

SUGGESTED ANSWERS

PROFESSIONAL PROGRAMME

INTELLECTUAL PROPERTY RIGHTS - LAW & PRACTICE (PP- IPR L&P/2013) (ELECTIVE 9.4)



**THE INSTITUTE OF
Company Secretaries of India**

IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament

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These answers have been written by competent persons and the Institute hopes that the **SUGGESTED ANSWERS** will assist the students in preparing for the Institute's examinations. It is, however, to be noted that the answers are to be treated as model and not exhaustive answers and the Institute is not in any way responsible for the correctness or otherwise of the answers compiled and published herein.

The Suggested Answers contain the information based on the Laws/Rules applicable at the time of preparation. However, students are expected to be well versed with the amendments in the Laws/Rules made upto **six** months prior to the date of examination.

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PROFESSIONAL PROGRAMME

INTELLECTUAL PROPERTY RIGHTS – LAW AND PRACTICE

TEST PAPER 1/2013

Time allowed : 3 hours

Max. Marks : 100

NOTE : Answer ALL Questions.

Question No. 1

What is meant by Intellectual Property ? Why does intellectual property need to be promoted and protected ?
(10 marks)

Answer to Question No. 1

Intellectual property (IP) refers to the creations of the human mind like inventions, literary and artistic works, and symbols, names, images and designs used in commerce. Intellectual property is divided into two categories: Industrial property, which includes inventions (patents), trademarks, industrial designs, and geographic indications and Copyright, which includes literary and artistic works such as novels, poems and plays, films, musical works, artistic works such as drawings, paintings, photographs and sculptures, and architectural designs. Rights related to copyright include those of performing artists in their performances, producers of phonograms in their recordings, and those of broadcasters in their radio and television programs. Intellectual property rights protect the interests of creators by giving them property rights over their creations.

The most noticeable difference between intellectual property and other forms of property, however, is that intellectual property is intangible, that is, it cannot be defined or identified by its own physical parameters. It must be expressed in some discernible way to be protectable. Generally, it encompasses four separate and distinct types of intangible property namely — patents, trademarks, copyrights, and trade secrets, which collectively are referred to as “intellectual property.” However, the scope and definition of intellectual property is constantly evolving with the inclusion of newer forms under the gambit of intellectual property. In recent times, geographical indications, protection of plant varieties, protection for semi-conductors and integrated circuits, and undisclosed information have been brought under the umbrella of intellectual property.

With the establishment of the World Trade Organization (WTO), the importance and role of the intellectual property protection has been crystallized in the Trade-Related Intellectual Property Systems (TRIPS) Agreement. It was negotiated at the end of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) treaty in 1994.

The TRIPS Agreement encompasses, in principle, all forms of intellectual property and aims at harmonizing and strengthening standards of protection and providing for

effective enforcement at both national and international levels. The TRIPS Agreement, which came into effect on 1 January 1995, is to date the most comprehensive multilateral agreement on intellectual property. The areas of intellectual property that it covers are:

- (i) Copyright and related rights (i.e. the rights of performers, producers of sound recordings and broadcasting organisations);
- (ii) Trade marks including service marks;
- (iii) Geographical indications including appellations of origin;
- (iv) Industrial designs;
- (v) Patents including protection of new varieties of plants;
- (vi) The lay-out designs (topographies) of integrated circuits;
- (vii) The undisclosed information including trade secrets and test data.

Over a period of time and particularly in contemporary corporate paradigm, ideas and knowledge have become increasingly important parts of trade. Most of the value of high technology products and new medicines lies in the amount of invention, innovation, research, design and testing involved. Films, music recordings, books, computer software and on-line services are bought and sold because of the information and creativity they contain, not usually because of the plastic, metal or paper used to make them. Many products that used to be traded as low-technology goods or commodities now contain a higher proportion of invention and design in their value, for example, brand-named clothing or new varieties of plants. Therefore, creators are given the right to prevent others from using their inventions, designs or other creations. The premise underlying Intellectual Property throughout its history has been that the recognition and rewards associated with ownership of inventions and creative works stimulate further inventive and creative activity that, in turn, stimulates economic growth.

Question No. 2

An invention may satisfy the condition of novelty, inventiveness and usefulness but it may not qualify for a patent. Discuss. Who checks the novelty features of the invention ? (10 marks)

Answer to Question No. 2

It is correct that an invention may satisfy the condition of novelty, inventiveness and usefulness but it may not qualify for a patent. The Patents Act, 1970 expressly excludes certain categories of inventions from patentability. These inventions have been stipulated under Section 3 of the Patents Act which are as follows:

- (a) an invention which is frivolous or which claims anything obviously contrary to well established natural laws;
- (b) an invention the primary or intended use or commercial exploitation of which could be contrary to public order or morality or which causes serious prejudice to human, animal or plant life or health or to the environment;
- (c) the mere discovery of a scientific principle or the formulation of an abstract

- theory or discovery of any living thing or non-living substances occurring in nature;
- (d) the mere discovery of a new form of a known substance which does not result in the enhancement of the known efficacy of that substance or the mere discovery of any property or mere new use for a known substance or of the mere use of a known process, machine or apparatus unless such known process results in a new product or employs at least one new reactant; Explanation to clause (d) clarifies that salts, esters, polymorphs, metabolites, pure form, particle size, isomers, mixtures of isomers, complexes, combinations and other derivatives of known substance shall be considered to be the same substance, unless they differ significantly in properties with regard to efficacy;
 - (e) a substance obtained by a mere admixture resulting only in the aggregation of the properties of the components thereof or a process for producing such substance;
 - (f) the mere arrangement or re-arrangement or duplication of known devices each functioning independently of one another in a known way;
 - (g) omitted by Patents (Amendment) Act, 2002;
 - (h) a method of agriculture or horticulture;
 - (i) any process for the medicinal, surgical, curative, prophylactic diagnostic, therapeutic or other treatment of human beings or any process for a similar treatment of animals to render them free of disease or to increase their economic value or that of their products;
 - (j) plants and animals in whole or any part thereof other than micro-organisms but including seeds, varieties and species and essentially biological processes for production or propagation of plants and animals;
 - (k) a computer programme per se other than its technical application to industry or a combination with hardware;
 - (l) a literary, dramatic, musical or artistic work or any other aesthetic creation whatsoever including cinematographic works and television productions;
 - (m) a mere scheme or rule or method of performing mental act or method of playing game;
 - (n) a presentation of information;
 - (o) topography of integrated circuits;
 - (p) an invention which in effect, is traditional knowledge or which is an aggregation or duplication of known properties of traditionally known component or components.

Section 4 prohibits the grant of patent in respect of an invention relating to atomic energy falling within Sub-section (1) of Section 20 of the Atomic Energy Act, 1962.

Section 20 of the Atomic Energy Act, 1962 contains special provision relating to inventions. Under Section 20 (1) of the Atomic Energy Act, 1962 "no patents shall be granted for inventions which in the opinion of the Central Government are useful for or relate to the production, control, use or disposal of atomic energy or the prospecting, mining, extraction, production, physical and chemical treatment, fabrication, enrichment,

canning or use of any prescribed substance or radioactive substance or the ensuring of safety in atomic energy operations". Patent office checks the novelty features of the invention.

Question No. 3

What is patent information? Briefly explain the significance of using the patent information. How does a patent document help in R&D ? (10 marks)

Answer to Question No. 3

Patent information includes not only the content of published patent documents but also bibliographic and other information concerning patents for inventions, inventors' certificates, utility certificates and utility models. It is the largest, well-classified and most up-to-date collection of technical documents on new and innovative technologies.

Patent applications are filed in accordance with the requirements of national or regional patent laws. An applicant may be a public and private company, government agency, researcher in a university or in a research and development institution, or even individual inventors.

Significance of using the patent information : A patent document contains in a standardized form, a wealth of information about the state-of-the-art, adjudged in the international context, in technological developments in that area of technology.

Patent information is more than just technological or legal information. When developing a new product, comparative technological information may determine the success or failure of the product and, in turn, the success or failure of the company itself. Some of the practical applications of patent information include:

Patents & Management of Research and Development (R&D)

In order to enter into a new business or to develop a new product, a company should be able to seize the overall image of the relevant technology field and accurately forecast the market needs. Patent analysis makes it possible to find out the flow of technology from elementary technologies along with the expansion of those technologies, the trend of technological change, the life cycle of a technology (consisting of growth, development, maturity and decline), problems and solutions in the development of a particular technology, competitors' technologies and solutions to cope with possible problems. Knowing the life cycle of a technology makes it possible to judge the timing of development policy and focus on certain development themes. It can also prevent an infringement from occurring, which would save a huge amount in litigation expenses and compensation for damages.

Patents are often linked to research and development and can be considered as indicators of R & D output. If one company has more patents than another does, then this suggests that the company has a stronger commitment to R&D. Not all patents, however, are equally valuable. A few patents are for radical inventions that change the world; most patents are granted for incremental but non-obvious inventions. A patent, which is more frequently cited than other patents of the same age, is regarded as a patent of greater impact or of higher quality. From links between patents revealed by patent citation analysis, it is possible to target the acquisition of strong patents, which results in the enhancement of R&D output and, consequently, much improved or new products.

Question No. 4

What are the essential requirements for the registration of design under the Designs Act, 2000 ? (10 marks)

Answer to Question No. 4

Design means only the features of shape, configuration, pattern or ornament or composition of lines or colour or combination thereof applied to any article whether two dimensional or three dimensional or in both forms, by any industrial process or means, whether manual, mechanical or chemical, separate or combined, which in the finished article appeal to and are judged solely by the eye, but does not include any mode or principle or construction or anything which is in substance a mere mechanical device, and does not include any trade mark, as define in clause (v) of sub-section of Section 2 of the Trade and Merchandise Marks Act, 1958, property mark or artistic works as defined under Section 2(c) of the Copyright Act, 1957.

Essential requirements for the registration of design

An application for registration of a Design shall be addressed to the Controller of Designs, the Patent Office at Kolkata, or at any of its branch offices at New Delhi, Mumbai and Chennai. A proprietor may be from India or from a Convention Country.

Type of Applications

- (a) Ordinary application.

An ordinary application does not claim priority.

- (b) Reciprocity application.

A reciprocity application claims priority of an application filed previously in a convention country. Such an application shall be filed in India within six month from the date of filing in Convention Country. This period of six months is not extendable.

Substitution of Applicant or Joint Claiming

Name of an applicant can be substituted or a joint claim can be made for an applied design, if the following requirements are met:

- (a) The claim for substitution is made before the design has been registered; and
- (b) Right of claimant shall be created only by:
- (i) an assignment;
 - (ii) agreement in writing made by the applicant or one of the applicants; or
 - (iii) operation of law; and
- (c) The design under consideration shall be identified in the assignment or agreement specifically by reference to the number of application for registration; or
- (d) The rights of the claimant in respect of the design have been finally established by a Court.

A Design Application may be filed personally by an applicant or through a patent agent/legal practitioner. If the application is filed through a patent agent/legal practitioner, a power of authority shall be submitted, along with the application. General Power of Attorney is also acceptable.

Priority Document

A reciprocity application shall be accompanied by a copy of the design application filed in the Convention Country. Such copy shall be duly certified by the Official Chief or Head of the Organisation in which it was filed. If the priority document was not filed with the application, the same may be filed within an extended period of three months. Extension may be sought by filing Form-18 along with the prescribed fee.

Representation Sheet

- (a) The representation sheet of an article needs to be prepared diligently and shall be filed along with the application, in duplicate. The Designs Rules require that four copies of the representation shall be filed along with the application. However, as the records are digitised and processed electronically, two copies of the representation shall suffice.
- (b) Representation means the exact representation of the article for which registration is sought. A representation may contain more than one page.

Representation shall be exactly similar drawings, photographs, tracings including computer graphics or specimens of the design. The Controller may require a specimen of the article to be submitted at the time of examination, in rare cases.

Classification of Designs

- (a) For the purpose of registration of designs, articles are classified into thirty-one classes and a miscellaneous class 99, as described in the Third Schedule of The Design Rules, 2001.
- (b) The appropriate class shall be clearly identified with reference to the Third Schedule and shall be mentioned in Form 1. In case of any ambiguity, the Controller may decide the same, if necessary, in consultation with the applicant.
- (c) When a Design Application is for an article with multiple utilities, the application may be made with depiction of an article in any one or more of the utilities. For instance, in case of a design of pen cum torch, the applicant is at liberty to apply in the class relating to pen, torch, pen-torch, or file two applications in different classes for better protection.
- (d) The classification of articles under the Third Schedule is based on the International Classification of Industrial Designs according to the Locarno Agreement. However, India is not a signatory to the agreement.
- (e) Ordinarily, the name of article should be common/familiar in the Trade or Industry and shall be analogous to the representation of the article. If the name of article is not common, the applicant may state the purpose for which the article is intended to be used, in Form-1 and representation sheet, so as to enable the Office to correctly decide the classification and facilitate search.

Address for Service

- (a) An address for service in India shall be given by every person in any proceeding under the Act or Rules.
- (b) Change in address for service before a design has been registered shall be effected by filing a petition under Rule 46 with the prescribed fee, along with the fresh Form-1.
- (c) Any change in address for service for a registered design shall be effected by filing Form-22 with the prescribed fee.
- (d) Unless an address for service is given, the Controller shall not proceed with the application.
- (e) An address for service shall include e-mail of the agent/applicant.

Processing & Examination of the Application

On receipt of an application, the Office accords a date and serial number to the application. This serial number, upon registration, becomes the registration number of the design. The application for registration of a design is referred by the Controller of Designs to an Examiner of Designs for conducting examination as to:

- (a) whether the application and the documents satisfy the formal requirements, and
- (b) whether such design as applied to an article is registrable, under the provisions of the Designs Act, 2000 and Designs Rules, 2001.

Formality Check

The Examiner determines whether:

- (a) the application is in prescribed format ?
- (b) the prescribed fee has been paid ?
- (c) the name, address, and nationality of the applicant is mentioned ?
- (d) address for service is given in the application form ?
- (e) declaration of proprietorship is given in the application form ?
- (f) representation sheet is in a manner as prescribed in Rule 14 ?
- (g) power of authority, if applicable, is filed ?
- (h) in case of reciprocity application :
 - (I) the application was filed within the prescribed time ?
 - (II) the priority document was filed at the time of filing ? If not, whether the priority document was filed within the extendable period of three months along with the prescribed form and fees ?
 - (III) the application was filed by the same applicant? If not, whether the assignment document has been filed?

When the application is deficient in respect of (g), the Examiner reports the deficiency to the Controller, who communicates the statement of objections to the applicant. Such an application shall proceed for substantive examination only after compliance of the objections. The applicant may comply with the deficiencies within three months from the date of communication of the statement of objections or respond to the objections, failing which the application shall be treated as withdrawn.

Substantive Examination

Substantive examination is carried out to determine whether the design under consideration is:

- (a) 'a design' under the Act?
- (b) new or original?
- (c) prejudicial to public order or morality?
- (d) prejudicial to the security of India?

The Controller shall consider the report of Examiner on registrability of a design as applied to an article and if it is registrable, the same shall be registered forthwith. The registration certificate shall be issued and sent to the applicant at the earliest.

If upon consideration of the report, the Controller is of the opinion that there are objection(s) adverse to the applicant or the application requires some amendment(s), a statement of objections shall be communicated to the applicant or to his agent at the address for service by the Controller.

The defects shall be corrected and the application resubmitted for acceptance within six months or within the extended period from the official date of the application.

Registration & Publication

Once an application is registered, it is published in the Patent Office Journal ordinarily within one month. The registration number is same as the application number. The date of registration of an ordinary application is the date of filing of the application. In case of reciprocity application, the date of registration is the date of filing of application in the Convention Country.

Certificate of Registration

Upon registration, the Controller issues a certificate of registration to the proprietor of the design. The certificate is sent by registered post to the address for service. No hand delivery of certificate of registration is allowed.

Register of Designs

All the registered designs are entered in the Register of Designs maintained at Patent Office, Kolkata. The register is available to public.

The important purpose of design Registration is to see that the artisan, creator, originator of a design having aesthetic look is not deprived of his bonafide reward by others applying it to their goods.

Question No. 5

TRIPS Agreement obliges member states to patent micro-organisms. Comment. How the requirement of sufficiency of disclosure met in the case of micro-organisms? (10 marks)

Answer to Question No. 5

The exciting developments in the domain of biotechnology have resulted in intensive R&D activities all over the world including India. After information technology, biotechnology is increasingly recognized as the next wave in the knowledge-based economy. Biotechnology has been at the core of a number of important developments in the pharmaceutical, agrochemical, energy and environmental sectors. In particular, progress in the field of molecular biology, biotechnology and molecular medicine has highlighted the potential of biotechnology for the pharmaceutical industry.

Conventionally a micro-organism is considered as an organism that is microscopic, i.e., too small to be seen by the naked human eye and can be viewed only under a microscope, usually, an ordinary light microscope. Micro-organisms include bacteria, fungi, virus, protists and other prokaryotes as well as some microscopic plants (phytoplankton) and animals (zooplankton).

Prior to 1980 microorganisms were clearly “products of nature” and as such were not considered patentable. In 1980 the US Supreme Court in Anand Chakrabarty’s case (allowed patenting of crude oil spilling bacterium) and this subject has been drawing a great deal of attention all over the world. As microorganisms are important constituents of biodiversity, issues like the origin of a microorganism and its patentability and ownership have gained importance.

The US Supreme Court ruled that genetically altered microorganisms were indeed patentable based on the following criteria:

- They were man-made
- They were products of human manipulation and therefore considered similar to any other invention
- They had a specified industrial application (one criterion for patenting is that the invention has utility).

Further, Supreme Court cited the fact that there was precedence for patenting living matter. Since 1930 certain asexually reproduced plants have been protected by patenting. Furthermore, in 1970 the Plant Variety Protection Act allowed for protection of some sexually reproduced plants.

As a result of the Supreme Court’s decision, the US biotechnology industry flourished and many US patents have been granted on human-made higher life forms such as transgenic mice, fish etc. Thus, microorganisms, plants and animals have now all received U.S. patenting status. Europe views patenting of “man-made” life in much the same manner as the U.S. patent office.

TRIPS Agreement obliges member states to patent micro-organisms. Article 27.3 permits WTO member countries to exclude two specific classes of subject matter from patentability: (1) diagnostic, therapeutic, and surgical methods for the treatment of humans

or animals; and (2) plants and animals other than microorganisms, and essentially biological processes for the production of plants or animals other than non biological and microbiological processes. Though the TRIPS agreement mandates patent protection for micro-organisms, it does not define micro-organisms; thus there is no standard definition for member nations to follow.

To comply with the World Trade Organization (WTO) Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement, India amended the Patents Act, 1970 with effect from January 2005. The Indian Patent Act has now a specific provision in regard to patenting of microorganisms and microbiological processes. It is now possible to get a patent for a microbiological process and also products emanating from such processes.

The most vital distinction between the legal practices of the India and developed countries is that India does not allow patenting of microorganisms that already exist in nature as the same is considered to be a discovery as per the provisions of the section 3(d) of the Patents Act, 1970 and therefore not patentable. But genetically modified versions of the same microorganisms that result in enhancement of its known efficacies are patentable.

Another requirement is sufficiency of disclosure which is very important. The Patents Act, 1970 stipulates that the description of the invention should be given sufficiently and clearly. The Act or the Rule however do not stipulate any condition or procedure to meet the requirement of sufficiency of disclosure in the case of inventions involving use of biological material which are, very difficult to describe in words.

It has been the practice of the Patent Office from time immemorial to follow the practice adopted by the foreign patent offices by allowing the accession no., accorded by a depository institution either foreign or Indian in the patent specification to satisfy the requirement of sufficiency of disclosure of the invention desired to be patented.

It may be mentioned here that a system of depositing strain of microorganisms in some recognized depositories was evolved way back in 1949 in USA. An international treaty called "Budapest Treaty" was signed in Budapest in 1973 and later on amended in 1980. India became a member of this Treaty, with effect from December 17, 2001.

This is an international convention governing the recognition of deposits in officially approved culture collections for the purpose of patent applications in any country that is a party to this treaty. Because of the difficulties and virtual impossibility of reproducing a microorganism from a description of it in a patent specification, it is essential to deposit a strain in a culture collection centre for testing and examination by others.

Under the Patents Act, 1970 if the invention uses a biological material which is new, it is essential to deposit the same in the International Depository Authority (IDA) prior to the filing of the application in India in order to supplement the description. The description in the specification should contain the name and address of the International Depository Authority and, date and number of deposition of Biological material. [Section 10(4) (d) (ii)] of Patent Act, 1970. If such biological material is already known, in such case it is not essential to deposit the same. There are many international depositories in different countries such as MTCC, DSM etc. which are recognized under the Budapest Treaty.

The Institute of Microbial Technology (IMTEC), Chandigarh is the first Indian depository set up under the Budapest Treaty.

Very recently Microbial Culture Collection Centre (MCC), Pune (which is located in the NCCS, Pune) has been recognized International Depository Authority (IDA) under the Budapest Treaty on the International Recognition of the Deposit of Micro-organisms for the Purpose of Patent Procedure.

Question No. 6

Distinguish between the following:-

- (a) *Trade mark and property mark*
- (b) *Artistic work and Sound recording*
- (c) *Novelty and Inventiveness*
- (d) *Authorised user and Producer*

(5 marks each)

Answer to Question No. 6(a)

Trade mark and property mark

A trade mark is a word, phrase, symbol or design, or combination of words, phrases, symbols or designs used in the course of trade which identifies and distinguishes the source of the goods or services of one enterprise from those of others.

The definition of "trade mark" under Section 2(1)(zb) has been enlarged to mean a mark capable of being represented graphically and which is capable of distinguishing the goods or services of one person from others and may include shape of goods, their packaging and combination of colours and covers both goods and services.

The distinction between a trade mark and a property mark has been stated by the Supreme Court in the case of *Sumat Prasad Jain v. Sheojanam Prasad and Ors.*, AIR 1972 SC 413. The Apex Court held:

"...Thus, the distinction between a trade mark and a property mark is that whereas the former denotes the manufacture or quality of the goods to which it is attached, the latter denotes the ownership in them. In other words, a trade mark concerns the goods themselves, while a property mark concerns the proprietor. A property mark attached to the movable property of a person remains even if part of such property goes out of his hands and ceases to be his."

Answer to Question No. 6(b)

Artistic work and Sound recording

An artistic work means-

- a painting, a sculpture, a drawing (including a diagram, map, chart or plan), an engraving or a photograph, whether or not any such work possesses artistic quality;
- a work of architecture; and
- any other work of artistic craftsmanship.

“Sound recording” means a recording of sounds from which sounds may be produced regardless of the medium on which such recording is made or the method by which the sounds are produced. A phonogram and a CD-ROM are sound recordings.

Answer to Question No. 6(c)

Novelty and Inventiveness

A novel invention is one, which has not been disclosed, in the prior art. Prior art means everything that has been published, presented or otherwise disclosed to the public on the date of patent (The prior art includes documents in foreign languages disclosed in any format in any country of the world.) For an invention to be judged as novel, the disclosed information should not be available in the ‘prior art’. This means that there should not be any prior disclosure of any information contained in the application for patent (anywhere in the public domain, either written or in any other form, or in any language) before the date on which the application is first filed i.e. the ‘priority date’.

Therefore, an invention shall be considered to be new, if it does not form part of the prior art. Although the term prior art has not been defined under the Indian Patents Act, it shall be determined by the provisions of Section 13 read with the provisions of Sections 29 to 34.

An invention to become patentable subject to it should have inventive step i.e. inventiveness and capable of industrial application.

Answer to Question No. 6(d)

Authorised User and Producer

“Authorised user” as per Geographical Indications of Goods (Registration & Protection) Act, 1999 means the authorised user of a geographical indication registered under Section 17. [Section 2(1) (b)]

“Producer” according to Geographical Indications of Goods (Registration & Protection) Act, 1999 in relation to goods, means any person who,-

- (i) if such goods are agricultural goods, produces the goods and includes the person who processes or packages such goods;
- (ii) if such goods are natural goods, exploits the goods;
- (iii) if such goods are handicraft or industrial goods, makes or manufactures the goods;
- (iv) and includes any person who trades or deals in such production, exploitation, making or manufacturing, as the case may be, of the goods. [Section 2(1)(k)].

Question No. 7

*What do you mean by performer’s right? What are the exclusive rights of a performer?
(10 marks)*

Answer to Question No. 7

Performer’s Right

Section 38 of Copyright Act, 1957 provides that where any performer appears or

engages in any performance, he shall have a special right to be known as the “performer’s right” in relation to such performance. The performer’s right subsist until fifty years from the beginning of the calendar year next following the year in which the performance is made.

Exclusive Right of Performer

As per Section 38A of the Copyright (Amendment) Act, 2012 without prejudice to the rights conferred on authors, the performer’s right which is an exclusive right subject to the provisions of the Act to do or authorise for doing any of the following acts in respect of the performance or any substantial part thereof, namely:—

- (a) to make a sound recording or a visual recording of the performance, including—
 - (i) reproduction of it in any material form including the storing of it in any medium by electronic or any other means;
 - (ii) issuance of copies of it to the public not being copies already in circulation;
 - (iii) communication of it to the public;
 - (iv) selling or giving it on commercial rental or offer for sale or for commercial rental any copy of the recording;
- (b) to broadcast or communicate the performance to the public except where the performance is already broadcast.

It may be noted that once a performer has, by written agreement, consented to the incorporation of his performance in a cinematograph film he shall not, in the absence of any contract to the contrary, object to the enjoyment by the producer of the film of the performer’s right in the same film. However, the performer shall be entitled for royalties in case of making of the performances for commercial use.

Question No. 8

What constitutes piracy of a registered design ? What penalties have been provided for piracy of a registered design under the Designs Act, 2000 ? (10 marks)

Answer to Question No. 8

Piracy of a design means the application of a design or its imitation to any article belonging to the class of articles in which the design has been registered for the purpose of sale or importation of such articles without the written consent of the registered proprietor. Publishing such articles or exposing them for sale with knowledge of the unauthorized application of the design to them also involves piracy of the Design.

The proprietor of the design gets exclusive right to apply the design to the article in a class in which the design is registered. During the existence of copyright over any design, other persons are prohibited from using the design except or with the permission of the proprietor, his licensee or assignee. The following activities are considered to be infringement:

- (i) to apply for the purpose of sale the design or any fraudulent imitation of it to any article in any class of articles in which the design is registered;

- (ii) to import for sale any article to which the design or fraudulent or obvious imitation of it, has been applied;
- (iii) to publish or to expose for sale knowing that the design or any fraudulent or obvious imitation of it has been applied to it.

Penalties

A registered proprietor can institute a suit for injunction as well as recovery of damages against any person engaged in piracy of the registered design. Such legal proceedings can be instituted from the date of registration and till the expiry of copyright. However, in case of reciprocity application, the registered proprietor can claim damages only from the actual date on which the design is registered in India.

If any person commits piracy of a registered design, as defined in Section 22, he shall be liable to pay for a payment of a sum not exceeding ₹25,000/- recoverable as contract debt. However, the total sum recoverable in respect of any one design shall not exceed ₹50,000/-.

The suit for injunction/damages shall not be instituted in any Court below the Court of District Judge.

In a case between *Ampro Food Products v. Ashok Biscuit Works*, AIR 1973 AP 17, the appellant manufactured biscuits with AP embossed on them. The respondent also manufactured biscuits with identical design except that letters AB were embossed on them, in place of AP. The suit claimed injunction bringing a charge of piracy of design. Issuing a temporary injunction, the Court held that in such cases the defence cannot argue that the appellant's registered design was not new or original if no steps had been taken earlier seeking cancellation of the registration of the design.

In a case between *Hindustan Lever Ltd. v. Nirma Pvt. Ltd.*, AIR 1992 Bom 195, the plaintiff alleged infringement of its registered trade mark, passing off, and infringement of the copyrights in original artistic work and sought permanent injunction to restrain the defendant from using the impinged carton in relation to soaps or detergent powder.

The defence took the plea that the said label was in fact a design that could be registered under the Designs Act, and the fact that it was not so registered makes copyrights if any, under the copyright Act non-existent when the article to which the design has been applied was reproduced fifty times by industrial process. The Court ruled that a label to be put on a carton for the goods is not a design.

Question No. 9

Who can apply for the registration of a geographical indication ? What is the benefit of registration of geographical indications ? Who is a registered proprietor of a geographical indication ?
(10 marks)

Answer to Question No. 9

Geographical indications serve to recognize the essential role geographic and climatic factors and/or human know-how can play in the end quality of a product. Like trademarks or commercial names GIs are also IPRs, which are used to identify products and to develop their reputation and goodwill in the market.

As per Section 11 any association of persons or producers or any organisation or

authority established by or under any law representing the interest of the producers of the concerned goods can apply for the registration of a geographical indication.

The Applicant has to be a legal entity and should be representing the interest of producers of the goods applied for. Any such organisation or association being not that of the producers may have to prove that they represent the interest of producers. Any Applicant Authority also has to prove that they represent the interest of producers.

An application for registration of a geographical indication is to be made in writing, along with the prescribed fees (as specified under First Schedule), and should be addressed to the Registrar of Geographical Indications.

The Geographical Indication Registry is situated at Geographical Indications Registry, Intellectual Property Office Building, G.S.T. Road, Guindy, Chennai– 600 032 having all-India Jurisdiction. Application or any other document may be filed directly in the GI Registry, Chennai, or may be sent by post or registered post or speed post or courier services.

Geographical Indications registration gives to the registered proprietor and its authorised users, the legal right to the exclusive use of the GI and also the right to obtain relief in case of its infringement. Exclusion of unauthorized persons from misusing GI would ensure that genuine products of the rightful producers are marketed.

Any association of persons or of producers or any organization or authority established by or under the law can be a registered proprietor. Their name should be entered in the Register of Geographical Indication as registered proprietor for the Geographical Indication applied for.

TEST PAPER 2/2013

Time allowed : 3 hours

Max. Marks : 100

NOTE : Answer ALL Questions.

Question No. 1

What is the significance of intellectual property management? (10 marks)

Answer to Question No. 1

In an increasingly knowledge-driven economy, Intellectual Property (IP) is an important key consideration in day-to-day business decisions. New products, brands and creative designs appear almost daily on the market and are the result of continuous human innovation and creativity. Generally, the small and medium companies in India either do not understand the value of their intellectual property assets or are not aware of the intellectual property system or the protection it can provide for their inventions, brands, and designs. As the Intellectual Property forms an important part of companies' assets, its adequate protection is crucial in deterring potential infringement and in turning ideas into business assets with a real market value. In fact, the Intellectual Property system enables companies to profit from their innovative capacity and creativity and enhance their competitiveness.

Companies that dedicate time and resources for protecting their intellectual property can increase their competitiveness in a number of areas, as it prevents competitors from copying or closely imitating a company's products or services; avoids wasteful investment in research and development (R&D) and marketing; creating a corporate identity through a trademark and branding strategy; negotiating licensing, franchising or other Intellectual Property based contractual agreements; increasing the market value of the company; acquiring venture capital and enhancing access to finance; obtaining access to new markets and most important a careful search for conflicting existing Intellectual Property rights, and the examination of application by offices can help an enterprise to avoid conflicts and unnecessary litigation.

Strategies for Effective IPR Management : The effective management of intellectual property assets requires implementation of a comprehensive asset management plan. In this process, one of the most important step is to review the existing intellectual property assets, so as to identify and locate the company's key intellectual property assets such as patents, patentable subject matter, copyrights, trade marks, designs, trade secrets, domain names, mask works, inventions, works of authorship, hardware and devices, depending upon the nature of business. Once the intellectual property assets are identified, it becomes important to determine nature and scope of the company's rights in intellectual property assets, which may range from outright ownership to a license - including contingent rights in intellectual property to be developed in future.

Capitalizing on intellectual property assets so identified require a most constructive approach keeping in view, among others, type of intellectual property assets, the type of business claiming ownership of intellectual property assets, long term and short term goals of the business organization including intended/possible use of intellectual property assets.

In nutshell, effective management of Intellectual Property enables companies to use their intellectual property to improve their competitiveness and strategic advantage. Acquiring Intellectual Property protection no doubt is crucial but its effective management provides much more than just protection to an enterprise's inventions, trademarks, designs, copyright or other allied rights.

Effective intellectual property management requires a company to commercialize its inventions and effectively monitor and enforce its intellectual property rights. Indeed, a company's portfolio of Intellectual Property must be viewed as a collection of key assets that add significant value to the enterprise. Thus, effective management of intellectual property may be seen as critical business strategy to maintain sustainable corporate growth and maximisation of shareholder value resulting into the economic growth.

Question No. 2

*What is TRIPS Agreement? Outline the main three features of the TRIPS Agreement.
(10 marks)*

Answer to Question No. 2

Agreement on Trade Related Aspects Intellectual Property Rights was negotiated at the end of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) treaty in 1994. With the establishment of the world trade Organization (WTO), the importance and role of the intellectual property protection has been Crystallized in the TRIPS Agreement.

The general goals of the TRIPS Agreement are contained in the Preamble to the Agreement, which reproduces the basic Uruguay Round negotiating objectives established in the TRIPS area by the 1986 Punta del Este Declaration and the 1988-89 Mid-Term Review. These objectives include the reduction of distortions and impediments to international trade, promotion of effective and adequate protection of intellectual property rights, and ensuring that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade.

The TRIPS Agreement encompasses, in principle, all forms of intellectual property and aims at harmonizing and strengthening standards of protection and providing for effective enforcement at both national and international levels. It addresses applicability of general GATT principles as well as the provisions in international agreements on IP (Part I). It establishes standards for availability, scope, use (Part II), enforcement (Part III), acquisition and maintenance (Part IV) of Intellectual Property Rights. Furthermore, it addresses related dispute prevention and settlement mechanisms (Part V). Formal provisions are addressed in Part VI and VII of the Agreement, which cover transitional and institutional arrangements respectively.

The obligations under TRIPS apply equally to all member states. However developing countries were allowed extra time to implement the applicable changes to their national laws, in two tiers of transition according to their level of development. The transition period for developing countries expired in 2005. For least developed countries, the transition period has been extended to 2016, and could be extended beyond that.

The TRIPS Agreement, which came into effect on 1 January 1995, is to date the most comprehensive multilateral agreement on intellectual property. The areas of intellectual property that it covers are:

- (i) Copyright and related rights (i.e. the rights of performers, producers of sound recordings and broadcasting organisations);
- (ii) Trade marks including service marks;
- (iii) Geographical indications including appellations of origin;
- (iv) Industrial designs;
- (v) Patents including protection of new varieties of plants;
- (vi) The lay-out designs (topographies) of integrated circuits;
- (vii) The undisclosed information including trade secrets and test data.

Issues Covered under TRIPS Agreement

The TRIPS agreement broadly focuses on following issues :

- How basic principles of the trading system and other international intellectual property agreements should be applied.
- How to give adequate protection to intellectual property rights.
- How countries should enforce those rights adequately in their own territories.
- How to settle disputes on intellectual property between members of the WTO.
- Special transitional agreements during the period when the new system is being introduced.

Features of the Agreement

The main three features of the TRIPS Agreement are as follows-

Standards : The TRIPS Agreement sets out the minimum standards of protection to be provided by each Member.

Enforcement : The second main set of provisions deals with domestic procedures and remedies for the enforcement of intellectual property rights. The Agreement lays down certain general principles applicable to all IPR enforcement procedures.

Dispute settlement : The Agreement makes disputes between WTO Members about the respect of the TRIPS obligations subject to the WTO's dispute settlement procedures.

In addition the Agreement provides for certain basic principles, such as national and

most-favoured-nation treatment (non-discrimination), and some general rules to ensure that procedural difficulties in acquiring or maintaining IPRs do not nullify the substantive benefits that should flow from the Agreement.

The TRIPS Agreement is a minimum standards agreement, which allows Members to provide more extensive protection of intellectual property if they so wish. Members are left free to determine the appropriate method of implementing the provisions of the Agreement within their own legal system and practice.

Question No. 3

What is the Paris Convention? What are the principal features of the Paris Convention? (10 marks)

Answer to Question No. 3

The Paris Convention is an international convention for promoting trade among the member countries, devised to facilitate protection of industrial property simultaneously in the member countries without any loss in the priority date. All the member countries provide national treatment to all the applications from the other member countries for protection of industrial property rights. The Convention was first signed in 1883. Since then, the Convention has been revised several times, in 1900 at Brussels, in 1911 at Washington, in 1925 at the Hague, in 1934 at London, in 1958 at Lisbon and in 1967 at Stockholm. The last amendment took place in 1979. India became a member of the Paris Convention on December 7, 1998. (*Readers may note the use of the phrase 'Industrial Property' and not Intellectual Property*).

The principal features of the Paris Convention

The principal features of the Paris Convention have been listed below

- National treatment
- Right of priority
- Independence of patents
- Parallel importation
- Protection against false indications and unfair competition

National Treatment

Under the provisions on national treatment, the Convention provides that, as regards the protection of industrial property, each contracting State must grant the same protection to nationals of the other contracting States as it grants to its own nationals. Nationals of non-contracting States are also entitled to national treatment under the Convention if they are domiciled or have a real and effective industrial or commercial establishment in a contracting State.

Right of Priority

The Convention provides for the right of priority in the case of patents, marks and industrial designs. This right of priority denotes that on the basis of a regular first application filed in one of the contracting States, the applicant may, within a certain period of time (12 months for patents and utility models; 6 months for industrial designs and marks),

apply for protection in any of the other contracting States and these later applications are regarded as if they had been filed on the same day as the first application. In other words, these later applications have priority over applications which may have been filed during the said period of time by other persons for the same invention, utility model, mark or industrial design. Moreover, these applications, since based on the first application, are not affected by any event that may have taken place in the interval, such as any publication of the invention or sale of articles bearing the mark or incorporating the industrial design. One of the major practical advantages of right of priority is that, when an applicant desires protection in several countries, he is not required to present all his applications at the same time but has six or 12 months at his disposal to decide in which countries he wishes protection and to organize with due care the steps needed to secure protection.

Common Rules

The Convention lays down a few common rules which all the contracting States must follow. The more important are the following:

Patents

1. Patents granted in different contracting States for the same invention are independent of each other.
2. The granting of a patent in one contracting State does not oblige the other contracting States to grant a patent.
3. A patent cannot be refused, annulled or terminated in any contracting State on the ground that it has been refused or annulled or has terminated in any other contracting State.
4. The inventor has the right to be named as such in the patent.
5. The grant of a patent may not be refused, and a patent may not be invalidated, on the ground that the sale of the patented product, or of a product obtained by means of the patented process, is subject to restrictions or limitations resulting from the domestic law.
6. Each contracting State that takes legislative measures providing for the grant of compulsory licenses to prevent the abuses which might result from the exclusive rights conferred by a patent may do so only with certain limitations. Thus, a compulsory license based on failure to work the patented invention may only be granted pursuant to a request filed after three or four years of failure to work or insufficient working of the patented invention and it must be refused if the patentee gives legitimate reasons to justify his inaction.
7. Forfeiture of a patent may not be provided for, except in cases where the grant of a compulsory license would not have been sufficient to prevent the abuse. In the latter case, proceedings for forfeiture of a patent may be instituted, but only after the expiration of two years from the grant of the first compulsory license.

Marks

- (1) The Paris Convention does not regulate the conditions for the filing and registration of marks which are therefore determined in each contracting State by the domestic law. Consequently, no application for the registration of a mark filed by a national

of a contracting State may be refused, nor may a registration be invalidated, on the ground that filing, registration or renewal has not been affected in the country of origin. Once the registration of a mark is obtained in a contracting State, it is independent of its possible registration in any other country, including the country of origin; consequently.

- (2) The lapse or annulment of the registration of a mark in one contracting State does not affect the validity of registration in other contracting States.
- (3) Where a mark has been duly registered in the country of origin, it must, on request, be accepted for filing and protected in its original form in the other contracting States.
- (4) The registration may be refused in well-defined cases, such as when the mark would infringe acquired rights of third parties, when it is devoid of distinctive character, when it is contrary to morality or public order, or when it is of such a nature as to be liable to deceive the public.
- (5) If, in any contracting State, the use of a registered mark is compulsory, the registration cannot be canceled until after a reasonable period, and only if the owner cannot justify his inaction.
- (6) Each contracting State must refuse registration and prohibit the use of marks which constitute a reproduction, imitation or translation, liable to create confusion, of a mark considered by the competent authority of that State to be well known in that State as being already the mark of a person entitled to the benefits of the Convention and used for identical or similar goods.
- (7) Each contracting State must likewise refuse registration and prohibit the use of marks which consist of or contain without authorization, armorial bearings, State emblems and official signs and hallmarks of contracting states, provided they have been communicated through the International Bureau of WIPO.
- (8) The same provisions apply to armorial bearings, flags, other emblems, abbreviations and names of certain inter-governmental organizations.
- (9) Collective marks must be granted protection.

Industrial Designs

Industrial designs must be protected in each contracting State, and protection may not be forfeited on the ground that the articles incorporating the design are not manufactured in that State.

Trade Names

Protection must be granted to trade names in each contracting State without the obligation of filing or registration.

Indications of Source

Measures must be taken by each contracting State against direct or indirect use of a false indication of the source of the goods or the identity of the producer, manufacturer or trader.

Unfair Competition

Each contracting State must provide for effective protection against unfair competition.

Question No. 4

What are the grounds for refusal of registration of a trade mark ? (10 marks)

Answer to Question No. 4

Registration of a trade mark can be refused on the following grounds:

Absolute Grounds

Section 9(1) to (3) of the Trade Marks Act lists the absolute grounds for refusal of registration.

Section 9(1) prohibits the registration of those trade marks-

- (a) which are devoid of any distinctive character, that is to say, not capable of distinguishing the goods or services of one person from those of another person;
- (b) which consist exclusively of marks or indications which may serve in trade to designate the kind, quality, quantity, intended purpose, values, geographical origin or the time of production of the goods or rendering of the service or other characteristics of the goods or services; or
- (c) which consist exclusively of marks or indications which have become customary in the current language or in the bona fide and established practice of the trade.

However, a trade mark shall not be refused registration, if the mark has in fact acquired a distinctive character as a result of the use made of it or is a well known trade mark before the date of application for registration.

The basis of Section 9(1) is that a trader should not obtain a statutory monopoly through registration in a word which another trader might legitimately wish to use. A competitor should of course be entitled to make bonafide use of the word, to describe his goods or the place of manufacture. If a word, however, through use has become clearly associated in public mind with the goods/service of a particular trader, then it could not be legitimately used as a trade mark by a competitor. For this purpose the onus is on the applicant to show by cogent evidence that the trade mark, by reason of use has acquired distinctiveness in relation to his goods or services.

If a trade mark is devoid of distinctive character, the same can not be registered. In *Ambalal Sarbhai Enterprises Limited v. Tata Oil Mills Company Limited 1988 OTC 73 Bom*, it was held that the word PROMIX was distinctive. The Court held that even though there are many trade marks in the register with the prefix PRO which is common to the trade, the applicants have particularly coined the word PROMIX and the same was not known earlier. Applicants are the proprietors of a series of trade marks having prefixed PRO as a leading distinguishing feature. Their trade mark is distinctive and so can be registered under the Act.

Length of user is a material factor to acquire distinctiveness in a trade mark (*Durga Dutt Sarma v. Navaratna Pharmaceutical Laboratories, AIR 1962 Ker 156*). This view

was affirmed in *Kaviraj Pandit Durga Dutt Sharma v. Navaratna Pharmaceuticals Laboratories*, AIR 1965 SC 980. The Apex Court held that the length of user would, of course, be a material factor for the mark to become distinctive.

In *Mahendra & Mahendra Paper Mills Ltd. v. Mahindra & Mahendra Ltd.*, AIR 2002 SC 117, the Supreme Court observed

"...the name has acquired a distinctiveness and a secondary meaning in the business or trade circles. People have come associate the name "Mahindra" with a certain standard of goods and services. Any attempt by another person to use the name in business and trade circles is likely to and in probability will create an impression of a connection with the plaintiffs' group of companies. Such user may also affect the plaintiff prejudicially in its business and trading activities."

Section 9(2) states that a mark shall not be registered as a trade mark if —

- (a) it is of such nature as to deceive the public or cause confusion;
- (b) it contains or comprises of any matter likely to hurt the religious susceptibilities of any class or section of the citizens of India;
- (c) it comprises or contains scandalous or obscene matter;
- (d) its use is prohibited under the Emblems and Names (Prevention of Improper Use) Act, 1950.

Under Section 9(2), if the confusion arises from any factor whatsoever, even without involvement of any other mark or there being no similarity with any other mark, the registration may still be refused if the impugned mark is of such nature that it will cause confusion. For a successful opposition the opponent has to establish by proper evidence that its mark had acquired reputation by use and the mark of the applicant if registered is likely to cause confusion (*Anglo-French Drug Co. v. Brihans Laboratories*, 1995 IPLR 7).

The medical preparations sold at the prescription by doctors and supplied by qualified pharmacists have been considered a special case for determining deceptive similarity. The test was not of the ordinary customers but whether the pharmacists or doctors would be confused. Therefore, in the field of drugs and chemicals, the names with small variations are allowed. In *Burrough Wellcome v. Uni Sole Pvt. Ltd.*, 1999 PTC 188, the Bombay High Court has applied the test of person of ordinary intelligence as against doctors and pharmacists. The Court took the judicial notice of the fact that various medicines which are required by law to be sold per prescription, in actual practice they are sold without such prescription inspite of the mandate of the law.

Section 9(3) prohibits registration of a mark, if it consists exclusively of shape of goods which results from the nature of the goods themselves or which is necessary to obtain a technical result or which gives substantial value to the goods. It is, however, explained that the nature of goods or services in relation to which the trade mark is used or proposed to be used shall not be a ground for refusal of registration.

Section 9(3) is intended to prevent permanent monopolies being created under the Trade Marks Act, by reason of trade marks constituted by the shape of goods giving the proprietor a permanent and substantial advantage over his potential competitors. It is considered that will create unacceptable distortions in the market.

In order to avoid an objection, a mark constituted by a shape must be sufficiently different from a shape which is -

- (a) characteristic of the product;
- (b) the norm or customary in the sector concerned.

In other words, the shape should not be descriptive and must stand out from the crowd, and in the case of new product development must not be a shape likely to be taken for the product concerned.

The fact that functional claim has been previously made in a patent application will be prima facie evidence that those aspects of the shape covered by the patent claim are necessary to achieve a technical result. This will attract objection under section 9(3)(b). The test is whether there are any significant aspects of the shape or its arrangement which are not only attributable to the achievement of a technical result.

The shape of an ornamental lamp, for example would appear to add substantial value to the goods by making it attractive. This would attract objection under section 9(3)(c) and also 9(3)(a).

Relative Grounds

Section 11 of the Trade Marks Act stipulates that where there exists a likelihood of confusion on the part of the public because of the identity with an earlier trade mark or similarity of goods or services, the trade mark shall not be registered. The registration of a mark which is merely reproduction or imitation of a well-known mark is also prohibited. Sub-section (3) prohibits the registration of a trade mark if or to the extent that, its use in India will be prevented by law of passing off or under the law of copyright unless the proprietor of the earlier trade mark consents to such registration.

The term "earlier trade mark" as per the Explanation appended to this Section means a registered trade mark or an international registration or a convention application which has a date of application earlier than the trade mark in question, or a trade mark, which on the date of application for registration or on the date of priority claimed was entitled to protection as a well known trade mark.

The proprietor of earlier trade mark is entitled to oppose the registration of a trade mark and prove it. In the opposition proceeding the Registrar shall protect a well-known trade mark against identical or similar trade marks and take into consideration the bad faith of either the applicant or the opponent affecting the rights relating to the trade mark. Further, the section also lays down the factors which the Registrar is required to take into account while determining the status of a well-known trade mark. The Section also lays down the facts to be considered by the Registrar in determining whether a trade mark is known or recognised in a relevant section of the public.

What is a well known trade mark, the Delhi High Court held in *Tata Sons Ltd. v. Mr. Md. Jawed & Anron (March, 2011)* held that a well known trade mark is a mark which is widely known to the relevant section of the general public and enjoys a comparatively high reputation amongst them. Further, the Court observed that the owner of a well known trade mark may (i) seek cancellation or (ii) prevent registration of a trade mark which is same or similar to the well known mark irrespective of whether the impugned

mark is in relation to identical or similar goods or services or in relation to other categories of goods or services. He may also prevent others from incorporating the well known trade mark as a part of their corporate name/business name. Even if a well known trade mark is not registered in India, its owner may avail these rights in respect of the trade mark registered/used or sought to be registered/used in India, provided that the well known mark is otherwise known to or recognized by the relevant section of public in India. The Trade Marks Act, 1999 accords a statutory protection to well known marks, irrespective of whether they are Indian marks or foreign marks. The existence of actual confusion or a risk of confusion is, however, necessary for the protection of a well known trade mark, as a result of infringement.

Question No. 5

Discuss the procedure for registration of geographical indications ? (10 marks)

Answer to Question No. 5

An application for registration of a geographical indication is to be made in writing, along with the prescribed fees (as specified under First Schedule), and should be addressed to the Registrar of Geographical Indications.

The Geographical Indication Registry is situated at Chennai having all-India Jurisdiction. Application or any other document may be filed directly in the GI Registry, Chennai, or may be sent by post or registered post or speed post or courier services.

Filing of Application

- (i) An Indian application for the registration of a geographical indication can be made in triplicate in Form GI – 1(A) for single class and in GI – 1 (C) for multiple classes.
- (ii) A Convention Application shall be made in triplicate in Form GI – 1(B) for single class and in GI – 1 (D) for multiple classes.
- (iii) Power of Attorney, if required.
- (iv) An Application shall be signed by the applicant or his agent.

Contents of Application

The application should include the requirements and criteria for processing a GI application as specified below:

- A statement as to how the geographical indication serves to designate the goods as originating from the concerned territory of the country or region;
- The class of goods;
- Geographical map of the territory or locality in which goods are produced;
- The particulars of appearance of the geographical indication;
- Particulars of producers;
- An affidavit of how the applicant claims to represent the interest in the GI;
- The standards benchmark for the use or other characteristics of the GI;

- The particulars of special characteristics;
- Textual description of the proposed boundary;
- The growth attributes in relation to the GI pertinent to the application;
- Three certified copies of the map of the territory, region or locality ;
- Particulars of special human skill involved , if any;
- Full name and address of the association of persons or organization;
- Number of producers; and
- Particulars of inspection structures, if any, to regulate the use of the GI.

On receipt of the application, a number is allotted. Thereafter, the examiner scrutinizes the application to check whether it meets the requirements of the GI Act and the Rules. Deficiencies if any found through a preliminary examination would be communicated by the Examiner to the Applicant. The deficiencies need to be complied within the time limit mentioned in the communication.

Upon compliance of the deficiencies, the Registrar shall ordinarily constitute a Consultative Group of experts (not more than seven representatives) to ascertain the correctness of the particulars furnished in the Statement of Case. The Consultative Group is chaired by the Registrar of Geographical Indications.

After issuance of the Examination Report, submissions of the applicant would be considered. If no further objection is raised, the application would be accepted and published (within three months of acceptance) in the Geographical Indications Journal.

After advertisement of a Geographical Indication in the Geographical Indications Journal, any person may within three months oppose the registration of an application for GI. This period may be extended by a period, not exceeding one month, by making an application to the Registrar along with the prescribed fee. Such an application for extension shall be filed before the expiry of the period of three months. The Notice of Opposition shall be filed only before the Registrar of Geographical Indications at Chennai.

Registration

If no opposition is filed within the period specified or where an opposition is filed and it is dismissed and the appeal period is over, the Registrar registers the geographical indication in Part A of the Register unless the Central Government otherwise directs.

On the registration of a geographical indication, the Registrar shall issue each to the applicant and the authorised users, if registered with the geographical indication, a certificate sealed with the seal of the Geographical Indications Registry. The date of filing of the application shall be deemed to be the date of registration.

It may be noted that where registration of a geographical indication is not completed within twelve months from the date of the application by reason of default on the part of the applicant, the Registrar may, after giving notice to the applicant in the prescribed manner treat the application as abandoned unless it is completed within the time specified in that behalf in the notice. [Section 16 of the Geographical Indication of Goods (Registration and Protection) Act]

Duration of Registration

According to Section 18 of the Geographical Indication of Goods (Registration and Protection) Act, a registered geographical indication shall be valid for 10 years and can be renewed from time to time on payment of renewal fee.

Any person aggrieved by an order or decision of the Registrar may prefer an appeal to the Intellectual Property Appellate Board (IPAB) within three months. [Section 31]

Question No. 6

*Why one should access the patent literature? What are the various on-line databases available that provide access to patent documents while conducting patent search?
(10 marks)*

Answer to Question No. 6

An important step before filing a patent application is to conduct a patent search. Just as companies need to do due diligence before taking on any business venture, likewise patent owners need to do patent due diligence before filing a patent application. A patent search is a search conducted in patent databases as well as in the literature available, to check whether any invention similar to the invention in respect of which patent is to be obtained, already exists. In other words, it evaluates inventor's chances of getting a patent grant. Therefore, instead of going forth with the filing, if one conducts the patentability search, one can get a clear idea about the patentability of the invention; whether the application should be filed and the strengths and weakness of his invention. It may be pointed out that major portion of the literature covered in the patent documents is never published in any scientific and technical journal. Patent literature is the goldmine of information.

Since patenting is an expensive procedure, it is prudent to conduct a patentability search before filing an application. Although there is an additional expense associated to have a patent search performed, it can potentially save the inventor's money down the road.

Patent information is made available to the public through a variety of databases. Each database covers a particular set of patent documents. At present no database has complete coverage of all patent documents ever published worldwide. Thus, it may be necessary to consult multiple databases in order to find and then access patent documents relevant to your interests.

Databases on CD-ROM

Information technology allows accessing patent data in text and picture form on CD-ROM. CD-ROM databases are very convenient for documentary searches. Users need no outside connections, and can work with simply a CD-ROM driver plus a computer.

CD-ROM databases, however, have some drawbacks. One problem is with their updating. As on-line databases can be easily updated on a regular basis, the information on CD-ROM rapidly becomes out of date, at least for certain types of analysis. It is also a problem to easily use CD-ROM databases to compile statistical series; hence, they are not yet suitable for statistical applications.

On-line Databases

Internet-based databases are on-line databases. Anyone who has access to the Internet may be able to browse the full text of published patent documents via free of charge databases or commercial databases. As access to these kinds of databases is not restricted across national borders, so users worldwide can very easily access patent documents from a computer connected to the Internet.

As of now, many national and regional patent offices provide free online access to their own patent collections as well as to selected patent documents from other offices. For example, the Full-Text and Full-Page Image Database of the United States Patent and Trademark Office (USPTO) is one of the earliest and free online patent information services. Another major on-line free patent database is Espacenet, esp@cenet®, provided by the European Patent Organization through the EPO (European Patent Office) and the national offices of its members states. Espacenet offers free access to more than 80 million patent documents worldwide, containing information about inventions and technical developments from 1836 to today. An extensive list of national patent Databases can be found at : www.wipo.int/patentscope/endbsearch/national_databases.html

WIPO offers free online access to all international patent applications within the framework of the PCT and their related documents and patent collections from National and Regional Offices through its PATENTSCOPE search service: (<http://patentscope.wipo.int/search>)

International Patent Classification (IPC) is a hierarchical classification system used primarily to classify and search patent documents (patent applications, specifications of granted patents, utility models, etc.) according to the technical fields they pertain. It therefore serves as an instrument for an orderly arrangement of the patent documents, a basis for selective dissemination of information and a basis for investigating the state of the art in given fields of technology.

IBM Intellectual Property Network (free searching and full text and front page display), Intellectual Property Network (IPN) is a free IBM patent site provided by IBM (International Business Machines Corporation). The database contains:

- United States patents (US) : 1971-present & updated weekly. (Full text / full image).
- European patents - applications (EP-A): 1979-present, updated weekly. (Front page & claims / full images).
- European patents - issued (EP-B): 1980-present, updated weekly. (Front page & claims / Full images)
- WIPO (World Intellectual Property Organization) PCT publications (WO): 1990-present, updated weekly. (Front page & claims / full images)
- Patent Abstracts of Japan (JP): 1976-present, updated weekly. (Front page & claims / Representative image)

A number of commercial and non-profit providers also offer free patent information databases online. Certain commercial providers have established value-added services

for access on a fee-paying basis including translations of patent information and additional systematic classification, for instance by chemical structures and reactions or biological sequences.

Moreover, professional search services exist that can perform prior art searches on behalf of potential patent applicants and may be useful if an initial search does not produce desired results. An extensive list of patent service providers can be found at: (www.piug.org/vendors.php)

Though free on-line patent databases are available and anyone can access these databases, nevertheless, it is pertinent that a person skilled in conducting searches be given the task. The reason being, patent searches involves tedious, repeated searching through various patent and non-patent literature. An unskilled person would not be able to do justice to the vast amount of literature to be searched. Furthermore, a skilled person understands the importance of the claims of a patent. The claims of a patent are of utmost importance when a similar patent to your invention exists; in such a case, one needs to analyze the patent claims to determine the degree of similarity between the two. Furthermore, a skilled person would be able to counsel on the strength of your patent or on refining your patent so that it does not infringe other existing art. A non-skilled person may not understand these concepts.

Question No. 7

Enumerate steps a company should take to protect the trade secrets/confidential business information. (10 marks)

Answer to Question No. 7

A trade secret is any kind of information that is secret or not generally known in the relevant industry giving the owner an advantage over competitors. Generally, it has been stated that any information that can be used in the operation of a business or other enterprise and that is sufficiently valuable to afford an actual or potential economic advantage over others is a trade secret. Examples of trade secrets include formulas, patterns, methods, programs, techniques, processes or compilations of information that provide one's business with a competitive advantage.

The precise language by which a trade secret is defined varies by jurisdiction (as do the precise types of information that are subject to trade secret protection). However, there are three factors that (though subject to differing interpretations) are common to all such definitions: a trade secret is some sort of information that (a) is not generally known to the relevant portion of the public, (b) confers some sort of economic benefit on its holder (which means this benefit must derive specifically from the fact that it is not generally known, not just from the value of the information itself), and (c) is the subject of reasonable efforts to maintain its secrecy.

Trade secrets are not protected by law in the same manner as trademarks or patents. Probably one of the most significant differences is that a trade secret is protected without disclosure of the secret. A trade secret might be a patentable idea but not always. Unlike patent, a trade secret does not have to pass the test of novelty; nevertheless the idea should be somewhat new, unfamiliar to many people including many in the same trade.

Trade secrets are not registered like other forms of intellectual property and are not creatures of statutes. Instead, the judicial system of each country determines the requirements for obtaining trade secrets protection. In India, trade secrets are not covered under any law.

Trade secrets are by definition not disclosed to the world at large. So long as trade secret remains a secret, it is valuable for the company. Once the information enters the public domain, it is lost forever. Therefore, companies should take every precaution to keep the information secret. Instead, owners of trade secrets seek to keep their special knowledge out of the hands of competitors through a variety of civil and commercial means, not the least of which is the employment or confidentiality agreements and/or non-disclosure agreements. In exchange for the opportunity to be employed by the holder of secrets, a worker will sign an agreement not to reveal his prospective employer's proprietary information. Often, he will also sign over rights to the ownership of his own intellectual production during the course (or as a condition) of his employment. Violation of the agreement generally carries stiff financial penalties, agreed to in writing by the worker and designed to operate as a disincentive to going back on his word. Similar agreements are often signed by representatives of other companies with whom the trade secret holder is engaged in licensing talks or other business negotiations.

If a trade secret is well protected, there is no term of protection. Trade secret protection can, in principle, extend indefinitely and in this respect offers an advantage over patent protection, which lasts only for a specified period. It is equally possible that a company may decide not to patent as for instance formula for Coca-Cola which is considered to be one of the best well protected trade secrets.

Companies often try to discover one another's trade secrets through lawful methods of reverse engineering on one hand and less lawful methods of industrial espionage on the other. Acts of industrial espionage are generally illegal in their own right under the relevant governing laws, of course. The importance of that illegality to trade secret law is as follows: if a trade secret is acquired by improper means (a somewhat wider concept than "illegal means" but inclusive of such means), the secret is generally deemed to have been misappropriated. Thus if a trade secret has been acquired via industrial espionage, its acquirer will probably be subject to legal liability for acquiring it improperly. (The holder of the trade secret is nevertheless obliged to protect against such espionage to some degree in order to safeguard the secret. As noted above, under most trade secret regimes, a trade secret is not deemed to exist unless its purported holder takes reasonable steps to maintain its secrecy.)

The test for a cause of action for breach of confidence in the common law world is set out in the case of *Coco v. A.N. Clark (Engineers) Ltd.*, (1969) R.P.C. 41:

- the information itself must have the necessary quality of confidence about it;
- that information must have been imparted in circumstances imparting an obligation of confidence;
- there must be an unauthorized use of that information to the detriment of the party communicating it.

The "quality of confidence" highlights the fact that trade secrets are a legal concept. With sufficient effort or through illegal acts (such as break and enter), competitors can usually obtain trade secrets. However, so long as the owner of the trade secret

demonstrates that reasonable efforts have been made to keep the information confidential, the information remains a trade secret and is legally protected as such. Conversely, trade secret owners who do not demonstrate reasonable effort at protecting confidential information, risk losing the trade secret even if the information is obtained by competitors illegally. It is for this reason that trade secret owners shred documents and do not simply recycle them. Presumably an industrious competitor could piece together the shredded documents again. Legally the trade secret remains a trade secret because shredding the document is considered to have kept the quality of confidence of the information.

Technology Transfer and Trade Secrets

In technology transfer a trade secret may be far more valuable than a patent. Some times a trade secret is not really a secret and may not be of much value either. In a technology package some part is usually unprotected information, even so the best way of obtaining this unprotected information is to buy from the suppliers. Companies must be assured trade secret protection, which they are enjoying in their respective countries under the international licencing agreements. As mentioned earlier, the value of a trade secret lies in its secrecy. If a company cannot ensure protection of its trade secrets in a foreign country, it will not do business in that country. Every company should therefore, take some important measures to protect its trade secrets.

A checklist for the identification of potential trade secrets owned by a manufacturing company has been devised which inter alia includes:

- (i) technical information/research and development;
- (ii) proprietary technology information;
- (iii) proprietary information concerning research and development;
- (iv) formulas;
- (v) compounds;
- (vi) prototypes;
- (vii) processes;
- (viii) laboratory notebooks;
- (ix) experiments and experimental data;
- (x) analytical data;
- (xi) calculations;
- (xii) drawings- all types;
- (xiii) digrams- all types;
- (xiv) design data and design manuals;
- (xv) R&D reports-all types;
- (xvi) R&D know-how and negative know-how (i.e. what does not work);

- (xvii) Production/ process information;
- (xviii) Proprietary information concerning production/process etc.

Some experts suggest that it may be prudent for the companies to conduct an intellectual property audit to identify the protectable business information. This will help the companies to assess the value of the information useful for their business. The intellectual property audit is the starting point for the development of a trade secrets protection programme as company's portfolio of trade secrets is constantly changing. Some information becomes obsolete, new information is created which is extremely valuable and may be protected.

Once the audit is complete, the next step is to determine appropriate level of security necessary to protect different types of trade secret. There are six factors which need to be taken into consideration while determining whether information owned or used by a company is a trade secret in terms of the necessary level of security to ensure adequate protection of those trade secrets. These are:

- The extent to which the information is known outside the company.
- The extent to which the information is known by employees and others involved in the company.
- The extent of measures taken by the company to guard the secrecy of the information.
- The value of the information to the company and the competitors.
- The expenditures by the company (time, money, effort) in developing the information.
- The ease or difficulty with which the information could be properly acquired or duplicated by others.

Question No. 8

What is valuation? Why is valuation of intellectual property important ? (10 marks)

Answer to Question No. 8

Intellectual capital is recognized as the most important asset of many of the world's largest and most powerful companies; it is the foundation for the market dominance and continuing profitability of leading corporations. It is often the key objective in mergers and acquisitions and knowledgeable companies are increasingly using licensing routes to transfer these assets to low tax jurisdictions.

Nevertheless, the role of intellectual property rights (IPRs) and intangible assets in business is insufficiently understood. Accounting standards are generally not helpful in representing the worth of IPRs in company accounts and IPRs are often under-valued, under-managed or under-exploited. Despite the importance and complexity of IPRs, there is generally little co-ordination between the different professionals dealing with an organization's IPR. For a better understanding of the IPRs of a company, some of the questions to be answered should often be:

- What are the IPRs used in the business ?
- What is their value (and hence level of risk) ?
- Who owns it (could I sue or could someone sue me) ?
- How may it be better exploited (e.g. licensing in or out of technology) ?
- At what level do I need to insure the IPR risk ?

One of the key factors affecting a company's success or failure is the degree to which it effectively exploits intellectual capital and values risk. Management obviously need to know the value of the IPR and those risks for the same reason that they need to know the underlying value of their tangible assets; because business managers should know the value of all assets and liabilities under their stewardship and control, to make sure that values are maintained. Exploitation of IPRs can take many forms, ranging from outright sale of an asset, a joint venture or a licensing agreement. Inevitably, exploitation increases the risk assessment.

Valuation is, essentially, a bringing together of the economic concept of value and the legal concept of property. The presence of an asset is a function of its ability to generate a return and the discount rate applied to that return. The cardinal rule of commercial valuation is: the value of something cannot be stated in the abstract; all that can be stated is the value of a thing in a particular place, at a particular time, in particular circumstances. I adhere to this and the questions 'to whom?' and 'for what purpose?' must always be asked before a valuation can be carried out.

This rule is particularly significant as far as the valuation of intellectual property rights is concerned. More often than not, there will only be one or two interested parties, and the value to each of them will depend upon their circumstances. Failure to take these circumstances, and those of the owner, into account will result in a meaningless valuation.

For the value of intangible assets, calculating the value of intangible assets is not usually a major problem when they have been formally protected through trademarks, patents or copyright. This is not the case with intangibles such as know how, (which can include the talents, skill and knowledge of the workforce), training systems and methods, technical processes, customer lists, distribution networks, etc. These assets may be equally valuable but more difficult to identify in terms of the earnings and profits they generate. With many intangibles, a very careful initial due diligence analysis needs to be undertaken together with IP lawyers and in-house accountants.

There are four main value concepts, namely, owner value, market value, fair value and tax value. Owner value often determines the price in negotiated deals and is often led by a proprietor's view of value if he were deprived of the property. The basis of market value is the assumption that if comparable property has fetched a certain price, then the subject property will realize a price something near to it. The fair value concept, in its essence, is the desire to be equitable to both parties. It recognizes that the transaction is not in the open market and that vendor and purchaser have been brought together in a legally binding manner. Tax value has been the subject of case law worldwide since the turn of the century and is an esoteric practice. There are quasi-concepts of value which impinge upon each of these main areas, namely, investment value, liquidation value, and going concern value.

Question No. 9

*Can copyright be assigned? If so, what is the mode of assignment of the copyright?
(10 marks)*

Answer to Question No. 9**Assignment of Copyright**

The owner of the copyright in an existing work or the prospective owner of the copyright in a future work may assign to any person the copyright. Section 18 of the Copyright Act provides for the assignment of copyright in an existing work as well as future work. In both the cases an assignment may be made of the copyright either wholly or partially and generally or subject to limitations and that too for the whole period of copyright or part thereof. However, in case of assignment of copyright in any future work, the assignment has the real effect only when the work comes into existence. Section 18(3) explains that a assignee in respect of assignment of the copyright in future work include the legal representative of the assignee, if the assignee dies before the work comes into existence.

Sections 17 and 18 of the Copyright Act, 1957 show where the copyright vests. If a work is done by an author for a consideration for a publisher, the copyright in it would normally vest in the publisher subject to any contract to the contrary, as is provided by Section 17 of the said Act. It can be legitimately said that this Section has been inserted in the Act of 1957, but the rule of law has been same even prior to this statutory provision. Secondly as provided by Section 18, the copyright could be assigned, and if it is so done it would be vested in the purchaser. (*Khemraj Shrikrishnadass v. M/s Garg & Co. and Another AIR 1975 Del 130.*)

Mode of Assignment

Section 19 of the Act provides that an assignment of copyright should be in writing signed by the owner of the copyright. Mere acceptance of remuneration or delivery of manuscript does not constitute an assignment of copyright. Oral assignment is invalid and it is impermissible in law. (*Setty v. Dr. Suryakantha U. Kamath K.A. Venugopala Setty v. Dr. Suryakantha U. Kamath AIR 1992 Kar 1.*)

Section 19 requires that the assignment should be in writing signed by the assignor or by his duly authorized agent — if the assignment appears from any document and it is signed by the assignor or by his authorized agent the statutory requirement is fulfilled. [*Srimagal and Co. v. Books (India) Pvt. Ltd. & Others AIR 1973 Mad 49: (1972) 2 Mad LJ 610.*]

Copyright is different from the material object which is the subject of the copyright. So it should be clear that the transfer of the material object does not necessarily involve a transfer of the copyright. The assignment of copyright should specify the assigned work, rights including duration, territorial extent of assignment and the amount of royalty. However, in the absence of duration and territorial extent, the assignment remains valid for a period of five years and within the territory of India.

In case assignee does not exercise his rights within a period of one year from the date of assignment, the assignment in respect of such rights shall be deemed to have lapsed after the expiry of said period, unless otherwise specified in the assignment.

The assignment of copyright in any work contrary to the terms and conditions of the rights already assigned to a copyright society in which the author of the work is a member is void.

The assignment of copyright in any work to make a cinematograph film does not affect the right of the author of the work to claim an equal share of royalties and consideration payable in case of utilization of the work in any form other than for the communication to the public of the work, along with the cinematograph film in a cinema hall.

The assignment of the copyright in any work to make a sound recording which does not form part of any cinematograph film does not affect the right of the author of the work to claim an equal share of royalties and consideration payable for any utilization of such work in any form.

Question No. 10

What is the position of an unregistered trade mark under the Trade Marks Act, 1999?
(10 marks)

Answer to Question No. 10

An unregistered trade mark may be assigned or transmitted with or without the goodwill of the business concern. Earlier such an assignment or transmission without goodwill used to be on a different footing.

Section 39 of Trade Marks Act, 1999 has simplified the provisions in relation to assignment of unregistered trade mark without goodwill. It lays down that an unregistered trade mark may also be assigned with or without goodwill. Three conditions in Section 38(2) of Trade and Merchandise Marks Act, 1958 which were applicable on assignment of a trade mark without goodwill have been abrogated. Now, both unregistered and registered trade mark are subject to same conditions stated in Section 42, wherein such an assignee is required to apply to the Registrar within six months extendable by three months for directions with respect to advertisement. The assignee must issue the advertisement as directed for assignment to take effect, as the two limbs are cumulative.

Earlier Section 38 of the Trade & Merchandise Marks Act, 1958 provided for assignment or transmission of an unregistered trade mark without goodwill only if the following conditions were fulfilled:

- (i) used in same business as a registered trade mark;
- (ii) assigned at the same time to same person as registered trade mark;
- (iii) used on same goods as registered trade mark.

Thus, the unregistered trade mark had been coupled with a registered trade mark with regard to goods, business, time and person. The situation has changed under Section 39 of Trade Marks Act, 1999 and now, even an unregistered trade mark can be assigned or transmitted without the goodwill of the business concern, and, without subjecting it to the above condition of coupling it with a registered trade mark.

TEST PAPER 3/2013

Time allowed : 3 hours

Max. Marks : 100

NOTE : Answer ALL Questions.

Question No. 1

India provides protection to Intellectual Property Rights in accordance with its obligations under the TRIPS Agreement of the WTO. Comment. (10 marks)

Answer to Question No. 1

The establishment of WTO as a result of institutionalization of international framework of trade calls for harmonization of several aspects of Indian Law relating to Intellectual Property Rights. The TRIPS agreement set minimum standards for protection for IPR rights and also set a time frame within which countries were required to make changes in their laws to comply with the required degree of protection. After India became a signatory to the TRIPS agreement, India has taken action to modify and amend its various IP Acts.

Patents Act, 1970

The Patents Act, 1970 has been amended in the year 1995, 1999, 2002 and 2005 to meet its obligations under the TRIPS agreement. The Patents Act has been amended keeping in view the development of technological capability in India, coupled with the need for integrating the intellectual property system with international practices and intellectual property regimes. The amendments were also aimed at making the Act a modern, harmonized and user-friendly legislation to adequately protect national and public interests while simultaneously meeting India's international obligations under the TRIPS Agreement.

Subsequently the rules under the Patent Act have also been amended and these became effective from May 2003. These rules have been further amended by Patents (Amendment) Rules 2005 w.e.f 01.01.2005. Thus, the Patent Amendment Act, 2005 is now fully in force and operative.

Trade Marks Act, 1999

The law of trademarks is also now modernized under the Trade marks Act of 1999. A trademark is a special symbol for distinguishing the goods offered for sale or otherwise put on the market by one trader from those of another. In India the trademarks have been protected for over four decades as per the provisions of the Trade and Merchandise Mark (TMM) Act of 1958. India became a party to the WTO at its very inception. One of the agreements in that related to the Intellectual Property Rights (TRIPS). In December, 1998 India acceded to the Paris Convention.

Meanwhile, the modernisation of Trade and Merchandise Marks Act, 1958 had been taken up keeping in view the current developments in trading and commercial practices, increasing globalisation of trade and industry, the need to encourage investment flows and transfer of technology, need for simplification of trademark management system and to give effect to important judicial decisions. To achieve these purposes, the Trademarks Bill was introduced in 1994.

The Bill pointed towards the changes which were contemplated and were under consideration of the Government of India, but it lapsed in 1994. A comprehensive review was made of the existing laws in view of the developments in trading and commercial practices, and increasing globalization of trade and industry. The Trademarks Bill of 1999 was passed by Parliament that received the assent of the President on 30th December, 1999 as Trade Marks Act, 1999 thereby replacing the Trade and Merchandise Mark Act of 1958. The important salient features of the Act inter-alia include:

- It broadens the definition of infringement of a registered trademark to include action against the unauthorized use of a confusingly similar mark, not only in respect of the goods and services covered by registration, as was previously the case, but also in respect of goods and services which are so similar that a likelihood of deception or confusion exists.
- An action for infringement will also be available against the unauthorised use of a mark in relation to dissimilar goods, if such mark is similar to a registered mark that is well known in India and the interest of the owner is likely to be affected adversely. The remedy for infringement of a trademark is also strengthened under the new law by authorising the police with the power to seize infringing articles without a warrant.

Designs Act, 2000

The Designs Act of 1911 has been replaced by the Designs Act, 2000. In view of considerable progress made in the field of science and technology, a need was felt to provide more efficient legal system for the protection of industrial designs in order to ensure effective protection to registered designs, and to encourage design activity to promote the design element in an article of production. In this backdrop, the Designs Act, 2000 has been enacted essentially to balance these interests and to ensure that the law does not unnecessarily extend protection beyond what is necessary to create the required incentive for design activity while removing impediments to the free use of available designs.

The new Act complies with the requirements of TRIPS and hence is directly relevant for international trade. Industrial Design law deals with the aesthetics or the original design of an industrial product. An industrial product usually contains elements of both art and craft, that is to say artistic as well as functional elements. The design law excludes from its purview the functioning features of an article and grants protection only to those which have an aesthetic appeal.

The salient features of the Design Act, 2000 are as under:

- (a) Enlarging the scope of definition of the terms "article", "design" and introduction of definition of "original".

- (b) Amplifying the scope of "prior publication".
- (c) Introduction of provision for delegation of powers of the Controller to other officers and stipulating statutory duties of examiners.
- (d) Provision of identification of non-registrable designs.
- (e) Provision for substitution of applicant before registration of a design.
- (f) Substitution of Indian classification by internationally followed system of classification.
- (g) Provision for inclusion of a register to be maintained on computer as a Register of Designs.
- (h) Provision for restoration of lapsed designs.
- (i) Provisions for appeal against orders of the Controller before the High Court instead of Central Government.
- (j) Revoking of period of secrecy of two years of a registered design.
- (k) Providing for compulsory registration of any document for transfer of right in the registered design.
- (l) Introduction of additional grounds in cancellation proceedings and provision for initiating the cancellation proceedings before the Controller in place of High Court.
- (m) Enhancement of quantum of penalty imposed for infringement of a registered design.
- (n) Provision for grounds of cancellation to be taken as defence in the infringement proceedings to be in any court not below the Court of District Judge.
- (o) Enhancing initial period of registration from 5 to 10 years, to be followed by a further extension of five years.
- (p) Provision for allowance of priority to other convention countries and countries belonging to the group of countries or inter-governmental organizations apart from United Kingdom and other Commonwealth Countries.
- (q) Provision for avoidance of certain restrictive conditions for the control of anti-competitive practices in contractual licenses.

The Geographical indications of Goods (Registration and Protection) Act, 1999

Geographical indications were not registrable in India and in the absence of statutory protection, Indian geographical indications had been misused by persons outside India to indicate goods not originating from the named locality in India. Patenting turmeric, neem and basmati are the instances which drew a lot of attention towards this aspect of the Intellectual property. Mention should be made that under the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), there is no obligation for other countries to extend reciprocal protection unless a geographical indication is protected in the country of its origin. India did not have such a specific law governing geographical

indications of goods which could adequately protect the interest of producers of such goods.

To cover up such situations it became necessary to have a comprehensive legislation for registration and for providing adequate protection to geographical indications and accordingly the Parliament has passed a legislation, namely, the Geographical Indication of Goods (Registration and Protection) Act, 1999. The legislation is administered through the Geographical Indication Registry under the overall charge of the Controller General of Patents, Designs and Trade Marks.

The salient features of this legislation are as under :

- (a) Provision of definition of several important terms like "geographical indication", "goods", "producers", "packages", "registered proprietor", "authorized user" etc.
- (b) Provision for the maintenance of a Register of Geographical Indications in two parts-Part A and Part B and use of computers etc. for maintenance of such Register. While Part A will contain all registered geographical indications, Part B will contain particulars of registered authorized users.
- (c) Registration of geographical indications of goods in specified classes.
- (d) Prohibition of registration of certain geographical indications.
- (e) Provisions for framing of rules by Central Government for filing of application, its contents and matters relating to substantive examination of geographical indication applications.
- (f) Compulsory advertisement of all accepted geographical indication applications and for inviting objections.
- (g) Registration of authorized users of registered geographical indications and providing provisions for taking infringement action either by a registered proprietor or an authorized user.
- (h) Provisions for higher level of protection for notified goods.
- (i) Prohibition of assignment etc. of a geographical indication as it is public property.
- (j) Prohibition of registration of geographical indication as a trademark.
- (k) Appeal against Registrar's decision would be to the Intellectual Property Board established under the Trade Mark legislation.
- (l) Provision relating to offences and penalties.
- (m) Provision detailing the effects of registration and the rights conferred by registration.
- (n) Provision for reciprocity powers of the registrar, maintenance of Index, protection of homonymous geographical indications etc.

Copyright Act, 1957

Copyright in India is governed by Copyright Act, 1957. This Act has been amended several times to keep pace with the changing times. As per this Act, copyright grants author's lifetime coverage plus 60 years after death. Copyright and related rights on cultural goods, products and services, arise from individual or collective creativity. All original intellectual creations expressed in a reproducible form will be connected as

"works eligible for copyright protections". Copyright laws distinguish between different classes of works such as literary, artistic, musical works and sound recordings and cinematograph films. The work is protected irrespective of the quality thereof and also when it may have very little in common with accepted forms of literature or art.

Copyright protection also includes novel rights which involve the right to claim authorship of a work, and the right to oppose changes to it that could harm the creator's reputation

A vital field which gets copyright protection is the computer industry. The Copyright Act, 1957 was amended in 1984 and computer programming was included with the definition of "literary work." The new definition of "computer programme" introduced in 1994, means a set of instructions expressed in works, codes or in any other form, including a machine readable medium, capable of causing a computer to perform a particular task or achieve a particular result.

The greatest fear and challenges to the copyright industry is the piracy of works whether, books, musical works, films, television programmes or computer software or computer database. The special nature of infringement of copyrights in computer programmes has again been taken note of by the Copyright (Amendment) Act, 1994 by inserting a new section 63 B.

The Copyright (Amendment) Act, 1999 makes it free for purchaser of a gadget/equipment to sell it onwards if the item being transacted is not the main item covered under the Copyright Act. This means computer software which is built in the integral part of a gadget/equipment can be freely transacted without permission of copyright owner. This amendment also ensures fair dealing of 'broadcasting' gaining popularity with the growth of the Internet. With this amendment India has updated the Act to meet the concerns of the copyright industries mainly consisting of Book Industry, Music Industry, Film and Television Industry, Computer Industry and Database Industry.

The Protection of Plant Varieties and Farmers' Right Act, 2001

The concept of Plant Breeders' Rights arises from the need to provide incentives to plant breeders engaged in the creative work of research which sustains agricultural progress through returns on investments made in research and to persuade the researcher to share the benefits of his creativity with society.

The issue of enacting a law relating to Plant Varieties Protection and Farmers' Rights in India assumed importance particularly in the wake of TRIPS agreement under WTO which seeks to promote effective protection of Intellectual Property Rights in all fields of technology. Article 27 of TRIPS Agreement defines patentable subject matter and requires member countries to provide for the protection of plant varieties whether by patenting or by an effective sui generis system or by any combination thereof.

With a view to provide for the establishment of an Authority to give an effective system of protection of the rights of plant breeders and farmers, and to encourage the development of new varieties of plants and to give effect to the provisions of TRIPS Agreement, the Government enacted the Protection of Plant Varieties and Farmers' Right Act, 2001. This Act seeks to stimulate investment for research and development both in the public and private sectors for the development of new plant varieties by ensuring appropriate returns on such investments. It also seeks to facilitate the growth

of the seed industry in the country through domestic and foreign investment to ensure the availability of high quality seeds and planting material to Indian farmers. It also recognizes the role of farmers as cultivators and conservers and the contribution of traditional, rural and tribal communities to the country's agro biodiversity by rewarding them for their contribution through benefit sharing and protecting the traditional rights of the farmers. The Act also provides for setting up of the Protection of Plant Varieties and Farmer's Rights Authority to promote and develop new varieties of plants and promote rights of the farmers and breeders.

The Semi-conductor Integrated Circuits Layout-Designs Act, 2000

Microelectronics, which primarily refers to Integrated Circuits (ICs) ranging from, Small Scale Integration (SSI) to Very Large Scale Integration (VLSI) on a semiconductor chip - has rightly been recognized as a core, strategic technology world-over, especially for Information Technology (IT) based society. Design of integrated circuits requires considerable expertise and effort depending on the complexity. Therefore, protection of Intellectual Property Rights (IPR) embedded in the layout designs is of utmost importance to encourage continued investments in R & D to result in technological advancements in the field of microelectronics.

The practice of providing protection through the methods of Copyright, Patents did not appropriately accommodate the requirements of Intellectual Property Rights protection for the Layout-Designs of Integrated Circuits. This was because of the fact that in the context of Layout Designs, the concept of "originality" is of utmost significance, whether it is a "novelty or not". While the Patent Law requires that the idea should be original as well as novel, the copyright law is too general to accommodate the original ideas of scientific creation of Layout-Designs of Integrated Circuits. In view of the above, the necessity for providing protection for Layout-Designs of Integrated Circuits was felt to reward and encourage an adequate level of investment of human, financial and technological resources.

The Majority of countries that attach significance to protection of Intellectual Property Rights in the Semiconductor Integrated Circuits provides for sui generis system of protection of Layout-Designs of Integrated Circuits, which is usually contained in a separate Act. Trade Related Intellectual Property Rights (TRIPS) Agreement under WTO contains provisions with regard to setting up of standards concerning availability, scope and use of Intellectual Property Rights, Geographical Indications, Layout-Design of Integrated Circuits etc. Therefore, the Government enacted the Semiconductor Integrated Circuit Layout-Designs Act, 2000 providing for protection of Semiconductor Integrated Circuits Layout-Designs by process of registration, mechanism for distinguishing Layout-Designs which can be protected, rules to prohibit registration of Layout-Designs which are not original and/or which have been commercially exploited, period for protection, provisions with regard to infringement, payment of royalty for registered Layout-Design, provisions for dealing with willful infringement by way of punishment, appointing a Registrar for registering the Layout Designs and mechanism of Appellate Board.

To conclude, the various modifications and amendments to earlier Intellectual Property Laws are an indication of India's move towards new IPR regime so as to prepare ourselves for the global trade competition.

Question No. 2

What is copyright? Why should copyright be protected ? What are the classes of works for which copyright protection is available in India ? (10 marks)

Answer to Question No. 2

Copyright is a right given by the law to creators of literary, dramatic, musical and artistic works and producers of cinematograph films and sound recordings. In fact, it is a bundle of rights including, inter alia, rights of reproduction, communication to the public, adaptation and translation of the work. There could be slight variations in the composition of the rights depending on the work.

Copyright ensures certain minimum safeguards of the rights of authors over their creations, thereby protecting and rewarding creativity. Creativity being the keystone of progress, no civilized society can afford to ignore the basic requirement of encouraging the same. Economic and social development of a society is dependent on creativity. The protection provided by copyright to the efforts of writers, artists, designers, dramatists, musicians, architects and producers of sound recordings, cinematograph films and computer software, creates an atmosphere conducive to creativity, which induces them to create more and motivates others to create.

Section 13 of the Copyright Act provides that copyright shall subsist throughout India in certain classes of works which are enumerated in the section. Copyright subsists throughout India in the following classes of works:

- Original literary, dramatic, musical and artistic works;
- Cinematograph films; and
- Sound recordings.

An artistic work means :

- a painting, a sculpture, a drawing (including a diagram, map, chart or plan), an engraving or a photograph, whether or not any such work possesses artistic quality;
- a work of architecture; and
- any other work of artistic craftsmanship.

"Musical work" means a work consisting of music and includes any graphical notation of such work but does not include any words or any action intended to be sung, spoken or performed with the music. A musical work need not be written down to enjoy copyright protection.

"Sound recording" means a recording of sounds from which sounds may be produced regardless of the medium on which such recording is made or the method by which the sounds are produced. A phonogram and a CD-ROM are sound recordings.

"Cinematograph film" means any work of visual recording on any medium produced through a process from which a moving image may be produced by any means and includes a sound recording accompanying such visual recording and "cinematograph"

shall be construed as including any work produced by any process analogous to cinematography including video films.

Question No. 3

What is the object of registration of designs ? What are the designs not registrable under the Act ?
(10 marks)

Answer to Question No. 3

Design as per section 2(d) of the Designs Act means only the features of shape, configuration, pattern or ornament or composition of lines or colour or combination thereof applied to any article whether two dimensional or three dimensional or in both forms, by any industrial process or means, whether manual, mechanical or chemical, separate or combined, which in the finished article appeal to and are judged solely by the eye, but does not include any mode or principle or construction or anything which is in substance a mere mechanical device, and does not include any trade mark, as define in clause (v) of sub-section of Section 2 of the Trade and Merchandise Marks Act, 1958, property mark or artistic works as defined under Section 2(c) of the Copyright Act, 1957

The important purpose of design Registration is to see that the artisan, creator, originator of a design having aesthetic look is not deprived of his bonafide reward by others applying it to their goods.

As stated in the definition of the design above, design does not include:

- (i) any trademark, as defined in Section 2(zb) of the Trademarks Act, 1999, or
 - (ii) any property mark, as defined in Section 479 of the Indian Penal Code, 1860, or
 - (iii) any artistic work, as defined in Section 2(c) of the Copyrights Act, 1957.
- [(i) A painting, sculpture, drawing (including a diagram, map, chart or plan), an engraving or a photograph, whether or not any such work possesses artistic quality.
- (ii) Any work of architecture i.e. any building or structure having an artistic character or design or any mode for such building or structure.
 - (iii) Any work of artistic craftsmanship.

An illustrative list of non-registrable designs is as under:

- book jackets, calendars, certificates, forms and documents.
- dress making patterns, greeting cards, leaflets, maps and plan cards.
- post cards, stamps and medals.
- labels, tokens, cards and cartoons.
- any principle or mode of construction of an article.
- mere workshop alterations of components of an assembly.
- mere change in size of article.
- flags, emblems or signs of any country.
- layout designs of integrated circuits.

Question No. 4

What does the term 'Geographical Indications (GI)' stand for? Who can apply for GI's registration and who is a registered proprietor of a geographical indication?

(10 marks)

Answer to Question No. 4

The term 'Geographical Indications (GI)' has been defined as "Geographical Indications", in relation to goods, means an indication which identifies such goods as agricultural goods, natural goods or manufactured goods as originating, or manufactured in the territory of a country, or a region or locality in that territory, where a given quality, reputation or other characteristics of such goods is essentially attributable to its geographical origin and in case where such goods are manufactured goods one of the activities of either the production or of processing or preparation of the goods concerned takes place in such territory, region or locality, as the case may be.

Any association of persons or producers or any organization or authority established by or under any law for the time being in force representing the interest of the producers of the concerned goods, who are desirous of registering geographical indication in relation to such goods shall apply in writing to the Registrar in such form and in such manner and accompanied by such fees as may be prescribed for the registration of the geographical indication.

Any association of persons or of producers or any organisation or authority established by or under the law can be a registered proprietor. Their name should be entered in the Register of Geographical Indication as registered proprietor for the Geographical Indication applied for.

Question No. 5

Briefly explain the procedure relating to registration of copyright. Is registration of the work compulsory under the Copyright Act ?

(10 marks)

Answer to Question No. 5

Chapter X of the Copyright Act containing Sections 44 to 50A deal with various aspects of registration of copyright. The mechanism for registration of copyright has been contemplated under Section 44 of the Act. It is evident from the provisions of the aforesaid section that registration of the work under the Copyright Act is not compulsory and is not a condition precedent for maintaining a suit for damages, if somebody infringes the copyright. Registration is not a prerequisite for acquisition of a copyright (*Nav Sahitya Prakash & Others v. Anan Kumar & Others AIR 1981 All 200*).

Sections 44 and 45 of the Act is only an enabling provision and the provisions contained therein do not affect common law right to sue for infringement of the copyright, therefore, registration of the work under the Act is not compulsory and that registration is not a condition precedent for maintaining a suit for damages for infringement of copyright (*R. Madhavan v. S K Nayar AIR 1988 Ker 39*). The only effect of registration is what is stated in section 48, to wit, that it shall be prima facie evidence of the particulars entered in the register. There is no indication in any of the provisions of the Act, read individually or a whole, to suggest that registration is condition precedent to subsistence of copyright or acquisition of ownership thereof.

There is no section in the Copyright Act, 1957, to the effect that the author can have no right or remedy unless the work is registered. *Satsang and Another v. Kiron Chandra Mukhopadhyay & Others AIR 1972 Cal 533*. In *Jayanthilal M. Munoth and Ors. v. M. Durairajan, [2006] 132 Comp Cas 797(Mad)* where a petition was filed for infringement of copyright and the same was challenged by the respondents on the ground that there was no registration of copyright. The Court held that registration of copyright was not a pre-condition for filing a suit or for launching prosecution for violation of copyright.

The Register of Copyrights is to be maintained by the Copyright Office to enter the names or titles of works and the names and addresses of authors, publishers and owners of copyright. The Register of Copyrights is to be kept in six parts, namely, Part I Literary works other than computer programmes, tables and compilations including computer data bases and dramatic works; Part II Musical works; Part III Artistic works; Part IV Cinematograph films; Part V Sound Recording; and Part VI Computer programmes, tables and compilations including computer data bases.

Chapter VI of the Copyright Rules, 2013, as amended, sets out the procedure for the registration of a work.

- a. Application for registration is to be made on Form XIV (Including Statement of Particulars and Statement of Further Particulars) as prescribed in the first schedule to the Rules ;
- b. Separate applications should be made for registration of each work;
- c. Each application should be accompanied by the requisite fee prescribed in the second schedule to the Rules ; and
- d. The applications should be signed by the applicant or the advocate in whose favour a Vakalatnama or Power of Attorney has been executed. The Power of Attorney signed by the party and accepted by the advocate should also be enclosed.
- e. Every such application can be filed in the Copyright Office by Person or by post or by online filing facility as provided on the website of the Copyright Office.
- f. If no objection to such registration is received by the Registrar of copyrights within thirty days of the receipt of the application, the Registrar, if satisfied about the correctness of the particulars given in the application, enter such particulars in the Register of Copyrights.

Question 6

Write short notes on the following:

- (i) *Anton Piller Order*
- (ii) *Direct Infringement*
- (iii) *Budapest Treaty*
- (iv) *Issues covered under TRIPS Agreement* (5 marks each)

Answer to Question No. 6(i)

Anton Piller Order

The first use of such order was made by Templeman J, in *EMI v. Pandit, (1975)*

1All E R 418, to protect the offending evidences from being destroyed. However, it was only after the case of *Anton Piller KG v. Manufacturing Process (1976) 1All E R 779. 418*, that it gained recognition and popularity.

The statutes governing intellectual property in India like Copyright Act, 1957, Trade Marks Act, 1999; Patents Act, 1970 (as amended by Patents (Amendment) Act, 2005, Designs Act, 2000 etc. stipulate the rights that are available to the intellectual property owner, besides containing a sound mechanism to prevent the infringement of intellectual property rights. The remedies available for protection of IPR are broadly classified into civil and criminal remedies.

The orders in line of Anton Piller order are made under the head of civil remedies. The application of Anton Piller order in India is still in a nascent stage. There is not much case-laws debating over the aspects of Anton Piller order. One of the earliest case that dealt with the concept of Anton Piller order, though cursorily was *National Garments v. National Apparels, (1990) PTC98*.

In *Bucyrus Europe Ltd. v. Vulcan Industries Engineering Co. Pvt. Ltd., 2005 (30) PTC 279*, the court observed that an Anton Piller order can be passed in the following situations:

- (a) Where the plaintiff has an extremely strongly prima facie case;
- (b) Where the actual or potential damage to the plaintiff is very serious.
- (c) Where it was clear that the defendant possessed vital evidence; and
- (d) There was a real possibility that the defendant might destroy or dispose of such material so as to defeat the ends of justice.
- (e) The purpose of Anton Piller order is the preservation of evidences.

The application of Anton Piller order in India is still in nascent stage and lot many questions are still left unanswered

Answer to Question No. 6(ii)

Direct Infringement

Direct patent infringement is the most obvious and the most common form of patent infringement. In the most basic definition, direct patent infringement occurs when a product that is substantially close to a patented product or invention is marketed, sold, or used commercially without permission from the owner of the patented product or invention.

Answer to Question No. 6(iii)

Budapest Treaty

In the case of biological material, sufficiency of disclosure is very important. The Patents Act, 1970 stipulates that the description of the invention should be given sufficiently and clearly.

A system of depositing strain of microorganisms in some recognized depositories was evolved way back in 1949 in USA. An international treaty called "Budapest Treaty"

was signed in Budapest in 1973 and later on amended in 1980. India became a member of this Treaty, with effect from December 17, 2001.

This is an international convention governing the recognition of deposits in officially approved culture collections for the purpose of patent applications in any country that is a party to this treaty. Because of the difficulties and virtual impossibility of reproducing a microorganism from a description of it in a patent specification, it is essential to deposit a strain in a culture collection centre for testing and examination by others.

Answer to Question No. 6(iv)

Issues covered under TRIPS Agreement

The TRIPS agreement broadly focuses on following issues -

- How basic principles of the trading system and other international intellectual property agreements should be applied.
- How to give adequate protection to intellectual property rights.
- How countries should enforce those rights adequately in their own territories.
- How to settle disputes on intellectual property between members of the WTO.
- Special transitional agreements during the period when the new system is being introduced.

Question No. 7

What does valuation mean? Explain the methods for the valuation of intellectual property.
(10 marks)

Answer to Question No. 7

Valuation is, essentially, a bringing together of the economic concept of value and the legal concept of property. The presence of an asset is a function of its ability to generate a return and the discount rate applied to that return. The cardinal rule of commercial valuation is: the value of something cannot be stated in the abstract; all that can be stated is the value of a thing in a particular place, at a particular time, in particular circumstances. Adhere to this and the questions 'to whom?' and 'for what purpose?' must always be asked before a valuation can be carried out.

This rule is particularly significant as far as the valuation of intellectual property rights is concerned. More often than not, there will only be one or two interested parties, and the value to each of them will depend upon their circumstances. Failure to take these circumstances, and those of the owner, into account will result in a meaningless valuation.

For the value of intangible assets, calculating the value of intangible assets is not usually a major problem when they have been formally protected through trademarks, patents or copyright. This is not the case with intangibles such as know how, (which can include the talents, skill and knowledge of the workforce), training systems and methods, technical processes, customer lists, distribution networks, etc. These assets may be equally valuable but more difficult to identify in terms of the earnings and profits they

generate. With many intangibles, a very careful initial due diligence analysis needs to be undertaken together with IP lawyers and in-house accountants.

There are four main value concepts, namely, *owner value*, *market value*, *fair value* and *tax value*. Owner value often determines the price in negotiated deals and is often led by a proprietor's view of value if he were deprived of the property. The basis of market value is the assumption that if comparable property has fetched a certain price, then the subject property will realize a price something near to it. The fair value concept, in its essence, is the desire to be equitable to both parties. It recognizes that the transaction is not in the open market and that vendor and purchaser have been brought together in a legally binding manner. Tax value has been the subject of case law worldwide since the turn of the century and is an esoteric practice. There are quasi-concepts of value which impinge upon each of these main areas, namely, investment value, liquidation value, and going concern value.

Methods for the Valuation of Intangibles

Acceptable methods for the valuation of identifiable intangible assets and intellectual property fall into three broad categories. They are market based, cost based, or based on estimates of past and future economic benefits.

In an ideal situation, an independent expert will always prefer to determine a market value by reference to comparable market transactions. This is difficult enough when valuing assets such as bricks and mortar because it is never possible to find a transaction that is exactly comparable. In valuing an item of intellectual property, the search for a comparable market transaction becomes almost futile. This is not only due to lack of compatibility, but also because intellectual property is generally not developed to be sold and many sales are usually only a small part of a larger transaction and details are kept extremely confidential. There are other impediments that limit the usefulness of this method, namely, special purchasers, different negotiating skills, and the distorting effects of the peaks and troughs of economic cycles. In a nutshell, this summarizes my objection to such statements as 'this is rule of thumb in the sector'.

Cost-based methodologies, such as the "cost to create" or the "cost to replace" a given asset, assume that there is some relationship between cost and value and the approach has very little to commend itself other than ease of use. The method ignores changes in the time value of money and ignores maintenance.

The methods of valuation flowing from an estimate of past and future economic benefits (also referred to as the income methods) can be broken down in to four limbs; (1) capitalization of historic profits, (2) gross profit differential methods, (3) excess profits methods, and 4) the relief from royalty method.

1. The capitalization of historic profits arrives at the value of IPR's by multiplying the maintainable historic profitability of the asset by a multiple that has been assessed after scoring the relative strength of the IPR. For example, a multiple is arrived at after assessing a brand in the light of factors such as leadership, stability, market share, internationality, trend of profitability, marketing and advertising support and protection. While this capitalization process recognizes some of the factors which should be considered, it has major shortcomings,

mostly associated with historic earning capability. The method pays little regard to the future.

2. Gross profit differential methods are often associated with trade mark and brand valuation. These methods look at the differences in sale prices, adjusted for differences in marketing costs. That is the difference between the margin of the branded and/or patented product and an unbranded or generic product. This formula is used to drive out cashflows and calculate value. Finding generic equivalents for a patent and identifiable price differences is far more difficult than for a retail brand.
3. The excess profits method looks at the current value of the net tangible assets employed as the benchmark for an estimated rate of return. This is used to calculate the profits that are required in order to induce investors to invest into those net tangible assets. Any return over and above those profits required in order to induce investment is considered to be the excess return attributable to the IPRs. While theoretically relying upon future economic benefits from the use of the asset, the method has difficulty in adjusting to alternative uses of the asset.
4. Relief from royalty considers what the purchaser could afford, or would be willing to pay, for a licence of similar IPR. The royalty stream is then capitalized reflecting the risk and return relationship of investing in the asset.

Discounted Cash Flow (“DCF”) analysis sits across the last three methodologies and is probably the most comprehensive of appraisal techniques. Potential profits and cash flows need to be assessed carefully and then restated to present value through use of a discount rate, or rates. DCF mathematical modelling allows for the fact that 1 Euro in your pocket today is worth more than 1 Euro next year or 1 Euro the year after. The time value of money is calculated by adjusting expected future returns to today’s monetary values using a discount rate. The discount rate is used to calculate economic value and includes compensation for risk and for expected rates of inflation.

With the asset you are considering, the valuer will need to consider the operating environment of the asset to determine the potential for market revenue growth. The projection of market revenues will be a critical step in the valuation. The potential will need to be assessed by reference to the enduring nature of the asset, and its marketability, and this must subsume consideration of expenses together with an estimate of residual value or terminal value, if any. This method recognizes market conditions, likely performance and potential, and the time value of money. It is illustrative, demonstrating the cash flow potential, or not, of the property and is highly regarded and widely used in the financial community.

The discount rate to be applied to the cashflows can be derived from a number of different models, including common sense, build-up method, dividend growth models and the Capital Asset Pricing Model utilising a weighted average cost of capital. The latter will probably be the preferred option.

These processes lead one nowhere unless due diligence and the valuation process quantifies remaining useful life and decay rates. This will quantify the shortest of the following lives: physical, functional, technological, economic and legal. This process is

necessary because, just like any other asset, IPRs have a varying ability to generate economic returns dependant upon these main lives. For example, in the discounted cashflow model, it would not be correct to drive out cashflows for the entire legal length of copyright protection, which may be 70 plus years, when a valuation concerns computer software with only a short economic life span of 1 to 2 years. However, the fact that the legal life of a patent is 20 years may be very important for valuation purposes, as often illustrated in the pharmaceutical sector with generic competitors entering the marketplace at speed to dilute a monopoly position when protection ceases. The message is that when undertaking a valuation using the discounted cashflow modelling, the valuer should never project longer than what is realistic by testing against these major lives.

While some of the above methods are widely used by the financial community, it is important to note that valuation is an art more than a science and is an interdisciplinary study drawing upon law, economics, finance, accounting, and investment. It is rash to attempt any valuation adopting so-called industry/sector norms in ignorance of the fundamental theoretical framework of valuation. When undertaking an IPR valuation, the context is all-important, and the valuer will need to take it into consideration to assign a realistic value to the asset.

Question No. 8

Briefly list out the restrictive practices used in the intellectual property licensing agreements. (10 marks)

Answer to Question No. 8

The term restrictive practice signifies non-governmental measures used by companies to strengthen their position in a given market. In the context of IPRs, these practices can hamper or distort competition in given market. Competition and anti-trust laws deal with such business practices and prohibit them when it is established that they have the effect of distorting or preventing competition in a given market.

The concept of unfair competition has been also recognised under the Paris Convention for the Protection of Industrial property which comprises not only infringement of industrial property but also all other acts which adversely affect the business relations of a person. The provisions of the Paris Convention contain a broad stipulation that any act of competition contrary to honest practices in industrial and commercial matters constitutes an act of unfair competition. These provisions affirm the foundation of fair competition as being honest practices or good morals and set out three kinds of acts which are deemed typically unlawful in international trade and therefore, must be prohibited.

UNCTAD Code of Conduct on Transfer of Technology under Chapter IV has also recognised some practices as restrictive practices. In India, the Patents Act, 1970 and Competition Act, 2002 prohibit the use of restrictive practices in business agreements.

Kinds of Restrictive Practices

As discussed above, restrictive trade practices under the guise of intellectual property licensing can always be corrected by competition authorities. Following are some of the restrictive practices mainly used in the intellectual property licensing agreements.

1. *Restrictions after expiration of Industrial Property Rights or Loss of Secrecy of Technical Know-how*

The expiration of the term of patent in an intellectual property licensing agreement signifies that the knowledge and invention covered by such patent enters into public domain and any interested party can use such patent without any obligation. Where the supplier of the technology imposes any restriction after the expiration of the term of intellectual property rights, such restriction is deemed to be the restrictive trade practice.

The real problem arises in the case of package licensing, where the restrictions or payment obligations are artificially prolonged beyond the life time of the main patent by referring to the expiry of the last improvement patent or by basing restrictions on patents actually not exploited by the licensee. The problem may also arise when the secret know-how loses its secret character before the expiration of the agreement.

2. *Restrictions after Expiration of Arrangements*

The use of such clauses in intellectual property licensing will generally oblige licensee to pay royalties during the entire duration of manufacture of product or the application of the process involved, without specifying any time limit. Sometimes these clauses also contain restrictions to be continued even after the expiration of the agreement, for example, restrictions on competition, restriction on Research and Development activities and specially, the obligation of the licensee to keep secret and not to make use of the confidential information even after the expiration of the life of the arrangement.

3. *Restrictions on Research and Development*

Such restrictions generally involve limitations on the research and development policies and activities of the licensee. The use of such clauses affects directly or indirectly the possibilities for the technological development capabilities of the licensee. Such provisions also restrict the freedom of licensee to undertake its own Research and Development programmes. These restrictions also cover such provisions which are in direct competition with Research and Development activities of the licensor.

The restrictions on Research and Development activities of licensee company have also been declared as restrictive practice under the UNCTAD Code. The provisions of the code identified such clauses as restricting the licensee from undertaking R&D activities directly to absorb and adapt the transferred technology to suit local conditions or restriction on initiation of R&D programmes in connection with new products, processes or equipment.

4. *Non-Competition Clauses*

The Non-competition clause in intellectual property licensing includes the restriction on freedom of licensee company to enter into arrangements to use or purchase the competing technologies or products not furnished or designated by the company supplying technology. These clauses directly or indirectly affect the acquiring company's capability of competition. Some of the non-competition

clauses which may have direct effect, oblige the licensee company not to manufacture or sell competing products or not to acquire competing technology. Non-competition clauses which may have indirect effect, oblige the licensee not to cooperate with competing enterprises or to pay higher royalties if it sells or manufactures competing products.

5. *Tie-in Arrangements*

Tie-in clauses in an intellectual property licensing requires the licensee to obtain raw materials, spare parts, intermediate products for use with licensed technology, only from the licensor or its nominees. These clauses also oblige the licensee to use personnel designated by the licensor. The main reason behind the use of tie-in clauses by the licensor seems to be based on the fact that it wants to preserve an exclusive right to supply necessary processed or semi-processed inputs, to maintain quality control, and to expand their profit margin.

The tie-in clauses generally result in a monopoly control of the supply of equipment and other inputs by supplying enterprises, leading to “transfer pricing”, “transfer accounting” or “uneconomic output”. By virtue of this exclusive position, the licensor charges higher price than for comparable equipment and other inputs that could otherwise be obtained elsewhere. The use of tying clauses not only affects production costs through the overpricing of inputs but may have important indirect effect on the import substitution, export diversification and growth efforts of licensee.

6. *Export Restrictions*

Export restrictions may include conditions restricting or prohibiting the export of products manufactured by the transferred technology. These conditions restrict the export of such products to certain markets or permission to export to certain markets and requirement of previous permission for exports.

The restrictions having direct impact involve complete restriction on the export of products. In some cases the licensor imposes restrictions on licensee as to prohibit or permit the export to one or more specified countries or areas. These restrictions may also include prohibition or permission to export only specified goods.

Indirect export restrictions cover a wide range of restrictions. Amongst others, the important indirect export restrictions include the prior approval of licensor to export the goods manufactured by the imported technology, including the requirement of primary responsibility for the domestic market or higher royalties on output designated for export. Such restrictions also require the licensee to export its product on predetermined prices or quality control. In some other cases obligations are imposed to sell its product exclusively to the licensor or to export only through licensor or its designated agents.

7. *Price Fixing*

Price fixing clause in an intellectual property license involves the practices where the licensor reserves the right to fix the sale or resale price of the product manufactured by the imported technology. The price-fixing clauses may cover

the price determined by the licensor on goods produced with the help of transferred technology. Price-fixing may also involve horizontal price cartels between several technology suppliers or several technology recipients.

8. *Restrictions on Field of Use, Volume or Territory*

Restrictions on the field of use authorises licensor to restrict the use of the technology or reserve some uses of technology for self-exploitation or exploitation by third parties. The practices concerning the volume restrictions may consist of minimum production requirements or maximum output. The volume of production may also be controlled by higher royalties to be paid beyond a certain production quota or to produce by manufactured goods in a prescribed package with a certain weight. Therefore, such type of restrictions on the production may prevent the licensee company from producing enough for export.

The volume restrictions are generally used by the licensor to preserve its competitive position in a given market. Moreover, where the protected technology covers manufacturing rather than product itself, the licensee's capability to compete in world market with the transferred technology may actually be hindered by the volume restrictions.

While licensing restraints such as territorial or field-of-use limitations appear restrictive of competition, they may in fact serve pro-competitive ends by promoting licensing, and thus the dissemination and more efficient exploitation of the technology. Licensing agreements containing such restraints do not normally fall within the scope of Competition law infringements because such restraints may not be viewed as restrictions of competition as such.

9. *Grant-back Provisions*

The grant-back provisions provide for flow of technical information and improvements to the licensor. These provisions oblige the licensee company to transfer to the licensor of technology, free of cost, any invention or improvement made in the imported technology. The grant-back provisions may be characterised as 'unilateral', 'exclusive or non-exclusive'.

A unilateral grant-back provision establishes unilateral flow of technical information or improvement by licensee without any reciprocal obligation of the licensor. Therefore, such provisions oblige the licensee to provide to the licensor all future improvements made in the technology, on unilateral basis. While in the case of an exclusive grant back clause, though the licensee may be allowed to freely use the invention and improvement developed by it, yet the licensee is prohibited from transferring or licensing the same to the third party. Such clauses restrict the right of the licensee to license or transfer the invention developed through its own R&D activities.

The main reason behind the inclusion of grant-back provision appears to be rooted in the free of cost grant-back. Generally, the grant-back is not remunerated and thus, licensor has the advantage of securing access to all improvements made by the licensee. In this situation, the licensor receives the improved technology without sharing its risk or contributing in recipient's financial burdens. Therefore, these provisions constitute an abusive use of the licensor's dominant

position and deprive the licensee of any possibility of improving its competitive position in the given market.

10. *Exclusive Sales and Representation Arrangements*

Such practices prohibit the freedom of the licensee company not only to organise its own distribution system, but also prohibit the licensee company from entering into exclusive sales or representative contract with any third party, other than the licensor or a party designated by the licensor. In other words, licensee company becomes handicapped and dependent on the licensor's distribution channels.

Question No. 9

What is the inter-relationship between copyright and designs? Can one have both copyrights and designs at the same time ? (10 marks)

Answer to Question No. 9

No. It is not possible to have concurrent registration of both Design and Copyright to cover the shape and appearance of the goods.

Normally, an Applicant would be tempted to protect the shape and appearance of the goods by declaring the goods either as an artistic work or a sculpture because of the easier method of acquisition longer duration of protection and no obligation to pay renewal fee.

However Section 15 (1) of the Copyright Act makes it clear that Copyright shall not subsists concurrently with design. Section 15 (2) further makes it clear that if an article is capable of being registered under the Designs Act but which has not been so registered, the copyright protection shall cease as soon as the article has been reproduced more than 50 times by an industrial or mechanical process.
