a deterrent to foreign direct investment (FDI) and technology transfer.

There important are implications for development as a result of uncontrolled counterfeiting and piracy. Countries with inadequate intellectual property systems often isolated from are technological advances, fail to provide their citizens with incentives to create and innovate and disseminate new knowledge, and lose the collateral benefits of FDI and technology transfer, including increasing the tax base and educating a skilled work force for follow-on creativity and innovation. Conversely, there is mounting evidence reductions in counterfeiting and intellectual property theft are positively correlated with the acceleration of investment in knowledge-intensive industries such software and as information technology, sectors that are critical for countries making the transition to the knowledge economy.

Although the costs of counterfeiting and intellectual property piracy (and the benefits of reducing counterfeiting and piracy) are beginning to come into sharper focus, more work remains to be done. To help fill some of these knowledge gaps, the WIPO Advisory Committee Enforcement should discuss and analyze the relationship between the rates of counterfeiting and piracy of intellectual property



technology transfer, foreign direct investment and economic growth. The WIPO Secretariat could assist in the collection of data on piracy rates.

The present IP system is not absolute and not as beneficial as it should be to developing countries. New mechanisms must be found and a holistic approach should be taken. It is therefore important to simultaneously examine the feasibility of open collaborative projects to develop public goods as well as nonexclusionary systems for fostering, creativity, innovation and transfer of technology. It should however be kept in mind that the Creative Commons licenses are not certified by the Open Source Initiative. The maintainers of the Debian GNU/Linux distribution do not believe that even the Creative Commons Attribution License, the least restrictive of the licenses, adheres to the Free Debian Software Guidelines due to the license's anti-DRM provisions and its requirement in section 4a that downstream users remove an author's credit upon request from the author.

Nine activities listed below have been approved for Cluster B: Norm Setting, Flexibilities, Public Policy and Public Domain:

- 15. Norm setting activities shall:
- be inclusive and member driven;
- take into account different levels of development;

- take into consideration a balance between costs and benefits;
- be a participatory process, which takes into consideration the interests and priorities of all WIPO Member States and the viewpoints of other stakeholders. including accredited inter governmental organizations governmental and non organizations; and
- be in line with the principle of neutrality of the WIPO Secretariat.
- 16. Consider the preservation of the public domain within WIPO's normative processes and deepen the analysis of the implications and benefits of a rich and accessible public domain.
- 17. In its activities, including norm setting, WIPO should take into account the flexibilities in international IP agreements, especially those which are of interest to developing countries and LDCs.
- 18. To urge the IGC to accelerate the process on the protection of genetic resources, traditional knowledge and folklore, without prejudice to any outcome, including the possible development of an international instrument or instruments.
- 19. To initiate discussions on how, within WIPO's mandate, to further facilitate access to knowledge and technology for developing countries and LDCs to foster creativity and innovation and to strengthen such existing activities within WIPO.

- 20. To promote norm-setting activities related to IP that support a robust public domain in WIPO's Member States, including the possibility of preparing guidelines which could assist interested Member States in identifying subject matters that have fallen into the public domain within their respective jurisdictions.
- 21. WIPO shall conduct informal, open and balanced consultations, as appropriate, prior to any new norm setting activities, through a member-driven process, promoting the participation of experts from Member States, particularly developing countries and LDCs.
- 22. WIPO's norm setting activities should be supportive of the development goals agreed within the UN system, including those contained in the Millennium Declaration.

The WIPO Secretariat, without prejudice to the outcome of Member States considerations, should address in its working documents for norm-setting activities, as appropriate and as directed by Member States, issues such as: a) safeguarding national implementation of intellectual property rules b) links between IΡ competition c) IP-related transfer of technology d) potential flexibilities, exceptions and limitations for Member States and e) the possibility of additional special provisions for developing countries and LDCs.

23. To consider how to better promote pro-competitive IP licensing practices, particularly with a view to fostering



creativity, innovation and the transfer and dissemination of technology to interested countries, in particular developing countries and LDCs.

Cluster C: Technology Transfer, Information and Communication Technologies (ICT) and Access to Knowledge

to technologies Access by developing required countries needs to be facilitated to accelerate their economic and social development. Prospective technology seekers in developing countries face serious difficulties in their commercial dealings with technology holders developing countries due to imperfections in technology markets, lack of experience and skill of enterprises in developing countries to ensure adequate legal arrangements for the acquisition of technology and legislative and administrative government policies which influence the flow of technology to and its acquisition by developing countries. transfers (technology developing countries have not taken place when they were needed most e.g. Montreal Biodiversity protocol, convention & more recently energy efficient technologies to combat global warming).

Considering that WIPO has a constitutional mandate, by virtue of the Agreement with the UN, to facilitate transfer of technology, it should identify what measures are needed within the organisation to address transfer of technology

issues, including related competition policies and the facilitation of the transfer of essential technologies to developing countries. Improving quality of technical assistance should emphasized rather than just the quantity: this suggests a requirement for independent impact evaluation and lesson learning.

There is a balancing required the monopoly between privilege granted to the IP holder and the public interest (including consumer welfare, the competition from other producers, and national development prospects). The appropriate balance requires the right policies that enable that IP be appropriately given for correct reasons and to the correct parties, and that they be of an appropriate period, and that flexibilities and exemptions and exclusions are provided to safeguard vital public interests.

If the balance is tilted excessively to the IP holder, then one consequence is that the IP facilitates a stream of monopoly profits beyond what is justified for recovering the costs of innovation, and society bears the costs unreasonably. These may include prevention of access to goods and services (including essentials such as medicines, food and information, and important inputs for production), curbing of industrial development, an overall reduction in competition and its benefits for resource allocation, and monopolization in products, sectors or the economy as a whole.

It is thus important, especially for developing countries, that the standards of IP be appropriate, that there be adequate exclusions and flexibilities, and that the framework enables IP to be awarded appropriately for the right inventions and to the right parties, and that there be sufficient provisions policies and legal provisions that counter the abuse of IP privileges when they occur.

Pro-competition principles and measures that exist in IPrelated international treaties should be fully recognized and appreciated and technical assistance should be provided to developing countries to enable them to be aware of these and to incorporate them where possible in national legislation, policy and practice. For example, Article 8.2 of TRIPS under general principles states that appropriate measures (consistent with the agreement's provisions) may be needed to prevent abuse of IPRs by right holders or the resort to practices which unreasonably restrain trade or adversely affect technology transfer. While licensing is a legitimate activity of IPR holders and in most cases can be seen as pro-competitive in legitimizing access technology to third parties, these activities may also (as noted by the OECD) be "anticompetitive where they are a mere sham for a cartel arrangement, where they restrict competition between technologies that are economic substitutes for one another or where they exclude new technologies from the market."



Section 8 of TRIPS on "Control of anti-competitive practices in contractual licenses" has an Article 40 that recognizes that some licensing practices or conditions pertaining to IPRs which restrain competition may have adverse effects on trade and impede technology transfer and dissemination. Article 40.2 says that nothing in the shall prevent agreement members from specifying in their legislation licensing practices or conditions that abuse IPRs, having adverse effect on competition, and a member may adopt appropriate measures to prevent or control such practices, including exclusive grantback conditions. conditions preventing challenges to validity and coercive package licensing, in light of relevant laws and regulations of that member. Article 40.3 also provides for consultations and cooperation among members (including through supply of nonconfidential information) to deal with IPR owners that are undertaking anti-competitive practices in violation of a requesting member's laws.

Several developed countries have laws or regulations that hold certain anti-competitive practices as per se unlawful. The US Antitrust Guidelines for the Licensing and Acquisition of IPRs 1995 states that among the restraints that have been held per se unlawful (by courts in the past) are naked pricefixing, output restraints and market among division horizontal competitors, as well as certain group boycotts and resale price maintenance. To determine whether a particular restraint in a licensing arrangement is given per se or rule of reason treatment, the agencies will assess whether the restraint will contribute to an efficiency-enhancing integration of economic activity.

Guidelines Japan's for Regulation of Unfair Trade Practices with respect to Patent and Know How Licensing Agreements (introduced in 1989) treats 5 types of restrictions as unfair trade practices, unless specific justification can be shown to the contrary; these are restrictions domestic prices patented goods, prohibitions on handling or using competitors' goods or technology or requirements on payment of royalties after licence expiry, R&D restrictions and exclusive grant back requirements.

Commonwealth Some countries, following the UK, have a provision in their patent that certain competitive practices in patent licences are automatically deemed to be null and void. For example. Australia's Patents Act 1990 hold invalid any conditions that restrict the licensee from purchasing or using a product or process supplied by the licensor's competitors or that requires the licensee to acquire a product not protected by the patent from the licensor: in addition the Australian Trade Practices Act 1974 specifically prohibits 5 activities: anti-competitive agreements (including price fixing and exclusionary provision), misuse of market power, exclusive dealing, resale price maintenance, mergers and acquisitions with a substantial lessening of competition.

According to the above regulations, the mentioned features in contractual IP licences are anti-competitive per se and thus deemed unlawful in general; thus it would not require a case-bycase examination to determine whether the mentioned activities are anti-competitive. There are other provisions in TRIPS that deal with For competition issues. example, Article 31 on the use of patents without authorization of the right holder, has a subparagraph (k) relating to anticompetitive practices. If a compulsory license is granted remedy а practice determined after judicial or administrative to be anticompetitive, the obligations in sub-para (b) (that before a compulsory license can be given, efforts have to be made to obtain a voluntary license) and in sub-para (f) (that a compulsory license has to predominantly for the supply of the domestic market) are waived. Moreover "the need to anti-competitive correct practices may be taken into account in determining the amount of remuneration in such cases" and authorities can termination refuse Ωf authorization if and when conditions which led to such authorization are likely to recur. Developing countries should include this pro-competitive safeguard provision measure in their national legislation and policy.



Generally, it would be important for developing countries to incorporate the pro-competition principles and elements in their national laws and regulations relating to IP. Moreover, they should establish provisions within national competition law and regulations that prohibit anti-competitive practices in IP-related licenses.

The present IP system, international and national levels, should be evaluated in light of the crucial need for "balances" in the IP system, to enable both innovation and the meeting of the public interest and development needs.

Considering the growing importance of access to knowledge, of protecting and promoting access to the cultural heritage of peoples, countries and humanity, and the need to maintain a robust public domain through norm-setting activities and enforcement of exceptions and limitations to intellectual property rights, what measures are needed within WIPO to:

- facilitate access to knowledge generally around the world and specifically in developing countries for example by means of a Treaty on Access to Knowledge; and
- maintain and build a robust public domain in all WIPO Member States and other countries.

Activities from serial number 24 to 32 have been approved for inclusion in the WIPO Development Agenda in Cluster C: Technology Transfer, Information and

C o m m u n i c a t i o n Technologies (ICT) and Access to Knowledge

24. To request WIPO, within its mandate, to expand the scope of its activities aimed at bridging the digital divide, in accordance with the outcomes of the World Summit on the Information Society (WSIS) also taking into account the significance of the Digital Solidarity Fund (DSF).

25. To explore IP related policies and initiatives necessary to promote the transfer and dissemination of technology, to the benefit of developing countries and to take appropriate measures to enable developing countries to fully understand and benefit from different provisions, pertaining to flexibilities provided for in international agreements, as appropriate.

26. To encourage Member States, especially developed countries, to urge their research and scientific institutions to enhance cooperation and exchange with research and development institutions in developing countries, especially LDCs.

27. Facilitating IP related aspects of ICT for growth and development: Provide for, in an appropriate WIPO body, discussions focused on the importance of IP related aspects of ICT, and its role in and cultural economic development, with specific attention focused on assisting Member States to identify practical IP related strategies to use ICT for economic, social and cultural development.

28. To explore supportive IP related policies and measures Member States, especially developed countries, could adopt for promoting transfer and dissemination of technology to developing countries.

29. To include discussions on IP-related technology transfer issues within the mandate of an appropriate WIPO body.

30. WIPO should cooperate with other intergovernmental organizations to provide to developing countries, including LDCs, upon request, advice on how to gain access to and make use of IP-related information on technology, particularly in areas of special interest to the requesting parties.

31. To undertake initiatives agreed by Member States which contribute to transfer of technology to developing countries, such as requesting WIPO to facilitate better access to publicly available patent information.

32. To have within WIPO opportunity for exchange of national and regional experiences and information on the links between IP rights and competition policies.

Cluster D: Assessment, Evaluation and Impact Studies

The global harmonization of IP laws (towards the standards and practices of developed countries), especially through the WTO, WIPO and bilateral/regional agreements, has contributed to the imbalances and the spread of conditions



that make it more difficult for developing countries and their enterprises and institutions to compete.

Thus, a review of the international IP frameworks is required to determine the sources of the imbalances. while a review of national frameworks are also required so that the existing flexibilities can be properly made use of. Intellectual Property has to be presented [rightly so] as a tool development. The presentation needs to be made in the context of industries that have a cultural impact as well such as information technology and entertainment.

Information technology products, such as computers, telecommunications equipment and software, have become a cornerstone of modern life. The economies of developed and developing countries have benefited greatly from the growth of information technology industries themselves, as well as the enhanced competitiveness most industrial sectors enjoy as a result of adopting information technology. Critical to the growth of information technology, however, has been intellectual property rights. Patents, copyrights, designs, trade secrets and trademarks are all used to protect the significant investments that go into information technology products and guarantee future technological developments in this field.

The enforcement of intellectual property rights provides artists, scientists, designers and others

creating intellectual property with the ability to protect the fruit of their endeavours. The incentives for individuals and businesses to engage in research and development activities. song writing, other filmmaking, and intellectual property-based activities would eventually disappear without effective enforcement.

However there is an absolute inadequacy of data on contribution of national creative and innovative industries as well as the incidence of piracy/counterfeiting and other IPR violations.

WIPO Secretariat should assist in the collection & dissemination of data relating to:

- global piracy and counterfeiting rates
- contribution of national creative and innovative industries to the economy
- IPR enforcement action
- Judicial pronouncements and decisions related to IP

Training for judges, lawyers and other individuals engaged in enforcement is essential due to the fact that intellectual property laws frequently change as technologies develop.

A growing body of economic literature indicates that a major determinant in a country's long-term economic growth is that rate of innovation that takes place in an economy. A country's "innovation system" - the amalgamation of organizations, laws and policies that pertain to innovation -

plays a key role in how well a country innovates. Intellectual property is a key component of any innovation system, because it grants an innovator's opportunity to be compensated for investment of time and resources that go into the creation of new products and services.

Another key factor in an innovation system is the commitment that public and private organizations make to research development activities. Many economists have pointed out that since private companies are ultimately the organizations that commercialize technology and bring advances to the market place, their participation in R&D is critical. Thus, in developed countries, public research takes on a supporting role in the overall research framework. However, often a large part of a developing country's research capacity is in public research organizations universities and government laboratories. This and other aspects of the links between IP and development need to be studied further.

The activities approved under this cluster include:

33. To request WIPO to develop an effective yearly review and evaluation mechanism for the of assessment all development oriented activities, including those related to technical assistance, establishing for that purpose specific indicators and benchmarks, where appropriate.



- 34. With a view to assisting Member States in creating substantial national programs, to request WIPO to conduct a study on constraints to intellectual property protection in the informal economy, including the tangible costs and benefits of IP protection in particular in relation to generation of employment.
- 35. To request WIPO to undertake, upon request of Member States, new studies to assess the economic, social and cultural impact of the use of intellectual property systems in these States.
- 36. To exchange experiences on open collaborative projects such as the Human Genome Project as well as on IP models.
- 37. Upon request and as directed by Member States, WIPO may conduct studies on the protection of intellectual property, to identify the possible links and impacts between IP and development.
- 38. To strengthen WIPO's capacity to perform objective assessments of the impact of the organization's activities on development.

Cluster E: Institutional Matters Including Mandate and Governance

The idea of the WIPO coordinating and intensifying its cooperation on IP related issues with UN agencies in particular UNCTAD, UNEP, WHO, UNIDO, UNESCO and other relevant international organizations and increased NGO participation is important to look into issues that members from developing

- countries might have, besides coordinating IP related development assistance available from various sources. Such an arrangement would foster partnerships with civil society organizations across projects in developing countries to exploit areas of comparative advantage for economic, social and cultural gain. The activities under this cluster include:
- 39. To request WIPO, within its core competence and mission, to assist developing countries, especially African countries, in cooperation with relevant international organizations, by conducting studies on brain drain and make recommendations accordingly.
- 40. To request WIPO to intensify its cooperation on IP related issues with UN agencies, according to Member States' in orientation. particular UNCTAD, UNEP, WHO, UNIDO, UNESCO and other relevant international organizations, especially WTO in order to strengthen the coordination for maximum efficiency undertaking development programs.
- 41. To conduct a review of current WIPO technical assistance activities in the area of cooperation and development.
- 42. To enhance measures that ensure wide participation of civil society at large in WIPO activities in accordance with its criteria regarding NGO acceptance and accreditation, keeping the issue under review.
- 43. To consider how to improve WIPO's role in finding partners to fund and execute projects for

- IP related assistance in a transparent and member-driven process and without prejudice to ongoing WIPO activities.
- 44. In accordance with WIPO's member driven nature as a United Nations Specialized Agency, formal and informal meetings or consultations relating to norm-setting activities in WIPO, organized by the International Bureau, upon request of the Member States, should be held primarily in Geneva, in a manner open and transparent to all Members. Where such meetings are to take place outside of Geneva. Member States shall be informed through official channels, well in advance, and consulted on the draft agenda and program.

Cluster F: Other Issues

45. To approach intellectual property enforcement in the context of broader societal and especially interests development oriented concerns, with a view that "the protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer dissemination technology, to the mutual advantage of producers and technological of knowledge and in a manner conducive to social and economic welfare, and to a of rights balance obligations", in accordance with Article 7 of the TRIPS Agreement.

Within goal number eight of the Millennium Development Goals



contained in the Millennium Declaration, "to develop a global partnership for development", there exist tasks directly linked to the world intellectual property system, i.e.

- Develop further an open, rule-based, predictable and non-discriminatory trading and financial system, including the commitment to good governance of public affairs and poverty reduction, both nationally and internationally.
- In cooperation with developing countries, develop and implement strategies for decent and productive work for youth.
- In cooperation with the private sector, make available the benefits of new technologies, especially information and communication technologies.
- As a United Nations specialized agency and under the auspices of the WIPO Cooperation for

- Development Program, the World Intellectual Property Organization has conducted activities designed to establish intellectual property systems or modernize those already in existence;
- Although it may be improved, an international standardsetting framework exists allowing nations to interact in accordance with a predictable and nondiscriminatory system;
- The resources available to the governments of developing countries and international organizations are limited and should be used rationally;
- In order for the intellectual property system to be an efficient mechanism and to contribute to development its dissemination in society as a whole and not only among the players directly involved, i.e. governments, owners and system users, is essential; and reiterating that:

- Intellectual property is an essential mechanism for the development of humanity and a way to achieve balance and stability between developed and developing countries;
- Intellectual property constitutes a development tool and not a factor harmful to development;
- Intellectual property constitutes a means of benefit for all people through the expansion of the opportunities resulting from new technologies, fundamentally information and communications technologies.

This WIPO Development Agenda should be considered an essential element in supporting the Millennium Development Goals, derived from the Millennium Declaration and linked inter alia to intellectual property, i.e. "to develop a global partnership for development.

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14)

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INTELLECTUAL PROPERTY STRATEGIES: CONCEPT TO COMMERCIALISATION™

RODNEY D. RYDER*

ENFORCEMENT OF INTELLECTUAL PROPERTY

nybody who has had dealings with the court system will approach any prospect of litigation with a high sense of dread and foreboding. Any lawyer who advises an enterprise that they have a 'quaranteed winner' when involved in litigation should not be practising law. Litigation by its very nature involves significant costs, time and resources. By the same litigation that is token, managed prudently and as part of the overall business strategy for the enterprise can prove to be productive, at least in the sense of achieving the business objectives of the enterprise.

of The average number litigation cases filed in India as a percentage of the number of rights registered in respect of patents, trademarks designs for the period 1996 -2004 was approximately 0.04 per cent. A similar figure for the United States in 1988 was approximately 1 per cent¹. On one view it could be said that infringement of IP rights is not prevalent. There are insufficient statistics to determine whether this is so. No doubt there are some factors which actively discourage IP owners from enforcing their rights. By the same measure it is not unreasonable to assume that there is a 'silent majority' - those owners of IP that enforce their IP rights without having to file a

court document or step into the witness box. In many respects it is these organisations that are maximising their IP enforcement strategy.

A survey of patent attorneys regarding enforcement of industrial property rights revealed the following:

- of the enquiries concerning IP enforcement received by patent attorneys from their clients, the large majority related to trademarks with trade secrets coming second ahead of patents (noting that copyright, PBR and circuit layout rights were not part of the survey);
- the majority of enquiries led to some further action being taken on behalf of the client;
- the main reason for not proceeding with any action related to costs in undertaking the action;
- on balance most cases were handled by the issuing of a letter of demand;
- the majority of actions that commenced were settled;
- it was common for a party to use an imbalance of financial resources to force an outcome (i.e., using financial muscle);

 the most common complaints about the IP system in respect of patents, designs and trademarks concerned the slowness to get to court, the complexity of the enforcement process and the costs to the clients.

Interestingly, it has often been recommended that perhaps a Ministerial Division be used as a lower court for the patent system, especially to support the innovation patents. The government has deferred its response and has asked ACIP to consider this issue further haying regard to the number of patents issued, the difficulty in finding magistrates and the need for expertise in IP fields.

Notwithstanding all of the above, the importance of enforcement of IP as p1Irt of IP management and supporting of IP commercialisation cannot be doubted. Not only must an enterprise be confident that it can enforce its IP rights but it may wish to be proactive and drive its business objectives by seeking out infringers. As with many other aspects of managing a business, the trick is to find the balance.

Common Issues

Each of the pieces of legislation relating to IP rights addresses in some degree aspects of enforcement of those respective IP rights. There are



some common themes across that legislation.

Unauthorised exercise of monopoly rights

Enforcement is all about maintaining the enterprise's position monopoly competitive advantage. In this respect it is exercising the fundamental economic right to ensure that no other person takes advantage of the effort that it took to acquire those rights. On every occasion where there are alleged infringing acts it is a case of studying the alleged infringing act and comparing it against the monopoly rights that are held by the enterprise. Although this is a trite statement an enterprise can be led to believe it has rights beyond that which the law bestows particularly where the enterprise enjoyed a true economic privilege and has been able to conduct itself at will in a particular market.

Defence provisions

Each piece of IP legislation sets out various defences to infringement actions. This is the second step in analysing the prospects for the enterprise enforcing its rights. An important element thorough out IP legislation is the degree of knowledge held by the alleged infringer. For these reasons use of disclaimers and notices becomes very important.

Opposition procedures

In relation to the forms of IP that involve a formal registration process there is an opportunity for a competitor to oppose the grant of registration to the enterprise. This enables a competitor to delay the grant

of IP rights to the enterprise. Of course, there are rules which preclude parties from running frivolous actions. However, IP has become so intricate and complex that it would be rare for a court to conclude that an argument posed by a competitor was frivolous or lacked substance. A competitor, like the enterprise itself, is entitled to its day in court

Added to this difficulty is that, at least in relation to patents², the information presented in opposition proceedings is not guaranteed to be kept confidential. In these circumstances the enterprise is left with a dilemma. Should it bypass the hearing and take the case straight to court because the court will have the power to suppress the release of confidential information? does Alternatively, the enterprise' proceed with the opposition without submitting the relevant information and suffer the risk that it may lose the opposition proceeding because critical information was not presented.

Challenge to registration

It is open to the defendant in IP enforcement proceedings to challenge the validity of the IP rights asserted by enterprise. In relation to registered forms of IP this can involve lodging a counter-claim that the registration should be revoked on the basis that the relevant criteria for registration has not in fact been met. This has been of particular concern in relation to patents until recent amendments. The threat of IP rights being lost in the heat of battle adds to the complexity of enforcement of IP

rights. An enterprise may find more value in being able to assert the right rather than following through with an actual action or proceeding. This is because, in many cases, letters of demand are sufficient to achieve an acceptable outcome. Often this depends on the muscle that the enterprise is able to flex.

International issues

As will be emphasised, the true opportunities for catching the 'big fish' from commercialisation of IP lies in penetrating international markets. Not only is it often complex and costly to secure IP rights in those markets, it is also complex and costly to enforce those IP rights in those jurisdictions. Each country is entitled to rely upon its own sovereignty. If foreign IP rights are being infringed by an overseas competitor the Indian enterprise is faced with the gloomy prospect of litigating in another jurisdiction that is unfamiliar and, particularly in respect of United States and Europe, significantly more expensive than India. In some jurisdictions the confidence in the judicial system may also be found wanting. Finally international IP enforcement is often undertaken in the context of having to fight against an established competitor. It is relatively rare for Indian IP owners to hold a strong market position in overseas markets. Enforcing those IP rights in those overseas markets will often entail having to litigate against a competitor who already has a competitive advantage and who can enjoy significant advantages by using its financial muscle to delay the



litigation and manipulate the court system.

Expertise of courts

If an enterprise is going to make a sacrifice to litigate to enforce its IP rights it will want confidence that the judge hearing the matter understands not only IP law but is able to pick up the technicalities involved. The Indian legal system does not enjoy a special division devoted to IP rights. Although the Judicial Academy is seeking to establish specialist areas, the allocation of judges to hear IP matters has not traditionally been undertaken on the basis of expertise. This can be compared with the position in the United States where a particular court was established in order to deal with IP issues and litigation because the Federal Government recognised the importance of an IP system for the growing economy.

Precedent value

Perhaps one of the most important factors that an enterprise must consider in determining whether proceed with an enforcement action is the precedent value that the litigation will bestow. Will the marketplace in which enterprise conducts business take note of the result? Of course this is a double-edged sword for the enterprise. A success in the action may be enough to drive infringers and competitors away from the market. The failure may see the collapse of its business together. For this reason, it is imperative that the enterprise thoroughly assesses Its IP enforcement strategy in the context of its whole

business. Where stakes are this high the IP advisers for the enterprise will usually recommend the advice of senior barristers. Senior counsel experienced in IP litigation are usually worth their weight in gold (and often there is a fair amount of weight). They bring to bear on the decision process a wealth of experience in arguing the same or similar cases before the courts and in particular the relevant judges on a regular basis. They will not only be able to add value to determining prospects of success but also, as is the case with most litigation, be able to greatly assist in determining the appropriate time to settle and the terms of such settlement.

Insurance

It will be evident from the above discussion that cost plays an important part in the strategy for IP enforcement. To some degree this risk can be transferred in part by taking out offensive and defensive IP insurance. This insurance itself has a cost and its usefulness needs to be weighed against the perceived risk of IP enforcement having to occur.

Alternative dispute resolution

Enforcement of IP rights inherently raises the spectre of For litigation. those entrepreneurs unfortunate enough to have encountered litigation the risks, in terms of results, time and cost, are embedded in their memory. The drawbacks associated with litigation have fostered alternative mechanisms to resolve disputes such as mediation and arbitration and it

is now common to find a standard clause in contracts requiring the parties to at least attempt some form of ADR before resorting to litigation.

Mediation, which typically entails a mutually respected independent person facilitating a settlement, will only succeed if all participants in the dispute are truly open-minded about resolving the dispute. It is surprising to hear about the number of disputes which were referred to a mediator that were not resolved by mediation because resolution short of a judicial or1arbitral decision would not meet one party's, objectives. Arbitration is-often criticised as 'being as risky as normal litigation because of the uncertainty of the result and the costs involved. Despite this, arbitration can be a useful mechanism where the source of dispute is a technical rather than legal matter, and where the' dispute relates to an international contract. In the latter circumstance it is common for the parties to invoke the arbitration or conciliation rules declared by the United Nations Commission on International Trade Law (UNCITRAL) or the rules of the International Chamber of Commerce (ICC).

Remedies

Each form of IP legislation sets out the remedies that are open to an enterprise for successfully enforcing its IP rights. Those remedies include a right to be paid damages or an account of profits (to be elected by the plaintiff)³. In addition, the owner of IP rights is able to seek interim and final injunctions.



Damages and account of profits

The owner of IP rights who has established infringement of those rights must elect as to whether to be compensated for that infringement by payment of damages or account of profits. There is a doctrinal difference these forms in compensation. Account of profits is intended to prevent unjust enrichment to the defendant whereas damages is designed to put the plaintiff in the same position as it would have held if the infringement occurred. The not difference in the amount of money that might be awarded by the court is hard to define. Usually the plaintiff will seek to undertake an enquiry as to the profits that may have been earned by the defendant.

Additional damages

At least in relation to infringement of copyright and EL rights the owner of the IPR will be able to seek an order that the infringers pay 'additional damages' where the court is satisfied that there has been a flagrant infringement of the IP rights. The ACIP Report also calls for similar rights to be available for registered designs, patents and trademarks.

Innocent infringement

Some of the IP legislation limits the remedies available where the defendant can establish that the infringement was innocent.

Limitation periods

Most of the forms of IP legalisation specify the periods within which an action for infringement must have

commenced (known as the 'limitation period'). In all cases the period is six years from the date in which the infringement occurred. Α failure commence an action within that period means the right to enforce the IP rights in respect of the alleged infringing act will be lost. The practical effect of such a significant delay in enforcing IP rights is in most cases unlikely to be significant because the commercial imperative has probably passed by.

Litigation Strategy

Risk analysis

If the task of managing the IP were to be considered a project then one of the foreseeable phases of that project is the enforcement of those IP rights. As with anv project management exercise it is appropriate, if not best practice, to reassess the overall project at significant milestones. This is certainly the case when an enterprise is at a stage of having to decide whether to enforce its IP rights against a suspected infringer. In these circumstances the enterprise should only proceed once it has taken stock of its risks in the context of its overall business objectives. This entails considering the commercial, legal and, if relevant, political risks in following through with an IP enforcement strategy. An analysis of risk entails being able to identify those risks. This in turn relies upon the enterprise having obtained as much relevant information as possible to help it identify and evaluate those risks. To that extent the enterprise should obtain appropriate advice from

an IP expert (which may include barristers). The should have enterprise assessed, to the extent possible, the financial implications of either winning or losing the case. The assessment should consider the impact upon senior managers and staff because they will be required to assist in the preparation of the case and to give evidence. Finally the enterprise needs to clearly understand the ramifications if it were to win or lose the case.

All of these issues should be set out in an appropriate risk management plan which would usually be prepared by its advisers. The enterprise should seek from its legal advisers a budget for the conduct of the IP enforcement proceedings. The advisers to the enterprise should also be able to specify the critical 'break points' in which an enterprise may seek to reassess its position and, if thought appropriate, change tack. This may entail settling or not continuing with the action.

A positive strategy

If the enterprise wishes to implement an IP enforcement strategy that is proactive it will be usually seeking to achieve the following objectives:

- prevent competitors from entering into the market for as long as possible; or
- a deliberate strategy to generate further licensing revenue.

The proactive IP enforcement strategy has been effectively implemented by Barr Laboratories which has sought to open up business opportunities through the



manufacture and sale of generic pharmaceutical products by challenging the patents held by its competitors.

Proactive IP enforcement strategy must fit with the business objectives of the enterprise. Common elements include:

- identifying potential infringement. This entails establishing a process and culture within the enterprise facilitates that the identification of infringement. This may be as simple as staff noting counterfeit products being sold at the local fete and reporting that to relevant key managers on Monday morning:
- establishing an 'aura' for the guarding of the IP of the enterprise. Many of the technology companies achieve a wellknown position in the industry for being voracious in protecting their IP. Clothing companies such as Nike and Reebok protect their brands by taking similar stringent efforts. Of course, this needs to be undertaken in a balanced fashion otherwise а strategy can have а negative impact. An example of this occurred in the lead up to the 2000 Sydney Olympics when lawyers for the Olympic Committee sent letters of demand to a small ship that had been using the word 'Olympic' as part of its business name only to find that the letter of demand was waived on a national

- sports television show in an unflattering manner;
- searches of the IP registers to ascertain who is using similar technologies or brands. In relation to patents, if the searches of the patents register reveal regular hits of enterprise's technology it may give rise to potential infringement actions. If the enterprise's patent is regularly cited then it is probable that it is a fundamental piece of technology which cannot be worked around. This presents a reservoir for licensing opportunities;
- assessing the most appropriate forum in which to implement the IP enforcement strategy. This is particularly relevant when the strategy is to be exercised in the United States where an action for infringement of patents can be started in a range of that country's States.

Cease and desist letters

The cease and desist letter should address the following elements:

- It should specify the form of IP that is being infringed. In respect of registered IP this includes identifying the registration details, which enables the recipient of the letter to search the relevant register to confirm the IP rights that are being enforced.
- It should set out a description of the alleged infringing act including the date on which the act was

- considered to have occurred.
- It should clearly demand that the recipient of the letter cease to act in an infringing manner and that if the recipient fails to do so then the enterprise may seek an appropriate remedy from the court without further notice.
- It would usually identify the nature of remedies available. It is also open to the enterprise to place other demands upon the infringer which could be otherwise obtained from a court including:
- delivery up or destroying the infringing articles;
- providing documentation of sales or other exploitation of the infringing articles.
- It is usual to seek a response within a reasonable time frame from one to two weeks although this will vary depending on the circumstances.

The IP adviser for the enterprise will most often issue the letter. There are two reasons for this. The IP adviser will be able to craft the letter in a manner which should avoid any reasonable prospect of an action for unjustified threats. Second, a letter from a firm of lawyers sends a message to the recipient that the enterprise is serious about protecting its IP rights and has already taken advice on its legal position.

Before issuing the cease and desist letter it is common for a number of practical steps to have been taken including:



- obtaining evidence of the infringing act. This may entail purchasing articles and obtaining a statement from the individual who purchased the infringing article together with any supporting documentation such as receipts. Photographs and videotape are also useful evidence to have in support of the enforcement action in the event that the enterprise wishes to obtain orders from a court:
- the accurate details of the infringer should be obtained to the best of the ability of the enterprise. This includes undertaking company and business name searches.

The cease and desist letter should be sent by registered post to the infringer and by facsimile if a fax number for the infringer is known. Depending on the urgency of the matter it may also be appropriate to have the letter of demand personally delivered.

The effect of the cease and desist letter is significant. First, it protects the enterprise against an order for costs where the plaintiff would have otherwise argued that it would have agreed to the demands had it been notified of them prior to any court action. Second, if the infringer repeatedly infringes the IP rights after receiving a letter of demand it would be evidence of a deliberate intention to infringe those IP rights. This may be persuasive for a court in deciding whether to grant an injunction or consider whether there has been flagrant infringement that would entitle the enterprise to additional damages. Third, it will also preserve the right of the enterprise to elect to obtain the order for an account of profits because the infringer has been made aware of the enterprise's IP rights.

Of course there are quite often circumstances where the enterprise believes it must act with great speed in order to preserve evidence of the infringing activity. By issuing a letter of demand the infringer has an opportunity to destroy that evidence. In these cases it is possible to apply to the court for an ex parte hearing where the enterprise can put its case and seek injunctions and/or an Anton Pillar order that enables it to preserve such evidence. There are particular rules concerning ex parte hearings and the issuing of Anton Pillar orders given the draconian nature of them, which will be well known to the enterprise's legal advisers.

Unjustified Threats

Most of the IP legislation provides for a counter-attack from a party who has received a threat that it will be sued for infringement of IP rights which is unjustified. Consequently any enterprise purporting enforce its IP rights needs to tread carefully otherwise it may face having to pay damages and be the subject of injunctions. The terminology used in the Trade Marks Act is in respect of 'groundless' threats'4. The other Indian IP statutes contain analogous provisions and the case law in respect of them helps present a series of principles that should be considered before the issuing of a letter of demand.

A 'threat' is not defined in the IP legislation but it seems that it can be made in any manner, whether oral or in writing. It has been found that it can be made under a 'without prejudice letter'5. To date there is yet to be a decided case dealing with a threat by way of email although there is no reason as to why this could not be so.

The mere notification of the existence of a right to sue for infringement of IP rights does not constitute a threat. The test as applied by Cooper J in *U* and I Global Trading (India) Pty Limited v Tasman - Warajay Pty Limited (1995) 32 IPR 494 is:

Whether the language would convey to any reasonable person that the author of the letter... intended to bring proceedings for infringement against a person said to be threatened. It is not necessary that there be direct words that action would be taken.

The mere citing of all relevant details of registration and priority will not constitute a threat: Rosedale Associated Manufacturers Ltd v Airfix Products Limited [1956] RPC 360. The issuing of a general warning concerning infringement would ordinarily not constitute a 'threat'.

An indication that the enterprise will protect its interest with 'utmost vigour' has constituted a threat (see *Rosedale*) as has expressing an intention to enforce rights in a reasonable manner (*Bowden Controls v Acco Cable Controls Ltd* [1990] RPC 427) or an intention to 'do our best to throw the dirt



around regarding our patents': HVE (Electric) Limited v Cufflin Holdings Limited [1964] RPC 149. A clear statement that the enterprise does not have the rights to issue legal proceedings will of course not constitute a threat: see U and I Global Trading (India) Pty Limited v Tasman - Warajay Pty Limited (1995) 32 IPR 494.

The threat should be explicitly restricted to the jurisdiction in which the infringement has allegedly occurred.

Notwithstanding a threat being made the enterprise can defend its position if it is able to say that the threat was justified. Essentially if the alleged infringement acts are found to constitute infringement then the threat would have been justified. Consequently the determination of whether an unjustified threat has occurred will only be determined once the issue of infringement has been settled.

The infringement action must be undertaken with 'due diligence'. In other words, the enterprise cannot wait too long to commence and pursue its action for infringement otherwise there will be a risk that the counter-action for groundless threats will be made out.

The unjustified threats provisions emphasise the following points when dealing with cease and desist letters:

- only assert actions that can be proved;
- only refer to multiple forms of IP rights if infringement can be proved of all of those IP rights:⁶;

 only assert infringement where and when there is a will to actually institute proceedings.

Patents

The following activities would constitute an infringement⁷ over a registered patent:

- making a patented product;
- using the patented process to make a product;
- exporting a patented product for commercial purposes;
- importing when the goods are introduced into the jurisdiction;
- making, hiring, selling or otherwise disposing of a product resulting from the use of a patented method.

Actions for enforcement of patents invariably involve a challenge on the validity of the patent. There should be changes to the Patents Act to ensure that the grant of patents has a high presumption of validity.

Under Indian patent law the sale of a patented product without conditions entitles the purchaser to use the product freely although the patent owner may impose conditions on the sale concerning its use and those conditions will apply to any person who has notice of them:8. This is to be compared with the position in the United States where the sale is taken to have exhausted the rights of the patent owner. Of course, there are some aspects where the patent system can be used to the advantage of the enterprise seeking to enforce its patent rights. If the enterprise is aware of a patent infringement it can request the Patent Office to publish a complete application for a standard patent. This puts the infringer on notice and entitles the applicant to the relevant remedies once the patent is granted: s 54(1).

Because of the delay in examination of standard patents (which can take anywhere between three to 12 months) an applicant can seek to expedite the examination. This must be in the public interest or special circumstances must apply: Patent Regulations 3.17(2). The circumstances where this may be relevant include knowledge of potential infringement, the of existence licence other negotiations or commercial arrangements where the patent is an important element.

If the enterprise becomes aware of a competitor's patent application it is open to the enterprise to lodge a notice with the Patents Office that it is concerned that the competitor's invention is not patentable⁹. The competitor will then be notified of this notice and the Commissioner of Patents can consider it in the course of examination of the application.

It is also open to an enterprise to pre-empt any infringement actions by a competitor. The enterprise can seek a declaration from the court that its exploitation of an invention will not constitute infringement of another person's patent.

Before commencing any such action the enterprise must have requested from the competitor a written admission that the



proposed exploitation by the enterprise would not infringe the competitor's patent and have given the competitor 'full written particulars' of the proposed exploitation and undertaken to pay reasonable sum for the competitor's expenses obtaining advice about whether the proposed exploitation would infringe the claim. These preconditions pose some commercial difficulties for the enterprise. Informing competitor of its proposed commercialisation strategy and funding the acquisition of legal advice will usually not sit well with the management of the enterprise. Not surprisingly any decision to seek a noninfringement declaration needs to be weighed against the business objectives of the enterprise.

The effect of obtaining a noninfringement declaration is that the enterprise is free to exploit the invention in a manner that was disclosed to the competitor. This raises a difficulty if the commercialisation strategy changes, as is often the case once the reality of market conditions is felt by the enterprise. Nevertheless this can be a powerful tool for an enterprise seeking to break into a new market which is dominated by one or few competitors. The competitor may be able to use its financial muscle to manipulate the court system by extending litigation against the enterprise to prevent its entry into the market. A declaration for noninfringement will cut through this litigious play.

Internet

The Internet itself does not present any novel legal principles relating to the enforcement of IP. However, the advent of patents for business methods particularly in an online environment and for software raises the stakes for infringement of IP rights. The potential damages that could be incurred are now potentially much greater than a decade or so ago.

Use of divisional applications

If the enterprise has filed a complete application for a standard patent and it is aware of infringement activities it may wish to file a divisional application for an innovation patent¹⁰. This process was applied when petty patents were available and it has been suggested that the same can now be done with innovation patents.

Copyright

Infringement of copyright¹¹ must relate to the protected work. There must be some connection between the original work and the alleged infringement work. In relation to literary, dramatic, musical or artistic works an infringement will be established if there is a substantial part of the copyright work reproduced considering comparing the alleged infringing work against the copyright work¹². What also needs to be addressed is the issue of quality rather than quantity. If a person authorises another person to perform an infringing activity then that first person will be also liable for infringement.¹³

If the infringement is shown to be innocent then the copyright owner cannot seek damages although it may be entitled to an order for account of profits14. On the other hand, if an enterprise can establish a flagrant infringement¹⁵ of its copyright then it may be able to obtain an order for 'additional damages'. For these reasons use of appropriate copyright notice and letters of demand are an important step in enforcing copyright.

Defences

It is worth noting that not all copying of a substantial part of a copyright work will be unlawful The Copyright Act 1957 sets out a range of defences to an action for infringement of copyright including research and study or criticism or review. In respect of computer programs 16, the copyright will not be infringed 17 if a person:

- makes back-up copies of the software;
- develops inter-operable products by exercising one of the copyrights;
- copies to correct errors that prevent the original software from operating; or
- exercises those copyrights in the course of security testing computer systems of which the original software is a part: see s. 43 (1) (ab) of the Indian Copyright Act, 1957.

Limitation period

The Copyright Act provides that the limitation period is six years from the date on which the infringement took place.



Groundless threats

A person who has received a groundless threat of infringement of copyright can obtain a declaration, injunction or recover damages.¹⁸

Intellectual Property Enforcement and the Customs

Indian IP laws and precedents have set standards for IP recognition and protection that match those prescribed in the US and UK. The laws offer criminal and civil relief for infringements but their ability to cause permanent deterrence is limited, due to delays in prosecution and absence of compensation in contested matters. Counterfeiting and piracy have spilled from shops onto roads and trade in fakes has extended across borders. The internet and numerous business-to-consumer websites further enable traders, even those living in the smallest of Indian cities, to display, offer and sell IP-violating goods to customers worldwide. So enforcing IP rights in new jurisdictions, that is, across borders and through the internet, by administrative lobbying action, and enforcement of non-intellectual property laws to protect IP, has become imperative.

[Indian] Customs law and practice

It is open to the enterprise to request Customs to seize any articles which may constitute infringement of the enterprise's copyright¹⁹. This is dealt with in the Copyright Act and involves a lodgement of security with Customs. Customs has the

power to seize and destroy infringing articles.

The Indian Customs Act 1962 (the Act) empowers Customs to take action against any export or import of prohibited goods. The term 'prohibited goods' includes any goods the import or export of which is subject to any prohibition under this Act or any other law for the time being in force but does not include any such goods in respect of which the conditions subject to which the goods are permitted to be imported or exported have been compiled with. Section 11 of the Act, defines the term 'illegal exports and imports' to include export and import of any goods in contravention of the provisions of the Customs Act or any other law for the time being in force.

Section 110 empowers Customs to seize any goods that are liable for confiscation under Section 111 and 113, including prohibited goods, that is, any goods attempted to be imported or exported or brought within the limits of Customs area for the purpose of being imported or exported, contrary to any prohibition under the Act, or any other law for the time being in force, including the Indian Copyright Act, Indian Trademark Act, Indian Penal Code, etc. Thus, if some one attempts to export stolen goods or goods linked with cheating or fraud or any goods that are prohibited under any law, the goods can be confiscated by Customs in exercise of its powers under the Customs Act.

Import of IP-violating goods

Until recently, complaints against imports of IP violating

goods would be directed to Customs and the courts. Customs held consignments on suspicion of IP law violation and informed the right owner, asking them to initiate action either through the police or by a civil suit for injunction. Determination of these cases would take time and, if they were decided against the right owner the Customs detention would be held unjustified and Customs would be called upon to bear the cost of demurrage. So Customs would only agree to initiate action against IP violating goods when the question of whether the import constituted a violation of an IP law was determined by an appropriate court or tribunal or if the right holder furnished an indemnification bond, undertaking to bear the detention demurrage or charges if the court held the detention to be wrongful. In case the right holder refused to indemnify Customs the goods would be released under intimation to the right holder to take further action as deemed necessary by him, upon release from the Customs charge.

As far as foreign right holders were concerned, Customs' view was that, if their product was not registered in India, there was absolutely no need to detain any consignment on suspicion unless there was a direction from the court. As regards exports, it was recommended to resort to action only when express to determine powers infringement were vested with Customs, under IP Laws. In 2001 an Indian Customs IPR working group recommended



that India's IP laws be amended but this has not been done, probably because Customs is broadly vested with powers under the Indian Customs Act, to seize and confiscate goods that violate any law.

Case Studies

Export - the publishing industry case

The publishing industry is facing a disturbing problem popularly referred to as "leakage" within the industry. In view of the size of the Indian market, its limited paying capacity as also to combat piracy, most international publishers reprinted low priced restricted of latest academic text, while restricting the territory of circulation to the South Asian region. But these low prices caused a unique problem when these restricted editions started leaking into the markets in US, UK and even African, causing huge loss of revenue to operations in these markets. Notices affixed by publishers restricting territory circulations were blatantly ignored and exports of these editions kept rising all through to 2006. Hitherto unknown book sellers launched websites as also appeared on B2C websites like ebay.com, offering cheap Indian reprints of latest books to customers worldwide at unbelievably low prices guaranteeing efficient worldwide delivery through delivery services such as UPS.

First complaint leads to red alert

In June 2006, the first collective complaint against unauthorized exports of restricted editions to Africa was made by The Publishers Association, UK (The PA) to India's Customs at Nhava Sheva Port, seeking confiscation. The Customs authorities cooperated. accepting the complaint but with the caution that detecting such a consignment was like looking for a needle in a haystack. Nevertheless, a red alert was issued for any consignment containing books for export to Africa. The red alert helped instil awareness among Customs officials about the violation of publishing industry IP at the borders.

Second complaint leads to blocked export

In November 2006 another complaint was made to the Customs authorities in the capital city of Delhi, with specific information enabling the authorities to instantly detect a 20-foot container of books destined for Lagos, Nigeria, mostly containing restricted editions from various publishers. international Customs confirmed detection but said it would not be able to seize the consignment unless the right holders obtained a court order or furnished a guarantee to pay demurrage costs in the event of an adverse ruling. The publishers drew Customs' attention to the notices appearing on the cover of each book specifically barring circulation outside the restricted territory and confirmed they had not provided permission to the exporter to export these restricted editions. Customs then asked the exporter to show that they authorization to export the books. The exporter was unable to do so. Customs

directed that the consignment would not be allowed for export. In a novel exception to earlier orders, Customs disallowed the export of goods that were violating IP on crossing the borders.

Red alert leads to seizure for confiscation

In January 2007 the vigil after the red alert resulted in the detection of a consignment of restricted editions of various publications from world-leading publishers, including Pearson Education, Elsevier, John Wiley, Cambridge University Press and McGraw-Hill, on its way from Baroda in Gujarat to Philadelphia in the US. Although the consignment was a free shipment, that is, without duty ramifications, Customs detected it because it was grossly undervalued and the books had been tampered with (the publishers' names and notices had been defaced, title and © pages were missing). The consignment was declared to contain 9537 books each valued at 40 US cents, with the total consignment valued at \$3815. The examination by Customs had revealed that books did not bear name of the publisher and printer and hence appeared to be pirated. Hence, the Customs requested the Counsel for The PA and its member companies in India to inspect the consignment at the earliest, to confirm the fact of contravention of laws.

The inspection confirmed that most if not all the books in the consignment were restricted editions and were being exported in violation of various laws. The exporter had removed the copyright and title



pages from each book and had affixed black or silver paint on the name of the publishers, imprint name and territorial notices appearing on the covers of each book. This paint could be scratched off to enable the importer to remove the paint when retailing the restricted editions in the US. The books were not in the form in which they were printed and distributed by the respective publishers. The consignment was grossly undervalued at 40 US cents per book as the list price of the books ranged from \$6 to \$12. The exporters actions amounted to offences of "cheating" under Section 420, "criminal conspiracy" Section under 120-B. "tampering with the property marks" appearing on each book under Section 489 of the Indian Penal Code (IPC) and "infringement of copyright" punishable under Section 63 of the Copyright Act. Additionally the exporter was also liable under Section 132 of the Indian Customs Act., for making false declaration and documentation to Customs. The Import Export Code used by the exporter is also liable to be cancelled.

The books had been tampered with and grossly undervalued to trick Customs authorities into clearing a consignment of prohibited goods for export and in doing so the consignee had also committed fraud. The definition of prohibited goods is a broad one and not only covers an import or export that is subject to prohibition under the Indian Customs Act, but also any other law in force. The power to confiscate arises under both situations, as determined by the Supreme Court of India in Commissioner of Central Excise & Customs A P v Suresh Jhunjunwala (Appeal (Civil) No.1372 of 2006).

Customs exercised its powers vested under the Indian Customs Act for the first time seizing a consignment of restricted editions of books for confiscation and imposing penalties. On confiscation, the ownership of such goods rests with the central government, which may either destroy the goods or, if they can be restored to their legal state, trade them.

Piracy through e-books

E-book piracy in India is a byproduct of various statesponsored and private initiatives that digitized the contents of books and journals kept in various Indian libraries and networked the content for access by institutions all over India. No licences were issued for undertaking these initiatives and as feared, the digitized content found its way out of these intranets and servers into the open market. CD-Roms 100 containing to computer and software books were offered for sale through email for \$3. Any act of digitization, hosting, offering for download, displaying, storing or transmitting e-files of books without permission from the copyright owner amounts to infringement.

The first anti-piracy action against unauthorized e-books was initiated in September 2006 against shivprasad.com, a website that was developed, owned and administered by an Indian software professional living in the US. The website

offered for download 724 ebooks of best selling academic and trade titles for \$27 (Rs1000). These infringing ebooks were hosted on the site's own web space in the US. Author J K Rowling and The PA issued notices to the website and the domain registrant seeking disclosure of revenue statements, undertakings against future violations and damages, and that the infringing copies be pulled off the site. The website complied with the notice by pulling down all the infringing e-books, providing an undertaking and paying a compensation of \$7500 to the right owners.

A similar notice was issued to the School of Mathematics at Tata Institute of Fundamental Research, after which the files containing the infringing ebooks were immediately pulled down from its website, with the undertaking to instruct all members to refrain from hosting and displaying the infringing e-books in any manner or illegally reproducing original literary works in electronic format without the permission from the copyright owners.

Trademarks

Trademarks are the most common form of IP litigated in Indian courts. This is probably due to there being less risk of a trademark being removed from the register than say a patent because the criteria for registration is less problematic. It is easier for the human mind to determine whether something is distinguishable than whether an invention is novel. An action for trademark infringement will also be



coupled with claims that the 'infringer' has committed the tort of passing off and/or breached provisions of the Competition Act.

Infringement will occur if a person uses, as a trademark, a sign that is substantially identical with or deceptively similar to, the registered trademark in relation to the designated goods or services²⁰. Infringement will also occur if the use is substantially identical with or deceptively similar to a trademark that is used in respect of goods or services that are closely related to, or are of the same description as, the designated goods and services unless the defendant can establish that such use is not likely to deceive or cause confusion²¹. Ancillary infringing acts include applying a trademark to damaged goods or altering or obliterating a mark that has been applied to designated good. The essential feature of a claim for infringement is that comparison must be made of the marks22. This is both visual and oral. The courts take account of what a reasonable person in the relevant market would think.

A person will not be infringing a registered trademark if, amongst other things:

- it uses the person's name in good faith²³;
- the use of a sign is in good faith and for the purpose of indicating quality, quantity, purpose, value or geographic region of the goods or services²⁴;
- the use is in respect of part of a trademark that is disclaimed²⁵;

- the use is for comparative advertising²⁶, although there are obvious risks in undertaking a comparative advertising campaign particularly in respect of liability under the Competition Act²⁷;
- parallel importation (where the trademark has been applied with the authorisation of the owner of the registered trademark);
- a court believes that the 'infringer' would have obtained registration of the mark that it uses had the infringer applied for it-and assuming that the infringer's mark is the same as the registered trademark²⁸. An amendment to trademark law would see this exception extended to marks used by the infringer that may be substantially identical with, or deceptively similar to', the plaintiffs trademark.

The use by another person of the mark must be 'as a trademark'. If the mark does not inherently distinguish the designated goods or services then there is a risk that the infringer may claim that its use is not 'as a trademark' and that it is merely describing the goods or services for which the mark is applied. This is perhaps one of the most common forms of rebuttal in any action to enforce registered trademark.

Authorised use

An authorised user also has the right to commence an action in its own name. Before doing so it must be able to establish that it called upon the trademark

owner to take action and then it refused or neglected to do so after a period of two months has elapsed.

When to commence an action

An action can be commenced while the application is on foot but it is not possible to obtain an order from a court until registration is granted. For this reason it is common for a party to seek to expedite the examination of a trademark where there is suspected infringing activity.

Groundless threats

The person may seek orders in relation to groundless threats of infringement of trademarks.

Limitation period

The Trade Marks Act does not set out an express provision dealing with limitation periods for commencement of infringement actions.

Plant Varieties

Once an application for PVA is accepted the applicant has a provisional period of protection until the application is disposed of or the applicant is given written notice that protection will cease to apply²⁹. Infringement will occur if there has been a performance of any of the plant breeder's rights³⁰ without authorisation.

Defences

It is a defence to an action for infringement of PVA if the court is satisfied that the infringer was not aware of, and had no reasonable grounds for suspecting, the existence of PVA.



Groundless threats

There is no provision in the Plant Varieties Act for groundless threats of an infringement action.

Registered Design

A registered design will be infringed if the design has been applied or an obvious fraudulent imitation of it has been made³¹. Additionally, infringement will occur if an article bearing the design has been sold or imported for the purposes of trade³².

Defences

A defendant facing an action for infringement of a registered design must rely on establishing the difference between its design and that of the registered design³³.

Circuit Layouts

It is an infringement of EL rights if the circuit layout has been

copied. There must be some causal connection between the alleged infringing layout and the protected circuit layout. Deconstruction of the layout will constitute infringement although independent creation of it will not.

Defences

The following will constitute defence to any action for infringement of EL rights:

- innocent commercial exploitation. This will be established if the alleged infringer did not know that the circuit was authorised;
- copying for private use, although such copying must not prejudice the interests of the owner of the EL rights;
- research and teaching;
- reverse-engineering for the purposes of evaluation and analysis.

Exhaustion of rights

The Circuit Layouts Act provides that the EL rights are exhausted if the purchaser of the circuit layout exploits the copy of the engine's greater circuit in India.

Confidential Information

An enterprise can restrain a third person who received the information from the initial recipient if it can be shown that the third party was aware that the information was of a confidential nature. The greatest practical difficulty with enforcement of confidential information is that once the information is released the damage is almost irreparable. circumstances many damages will not be adequate to compensate the enterprise for the loss of competitive advantage that the confidential information would otherwise give.

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His second book, *Intellectual Property and the Internet*, published by Lexis Nexis Butterworths is perhaps the only one of its kind in Asia. The text has been acknowledged to be an authoritative work by the Hon'ble Supreme Court of India and has been quoted in the first and only judgement by the Hon'ble Supreme Court of India on domain names.

He is presently Advisor to the Ministry of Communications and Information Technology, Government of India on the implementation of the Information Technology Act, 2000. Mr. Ryder has been nominated as a 'Leading Lawyer' in his areas of practice by Asia Law, Who'sWhoLegal amongst other International publications. The present article covers Part II relating to enforcement of intellectual property from the paper on Intellectual Property Strategies: Concept to Commercialisation written by Mr. Ryder. <rodney.ryder@foxmandallittle.com>

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27



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THINK, IMAGINE, DREAM, BELIEVE CREATE, PROTECT, MONETIZE

NIPO has revamped its website www.nipoonline.org. The web site apart from its contemporary appearance gives the visitor an in-depth view of the scope of IPRs in the emerging Global environment besides providing a user-friendly interface to the activities & services provided by NIPO

Key Highlights:

- Membership How to become a Patron, Corporate, Professional, Institutional and Individual Member of NIPO
- Know Your world of IP- How IP pervades our daily lives through the various Products & Services we use everyday. IPRs for Students and Women
- Piracy Check -Differentiate between Pirated & Genuine products.
- IP Watch Customers & users of Branded products can now be cautioned. NIPO can help by taking up the matter with the original manufacturer
- Knowledge Zone –Lists of IP courses and IPR Training Institutes, WIPO IPR

- Treaties, Indian IP Laws, IP Newsfeeds, FAQs on IPRs. Ask your IP question
- Retainership Services Piracy Check, Publication Services, Caution Notices, Arbitration and Mediation facilities
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- Legal Assistance NIPO gets you the best of legal experts. Important case laws can be accessed through the website
- IP Jobs A Live Data-Base to help Companies to search the right candidates to handle their IP
- Advertising Zone Active Interface between IP Creators, Owners & Users.

28

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Geographical Indicators (GI) - Wake up Call !

Manisha Gupta*

hile everybody's attention is focused on the Sariska issue, it being called the "biggest wakeup call", there's yet another issue which needs to be addressed by the state of Rajasthan. Since even "protected tigers" can disappear and be lost forever, what about things left unprotected?

The reference here is to the various products of the state which are specific to it by virtue of their being linked to the geographical and regional factors-be they natural, climactic or even human. Such products, which owe their basic characteristics the geographical region are protected by the Indian Geographical Indications Act, the most appropriate Intellectual Property (IP) tool, to begin protecting community owned brands. Under this newly operational act in India, such 'geographically indicated' products can be registered and they then have the advantage competing fairly stubbing the fake market to quite an extent.

In this culturally rich state, the land of folklore and cultural expressions, there is a tremendous amount of intangible heritage. From the typical varieties of folk music & dance to the specific arts & crafts, weaving & embroidery, painting styles and many other such cultural manifestations of

its colorful and lively existence, the range is enormous.

Everybody is familiar with the "Basmati controversy", which wouldn't have taken place if India had had a relevant act in place, on time. Now since we do have one, we should move fast and register such products, specially those with a greater commercial and employment generation potential. Steps have been taken to identify the relevant GI products at state levels, but the more crucial next step still needs to be expedited. The states have to get their respective products registered, so as to really start making a positive difference to the genuine producers and help them counter the problem of counterfeits.

"Mysore silk", "Chanderi silk", "Pochampally Ikat" and "Solapur fabric" are some of such already registered GIs. This registration will benefit the producers, since, for example, now any silk produced outside Mysore cannot be called "Mysore silk", a registered GI.

Talking of Rajasthan, the once popular "Kota Doria" fabric is in the doldrums now because it is facing unfair competition on many quarters, including the one from powerloom ones. Due to the absence of any sort of "protection", in the sense of brand name, the weavers of the original fabric are finding it hard to 'weave' a decent life out of their traditional occupation and hence shifting to other jobs

such as those of riksha-pullers or labourers. If a GI is secured for this product, then atleast most of the fabric sold by the name of "Kota Doria" in the market will actually be "Kota Doria" ! Ditto for "Sanganeri & Bagru prints", "Rajasthani Bandhej", "Jodhpuri mats" or "Jodhpuri jutis". Hence the genuine, special hand crafted products will receive a boost and the craftsmen will have an incentive to continue with their traditional craft practices and also be able to earn a livelihood based on these. Gls will thus make a positive difference to the special, ethnic products market, prevent misuse of the "indication" and bring more jobs and sustainable income to the deserving artisan community. Also, a brand being established will boost exports and earn revenue thereby promoting the overall economic wellbeing of the state.

GI Registration will thus go a long way in establishing brand, enhancing export potential, preventing misuse of brand name and prevalence of fakes, thereby bringing about economic prosperity producers of 'original' products, specially from Kota-Doria, Sangeneri & Bagru clusters. This will also be in keeping with the state's priority for cluster development.

What is actually required is but a little push and a 'GI wake up call' to the state to speed down the 'GI registration path' and



secure its hidden, intangible cultural treasures and special geographically indicated products. This would not only bring sustainable income, prosperity and pride to its living human treasures, like the artisans and craftsmen and other producers of genuine stuff, but also help revive a number of vanishing traditional crafts of our country.

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How to Become a Member of NIPO

NIPO is a non-profit National Association of Creators, Owners and Users of Intellectual Property with a mission to work as a specialized forum for the development, promotion and protection of Intellectual Property.

For membership forms logon to: www.nipo.org.in or write to us at

National Intellectual Property Organization

1, Punchkuian Road, New Delhi-110055

Your becoming a member of NIPO would help us spreading the message of Intellectual Property R ights thoughout the Country and would entitle you to access IP related services at NIPOs website www.nipoonline.org, receive NIPO's Souvenirs other IP related literature, information and invitation to other NIPO programs.

NIPO would also help you by providing consultancy on IP management, IP policies and commercialization of IP besides helping you organize your IP related events.

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PATENT INFRINGEMENT AND DEFENCES

SHEETAL CHOPRA*

ABSTRACT

Patents provides exclusive rights to the patentee "to stop others from making, importing, using, offering for sale or selling any patented invention" for a period of 20 years and third party is held liable for infringement for the use of the patented invention. But such a situation threatens to delay or stymie research, inevitably affecting scientific progress. This would also be detrimental to public health as the researcher will have to wait for 20 years or till the time the patent is in force and then start with his research work which will further take a decade to come up with new and improved drug. As a result, patients would be deprived of the improved new and medicines for a longer period of time. Thus, it is very important know "what are the activities which amounts infringement?", provisions existing in the statute which exempts certain activities from the liability of infringement" and "what are the defenses which available can be effectively used in the infringement suit?"

1. INTRODUCTION

We all know that the protection of inventions under patents provides exclusive rights to the patentee "to stop others from making, importing, using, offering for sale or selling any patented invention" for a period of 20 years. Plain reading of the aforesaid text means that the third party shall not be able to

use the patented invention till the time the patent is in force. And the party using the patented invention will be held liable for infringement and is thus exposed to litigation risks.

It is beyond doubt, that the main role of the patents is to disclose the entire invention to the public along with the best mode of carrying out the invention in such a detailed form so that a person ordinary skilled in an art can reduce the invention to practice by mere reading the patent specification. But what is the use of such a disclosure if it cannot be used till the patent is in force? For any break-through invention to take place the research is always based on the work, which has already been done in that field. In case of pharmaceuticals it takes around 10 to 12 years to come up with the clinical candidate. But if the existing work is already patented then it would mean that the researcher will have to wait for 20 years or till the time the patent is in force and then start with his research work which will further take a decade or so to come up with new and improved clinical candidate. This is thus detrimental to the public health, as the patient will get access to the better drug after a long period of time.

It is therefore very important to know "what are the activities which amounts to infringement?", provisions existing in the statute which exempt certain activities from the liability of infringement?", and "what are the defenses available which can be effectively used in the infringement suit?" Also, it is utmost important to know about the exact legal interpretation.

The aim of this article is not to debate on whether the patents pose hindrance to further research rather the main aim is to find out, under the provisions of statute, how effectively the patented invention can be used during the patent term without having the liability of infringement.

2. Experimental Use Exemption

Before anyone starts using the patented invention for furthering the research it is important to know the activities, which do not amount to the act infringement and the defenses that can be used against the infringement suit.

Common Law Research Exemption

Any activity in which patented invention is used solely for the research purposes is not considered as infringing activity under non-statutory **Common Law Research Exemption.**

The Common Law Research Exemption states that if the researcher is using the patented invention merely for the purpose of "scientific experiments or for the purpose of ascertaining the sufficiency of the machine to produce its described effects" then he shall



not be held as an infringer. This doctrine originated in the 1813 decision by Justice Joseph in Whittemore v. Cutter case. Thus, the said doctrine could be effectively used as a defense in the infringement suit thus allowing the researchers to use an invention without infringing the rights of the patent holder of the invention.

In 2002, the Court of Appeals dramatically limited the scope of the research exemption in Madey v. Duke University by distinguishing between commercial and noncommercial research. The court limited the scope of the term "experimental use" and stated that if the researcher is using the patented invention in his experiments for the purpose of "amusement, to satisfy idle curiosity, or for strictly philosophical inquiry" then he shall not be held as an infringer.

The basic rule established by the Court was that "Regardless of whether a particular institution or entity is engaged in an endeavor for commercial gain, so long as the act is in furtherance of the alleged infringer's legitimate business and is not solely for amusement, to satisfy idle curiosity, or for strictly philosophical inquiry, the act does not qualify for the very narrow and strictly limited experimental use defense".

The court held that the alleged use by the Duke University was in furtherance of legitimate business thus the defense is inapplicable. Thus, after Madey V. Duke University decision, it has become important factor to consider whether the experimentation is commercially motivated.

But this case led to great hue and cry among the research universities because research universities such as Duke, often use the patented invention in a particular research project, which is funded and sectioned by them. Such research projects automatically lead to the furtherance of institution's legitimate business objectives, including educating enlightening students and faculty participating in these projects. These projects also serve, for example, to increase the status of the institution and lure lucrative research grants, students and faculty, as the court pointed out.

As a matter of fact, it now seems that it will become almost impossible for the institution research to its demonstrate that "experimental use" of any patented invention fails to further the institution's 'legitimate business" and they will be at the mercy of patent holder. As an implication it would inevitably affect scientific progress and thus delaying or even blocking further research innovation.

In nutshell, prior to the CAFC's decision, experimental use defense was based primarily on the "commercial versus noncommercial implications" of the research while now the focus has been shifted to "furtherance of institution's legitimate business".

3. Infringement under 35 USC 271(g)

35 USC 271(g) refers to the infringement of process patents and the defenses available.

35 USC 271(g) states "Whoever without authority imports into the United States or offers to sell, sells, or uses within the United States a product which is made by a process patented in the United States shall be liable as an infringer, if the importation, offer to sell, sale, or use of the product occurs during the term of such process patent. In an action for infringement of a process patent, no remedy may be granted for infringement on account of the noncommercial use or retail sale of a product unless there is no adequate remedy under this title for infringement on account of the importation or other use, offer to sell, or sale of that product. A product, which is made by a patented process, will, for purposes of this title, not be considered to be so made after-

- (1) it is **materially changed** by subsequent processes; or
- (2) it becomes a trivial and nonessential component of another product

It states that if the third party is importing, using, selling or offering to sell the product within the United States made by patented process, shall be held liable as infringer. But it also states that if the third party is making the product through patented process, which is then materially changed, subsequent process and then he imports or sells that final product in the United States. such an act is immunized from the liability of infringement. This can be best explained by a way of hypothetical examples in case of importation of the product.

Consider "Party A" who has a process patent on Product X in



United States. The process patent covers the following process:

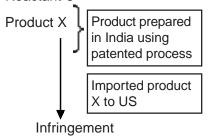
Reactant 1 + Reactant 2 + Reactant 3 = Product X.

Hypothetical situation 1:

Now, if the "Party B" moves offshore, e.g, India, and makes the product X using the patented process and imports that product X to US then it shall be an act of infringement under 271(g). This has also been presented graphically:

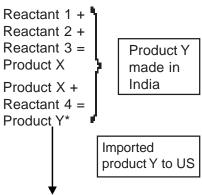
Product prepared in India using patented process

Reactant 1 + Reactant 2 + Reactant 3 =



Hypothetical situation 2:

If the Party B moves offshore, e.g, India, and makes the Product X using the patented process. He further **materially changes** the Product X to Product Y through subsequent process. Now, if he imports the Product Y to US then it shall not be an act of infringement under 271(g). It has been explained below by a way of graphical mode:



Not an act of infringement

* this means that in Product Y the Product X is absent. If on the other hand Product X is present then should become non-essential component in Product Y i.e. it does not affect the properties of Product Y.

In case of hypothetical situation 2, the importation of product Y shall not be considered as an act of infringement only if product Y differs materially from the product X. Now, the critical thing to consider here is what does "materially changed" mean.

i. "Materially Changed" products

In order to understand what does "materially changed" product means let us consider the Eli Lilly & Co. v. Am. Cyanamid Co. and Biotechnology Gen. Corp. v. Genentech case study

Case 1: Eli Lilly & Co. v. Am. Cyanamid Co.

Eli Lilly had patented a process for preparing an intermediate in US. Am. Cyanamid prepared the intermediate through patented process offshore and processed further the intermediate to the final product cefachlor, which is an antibiotic. The court held that the Am. Cyanamid is not an infringer because the final antibiotic product was a different chemical structure than the product of the patented process, and it possessed different properties. The court also noted that the intermediate in question resulting from the patented process was capable of being used to make more than one final product.

In nutshell, one can infer from the instant case that the product Y, as produced in hypothetical case 2 above, shall not be considered as materially changed if it has almost same chemical structure as that of Product X or it has no significant difference in the properties from that of Product X.

Case 2: Biotechnology Gen. Corp. v. Genentech

In Biotechnology Gen. Corp. Genentech case patented process covered the process for making plasmid. The accused infringer used the plasmid to express protein by further processing it and he argued that he does not infringe because the final product "protein" is materially changed. In contrast to the Lily's case, CAFC held that it is an act of infringement inspite of the fact the protein had substantially different structure and properties as compared to that of the intermediate "plasmid". Court stated that in this case plasmid could only yield one protein and not multiples proteins, which is thus an inherent property of that plasmid.

Thus, the final Product Y shall not be considered to be materially changed if it is the only product that can be made after processing intermediate x

ii. Use of the process before the patent is issued in case of biological material

Biological materials are self replicating, thus if the accused infringer uses the process before the patent is issued, he can use the defense against the application of 271(g) stating



that it is a pre-issuance manufacture. For example, once the DNA is isolated, amplified, cloned into a vector and transformed into a host cell then the population of the host cell can be replicated indefinitely.

iii. Meaning of the term "made" under 35 USC 271(g)

In Bayer V. Housey the court made clear distinction between the products, which are actually made by using a patented process, and the screening method, which generates information about the potential drug products. Housey owned US patents entitled "Method of Screening for Protein Inhibitors and Activators." The accused infringer "Bayer" screened the compounds offshore using Housey's screening method to generate the information whether compounds activators or deactivators. Bayer argued that the word "made" means "manufactured", as per dictionary meaning, and that information is not a manufactured product. Court agreed with the Bayer's arguments and held that Bayer is not infringing stating, "statute is concerned exclusively with products that are physical goods produced by manufacturing process".

The practical implication of the court's decision could be that owners of the patents claiming screening method should be aware that these patents cannot be used to stop competitors from using the patented invention outside the US and then importing the information generated by using patented screening method. Thus as a remedy, the

inventors of the screening methods should consider adding claims that include steps for making drug compound identified in the screening method.

Someone has rightly stated "Pioneers who lead the battle upfront and takes huge risks need to be prepared to face the changes in legal Interpretation".

4. Defense against infringement under 35 USC 271(e)(1) 35 USC 271 (e)(1) states

"It shall not be an act of infringement to make, use, offer to sell, or sell within the United States or import into the United States a patented invention (other than a new animal drug or veterinary biological product (as those terms are used in the Federal Food, Drug, and Cosmetic Act and the Act of March 4, 1913) which is primarily manufactured using recombinant DNA, recombinant RNA, hybridoma technology, or other processes involving site specific genetic manipulation techniques) "solely" for uses "reasonably related" to the development and submission of information under a Federal law which regulates the manufacture, use, or sale of drugs or veterinary biological products".

This provision was entered as a part of Drug Price Competition and patent term Restoration Act of 1984, which had two purposes:

 a. To restore the patent term to pharmaceutical inventions to compensate for the often-lengthy period of premarket testing

- pending regulatory approval to sell a new drug. (Also named as Hatch Waxman Act).
- Enacted in response to the court's decision in Roche Products, Inc. V.

Bolar Pharmaceutical Co. (Also named as Bolar Provision)

It states that if the third party is using the patented invention solely for the purposes of submitting the information to the regulatory authority, then it shall not be considered as an act of infringement. The generic companies use the patented invention to produce the version generic of the innovator's product and carries out the bioequivalence studies. This information is submitted to **FDA** (Food and Drug Administration) to gain marketing approval of the generic products. The generic applicant enters in market after the product patents listed in orange book have expired or are proved invalid or noninfringing. The act of using the patented product by the generic companies during the term of patent is not considered as an act of infringement because if it does not affect the Pecuniary Interests of the owner of the patented invention, which means that he is not making any commercial gains during the patent term. This is known as "Bolar provision" or "Safe Harbor".

Now, consider a case where the researcher is making the new chemical entities (NCEs). He initiates this project with an intention to discover the clinical candidate and submit the information to the FDA for the marketing approval of the



potential NCE. The researcher carries out in-vitro and in-vivo tests to screen the NCEs using the patented product as a standard. The biological data provides that the NCEs are not better over the patented drug and he finally decides to drop further work on the said project. As a result he does not provide any information to FDA. Then in this case would such act amount to infringement and waive off the immunization against infringement provided under 271(e)(1) as he has not submitted any information to the regulatory authority (FDA)?

In a unanimous decision in Merck KGaA V Integra, the Supreme Court held that "The use of patented compounds in preclinical studies is protected under 35 USC 271(e)(1) atleast as long as there is reasonable basis to believe that the compound tested could be of an FDA subject to submission and the experiments will produce the types of information relevant to an IND (Investigational New Drug) or NDA (New Drug Application)"

a. Merck KGaA V Integra

Integra owned US patent covering a substantially pure peptide referred as "RGD". Merck, an accused infringer entered into an agreement with the Scripps University and

provided patented RGD peptide along with few other novel peptides (EMD 66203, 85189) and 121974), to be screened potentially for the treatment of cancer. The Scripps scientists conducted several in-vivo and in-vitro experiments evaluate the specificity, efficacy, and toxicity of EMD 66203, 85189 and 121974 for various diseases, to explain the mechanism by which these drug candidates work, and to determine which candidates were effective and safe enough to warrant testing in humans using the patented RGD peptide as a standard".

The District court held that "statutory language strictly limits the exemption "solely" to uses with a reasonable relationship to FDA procedures. The term "solely" places a constraint on the inquiry into the limits of the exemption. Court ruled that Scripps-Merck experiments infringe the patent on the pioneer drug. The court of Appeals affirmed the District Court's decision.

Merck KGaA filed petition for Writ of Certiorari, which was accepted by Supreme Court. The Supreme Court overturned the decision of court of Appeals stating "Congress did not limit §271(e)(1)'s safe harbor to the development of information for inclusion in a submission to the FDA; nor did it create an

exemption applicable only to the research relevant to filing an ANDA for approval of a generic drug. Properly construed, §271(e)(1) leaves adequate space for experimentation and failure on the road to regulatory approval".

1. Conclusion

The available statutory and non-statutory exemption seems to have created a balance between the patentee's rights and promotion of further research for the benefit of public health. Also, Supreme Court's verdict in Merck KGaA V Integra case has opened gateways for the researchers to use the patent invention during the term of the patent but on the other hand it has created uncertainty regarding the value of patents covering research tools. It remains now unclear whether the research tool patents are covered by the safe harbor provision. This concern was shown by the Appelate Court which stated "If scope of § 271(e)(1) is extended to drug embrace new development activities then it would vitiate the exclusive rights of patentees owning biotechnology tool patents". It is yet to be seen how the patentees of the research tool patents would be able to reap benefits post Merck V. Integra case.

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35

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IP NEWS OF THE YEAR

Source: WIPO Magazine

Investment in Domain Name Pays Off

They were taunted as fools when they paid US\$7.5 million for the www.business.com domain name in 1999, the highest sum ever paid for a single domain name, but Jake Winebaum and Sky Dayton may yet have the last laugh. The site built around the name is now being put up for auction where, the Wall Street Journal reports, it is expected to fetch as much as US\$300 to 400 million.

The user-friendly business.com site describes itself as the leading business-to-business (B2B) search engine and pay-per-click advertising network, visited each month by some 6 million business users looking for products and services on the Internet. It was ranked by Inc. Magazine last year as the fifth fastest growing private media company in the U.S., now earning US\$15 million a year.

Crédit Suisse will run the auction which is expected to attract major big media players like the New York Times, Dow Jones & Co., Thomson and Bloomberg.

Counterfeit Museum of Shame

Action Plagiarius, which each year hands out its 'name and shame' award to deter counterfeiters, has now opened a museum in Solingen, Germany, exhibiting its 30-year collection of counterfeit goods.

In 1977, when Professor Rido Busse announced the first Plagiarius award to a Japanese company for shamelessly copying some scales he had designed for a German interior decoration firm, the event attracted little attention. But the following year several companies sent him counterfeit copies of their original



The Plagiarius Museum designed by Reinhard Angelis, Planung Architektur Gestaltung. (Photo: ©Tomas Riehle/artur)

designs and the idea took off. This year the award - a black garden gnome with a golden nose – was handed out to 12 counterfeiting companies for products ranging from petrol pump nozzles, to shopping bags, to medical implements. The publicity resulting from the activities of Action Plagiarus helps to increase awareness among the public of the problem of counterfeiting; and among entrepreneurs and designers of the importance of protecting their IP rights. The organization says that some "prize winners" acknowledge their unethical behavior and seek agreements with the original producer (e.g. payment of a licence or compensation fee, or withdrawal of the product from the market).

Like the award, the Plagiarius Museum, which opened on April 1, focuses on goods produced by small companies designers. These are the hardest hit by the effects of counterfeiting, often having invested all their resources, as well as their own creative efforts, in getting their product to market. They do not have the consumer brand recognition of major trademarks to protect them, nor the funds and how fight to counterfeiters. Action Plagiarius also offers legal advice and workshops to small companies to them help fight against counterfeiters.

US\$25 Million for a Technological Solution to Air Pollution



"We have only our ingenuity to fall back on." - Sir Richard (Photo: NASA)

Inspired by the success of past competitions which have led to great innovations, Sir Richard Branson, Chairman of the Virgin Group, is offering a US\$25 million prize to anyone who can invent an economical way to remove polluting carbon from the atmosphere. This is the biggest prize offering in history. "We have no super-hero. We have only our ingenuity to fall back on," said Sir Richard when he announced the Virgin Earth Challenge.

Former U.S. Vice-President Al Gore, James Lovelock, the originator of the Gaia Theory, and Sir Crispin Tickell, former British ambassador to the United Nations, will be on the panel of judges. While environmentalists have welcomed the initiative, some find it ironic that the prize is offered by an airline owner, who is also promoting commercial space travel – major sources of carbon pollution.

The Virgin Earth Challenge aims to find an innovative, cost-effective way to remove "a significant amount" of green house gases from the atmosphere every year for a decade. The winner will initially receive only US\$5 million, with the rest of the prize money being paid only after the 10-year goal has been achieved.

The closing date for the Earth Challenge is February 9, 2010.



Harry Potter and the IP Bonanza

WIPO Magazine No. 5 Oct. 2007

From rights to riches

The success of her creative works has brought J.K. Rowling enough wealth to pack the vaults of Gringotts Bank. It has, moreover, created huge revenues for license and rights holders throughout the copyright-based industries. The figures are dizzying:

- The first six books sold over 325 million copies worldwide. The seventh made publishing history in the U.K., selling over 2.6 million copies within the first 24 hours for publisher Bloomsbury. First day sales in the U.S. topped 8.3 million. According to U.S. publisher Scholastic, during a Harry Potter release year, sales of the book account 8 percent of the company's revenue. The translations in over 65 languages include Icelandic, Swahili, Serbian and ancient Greek.
- Five Hollywood film adaptations of the books have earned some US\$4 billion in ticket sales for Warner Bros., who hold the film rights, and have shot a new generation of young actors to fame. The first film, Harry Potter and the Philosopher's Stone (or Sorcerer's Stone in the U.S.), ranked fourth on the worldwide list of all-time highest grossing films. When the ABC **television** network broadcast Harry Potter and the Sorcerer's Stone in April this year, it still netted

- approximately 4.2 million U.S. viewers. The haunting **music** soundtracks from the first four movies, composed by John Williams, sold over 1.1 million copies in the U.S.
- Warner Bros. also own the the Harry Potter trademarks, including characters, themes and other elements. The company divided the rights among its licensees for use on some 400 different products. SO mutually brand: reinforcing the Toymakers Hasbro, example, are licensed to distribute Harry Potter sweets - such as Cockroach Clusters, Chocolate Frogs and Fizzing Whizbees - on which U.S. consumers have spent more than \$11.8 million since 2001. Mattel acquired the right to make Harry Potter action figures, games and puzzles, and saw the company's shares rise by 13.5 percent. Electronic Arts gained the rights to manufacture Harry Potter computer and video games; and Coca Cola secured rights in marketing the film together with its products. Estimates of the global worth of the Harry Potter brand range from US\$4 billion to twice that figure.

Defence against the dark arts

Success, however, brings in its wake free-riders seeking to profit from - or help themselves

to - the creative output of others. J.K. Rowling's lawyers have had their hands full defending her copyright against infringers.

The infringements have taken more different forms than Rowling's shape-shifting Boggart. Entire scanned copies of the books have been uploaded and distributed across the Internet. J.K. Rowling launched several legal actions against users of the e-Bay online auction site this year, alleging that they were selling illegal e-books of her work.

In India, legitimate book sellers bewailed the proliferation of pirated print copies in the streets of Mumbai and Bangalore, despite concerted action by police and vigilance officials. "We estimate 50 percent of sales lost due to piracy," Himali Sodhi, head of marketing for Penguin India, told Asia Times Online. Akash Chittranshi of the New Delhibased firm, ACA-Law, added with a smile: "Some of the pirated books use such cheap paper that they turn into pulp if some water drops on to them."

Infringing versions of the books in China were in a league of their own. From 2002, entire fake sequels - bearing J.K. Rowling's name, photo and even copyright notices -began apparating in book shops under such fantastical titles as "Harry Potter and the Filler of Big" and "Harry Potter and Leopard-Walk-up-to-Dragon." Readers of the latter were less than



enchanted to find their young hero apparently more preoccupied by personal hygiene than by the fight against the Evil Lord, ("Harry wipes sticky cake from his face...For a civilised young man, it is disgusting to have dirt on any part of his body"); and then to be teleported into J.R. Tolkien's The Hobbit, with the names changed to Harry Potter characters. Prompt legal action by J.K. Rowling's lawyers saw the infringing book removed, with a fine and an apology from the Chengdu-based publishing house.

A French teenager was detained by police in August this year, having translated all 759 pages of the final book just days after its release and posted it on the Internet. Apparently not having sought commercial gain,

he was released without charge, having learned a sharp lesson about copyright.

Parody and plagiarism

The books have spawned a range of other unauthorized derivative works and imitations. The Tanya Grotter books by Russian author Dmitry Yemets, featuring a magical teenager with round glasses at the Abracadabra school witches, have gained a loval following in Russia. J.K. Rowling and her publishers brought a successful legal action in the Dutch courts in 2003 to prevent the distribution outside Russia of a Dutch translation of *Tanya* Grotter and the Magical Double Bass. The Dutch courts rejected the arguments put forward by Mr. Yemets and his Moscowbased publishers, who claimed that the books constituted a parody, permissible under copyright law exemptions. A number of Harry Potter parodies are, however, currently in circulation, and have not faced legal injunction, including Michael Gerber's Barry Trotter and the Shameless Parody, which has sold over 700,000 copies.

J.K. Rowling's creative talents have made her one of the wealthiest women in the world. it was through the international system of IP rights that she was able to plug that creativity into the global publishing and entertainment networks which propelled her from poverty to plenty. Harry Potter is not just a children's story. It is a magical tale of the powers transformative creativity and intellectual property.















MUGGLE MAGIC IN THE PCT?

"Any sufficiently advanced technology is indistinguishable from magic." - Science fiction novelist, Arthur C. Clarke (1961)."First demonstration of a working invisibility cloak," announced a press release last year from Duke University, in North Carolina. The break-through by researchers in the electrical and computer engineering department, published in the journal, Science, seemed to herald a fantasy come true. The device works by deflecting microwave light around an object with so little distortion as to make it seem to an observer almost as if it were not there. "The wave's movement is similar to river water flowing around a smooth rock," explained the designer, David Schurig. The researchers created the cloaking device using "metamaterials" - artificial composites that can be made to interact with light and other electromagnetic waves in ways that natural materials cannot - which were arranged in a precise series of concentric circles that confer specific electromagnetic properties. David Shurig is named as a co-inventor on PCT patent applications, including WO/2006/023195 for Metamaterials.But sadly for the would-be wizards among us, there is a long way to go. The device cannot hide an object from a human eye but only, as the New Scientist explains, from the "eyes" of a microwave detector. And for the moment it only works in two dimensions. Undeterred, the team is already at work on a 3D version.

SOUVENIR 2007 38



Events 2007 Strengthening IP Regime-Need for IP Awareness & Education



Dr. Malathi LakshmiKumaran releasing the NIPO Souvenir 2006



Dr. P.L. Sanjiv Reddy Director IIPA delivers the inaugural address



President NIPO Dr. R.K. Dhawan giving the welcome address



Mr. Brian Pangrle enthralls the audience



A view of the audience



Meeting of Minds : Mr. Rodney D. Ryder exchanging notes with Mr. Brian Pangrle



Events 2007 International Meeting on IP & Development Issues Related to the Development Agenda





Dr. Ajay Dua Secretary DIPP inaugurates the meet



Mr. Sherif Sadallah Executive Director WIPO addresses the Delegates



Dr. R.K. Dhawan President NIPO giving the vote of thanks



Participants from the Indian Delegation





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Dr. V.K.Garg, CMD, PFC receiving the certificate (conferring Navratna status) from Shri P. Chidambaram, Hon'ble Union Finance Minister, on June 22, 2007

PERFORMANCE HIGHLIGHTS FY 2006-07

Opera	As.ove			
Particulars	FY2005-06	FY2006-07	C	hange
Sanctions	22,502	31,146	-	38%
Disbursement	11,681	14,055	4	20%
Operating Income	3,126	3,817		22%
Profit Before Taxes	1,265	1,508	-	19%

PFC's Contribution to Power Sector

	Cumulative Sanction	Rs. 1,23,398 crore		
	Cumulative Disbursement	Rs. 75,854 crore		
	Installed Capacity Supported	50,000 MW		
■ Installed Capacity Commissioned		29,000 MW (22% of installed capacity in the country)		

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A minimum michiga	etrusia.
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☐ Disbursement per employee	Rs.45 crore
☐ Profit per employee	Rs.3 crore

Credit Rating

'Highest Rating' by Domestic Rating Agencies	
CRISIL	'AAA'
ICRA	'LAAA'
'Sovereign Rating' by International Rating Agencies	
Moody's	'Baa3'
Standard and Poor's	'B88-
FITCH	'BBB-'

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SAVE ENERGY THE EASY WAY!

- Switch off lights when not required.
- Use CFL instead of conventional bulbs.
- Use electronic chokes in place of ordinary chokes in tubelights.
- Use a table lamp for reading.
- Keep lamps and light fixtures dust free.
- Wash full loads on your washing machine.

Best wishes to the people of the Nation on completion of 60 years of independence



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SAVEENERGY, SAVE MONEY, BEE HAPPY







- ♦ Think
- Imagine
- ▶ Dream
- Believe
- ◆ Create
- Protect
- Monetize

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