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REPORT OF THE WEBINAR ON
‘STATEMENT OF
COMMERCIAL WORKINGS
OF PATENTS IN INDIA:

*Industry perspective in regard to
filing of Form 27’*

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INTRODUCTION

The Patent (Amendment) Rules, 2020, that aim to regulate the filing of the commercial working statement of patents in India, recently came into effect and have become a subject of global debate. Under the new rules, the Government of India prescribed a new format for Form 27[1] under Section 146 of the Indian Patent Act, 1970.

The European Business and Technology Centre (EBTC), in association with the Associated Chambers of Commerce and Industry of India (ASSOCHAM), NIPO The Indian IPR Foundation and Anand & Anand, organized a webinar on 4th December 2020, on the topic 'Statement of Commercial Workings of Patents in India: Industry perspective in regard to filing of Form 27', to understand the impact of the new rules on various sectors in the industry. The panel comprised of notable experts namely, Dr K.S.Kardam, Former Senior Joint Controller of Patents and Designs; Ms Gabriele Mohsler, VP Patent Development at Ericsson; Ms Archana Shankar, Senior Partner, Anand & Anand; Mr Arshad Jamil, Chief IP Counsel, Biocon Biologics Limited; Dr Sheetal Chopra, Chair of ASSOCHAM, IPR Council; Mr Ashok Shukla, CEO, S.P.A. Associates. The discussion was moderated by Dr Neeti Wilson, Partner, Anand & Anand.

[1]http://www.ipindia.nic.in/writereaddata/Portal/IPOFormUpload/1_39_1/form-27.pdf

OPENING REMARKS

Dr K.S. Kardam, Former Senior Joint Controller of Patents and Designs, opened the discussion by stating that the commercial workings of patent in India and the Form 27 has been a topic of intensive debate for a long time. While giving a brief history on the topic, Dr Kardam added that various committees have been formed by the Government for the revision of patent law in India since 1949. Notably, in 1957, **Justice N. Rajagopala Ayyangar Committee** was formed to examine the question of revision of the Patent Law in India. As per the Committee's report, it was found that there is an urgent need for India to develop its industrial sector and form the Patent law accordingly. The report focused on the working of patents and the disclosure of the commercial information as a result of which the Patent Act of 1970 was passed.

Talking about the current developments, Dr Kardam emphasized on the constantly developing nature of the patent law. He enthusiastically welcomed the amended provisions, which have been successfully introduced after numerous past attempts by the government.

Dr Kardam opined that the amendment has made the provision more flexible by allowing for a single application for bouquet patents. He highlighted the benefits of the changes incorporated in the revised Form 27 including the change of "Imported from other countries" to "Imported to India", allowing the patent holder to reserve critical information, and the removal of ambiguous phrases like "public requirement". He also appreciated the provision for the non-compulsory disclosure of names of the licensee.

On a critical note, Dr Kardam emphasized the importance of the commercial working of a patent and how this provision could have been improved. According to him, as the Act does not require the disclosure of value, this provision seemingly serves no purpose. Moreover, in case of any dispute, Section 146(1)[2] of the Act empowers the Controller to ask for any such information, including the value. Thus, this provision, despite being a major initiative by the government, might just end up disappointment among the patentee. Overall, he appreciated the changes made by the government.

[2] Section 146(1) Power of Controller to call for information from patentees-

(1) The Controller may, at any time during the continuance of the patent, by notice in writing, require a patentee or a licensee, exclusive or otherwise, to furnish to him within two months from the date of such notice or within such further time as the Controller may allow, such information or such periodical statements as to the extent to which the patented invention has been commercially worked in India as may be specified in the notice.

INTRODUCTION TO THE TOPIC

Dr Neeti Wilson, Partner, Anand and Anand introduced the topic of discussion by referring to the Indian Patent Act itself emphasising the requirement of working of granted patents. As per Indian patent Law, patents in India are granted for the protection and enforcement of patent rights which promote technological innovation and dissemination of technology for the benefit of producers as well as users. Patent rights ensure social and economic welfare and create a balance between the rights and obligations of patentees. Commercial working statements thus are crucial to assess the success of patent system in India. The Format of the statement, i.e. Form 27 and the issues related to submissions of commercial information have been a concern for stakeholders which have been addressed to some extent in the new Rules.

Dr Wilson highlighted the following major changes that were brought about concerning the requirements for submission of working statements for patents via the Patents Amendment Rules, 2020:




Under the new format, the annual period of submitting the working statement has been changed from calendar year to Indian financial year. As a result, the period for which the first statement is to be submitted is now April 1st 2020 to March 31st 2021.



The statement becomes due in six months (in comparison to the previous time limit of three months), post completion of the statement period. This gives the patentee/licensee more time to collate the details. As a result, the first statement under the new Rules becomes due on September 31st 2021.

INTRODUCTION TO THE TOPIC

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- Form 27 has been simplified. The declaration of meeting the public requirements fully or to a reasonable extent, which were almost difficult to be adhered to, by most patentees, has now been removed.
 - The requirement of segregation of quantum and value for the patented product based on the units imported from each country is no longer applicable.
 - Previously, patentees and licensees were able to provide a combined statement. However, as per the amendment, only co-patentees can file a joint statement. This is an optional feature and may be opted for by the patentees at their discretion. Nevertheless, a licensee cannot combine a statement with a patentee and the same must be done individually. Therefore, even though the new form 27 does not seek for the details of the licensee, the licensee comes into picture.
 - A new option has been provided for filing single statement for multiple patents, provided the patents are owned by same patentee. This would be useful for combining the statements of patents for related inventions whose commercialization is difficult to segregate.

Dr Wilson highlighted the importance of submissions made in the working statements in terms of confidentiality and valuations of the patented inventions. She noted that mostly the high penalty and possibility of compulsory licensing (CL) takes the limelight while discussing commercial working of patents. However, the Form 27 being accessible to all, including possible infringers, litigants, regulatory bodies, such as National Biodiversity Authority (NBA) etc. creates much bigger business risk than CL. Calculations of damages or compensation before courts as well as benefit sharing before NBA could be correlated with the information submitted in Form 27. These concerns are yet to be looked into, thereby providing many more points of dialogue among stakeholders in this topic.



PERSPECTIVE OF A FOREIGN STAKEHOLDER

Ms Gabriele Mohsler, VP Patent Development at Ericsson

Ms Gabriele Mohsler opened her statement by stating that albeit Form 27 is a step in the right direction, filing this form annually for every patent renders the process quite cumbersome owing to the multitude of patents owned by a company.

Ms Gabriele further spoke about the approximate revenue accrued by a patentee and licensee and stated that determining the approximate value itself is difficult as no precise criterion has been set for the same.

Quoting Mr Justice Briss from *Unwired Planet v. Huawei*, Ms Gabriele said that, “determining the value of a license of a certain patent in a certain country is madness. It is not a normal business requirement and in the case of an existing license, it is impossible to determine”.

Moving the discussion on to the global scenario, Ms Gabriele claimed that no country requires such a provision anymore as it is a burden on the patentee with no evident benefit. Such information must only be demanded in case there is a need for a compulsory license. She ended on a positive note by stating that despite the shortcomings, this is a step in the right direction, hence, one must not stop here and move forward.

PERSPECTIVE OF A LAW FIRM

Ms Archana Shanker, Senior Partner, Anand & Anand

Giving a brief history of the working statement, Ms Archana said that when this provision was introduced by the Tek Chand Committee in 1950, the Indian industry was at a nascent stage. The disclosure of the commercial working statement by the companies was seen as a way to bring in more foreign investment in the country. Now, 70 years later, there is no need for a Commercial Working statement in India, which is primarily because of the low number of licenses in the country.

Reiterating Ms Gabriele's point, Ms Archana said that the need for a commercial working statement only emerges in case of a compulsory license application. To bring into effect, the compulsory license to demonstrate that the invention is not working in India, the company can undertake its investigation, and submit the application to the Patent Office, following which the Patent Office can request for a counter-response on the application.

Another pertinent problem to be addressed is the harshness of penalties imposed. If a company does not file a working statement or erroneously

provides false information, the penalty is heavy. Thus, rather than helping the nation, this provision disincentivizes the investors and acts as a deterrent.

Given that it is a substantive provision of law, it is here to stay. This is a step in the right direction. The replacement of 'annual year' with 'financial year'—and the change from a single to multiple patents in a single form—has simplified the process considerably.

However, there are many ambiguities in this provision.

One problem is the vague definition of the term 'commercial scale' used in the form. Many non-practicing entities like Oxford, file a patent but don't commercialize their product, instead, they license the patent to other companies. This usually happens in the case of platform technology. Thus, whether a commercial-scale signifies an actual product in the market or does it connote a patent further licensed to other companies, is uncertainty that needs to be cleared. Another ambiguity is that despite the removal of the phrase 'Public Requirement', it is still implicitly present in the form.

PERSPECTIVE OF THE PHARMACEUTICAL INDUSTRY

Mr Arshad Jamil, Chief IP Counsel, Biocon Biologics limited

Mr Arshad threw light on the perspective of the pharmaceutical industry on the new Form 27. He mentioned that the pharmaceutical industry faced several challenges with the earlier Form 27.

The writ petition filed by Prof. Shamnad Basheer raised several issues relating to the working of patents including Section 146 of the Patent Act, 1970, the contents of Form 27, and the implementation of penal provisions under Section 122 of the Act. Although the petition questioned the failure of the Indian patent office to penalize the non-adherence of the requirement by patentees and urged the Government to ensure strict compliance to such disclosure provisions, the Court after hearing the arguments of the defense concluded that the Form 27 in itself was outdated and needed to be amended. The court ordered the Government to submit the timeline for and how the steps for modifying the Form 27 could be implemented. Pursuant to such order, several stakeholder meetings comprising of various industry experts, law firms, IP counsels, trade chambers, etc. were held, and consequently, changes were made to the Form 27 via the Patent Amendment Rules 2020.

PERSPECTIVE OF THE PHARMACEUTICAL INDUSTRY

Mr. Arshad opined that the modifications made via the Patent Amendment Rules, 2020 are 'welcome changes' to the pharmaceutical industry. However, he questioned the necessity of having the Form 27 to demonstrate the Working Statement. The other jurisdictions across the world did not have such a requirement and hence such a requirement merely in India acts as a barrier to the effective functioning of the patent system. He concluded by saying that the information in Form 27 may be relied upon in litigations by parties other than the patentees and further added that in the past, several pharmaceutical companies have, in fact, used this form to disparage the claim of certain patentees.



PERSPECTIVE OF THE TRADE CHAMBER

Dr Sheetal Chopra, Chair of ASSOCHAM IPR Council

Dr Sheetal offered her views on the changes brought in the new Form 27 from the perspective of a trade chamber that works closely with both companies as well as the Government.

Dr Sheetal opined that law must always evolve with technology change and should, at no point, be archaic. She noted how Section 146 of the Patent Act, which requires the submission of working statements, was brought forth in the 1970s and was conducive to the industry dynamics that were prevalent back when there was minimal commercialization in India. However, this is not the case anymore. Currently, after the lapse of more than 60 years, India has come a long way in terms of inventions, especially in the pharmaceutical industry. There is abundant technology transfer in the IT sector, manufacturing sector, pharma sector, etc. The market receives abundant technology and even amidst severe competition, there are numerous collaborations.

She concurred with Ms Archana on the need to relook at the laws through a completely new lens so that they are more conducive to the industries and are more

in line with the 'Make in India', 'StartUp India' and other initiatives of the Government.

Dr Sheetal noted that most companies that were associated with the Chamber [ASSOCHAM], considered licensing to be the most effective method of ensuring access to technology after manufacturing and importation. She emphasized the difficulty in complying with Form 27 requirements, particularly in the case of a bouquet of patents wherein global companies who do not have to adhere to such requirements in any other jurisdiction have to make specific working statements for just one country. This acts as an additional burden on the companies, especially in the global licensing regime, and thus, is a deterrent. She opined that such a requirement, although stipulated in the Preamble of the Patent Act, goes against the ultimate goal to promote innovation.

Dr Sheetal drew attention towards another critical issue, that is, Form 27 is not only monitored by the Indian Patent Office but also several other Government departments. She mentioned that several intelligence agencies and tax authorities

PERSPECTIVE OF THE TRADE CHAMBER

often send notices and show causes to patentees to seek information of the quantum of the imports made and returns earned by the prospective licensees from the patents which constitutes an additional and unnecessary burden on them to ensure the compliance requirements of such licensees. She opined that such notices from intelligence and tax authorities cannot be taken lightly as non-compliance could even result in subsequent imprisonment.

Putting forward the perspective of industries, Dr Sheetal remarked that patentees are not averse to giving information to the Government but are only concerned about the confidentiality of such information. She suggested that if there was a system to ensure confidentiality of the information provided to the Patent Office akin to the “Confidentiality Club Order” passed by the Delhi High Court there would be better and the free exchange of information.

The Delhi High Court via a notification introduced provisions in the Delhi High Court (Original Side) Rules, 2018 to set up and recognize confidentiality clubs.[3]

As per Rule 17 of Chapter VII of the Rules, during the course of litigation, if parties want to rely on information or documents

which are commercially or otherwise confidential, the Court has the discretion to set up a confidentiality club allowing only limited access to such information. Albeit a nascent concept in India, the same was introduced to enable Courts to deliver justice while keeping safe, sensitive data pertaining to the parties. Dr Sheetal believed that introducing a similar provision may help encourage patentees to share their working statements thereby ensuring compliance with Section 146 requirements.

Dr Sheetal concluded the discussion by reiterating that the absence of a system to maintain the confidentiality of business-sensitive information shared by licensees creates a sense of mistrust among licensees which results in a reluctance to share information. As a solution, she suggested that patentees must be asked to submit information pertaining to the working of the patents only if a dispute has been raised to state that such patents have been ineffective. She remarked that the current system indicates a presumption in the favor of likelihood of inefficacy of the patents which needs to be reformed to bring forth a system based on trust which could promote innovation.

[3]New Delhi Notification No. 722/Rules/DHC, HIGH COURT OF DELHI, available at: http://delhihighcourt.nic.in/writereaddata/upload/Notification/NotificationFile_8BP1BKKNT2G.PDF

PERSPECTIVE OF THE SMES

Mr Ashok Shukla, CEO of S.P.A. Associates

Mr Ashok shared his views on the impact of Form 27 requirement and subsequent changes on the small-medium enterprises in India.

He noted that over the years of discussions, Form 27 had been critically analyzed by only keeping in mind the bigger companies importing technologies from abroad. He emphasized that the challenges faced by Indian innovators attempting to get their patents registered were often ignored. He threw light on certain specific issues faced by small-medium enterprises in adhering to the Form 27 requirement. Preparing commercial working statements is a time consuming and costly affair and is not favorable to the SME sector, which does not have the financial and other resources necessary for the same.

He noted that the provision of the Patent Act imposing a hefty penalty of Rs. 10 Lakhs and imprisonment of 6 months was excessively harsh and acts as a deterrent to patenting inventions by the smaller players in the market. He stated that the extension of the timeline to submit the working statements from three months to six months was relieving but it still was an unnecessary and dissuading provision, as failure to comply would result in harsh and disproportionate penalties.

He noted that the amendment of October 2020 stipulates a requirement to inform the patent office whether the working method has been changed or not. In creating inventions, the working methods are often changed; however, a requirement seeking to disclose such changes was absurd and unnecessary. He expressed his concern over SME's inability to demonstrate the working of patents which may be exploited by other players in the market, to invalidate the patents, and to use the information in Form 27 to commercialize the same products at a much larger scale.

Another issue Mr Ashok Shukla raised was about the requirement of value estimation. He noted that when the same patented product is utilized in several finished products, the value and returns vary based on the final product. Therefore, carrying out such value estimation across various ranges of products and capturing the same in the form is a tedious task that cannot be completed in the stipulated time and hence acts as a deterrent.

Mr Ashok Shukla stated that SMEs find it extremely difficult to adhere to the Form 27 requirement—as it involves the hiring of professionals ranging from chartered accountants to lawyers—



PERSPECTIVE OF THE SMES

which burdens the industry with additional costs that they are not capable of meeting with their limited resources. He concluded by stating that the barriers to patenting inventions in India are so grave that SMEs often prefer to register them outside India. He implored the Government to either remove the provision stipulating the requirement of working statements or simplify it at least to a sufficient extent to not act as a deterrent.

Concluding the discussion, **Dr Kardam** said that despite the various criticisms, there is nothing wrong with the present law, including Sections 12, 146, and 83 of the Indian Patent Act. Considering the fact that there was no such provision or explanation before this amendment, the government must be appreciated for bringing in such an unprecedented change in the law. Speaking from the government's point of view, Dr Kardam said that the Government has tried to understand the problems and has worked accordingly. The real problem, according to Dr Kardam is that of determination of approximate value. This rule could lead to misuse of the Form 27, especially with respect to infringement suits. On a positive note, he said that the government might realize that the approximate value is only needed in case of a compulsory license application. Giving a solution to this, Dr Kardam said that after the current implementation, the government might try to understand the practical problems faced by the industries and amend these rules in a couple of years.

CLOSING REMARKS

In conclusion, **Ms Gabriele** admitted that Europeans have had objections to this amendment, but she is hopeful that this will be removed from the law. In the meantime, the foreign and Indian stakeholders should continue working on this together.

On a hopeful note, **Ms Archana** opined that in the coming years, with the government's aim of making it easier for the industries to do business, several changes might be seen in law, especially in the commercial workings.

Dr Sheetal appreciated the government and said that this is a commendable step and that there are better times to come.

Mr Arshad concluded by saying that we must work together to facilitate foreign investment and promote ease of business in the country. He said that he is looking forward to the positive changes.

Mr Shukla, ending on a solemn note, said that despite the positive actions of the government, the pace of change is too slow and needs to hasten up.



PANELISTS

Dr K.S. Kardam

Former Senior Joint Controller
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The webinar was jointly organised by:

EBTC European Business and Technology Centre,
ASSOCHAM The Associated Chambers of Commerce
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NIPO The Indian IPR Foundation &
ANAND AND ANAND

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