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EDITORIAL

Recent times have been extremely crucial for the development of intellectual property law particularly in India. Certain developments have very effectively highlighted the increasingly important role played by intellectual property law in today's times in both social as well as economic diaspora. The World Intellectual Property Organization (WIPO) took concrete measures on June 28, 2013 to end the tragedy of 'book–famine' faced by people with visual impairments, by signing an international Treaty to improve the status of access to books, journals and other published materials by visually impaired people. The 'Marrakesh Treaty' is touted as the first intellectual property covenant with an express reference to Human Rights; highlighting the increasing interplay between intellectual property rights and other branches of law.

Closer home, India acceded to the Madrid Protocol on April 8, 2013, with the Protocol coming into effect in India on July 8, 2013. The Madrid Protocol is an international system which seeks to facilitate the registration of Trademarks on a global scale, across different jurisdictions. This system helps the party filing for registration of a Trademark to obtain protection of his trademark across multiple nations by filing a single application with the filing party's own national/ regional Trademark Office.

Certain recent decisions have also reaffirmed faith in the Indian intellectual property litigation machinery. In the case of *M/s Gillette India Ltd* v. *M/s Harbans Lal Malhotra& Sons Pvt. Ltd.* (ORA/51 & 52/2005/TM/KOL AND M.P.No.392/2012 IN ORA/51/2005/ TM/KOL), the Delhi Circuit Bench of IPAB, Chennai on June 21, 2013 adjudicated on a matter involving the usage of the Trademark 'CHAMPION' for razor blades. The IPAB stressed the need for international business ethics to be followed, and prevented the applicants from curbing the economic activities of a relatively minor business entity. Similarly, in a path–breaking development with regard to the functioning of the patent system in India, the Patent Office has, for the first time ever, brought into the public domain all Statements of Working which were filed by each and every patentee in 2012. Under Section 146 of the Patents Act, 1970; the Controller General is empowered to demand from the patentee a Statement (specified under Form 27) regarding the commercial working of the patent. This step is bound to go a long way in increasing the efficacy and the transparency of the patent system in India.

The current issue, the fifth volume of the IJIPL, offers snapshots of the legal developments in the field during this past year. We are fortunate to have the opportunity to publish contributions from three guest authors in this issue.

Ms. **Srividhya Ragavan**, Professor of Law at the University of Oklahoma School of Law, is a frontline researcher of the impact of intellectual property law in developing nations. In this issue, she analyzes the issues faced by biodiversity protection mechanisms in their interaction with the trade regime on the one hand, and the impact on India in its interplay with biodiversity and trade mechanisms on the other.

Ms. **Sheetal Chopra**, in her capacity as Head of the IPR Division at the Federation of Indian Chambers of Commerce and Industry, offers a unique perspective located at the intersection of legal practice and industry concerns. Her piece dealing with the concept of Technological Protection Measures (TPM),exposes the inadequacies of the Copyright (Amendment) Act, 2012 in protecting data against piracy.

Mr. **J. Sai Deepak's** experience in litigating IP issues in this country, and reputation for continuous yet comprehensive analysis of patent decisions in particular, make him the ideal candidate to pick apart the Supreme Court's recent decision in *Novartis v. The Union of India*.

Our student entries begin with **Arnab Naskar** and **Shubhangi Gupta's** analysis of emerging Digital Rights Management technology. Following a comprehensive examination of the issues, IPR and related, surrounding this extremely controversial family of technology, the authors offer particularly interesting criticisms of the state of the Indian law pertaining to the issue.

The next piece examines the latest Indian development in an issue that has long divided the international community – compulsory licensing. Moving beyond the interpretation of domestic law in the Supreme Court's ruling this year in *Natco v. Bayer*, **Deepika Sekar** and **Aishwarya H.** examine the current Indian position in light of the nation's international obligations under the TRIPS.

Continuing with the framing of Indian law in an international context, **Ramyaa Veerabathran** follows the investigation of Google's

Adwords policy across jurisdictions into our own, where match-making mega-corporate Consim Info's litigation against Google progresses steadily up the judicial system. Dissecting the doctrine of initial interest confusion, Ms. Veerabathran conclusion suggests that we may be searching for solutions in the wrong field of law altogether.

Marrying current concerns with jurisprudential analysis, the next article attempts to offer a solution to the increasingly subversive use of patent rights, by examining the philosophical underpinnings of Intellectual Property Law itself. **Tarun Krishnakumar's** appeal to Locke, Bentham and Kant, among others, raises key questions about when intellectual property just isn't intellectual property.

Finally, **Samira Varanasi** and **A.S. Vishwajith** tackle an issue that has communities, corporates and Governments at odds with each other across the globe. In establishing a strong right in personal information as the key to achieving informational efficiency, the authors offer a re-framing of the privacy debate that may well appeal to the pragmatist.

This edition concludes with **Professor V.C. Vivekanandan's** review of a unique contribution to the annals of India IP literature – Dr. Uday Shankar's & Saurabh Bindal book, "Constitutionalizing Intellectual Property".

In sum, we have drawn from the diverse communities invested in Intellectual Property law practice and research to produce an edition that blends analysis of current developments and historical concerns. We hope that this offering does justice to what has been an eventful year in Indian IP law.

Regards
The Board of Editors
(2012–2013)

INDIA'S ATTEMPT TO RECONCILE DIVERSITY AND INTELLECTUAL PROPERTY ISSUES

Srividhya Ragavan[*]

I. Introduction

For developing countries, the concept of diversity holds great promises not least because of the protection it promises for the fast depleting natural resources leading to catastrophic effect on the environment. The concept of diversity also holds great promises from a trade perspective. In reality, appropriate protection of diversity can be the solution to balance the effects of the trade regime to achieve sustainable development. The term sustainable development, as opposed to rapid pockets of development, embodies great promises for the socio-political framework in poorer nations, apart from the obvious benefit of sustainability. In fact, sustainable development, if it ensues, would complete the trade regime's agenda by supplying the missing piece of the puzzle. From a practical standpoint, at the very basic level, sustainable development promises a level of inclusiveness, which can facilitate addressing broader national issues.

Similarly, sustainable development is compatible with the larger trade agenda by promising to include newer forms of trading capital – such as biodiversity for biotechnology or traditional knowledge for pharmaceutical innovation - hitherto excluded from the trade regime. The trade regime which traditionally deals with what is typically western properties like goods, services, patents and investments, can, in turn, benefit from the dynamism resulting from say, trade in biodiversity and traditional knowledge. This paper will discuss the issues that impact biodiversity protection as a result of its interaction with the trade regime. Particularly, this paper will focus on India and the issues it faces from embracing the biodiversity and the trade regime.

II. Convention on Biological Diversity

Much has been written about the Convention on Biological Diversity. Hence, after providing a short introduction to the Convention,

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[*] Professor of Law, University of Oklahoma College of Law and author of Patents and Trade Disparities in Developing Countries, Oxford University Press (2012)

this essay will concentrate on aspects of Convention that are important for developing countries to embrace, not just in principle but in practice.

The Convention on Biological Diversity (CBD), signed at the United Nation's Conference on Environment and Development in 1992, came into force on December 29, 1993[1] with the primary agenda of creating an international framework to beneficially exploit and conserve biodiversity.[2]At the time of its conception, the Convention on Biological Diversity was meant to complement the UN's efforts in establishing a Conference on Environment and Development (hereinafter "Rio Summit"), which addressed broadly the role of environment, climate, and indigenous communities.[3] The CBD was conceived as a global agreement to address all aspects of biological diversity.[4]

Broadly, the CBD streamlined the use of access and sharing of genetic resources to achieve three important objectives: first, conserving biological diversity; second, promoting appropriate access for the sustainable use of biodiversity components; and third, sharing benefits from biodiversity resources in exchange for transfer of technology.[5] The objectives of the Convention are set in the background of the principle of "fair and equitable sharing" of the benefits from genetic resources, which principle is considered the crux for enabling transfer of technology.[6] Overall, the CBD's objective is to promote the use of biodiversity resources toward sustainable development. The term *biologicaldiversity* encompasses plants, animals, and microorganisms and their relationship to the overall ecosystems, including the people on earth and the genetic resource in the ecosystem.[7] The CBD's distinguishing feature is its ability to serve as a

1 Convention on Biological Diversity, June 5, 1992, U.N. Doc. Biodiv.No.92-7807, 31 I.L.M. 818 (1992) [hereinafter "CBD"], *also available at* http://www.biodiv.org.

2 *Id.*

3 United Nations Conference on Environment and Development, Rio Declarationon Environment and Development, U.N. Doc. A/CONF.151/5/Rev. 1 (1992), reprinted in 31 I.L.M. 87 (1992) [hereinafter "Rio Declaration"], Chapter 26, Agenda 21;*see also* CBD, *supra* note 1.

4 *Sustaining Life on Earth: How the Convention on Biological Diversity Promotes Nature and Human Well-Being* (May 19, 2005), *available at* http://www.biodiv.org/doc/publications/guide.asp?id=action.

5 CBD, *supra* note 1, Art. 1.

6 *Id.*

7 *Id.*

conduit to enable sustainability and thus, it signifies a relative break from the compulsive and one-dimensional developmental perspectives promoted by the trade and intellectual property (IP) agenda.[8]

With the above as the background, the following narrative highlights how the objectives are reflected in the Convention.

2.1 CONSERVATION ON BIOLOGICAL DIVERSITY

Conservation remains the central objectives of the CBD – the main emphasis is to prevent the loss of biodiversity due to bioprospecting and to ensure sustainable use of the diversity materials, each of which is discussed below.

Conservation & Sustainable Use: Conservation is the central tenet around which the CBD is structured. That conservation is uniformly important for all countries that seem to lose biodiversity materials due to lack of adequate programs to conserve existing resources is not lost on the Convention. Consequently, with the objective of furthering the idea of conserving biodiversity materials, Article 8(g) of the CBD,[9] discusses *in situ* conservation and mandates that countries manage risks that are likely to adversely impact the environment.[10] That is, countries should "[e]stablish or maintain the means to regulate, manage or control risks from biotechnology likely to adversely impact the environment."[11]

Tied closely with the concept of conservation is the requirement of sustainable use of biodiversity materials. The underlying objective is that conservation does not take away the right to use biodiversity. Nevertheless, such use should not result in depletion of the biodiversity materials. Thus, Article 3 of the CBD affirms the sovereign right of states to exploit resources "pursuant to their own environmental policies."[12] It allows governments to take stock of the biological diversity materials and determine the best mechanism to ensure that it is not depleted. Article

8 *Id.*
9 *Id.*
10 *Id.*, Art.8(g).
11 *Id.*, Art.8(g).
12 *Id.*, Art. 3.

15(1) reflects this sentiment by emphasizing the "sovereign rights of States over their natural resources."[13]

However, although governments may impose restrictions on access to genetic resources using national legislation, arguably the Convention skews towards allowing access. For instance, Article 15(2) specifies that national legislation shall *not* run counter to the objectives of the Convention.[14] One of the objectives of the Convention, outlined in Article 1, is to allow "appropriate" access to genetic resources.[15] In effect, Articles 15(1) and (2), when read in conjunction with Article 1, advocate appropriate restrictions in a manner not stifling access to genetic resources. In all, under the CBD, member states' have rights to limit and dictate the *manner and mechanism* of allowing access. The Commission on Intellectual Property Rights, a Commission that means to integrate IP rights and developmental policies, reflects this sentiment and notes that:

> *. . . care will be necessary to ensure that legislation and practices that seek to give effect to the CBD do not in fact unnecessarily restrict or discourage the legitimate use of genetic resources, whether with a view to commercialization or in terms of scientific research. There is some evidence that the tightening of restrictions in some countries has hindered the access of biologists studying genetic resources.*[16]

Importantly, while the CBD's legislative objective is to preserve sovereign rights over genetic resources, the criticism remains that operationally those rights are limited by the overall objective of granting access to genetic resources. However, it is important to recognize that development by definition will result in some use of biological diversity. Perhaps, it is in recognition of this that the Convention has attempted to balance use with sustainability. Consequently, countries cannot refuse access but they can carefully impose restrictions to ensure preservation of biodiversity and local communities. Such restrictions can include a mandatory obligation to disclose what is accessed, consent of the

13 *Id.* Art.15(1).

14 *Id.* Art.15 (1) and (2).

15 *Id.*, Art. 1.

16 Report of the Commission on Intellectual Property Rights, *Integrating IP Rights & Development Policy,* 83–84, September (2002) [hereinafter "CIPR Report"], *available at* http://www.iprcommission.org/graphic/documents/final_report.htm.

indigenous people, disclosure of terms with the indigenous people, limitation of area that can be used for prospecting, restrictions over use of area, and other such obligations.

The Nagoya Protocol[17] has further elaborated on the sovereign rights over the resources as well as the competing interests in generating *fair and equitable* sharing by emphasizing in Article 3 that each signatory party can take appropriate measures to ensure benefit sharing and utilization of traditional knowledge resources. Importantly, Article 3(4) of the Protocol alludes to monetary as well as non-monetary benefits that countries can negotiate as part of the deal. Some of these can be used to work around impediments imposed by the TRIPS agreement.[18] That is, Annex 2 outlines several mechanisms whereby the holder of the genetic resources can collaborate and work with the bioprospector. It provides for non-monetary benefits including agreements that resemble local manufacturing requirements (in exchange for transfer of diversity assets). When IP assets are involved, countries should carefully tailor them to ensure that they fall within the flexibilities outlined under the TRIPS agreement.

2.2 APPROPRIATE ACCESS TO BIODIVERSITY MATERIALS

One of the foremost objectives of the CBD is to preserve sovereign rights over genetic resources. However, granting access to genetic resources remains an equally important aspect of the Convention. The effect of this is that while countries cannot refuse access, they can carefully impose restrictions to ensure preservation of biodiversity and local communities. Such restrictions can include a mandatory obligation to disclose what is accessed, consent of the indigenous people, disclosure of terms with the indigenous people, limitation of area that can be used for prospecting, restrictions over use of area, and other such obligations. One such important formality to access genetic resources is to obtain the "prior

17 Article 6, Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from Their Utilization to the Convention on Biological Diversity, Secretariat of the Convention on Biological Diversity (Oct. 2010), available at http://www.cbd.int (last visited July 12, 2011).

18 Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, vol. 31, 33 I.L.M. 81 (1994) [hereinafter TRIPS], *reprinted in* World Trade Organization, The Results Of The Uruguay Round of Multilateral Trade Negotiations 365 (1995), [hereinafter, TRIPS].

informed consent" of the holder. Articles 8(j) and 15(5) treat the community consent requirement as a precondition to accessing biodiversity assets.[19] But, the CBD does not define the term "prior informed consent." Although the lack of definition allows countries to determine the type, extent, and nature of information required to provide consent, it also leaves a lot of scope for misuse. For instance, generally, in order for consent to be *informed*, resource holders should have adequate knowledge of the proposed use and future financial potential of the resources they would be sharing. Such information is a prerequisite for the *ad idem* required to create a proper "mutual agreement." In practice, the degree of information to be imparted tends to vary, depending on the bio–prospector, the holder, and the genetic material in question.[20] This, however, provides an opportunity for information to be withheld, depending on the level of awareness of the indigenous people.

The potential for misuse is tremendous given the inequality in bargaining capacity and sophistication of the parties. The nature of information qualifying the consent as "informed," the constituents of adequacy of the consent, and the time frame within which the information should be shared are left to the member state to legislate upon depending on the extent of education or knowledge of the community and such other considerations. With a view to addressing this deficiency, the Bonn Guidelines suggested measures that countries can adopt, such as mechanisms that encourage disclosure of information to holders and measures that prevent misuse of the genetic resources.[21] Similarly, the more recent Nagoya Protocol, discussed later in the paper, provides norms that member states can adopt to ensure "legal certainty, clarity and transparency" in their domestic legislation.[22] The protocol suggests that

19 CBD, *supra* note 1, Art. 8(j) and 15(5).

20 *See generally* Jim Chen, *Diversity and Deadlock: Transcending Conventional Wisdom on the Relationship between Biological Diversity and Intellectual Property,* 31 ELR 10625, 10631 (2001).

21 Article 16(d), Bonn Guidelines on Access to Genetic Resources and Fair and Equitable Sharing of the Benefits Arising Out of Their Utilization, Secretariat of the Convention on Biological Diversity, UNEP/CBD/COP/6/24 (Apr. 2002), *available at* http:// www.biodiv.org/decisions/default.aspx?m=cop-06&d=24.

22 Article 6, Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from Their Utilization to the Convention on Biological Diversity, Secretariat of the Convention on Biological Diversity (Oct. 2010), *available at* http://www.cbd.int (last visited July 12, 2011).

members establish rules to: (1) streamline access, (b) standardize the process of obtaining prior informed consent, (3) create rules that can allow decisions to be rendered in the event of a dispute, and (4) establish terms relating to benefit sharing and use by third parties, including in relation to intellectual property rights.[23] The Nagoya Protocol gives the impression that related issues that may arise in this regard should be dealt with by individual nations.[24] Article 7 of the Protocol provides: "[I]n accordance with domestic law, each Party shall take measures, as appropriate, with the aim of ensuring that traditional knowledge associated with genetic resources that is held by indigenous and local communities is accessed with the prior and informed consent or approval"[25] Thus, the Protocol envisages or guides member states to establish rules that provide for a streamlined application procedure that establishes a fair, non-arbitrary mechanism through a national authority and within a reasonable period of time. Such procedure suggests not only a clear evidence of consent but also notification to a national established clearing house of the consent to access the information. Thus, a dispute settlement clause, a separate clause on benefit sharing and intellectual property rights, including future assignment or division of rights are all required to be part of the consent document.

The issue of prior informed consent has presented many challenges to the member states. For instance, questions like whether the holders of indigenous knowledge retain the right to refuse consent after knowing the "full and fair" circumstances of the case remains unclear and unanswered. Also, what happens in circumstances where an access agreement is violated after the genetic resource has been transferred? The only possible remedy under these circumstances is to invalidate the agreement for breach- but, the question was whether that would violate the access commitment under the CBD.[26] Also, considering that the genetic material and knowledge have already been transferred, invalidating the agreement is neither a deterrent to the bioprospector nor a protective mechanism to indigenous societies. Post the Nagoya Protocol, individual member have clearer guidelines to determine these questions. They can fall within the larger ambit of "terms on changes of intent."[27]Alternately, some of these issues can also fall within

23 *Id.*
24 *See* Nagoya Protocol, *supra* note 21.
25 *Id.* Art. 7.
26 *See* CIPR Report*, supra note* 17, at 91.
27 *Id.*

the scope of special considerations detailed under Article 8 of the Protocol which provides adequate leeway for countries to take emergency, public interest considerations including impact on food and agriculture. Article 10 encourages parties to determine modalities for equitable sharing of resources in transboundary situations where it is impossible to obtain prior informed consent.

Overall, the CBD seeks to empower countries to promote and encourage conducive conditions that not only promote research to protect biodiversity and thus, ensure sustainable development. The overarching benefit of the Guidelines and the Protocolsare that they provide clear options for member states to deal with such issues within their legal structure. In all the CBD has made great progress, either directly or through the protocols, to equip countries to seek specific returns to permit prospecting. It is up to the member states to use local legislation to clearly define and subject the access provision to proper consent of the communities by outlining clear and standardized procedures.

a) Access to Technology: Access to biodiversity in exchange for access to technology captures the essence of CBD's vision to promote global equity.[28] Thus, the issue of access and benefit sharing needs to be positioned in the light of the CBD provisions for transfer of technology.[29] Article 1 of the CBD emphasizes the need for "fair and equitable" sharing of the benefits arising from the use of genetic resources.[30] Similarly, Article 15, which discusses access to genetic resources, indicates the expectation of transfer of technology[31] whereas Article 16 details the access to technology commitments. [32] By incorporating the philosophy of exchange of technology and genetic resources, the CBD has raised the awareness level of the value inherent in genetic resources. However, in light of the relatively easy access to genetic resources, the flexibility in the narrative of the CBD has resulted in the issues discussed below.

28 Chen, *supra* note 19, at 10659.

29 *See* Srividhya Ragavan, *The Global South as the Key to Biodiversity and Biotechnology—A Reply to Professor Chen*, 32 Envir. L. Rep. 10358, 10359–61 (2001).

30 CBD, *supra* note 1, art. 1.

31 *Id.* Art. 15.

32 *Id.* Art. 16.

First, the CBD narrative, although encouraging developing countries to provide access to genetic resources, repeatedly conditions transfer of technology commitments on *mutual agreement* of the parties. The emphasis on mutual agreement subjects transfer of technology obligations to the bargaining skills of the parties.[33] For instance, Article 15(4) specifies the expectation for benefit sharing between the providers and users of genetic material, but adds that "such sharing shall be made on mutually agreed terms."[34] Similarly, Article 16(2) specifies the transfer of technology will occur "preferentially" under "fair and most favorable terms."[35] The CBD does not define the terms "fair and most favorable" or "preferential," presumably to allow nations to effectively define them.[36] The article operates on the assumption that "preferential terms" for transfer of technology will be negotiated or facilitated by members. Further, Article 16(3) requires that countries providing genetic material be "provided access to and transfer of [proprietary] technology . . . on mutually agreed terms."[37] Thus, the obligations of transferring technology remains dependent on the bargaining powers of parties, which skews the balance against nations with less bargaining parity. In practice, the relative bargaining power of the parties makes it difficult to negotiate an equitable transfer of technology. In some instances, the local communities that are involved may be unaware of the extent of development or the realm of available technologies, options or possibilities from the accessed materials. Developing or least-developed countries can hardly be expected to bargain and negotiate a meaningful technology transfer agreement under such circumstances. Perhaps, it is in recognition of this impediment that the Nagoya Protocol outlines mechanisms that can be used to improve bargaining exercise. For instance, Article 22 discusses capacity building and encourages member states to identify their national capacity needs and priorities through self-assessment. Such an exercise could greatly enhance the negotiation by informing the diversity holders of their needs and help them exploit their resources towards adding value to existing resources.

Second, the benefit-sharing provision of the CBD does not obligate developed nations to impose statutory transfer requirements in exchange

33 *Id.* Art.15(2) (highlighting that access is also subject to mutually agreed terms).
34 *Id.* Art.15(4).
35 *Id.* Art.16(2).
36 *Id.*
37 *Id.* Art.16(3).

for benefits derived from genetic resources. For instance, Article 19 of the CBD states that countries shall "take legislative, administrative or policy measures, as appropriate, to provide for the effective participation in biotechnological research activities."[38] Article 19(2) stresses the need for developing countries to participate in efforts to further research and development.[39] The local participation requirement is another form of the local working requirement rendered as a barrier to trade under the TRIPS agreement. Unlike clause 1, however, clause 2 operates only if the parties arrive at "mutually agreeable" terms.

Third, the CBD's contemplated objective is an exchange of genetic and technological resources "taking into account all rights over those resources and to technologies." The rights over biodiversity resources are unclear because ownership remains unresolved. The government, one or more indigenous societies (which need not be a cohesive group), or other locals can all either share or retain specific rights of ownership. Consequently, what amounts to effective protection of rights over biodiversity resources—whether it is right to royalties, sharing IP rights, or merely a requirement to grant "prior informed consent"—is left for individual member states to determine. The Nagoya Protocol in the Annex lists monetary and non-monetary benefits that can serve as a guidepost to member countries.

The flexibility and the opportunity to create mutually beneficial agreements offered by the CBD is a great asset. Recognizing that in practice, there is a tendency to acquire as much of the genetic resources as possible with minimal transfer of technology, the Nagoya Protocol has attempted to address how the CBD's flexibilities can be best exploited. In all, CBD provides a great opportunity for biodiversity-rich members to statutorily structure access to technology requirements as a precondition for appropriate access.

b) Access and IP Rights: The biggest criticism of the CBD is perhaps its emphasis on accommodating IP rights that will interfere with transfer of technology to the poorest regions of the world. For instance, Article 16(2) of the CBD specifies that technology subject to IP rights shall

38 *See id.*, Art. 19.

39 *Id.* Art.19(2) (mandating access to technology by developing countries "on a fair and equitable basis").

be transferred "on terms which recognize and are consistent with the adequate and effective protection of intellectual property rights."[40] In practice, arguably there will be no access to technology under the CBD unless IP is adequately protected and respected by an agreement defining the contours of the technology.

Further, unlike rights over resources discussed earlier, the IP regime clearly allocates rights over technologies. Consequently, the process of granting access to biodiversity recourses while accounting for the "rights over the technology" results in positing IP rights ahead of rights over the biodiversity resources. Ideally, access to genetic resources should be made in exchange for a transfer of technology that leads toward sustainable development "notwithstanding intervening IP rights." This way, indigenous communities can, for instance, seek access to sophisticated technologies or patented medications in return for access to genetic resources. Although the language in Article 16 (5) highlights that IP rights should not run counter to the working of the CBD, so far very few negotiations have actually used Article 16(5) to ensure access by indigenous people to the technologies. The Nagoya Protocol has attempted to address some of these issues through their guidelines like laying out clear terms over ownership of intellectual properties, joint ownership etc. Even though the success of these terms unfortunately depends on bargaining parities, the increased awareness has resulted in conscious efforts in several countries towards protection of biodiversity assets. Similarly, many developing countries, including India, have attempted to provide different types of protection to prevent depletion of traditional knowledge assets.

III. India's Standing in the Diversity and Trade Complex

India's standing on biodiversity issues remains important on account of several reasons. First, as one of the leaders of emerging economies and a member of the BRIC group of nations, the steps that a country like India takes to protect biodiversity becomes a trend setter to other developing countries. Second, protection of environment and its related assets is a Constitutional issue in India.[41] Third, India is a documented mega-diversity country. The National Biodiversity Authority in

40 *See* CBD, *supra* note 1, Art. 16(2).

41 Constitution of India, (India) (1950), Directive Principles of State Policy, Part IV Art 48A.

India accounts for 7-8% of the recorded species of the world with a documented 45,968 species of plants and 91,364 species of animals.[42] Fourth, the country houses 4 of the 34 global biodiversity hotspots and is recognized as a Vavilovian Center for diversity of crops.[43]These are the geographic regions where crops exhibit maximum diversity in terms of number of races and botanical varieties.[44] Fifth, India also houses several tribal and indigenous communities within the country and hence, protection of their knowledge is important. Last, notwithstanding all of the above, India's status as an emerging economy, its rate of real estate development, the extent of corruption and the extent of pollution has resulted in the depletion of biodiversity at alarming levels. Hence, efforts to conserve biodiversity and develop sustainably are important paradigms of India's development agenda.

India has taken steps to preserve its biological diversity and associated assets. The following narrative examines some of these steps and its adequacy to address the problems. The narrative below examines whether these are adequate and if so, to what extent?

A. BIODIVERSITY ACT, 2002

India has embraced the mandate of conservation of biological diversity, sustainable use of its components and fair and equitable sharing of the benefits arising out of the use of biological resources by enacting the Biological Diversity Act, 2003. The statute's conduit to lead towards conservation of biological diversity and sustainable use of its components is to facilitate fair and equitable sharing of the benefits arising from the use of biological resources or traditional knowledge. Consequently, the enactment establishes a National Biodiversity Authority (NBA) with powers to address the broad objectives of the enactment. For instance, the scope of the responsibilities of the NBA includes to ensure joint ownership with the knowledge holders to facilitate transfer of technology and oversee research and development activities with the local people. Among other things, the NBA will also deal with issues of "agro-biodiversity" which relates to

42 Policy Issues on Biodiversity (PPT), National Biodiversity Authority of India, Chennai (2003) *available at* www.nba.nic.in

43 *Id.* Vavilovian Centers are areas around the world where most life originated from.

44 K. Venkatraman, India's Biodiversity Act 2002 and its Role in Conservation, Tropical Ecology 50(1): 23-30, 2009.

biological diversity of agriculture related species and their wild relatives. Functionally, the NBA is required to streamline access to biological resources by instituting an approval process. Thus, the concentration seems to be to ensure that no biological resource is transferred out of India especially by non-Indians (or non-resident Indians) or foreign corporations. The extensive approval process creates an oversight except in the case of institutional research which is exempted from the permission requirement provided such research falls with the scope of the Central Government policies. Importantly, any patent obtained using information relating to biodiversity is subject to benefit sharing and other comparable conditions like royalty sharing arrangements.

In terms of its structure, the NBA consists of a Chairperson and three *exofficio* members one of whom will represent Ministry of Tribal Affairs and the other two representing the Ministry of Environment and Forests of whom one shall be the Additional Director General of Forests or the Director General of Forests. Additionally, the Central Government will also appoint seven other members (also termed as ex officio members) representing different ministries including agriculture, biotechnology, Ocean Development, Indian Systems of Medicine and Homeopathy, etc. These members will be guided by five non-official members who will serve as specialists with special knowledge of biological diversity. The NBA will also be assisted and advised by the State Biological Diversity Board (SDB) which is similarly structured like the NBA. In turn, local bodies can have biodiversity management committees which will oversee conservation and sustainable use issues within the area.

B. TRADITIONAL KNOWLEDGE BILL[45]

Amidst all of this, India is also attempting to legislate a Traditional Knowledge Bill with the objective of protecting traditional knowledge and "the rights of the traditional communities to practice, use, share and sell the products of the use of traditional knowledge as per their customary practice." The Bill's objectives include "sustainability of resources on which the traditional knowledge are based, as well as to ensure the continuum of the customary practices of the traditional knowledge." This Bill also establishes a governing mechanism – the Traditional Knowledge Board –

45 Draft Traditional Knowledge Bill, 2009, Circulated during the 2nd National Consultation on IPR & TK, New Delhi, July 4th and 5th 2009.

with zonal several offices. The more egregious portions of the Bill adds that this office will receive applications for access to the traditional knowledge in the prescribed format along with the details of the prior informed consent, evaluate the impact on the environmental, conduct social impact assessments, and oversee the traditional knowledge and resource management plans submitted by the accesor. Further, before approving access and license to use the traditional knowledge, the board will evaluate to determine whether the bioprospecting will affect public order and morality. Additionally, the Board will also facilitate the traditional communities to negotiate the terms and conditions of benefit sharing upon access to use the traditional knowledge.

C. INDIAN PATENT OFFICE GUIDELINES ON TRADITIONAL KNOWLEDGE[46]

With a view to further bolster legislative and regulatory protection in this area, the Indian patent office has also issued guidelines for the processing of traditional knowledge related applications. The Guidelines mandate examiners to include the Traditional Knowledge Digital Library (TKDL) as part of its prior art search process and to ensure that any material taken from the database is duly accounted for. Thus, the source of the biological materials, a declaration as to whether that the material originated from India or abroad and due permission from the competent authority should all be appended with the application. In addition to all of these, separate permission is required from the NBA in order for the application to be prosecuted for patentability analysis. Under the Guidelines, the following materials would be considered patent defeating:

a) Extracts/alkaloids and/or isolation of active ingredients of plants, which are naturally/inherently present in plants,
b) Combination of one or more plants with same known-therapeutic effect for treating the same disease would be treated as an obvious combination (even if increased therapeutic efficacy is seen),
c) Use of an ingredient known for the treatment of a disease will create a presumption of obviousness when any combination using the same active ingredient is used, and

46 Guidelines for Processing of Patent Applications Relating to Traditional Knowledge and Biological Material, Office of Controller General of Patents, Designs and Trademarks, India (2013) *available at ipindia.nic.in.*

d) Isolation of a single component from multiple ingredients with known to therapeutic activity (as per traditional knowledge).

Interestingly, that materials isolated from its natural state should not patented is a point vigorously argued in the United States over the dispute involving the Myriad gene patents issue that is currently being considered by the Supreme Court of the United States.[47]

d. A NOTE ON INDIA'S EFFORTS – WHAT A MESS!

In gist, the various legislative framework in India that caters to this area of law seems over-lapping, unclear and poorly drafted. The good intentions to provide protection for biodiversity materials have not fully translated into appropriate legislative mechanisms. Instead, the over lapping legislative efforts seemingly covers the same issues while leaving out gaping loopholes.

The Biodiversity Act widely covers sustainable development. Yet, the notion of "sustainability of resources" is discussed under the Traditional Knowledge Bill and reflects the same principles. Having two legislations discuss the exact same components is confusing and unnecessary. Further, each of these legislations establishes central and state authorities to perform similar functions. In essence, areas where communities practice traditional knowledge are also areas that are rich in diversity. Hence, the oversight under the biodiversity statute should be more than sufficient without the need for duplicative efforts under the traditional knowledge legislation.

With respect to traditional knowledge, several of the documents in India discuss "protection." And, many of the models that seem to be discussed are styled akin to the intellectual property style of protection. It seems lame that a country that objects to patent protection would jump towards protection of traditional knowledge using intellectual property as a framework. Importantly, one has to recognize the regulatory & implementation costs associated in creating such an IP based model

47 Association of Molecular Pathology, *et al*, v. Myriad Genetics Inc, *et al,* No. 12-398 (On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit).

reduces efficiency – thus, establishing such a model should be avoided at all costs. Arguably, these efforts do not fully appreciate the important differences between beneficially exploiting the resources versus creating a protection regime for traditional knowledge. Mere protection regime does not necessarily mean that there will be beneficial exploitation of resources unless the plan for the latter is carefully delineated.

With respect to protection of traditional knowledge, there seems to be no research or on-going study on the question of underlying differences between the nature of the property in traditional knowledge and other intellectual properties. Such understanding is critical to structuring a regime to ensure protection for traditional knowledge by taking into account the important differences with the intellectual property regime.

The over populated bureaucratic regimes that the biodiversity act and the traditional knowledge bill together imposes will merely increase the burdens which can impede realistic attempts to conserve biodiversity, or protect traditional knowledge materials appropriately. The amount of public money that would be required to fund and maintain these institutions will eat into finances that should rightfully belong to the traditional communities from benefit sharing. Further, the interaction of these two bureaucracies with other government institutions will create more burden and overly complicated mechanisms to deal with this area.

With respect to a patent, if a patent covers part of traditional knowledge materials, it will be cleared by the National Biodiversity Board, the authorities under the traditional knowledge statue (if passed) and will also be subject to the oversight of the patent examiner. If India feels that new discoveries in Ayurveda and Herbal medicines should be subjected to patent protection, such overly burdensome procedures involving several statutory authorizes is the best way to kill it.

The traditional knowledge bill provides for the authorities under the enactment to conduct "social impact assessments" and evaluate whether the access of traditional knowledge affects public order, morality and the environment." It is unclear how these authorities, who are typically administrative or service officers, will transform to perform the role of arbiters or specialists of morality, environment impact studies and public order all at the same time and without appropriate guidelines is unclear.

Presumably, each of these are subjects require independent specialists to evaluate the outcome appropriately.

In addition to all of the above, India has also enacted a Protection of Plant Varieties and Farmer's Rights Act, 2001.[48] This enactment also discusses benefit sharing and outlines a detailed set of statutory procedures relating to benefit sharing. Interestingly, this enactment also creates an extant *variety* typology which was introduced to protect traditional knowledge and indigenous farmers.[49] The extant variety register serves as a compilation of matters known and existing in the public domain. In essence, an extant variety encompasses a farmers' variety, or a variety about which there is common knowledge, or a variety in the public domain and any variety notified under section 5 of the Seeds Act.[50]

By making *farmers' variety* a subset of *extant variety*, the PPVFA facilitates farmers to register varieties they have cultivated for years to ensure that it cannot be appropriated. The most important benefit is that registration or compilation of extant varieties creates a higher standard for distinctness/non-obviousness for registering "new" varieties. Thus, it prevents protection of miniscule innovations by breeders. The interesting aspect is that the Biodiversity Rules, 2004 mandates in Rule 22 that every local body constitute the Biodiversity Management Committee (BMC).[51] The main function of these committees is to prepare People's Biodiversity Register in consultation with local people. Such registers are conceived to "contain comprehensive information on availability and knowledge of local biological resources, their medicinal or any other use or any other traditional knowledge associated with them."[52]

Interestingly, these registers perform the exact same function like the extant variety register, perhaps with more information. It would be natural for both of these registers to contain overlapping information –and, they would both perform the same function of creating a log of existing

48 The Protection of Plant Varieties and Farmers' Rights Act, No. 53 of 2001; India Code (2001) *available at* http://indiacode.nic.in/fullact1.asp?tfnm=200153. (Hereinafter, PPVFA). The President of India assented to the PPVFA but the enactment came into force as of Jan, 2007.

49 *Id.* §14(b).

50 *Id.* § 2(j).

51 Biodiversity Rules, 2004 *available at* nbaindia.org

52 *Id.* at Rule 22(6).

materials. Perhaps creating one log that will record the extant varieties, existing traditional knowledge and biological resources would be a more efficient idea than having similar data spread over materials several statutory registers controlled by different authorities.

Similarly, the PPVFA's registration regime also recognizes the role of local farmers and their traditional knowledge. In doing so, the application requirements under this enactment (which is a *sui generis* regime for the protection of innovation in plant breeding) must include a denomination to the variety and describe (1) the geographical origin of the material and (2) all information regarding the contribution of the farmer, community, or organization in the development of the variety.[53] Further, the application must state that all genetic or parental material used to develop the variety has been lawfully acquired.[54]

Moreover, section 40 necessitates the breeder to disclose information "regarding the use of genetic material conserved by any tribal or rural families in the breeding or development of such [new] variety."[55]The information in the application is meant to facilitate benefit sharing – which is very similar to the system described in the Biodiversity Act, 2002 – yet, these two mechanisms not been reconciled well. That is, whether there will be one benefit sharing mechanism into which all of the recourses generated from the various enactments will flow or whether these will all function as different benefit sharing systems within the scope of different bureaucracies set up under different statutes. This issue remains unclear.

India's biggest problem is the depletion of valuable bio-diversity assets on account of urbanization. Unfortunately, this aspect is completely left uncovered. Thus, whether conservation efforts should include having adequate parks and green areas in the city has not been addressed. If so, that the biodiversity authorities and town planning authorities need to work together towards sustainable development and conservation is a concept that seems to be untouched in India. Instead, there is an overly egregious and misplaced fetish on traditional knowledge protection falling into the framework of several legislations. That traditional knowledge should be

53 *Id.* § 18(1)(e).
54 *Id.* § 18(1)(h).
55 PPVFA, *supra* note**Error! Bookmark not defined.**, § 40.

protected appropriately is not denied, but, the mechanism in India is unfortunately, not well-thought of.

Similarly, depletion of valuable agricultural land to real estate and buildings is an on-going concern in India. Amidst this, the country also faces woeful infrastructure making it impossible to ignore the requirements of building roads. Yet, these efforts have to be balanced with biodiversity protection as well as sustainable development – a paradigm that the Biodiversity Act, 2002 unfortunately, does not address. Notably, India also has an Environment Protection Act, which can also address some of these issues. Perhaps, the hype and the excitement surrounding the Biodiversity Act and traditional knowledge Bill has caused India to diminish the role of the Environment legislation.

IV. CONCLUSION

India's interest to protect traditional knowledge, beneficially prevent undue exploitation of such knowledge while conserving biodiversity and its related assets is highly commendable. But, the exercise has to be more thoughtful from the point of view of outcome and objectives that needs to be achieved. An efficient and integrated system that helps achieve the objectives of protection, conservation and sustainable development needs to be a by-product of careful research and not a piece-meal approach.

5 IJIPL 20-23 (2012)

INADEQUATE PROTECTION AGAINST PIRACY: COPYRIGHT AMENDMENTS INADEQUATE

Sheetal Chopra[*]

I. Introduction

As technology advances at a dizzying pace, so does the need for protection of copyrights in cyberspace. Internet users can utilize unauthorized copies of copyrighted works; and digital technology enabled piracy of novels, photographs and movies has caused substantial economic loss. At this juncture, Technological Protection Measures (TPM) which can safeguard proprietary works from digital piracy is a welcome and much needed development.

TPM promotes the authorized use of digital content; the most widely used methods are password and cryptography. TPM can be broadly classified into two categories on the basis of the functions performed: those measures which control or restrict access to a work are referred to as Access Control Technology and those which restrict the uses of the work are called Copy Control Technology. In most instances, these measures are capable of providing extensive security to the copyright works in which they are installed.

Ironically, technology is not simply biased towards authors who seek to protect their copyrights; the same technology also enables unauthorized users to frame technical solutions which can counter TPM. These circumvention devices or technologies which are initially created for personal use later hit the internet markets at cheap prices and even as free open source software. These technologies are capable of circumventing the virtual defense that is created by the TPM and enable unauthorized use of the works. It is not possible to combat these circumvention devices with technological measures.

Therefore, the system must devise laws to protect copyright issues. The World Intellectual Property Organization (WIPO) has formulated two

[*] Joint Director and Head IPR Division at Federation of Indian Chamber of Commerce and Industry (FICCI). The author can be contacted at sheetal.chopra@ficci.com.

crucial treaties[1] which mandate its member countries to extend adequate legal protection for effective TPM, in its national copyright legislations. Several countries, such as the US, Japan, Australia and Germany have adhered to this mandate.

II. The Copyright Amendment Act, 2012

The Copyright Amendment Act, 2012 was passed by the LokSabha in May 2012. The amendments introduced Section 65A in the Copyright Act, 1957. It states that any person who circumvents an effective technological measure applied for the purpose of protecting any of the rights conferred by this Act, with the intention of infringing such rights, shall be punishable with imprisonment which may extend to two years and shall also be liable to fine. It also enlists certain exceptional situations when circumvention of TPM would not amount to an offence.

Nevertheless, the provisions in the Copyright Act do not address the menace of circumvention of TPM in a comprehensive manner. Before drawing any conclusions about the effectiveness of the new Indian statute, let us examine the provisions existing in some other countries. USA protects TPM under Section 1201, Title 17 of the United States Code (US Code). The US law prohibits both the circumvention of effective TPM and the trafficking in circumvention devices. Trafficking in circumvention technology implies manufacture, sale, import or rental of such technology. In order to ensure that the law does not hinder the progress of technology, it is specifically provided that trafficking in only that technology which is primarily designed for circumvention of devices or that technology which has very limited commercial purposes other than circumventing TPM can be restricted. Both these attributes of circumvention technologies have been consolidated by two judicial precedents.

III. Primary Design Theory

The primary design theory was discussed in *Sony Corp. Of America v Universal City Studios Inc*[2]. Universal City Studios, Inc., sued Sony for contributory copyright infringement based on the manufacture and

1 The treaties are: 1) WIPO Copyright Treaty, 2) WIPO Performances and Phonograms Treaty

2 464 U.S. 417 (1984)

distribution of VCRs which enabled the users to tape copyrighted material and, thus, make copies of those works. The Supreme Court, basing its decision on the substantial non-infringing uses of VCRs, held that home time-shifting by users was fair use and, thus, not copyright infringement. The Supreme Court held that Sony was not liable for contributory copyright infringement for the distribution of VCRs because the technology was capable of substantial non-infringing uses. In *Sony Computer Entertainment America Inc. v. Game masters*[3], , the Defendant sold various "game enhancers" which allowed users to modify the rules of Sony's PlayStation games, such as by making the game harder or easier, or by giving a game character infinite lives or unlimited ammunition.

The devices also allowed users to play games designed exclusively for use in Japanese and European PlayStation versions. In granting Sony's application for a preliminary injunction, the Northern District of California held that the "game enhancers" appeared to be devices whose primary function was to circumvent "a technological measure (or a protection afforded by a technological measure) that effectively controls access to a system protected by a registered copyright.... " .

Very similar protection has been ensured under the German and Australian copyright laws. Section 95a of the German Copyright Act prohibits the circumvention of any technological measure without the rights holder's authorization. It also provides protection against trafficking in circumvention technologies. The Copyright Act, 1968 of Australia extends protection against circumvention only for Access Control Technology. The statute brings in a real distinction between Access Control and Copy Control Technologies. It further prohibits trafficking in any kind of circumvention technology.

It is evident that there should be two components for every legal statute protecting TPM from circumventions. The statute should explicitly prohibit any kind of circumvention activities and the statute should also prevent trafficking in circumvention technologies that has been primarily designed for such circumvention and has got negligible commercial purposes apart from circumventing TPM.

3 87 F. Supp. 2d 976 (N.D. Ca. 1999)

In the Indian statute the second component is not present. Section 65A does not prohibit trafficking in circumvention technologies. This stands out as a serious lacuna. The addition of a clause prohibiting trafficking in circumvention devices would discourage perpetrators who deal in manufacture and transfer of such technology. As the rate of manufacture and transfer of such technology slides, the frequency of circumvention activities will also decline. Thus prohibition of trafficking allows the enforcement agencies to nip the circumvention activities in the bud.

Moreover, the entities that manufacture and transfer such technology raise illegal income and are equally liable for initiating such circumventions. To be more precise, they abet the offence of circumvention of TPM. While preventing trafficking of circumvention technology, caution must be exercised so as not to extend a blanket prohibition to the circumvention devices. The provision should not target general purpose devices whose incidental use results in circumvention. That would create stagnation in the development of technology and push unnecessary restrictions on access to knowledge. It would be much wiser to adopt the *primary design theory or the limited commercial purpose theory* as enunciated in the US copyright law, with suitable adaptations. However, complete evolution of these doctrines is possible only through judicial precedents. Once the legislature introduces such a provision, the judiciary can interpret the concepts of primary design or limited commercial purpose on a case by case basis.

Even the Parliamentary Standing Committee on Human Resources which scrutinized the amendments felt that the provision is inadequate when it stated in its report that a constant watch would have to be kept on the impact of this provision and corrective measures taken as and when required[4]. The legislature should take cue from the developed nations and further amend the copyright law to incorporate prohibition of trafficking. It would further allow the judiciary to evolve the law based on practical situations, keeping in mind the larger public interest of facilitating access to the public. A clause preventing trafficking in circumvention devices enables the copyright regime of India to adapt to the challenges presented by the digital media environment.

4 227th Report of the Parliamentary Standing Committee on Human Resources Development

THE NOVARTIS DECISION OF THE INDIAN SUPREME COURT: A PILL BY ANY OTHER NAME WOULD TREAT AS NEAT

J. Sai Deepak[*]

I. Introduction

On April 1, 2013, in a much-awaited 112-page decision, the Hon'ble Supreme Court of India rejected global pharmaceutical major Novartis AG's patent application on the Beta Crystalline form of Imatinib Mesylate (hereinafter referred to as "BCIM"), which ostensibly claimed Novartis's blockbuster anti-cancer drug "Gleevec/Glivec". The decision of the Supreme Court was anxiously awaited for several reasons, but most importantly because the observations and ruling of the Court would affect the course of pharmaceutical innovation in India, pharma patent-filing strategies, and the manner of disposal and outcome of pending pharmaceutical product patent applications and appeals by the Indian Patent Office (IPO) and the Intellectual Property Appellate Board (IPAB) respectively.

Although Section 3(d) of the Patents Act, 1970 (hereinafter referred to as "the Act") has been applied by the Indian Patent Office on multiple occasions since its introduction through the Patents (Amendment) Act, 2005, the Novartis case is the first case where the Supreme Court had the occasion to test the patent-eligibility of a pharmaceutical product on the anvils of the provision. As part of this analysis, the case also offered the Court a wonderful opportunity to clarify and lay down the law on several fundamental aspects of the Act such as the interpretation of "invention" and "inventive step", and their interplay with subject-matter proscriptions under Section 3 of the Act, which have concrete implications for practitioners and patent examiners.

The broad mandate before the Court was to strike a balance between incentivising innovation and discouraging attempts to "evergreen" pharmaceutical product patents, which is the manifest legislative intent behind the inclusion of Section 3(d). However, in the eyes of the international patent community, the Novartis case was a test of:

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[*] Senior Associate, Litigation Team, Saikrishna & Associates. The author may be contacted at jsaideepak@gmail.com

(a) The Indian Patent regime's approach to the rights of innovator pharma companies in general, and incremental pharmaceutical innovation in particular; and

(b) The Indian Judiciary's ability to comprehend and apply the nuances of patent jurisprudence, without falling back on the "public interest" argument to whittle down or do away with a rigorous fact-based techno-legal analysis.

This paper analyses the decision in detail to assess its success or otherwise in addressing each of these aspects of the pharma patent discourse, besides the issue of TRIPS compliance which the Supreme Court did not have to deal with since Novartis chose not to raise it.

II. Facts leading to the Supreme Court decision

At a time when India did not grant pharmaceutical product patents, on July 17, 1998, Novartis AG filed its "mailbox" Indian patent application (1602/MAS/1998) on BCIM titled "*Crystal Modification of a N-Phenyl-2-Pyrimidineamine derivative, processes for its manufacture and its use*" seeking Exclusive Marketing Rights (EMR). The Indian application claimed priority from a Swiss application dated July 18, 1997. A US application US09/463,097, which too claimed priority from the Swiss parent application, was filed on July 16, 1998 and granted as US6894051.

Novartis was granted EMR in India on November 10, 2003, and subsequent to the introduction of pharma product patents in India through the Patents (Amendment) Act, 2005, its application was taken up for examination for grant of a product patent. However, pursuant to five pre-grant oppositions filed by Cancer Patients Aid Association, NATCO Pharma Limited, Cipla Limited, Ranbaxy Laboratories Limited, and Hetero Drugs Limited, Novartis's application on BCIM was rejected by the Chennai branch of the Indian Patent Office January 25, 2006.

The primary grounds for rejection of the application by the Patent Office were lack of novelty and failure to tide over the prohibition of Section 3(d). With specific reference to the objection under Section 3(d), following were the observations of the Patent Office:

> *"9. The Opponent (Cipla) said that the application claims only a polymorphic form of the known substance, imatinibmesylate. There is*

no enhancement of known efficacy as required under Section 3(d) of the Patents Act. Moreover the present specification states that all the inhibitory and pharmacological effects are also found with the free base, or other salts thereof.

10. Countering the arguments of the Opponent, the Applicant (Novartis) said that the crystal form of imatinibmesylate is an invention and not a more discovery. They further said that, a discovery graduating into a patentable invention solely on the basis of efficiency defies logic and, therefore, Section 3(d) may be unable to stand legal scrutiny. The Applicant submitted that this aspect of Section 3(d) is against the tenets of our patents act and well established principles of jurisprudence and therefore, the said Section cannot be used against the subject application.

11. I do not agree with the contention of the Applicant that this application claims a new substance. It is only a new form of a known substance. As regards efficacy, the specification itself states that where ever crystals are used the imatinib free base or other salts can be used. Even the affidavit submitted by the Applicant states that "the proviso to the Section 3(d) is unique to India and there is no analogous provision in the law of any other country of the world".

As per the affidavit the technical expert has conducted studies to compare the relative bioavailability of the free base with that of crystal form of imatinibmesylate and has said that the difference in bioavailability is only 30 per cent and also the difference in bioavailability may be due to the difference in their solubility in water. The present patent specification does not bring out any improvement in the efficacy of the crystal form over the known substances rather it states the base can be used equally in the treatment of diseases or in the preparation of pharmacological agents wherever the crystal is used.

Even the affidavit submitted on behalf of the Applicant does not prove any significant enhancement of known efficacy. It is found that this patent application claims only a new form of a known substance without having any significant improvement in efficacy. Hence, I conclude that the subject matter of this application is not patentable

under Section 3(d) of the Patents Act, 1970 as amended by the Patents (Amendment) Act, 2005."

Several critical aspects of Novartis's approach are borne out from the above extracted observations of the Patent Office. First, instead of treating imatinibmesylate as the "known substance" for the purposes of proving novelty and efficacy of its beta crystalline form, Novartis insisted on treating the imatinib free base as the known substance. This, despite the fact that pharmaceutically acceptable salts of free bases (including mesylate salts) and their enhanced solubility properties were well-known in the prior art. Second, clearly the emphasis of Novartis's application was never on enhanced therapeutic efficacy. Instead, improved thermodynamic stability and subsequently, increased bioavailability were projected as the unique selling propositions of the application. This is clear from the absence of data in Novartis's affidavit to prove enhanced efficacy.

Further, despite the express observations of the Patent Office on the need to establish enhanced efficacy, there was no attempt on the part of Novartis to submit efficacy data by amending the application (assuming such amendment is permissible under the Act), even when the issue of efficacy was raised by the IPAB and the Supreme Court. As shall be seen from the ensuing portions of the paper, all along Novartis endeavored to either question the legitimacy of Section 3(d) or expand the scope of the definition of enhanced efficacy to include increased bioavailability within its ambit. The only logical conclusion that can be arrived at is that Novartis did not have any enhanced efficacy to show for BCIM.

Against the rejection of the Patent Office, Novartis filed seven writ petitions in all before the Madras High Court. Out of these, two petitions challenged the constitutionality and TRIPS-compliance of Section 3(d). Both these petitions were dismissed by the Madras High Court in 2007. These dismissals were not appealed against by Novartis.

The other five writ petitions challenged the pre-grant decision of the Patent Office. Pursuant to Section 117G of the Act, these five petitions were converted to appeals and transferred in 2007 to the then newly-constituted IPAB. By an order dated June 26, 2009, the IPAB upheld the rejection of Novartis's application by the Patent Office essentially relying

on Section 3(d). In contrast to the Patent Office, the IPAB held that BCIM was novel and inventive, but rejected it citing Section 3(d)[1]. The IPAB agreed with the Madras High Court's interpretation of "efficacy" as the ability of a drug to heal or treat a condition. The IPAB held that not every advantageous property fell within the definition of "efficacy" unless it led to enhanced efficacy. Specifically, the IPAB observed that it was not scientifically possible for Novartis to argue that bio-availability was either synonymous with or automatically led to enhanced efficacy. Instead, according to the IPAB, Novartis had to positively establish using experimental data that in the context of the application, increased bioavailability indeed led to enhanced efficacy, which it failed to.

It is against this decision of the IPAB that Novartis preferred Special Leave Petitions (SLPs) in which the Supreme Court finally pronounced its verdict on April 1, 2013.

III. Analysis of the Supreme Court's Decision

3.1 Interpretation of "Inventive Step"

As stated earlier, the Novartis case presented the Supreme Court with an opportunity to lay down the law on several fundamental aspects of the Act. For instance, misconceptions abound on the interpretation of "inventive step" under Section 2(1)(ja) of the Act. Inventive step under the Act is defined as follows:

> *"Inventive step" means a feature of an invention that involves technical advance as compared to the existing knowledge or having economic significance or both and that makes the invention not obvious to a person skilled in the art"*

The abridged and incorrect interpretation of the definition that is subscribed to by one school of thought is that inventive step is synonymous with "a non-obvious technical advance". This, however, has no basis in the legislative intent reflected in the phraseology of the definition. If inventive step were to mean a "non-obvious technical advance", it renders nugatory the presence of "*or having economic significance or*

1 The IPAB also erroneously relied upon the ground of public order under Section 3(b) to reject the application since the price of Glivec was, in its opinion, exorbitant.

both". The simpler way of understanding the definition is to expand it as follows:

> 1. Inventive step means a ***feature*** of an invention that involves technical advance as compared to the existing knowledge and ***that*** (the reference here is to "feature", not to "technical advance") makes the invention non-obvious to a person skilled in the art
>
> 2. Inventive step means a ***feature*** of an invention having economic significance and ***that*** (the reference here is again to "feature", not "technical advance") makes the invention non-obvious to a person skilled in the art
>
> 3. Inventive step means a ***feature*** of an invention having technical advance and economic significance and ***that*** (the reference here too is to "feature", not "technical advance") makes the invention non-obvious to a person skilled in the art.

In other words, inventive step refers to that feature of the invention which satisfies the following twin criteria:

> 1. The feature involve a technical advance ***or*** must have economic significance ***or*** both; and
>
> 2. The feature must be non-obvious to a person skilled in the art.

Therefore, inventive step does not refer to a "non-obvious technical advance", but in fact refers to a "non-obvious feature" which involves either a technical advance or has economic significance or both. Clearly, the definition distinguishes "technical advance" from the requirement of non-obviousness. In other words, a technical advance by itself is not non-obvious, since if that were to be the case a "non-obvious technical advance" would be a pleonasm.

One of the principles of statutory interpretation is that no word or term or phrase used in a provision must be rendered redundant. Applying this principle to the definition of inventive step, it bears out that a technical advance simply refers to a feature which is technical in nature, but whose

qualitative contribution is to be further assessed by the requirement of "*that makes the invention not obvious to a person skilled in the art*".

The other important corollary is that the presence of technical advance is not the only acceptable criterion to examine if an invention has an inventive step. Economic significance of a feature which is non-obvious too could help the product or the process satisfy the "inventive step" requirement. Importantly, the criterion of economic significance is equally applicable to products and processes. This line of interpretation has been expressly endorsed by the Supreme Court in Para 90 of the decision, which is as follows:

> *"90. On a combined reading of causes (j), (ac) and (ja) of section 2(1), in order to qualify as "invention", a product must, therefore, satisfy the following tests:*
>
> *(i) It must be "new";*
>
> *(ii) It must be "capable of being made or used in an industry"*
>
> *(iii) It must come into being as a result of an invention which has a feature that:*
>
> *(a) entails technical advance over existing knowledge;*
>
> *Or*
>
> *(b)has an economic significance*
>
> *And*
>
> *(c) makes the invention not obvious to a person skilled in the art."*

Clearly, according to the Supreme Court, a feature which has an economic significance, which feature also makes the invention non-obvious, also qualifies as "inventive step" under the Act.

3.2 Relationship Between Section 2(1)(j) and Section 3: "Invention" and "Patentability"

Another critical aspect touched upon by the Supreme Court is the interplay between Sections 2(1)(j) and 3 of the Act. The former spells out the definition of invention, whereas the latter enumerates subject-matter which does not qualify as "invention" within the meaning of the Act. One

way of approaching these two provisions could be to treat Section 3 as the eligibility filter which separates eligible subject-matter from ineligible subject-matter. Unless a patent application satisfies the minimum threshold of eligibility by steering clear of proscribed subject-matter under Section 3, it would be meaningless to undertake a novelty and non-obviousness analysis. In other words, only an application claiming eligible subject-matter is entitled to be examined for novelty and non-obviousness.

However, this approach cannot be uniformly applied to all categories of subject-matter listed in Section 3. This is because the reasons for ineligibility and the conditions for ineligibility of subject-matter under Section 3 are not uniform, which the Supreme Court acknowledges in Paras 91 and 92 of the decision. For instance, Section 3(a) precludes anything which is frivolous or contrary to natural law. The exclusion of frivolous subject-matter is a matter of subjective policy, whereas the latter is fundamental to patent jurisprudence. Similarly, the exclusion of a discovery or scientific principle under Section 3(c) is based on fundamental patent jurisprudence, whereas preclusions of computer programmes*per se* or algorithms under Section 3(k), and new forms of known pharma substances which do not exhibit enhanced efficacy under Section 3(d), are policy calls of the Legislature which have been provided for in exercise of municipal/national flexibilities under TRIPS.

That said, the manner of analysis of an application which attracts Section 3(k) cannot be the same as an application which attracts Section 3(d). In rejecting an application on grounds of Section 3(k), the examiner need not undertake a novelty and non-obviousness analysis the moment he concludes that the claimed subject-matter is an algorithm or a mathematical or business method or a computer programme*per se.* This view finds endorsement in the decision of the IPAB in *Yahoo Inc. v. Assistant Controller of Patents &Anr.*, whose observations are as follows[2]:

> "*Finally we come to the ground of non-patentability under S.3(k). If the claimed subject matter is not an invention or if the invention is not patentable or of it excluded by S.3 of the Act, then none of the other objections need to be considered. Only if the claimed subject matter is a patentable invention we need to look at anticipation, obviousness etc"*

2 This decision was delivered by the IPAB on December 8, 2011.

Such an approach under Section 3(k) is possible since the determination of whether or not the claimed subject-matter is an algorithm or a mathematical or business method, does not involve or require a novelty and non-obviousness analysis. However, the very nature of exclusion under Section 3(d) does not enable or facilitate a similar approach. This is best explained using the phraseology of Section 3(d) itself. Extracted below is the provision along with its explanation:

> *(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 new property or 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.—For the purposes of this clause, salts, esters, ethers, 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;*

A combined reading of the provision and its explanation inform us that enhancement in efficacy has been used as the parameter to lend novelty to the new form of a known substance. In other words, if the new form of a known substance exhibits enhanced efficacy, it shall be considered novel over the prior art and only then it shall be treated as eligible subject-matter. As opposed to the standard test applied for novelty which is independent of the qualitative leap from the prior art to a claimed invention, the criterion of enhanced efficacy is applied to pharmaceutical product patent applications to bestow novelty over new forms of known substances and to recognize them as patent-eligible subject-matter. Therefore, since a Section 3(d) analysis involves the application of an elevated novelty standard, it is not possible to rigidly compartmentalize the application of Sections 3(d) and 2(1)(j).

Further, contrary to popular assumption, Section 3(d) may not involve an elevated obviousness standard. This is so because Section 3(d) prescribes a desired result or trait (enhanced efficacy) to bestow novelty and subject-matter eligibility on a new form of a known substance, but the

enablement of such a new form could still be obvious in light of the prior art. In other words, merely because the new form of a known substance exhibits enhanced efficacy, it need not necessarily translate to a non-obvious invention. Whether or not the new form of a known substance with enhanced efficacy is non-obvious over the prior art, is a subjective call based on the teachings of the prior art.

From the above, what follows clearly is that in overcoming a Section 3(d) objection, the subject-matter of a pharma product patent application necessarily establishes its novelty (albeit based on a different criterion), thereby partially fulfilling the requirement of "invention" under Section 2(1)(j). Therefore, unlike the use of Section 3(k) to filter patent applications before a novelty and non-obviousness analysis is undertaken, the application of Section 3(d) necessarily involves examining the subject-matter for novelty based on enhanced efficacy. Be that as it may, the pharma product patent application must still be viewed first through the prism of Section 3(d) before the second and third limbs of the definition of "invention", namely inventive step and industrial applicability, are applied to it. This is because notwithstanding the difference in criteria employed under the various clauses of Section 3 for different categories of subject-matter, the fundamental object of using Section 3 to eliminate proscribed subject-matter remains unaltered.

A clear, unobfuscated understanding of this central object of Section 3 and the nuances of a Section 3(d) analysis is extremely critical in order for patent examiners and the IPAB to pass crisp decisions which do not venture into an inventive step analysis where one is not needed. Simply put, if an examiner or the IPAB is able to arrive at the conclusion that a pharma product patent application fails to satisfy the elevated novelty standard of Section 3(d) by failing to exhibit enhanced efficacy, no further analysis for inventive step under Section 2(1)(j) is necessary since the application may be rejected citing Section 3(d) alone.

In this context, although in Para 181 of the decision the Supreme Court categorically states that a new form which does not display enhanced efficacy is "*expressly excluded from the definition of "invention",* it inconsistently states in Para 192 (read with Para 104) that "*the subject product must pass, in addition to clauses (j) and (ja) of section 2(1), the test of enhanced efficacy as provided in section 3(d) read with its explanation*". The problem lies in the sequence or priority in which the Court applies Section 3(d) and Section 2(1)(j) and (ja).

Having stated in Para 181 that enhanced efficacy is a condition precedent to be considered as eligible subject-matter of a patent application, the Court ought not to have said in Para 192 that Section 3(d) must be satisfied ***in addition*** to Section 2(1)(j). Stated otherwise, Section 3(d) is not an additional test, it is the primary test which a pharma product patent application must pass.

It remains to be seen how the Patent Office and the IPAB interpret and apply the observations of the Supreme Court regarding Sections 3(d) and 2(1)(j)to pending pharma product patent applications. At this juncture, it must be critically borne in mind that the Supreme Court has interpreted only those portions of Section 3(d) which apply to pharma product patent applications, and not the whole of it. Therefore, the application of the provision to process patent applications is not yet settled.

3.3 Standard of Disclosure, Enablement and Anticipation

In this case, the Supreme Court had the occasion to deal with the law on disclosure and anticipation. This is because in order to apply Section 3(d) to Novartis's BCIM application, it was imperative to first prove that the beta crystalline form was a "new form of a known substance". Therefore, as part of this enquiry the Court had to identify the "known substance" whose "known efficacy" would serve as the benchmark to assess the 3(d)-compliance of the BCIM patent application.

Novartis took the position that the imatinib free base must be treated as the "known substance" to check for enhanced efficacy. According to Novartis, imatinibmesylate was not a known substance since there was no literature which enabled the manufacture of the mesylate salt. The Court, on the other hand, took the view that the mesylate salt had been disclosed in Novartis's earlier filed US patent US5521184 (the "Zimmerman patent"). In arriving at this conclusion, the Court dealt with the specification of the Zimmerman patent and Novartis's own application for term extension of the Zimmerman patent extensively. The following was stated in the latter:

> "(9) *Statement Showing How the Claims of the Patent for Which Extension is Sought Cover the Approved Product: The operative claims in question are Claims 1-5, 10-13, and 21-23. Each of claims*

> *1-5, 10-13 and 23 claim a compound or compounds which include the approved product,* ***imatinibmesylate****. Claim 21 claims a composition containing a compound or compounds which include the approved product,* ***imatinibmesylate****. Claim 22 claims a method of treating tumors in warm-blooded animals with a compound or compounds which include the approved product, imatinibmesylate*."

Further, in granting the US counterpart of the Indian application, namely US6894051, after the US examiner had rejected it on grounds that the Zimmerman patent also covered the beta crystalline form, the Board of Patent Appeals and Interferences held that the Zimmerman patent did not disclose the beta crystalline form, but that imatinibmesylate was disclosed in the Zimmerman patent. Below is the relevant extract of the decision:

> *"For the sake of completeness, we note what appears to be an inadvertent error in claim 14. In that claim, applicants do not recite the β-crystal form of the methanesulfonic acid addition salt of the illustrated compound. Manifestly, the methanesulfonic acid addition salt is intended. (Appeal Brief, Paper No. 16, page 5, second full paragraph)."*

It is indeed surprising that despite such clear observations, Novartis insisted that the imatinibmesylate was not disclosed in the Zimmerman Patent. If one were to apply the reverse infringement test to the Zimmerman patent, it becomes apparent that on the basis of the said patent Novartis could have prevented the manufacture of the mesylate salt by a third party. This is precisely what Novartis did in relation to NATCO's generic drug VEENAT in the United Kingdom, whose active ingredient was imatinibmesylate. Novartis issued a legal notice to NATCO alleging infringement of the European counterpart of the Zimmerman patent by VEENAT. In light of this, admittedly the mesylate salt was disclosed and claimed in the Zimmerman patent and its counterparts.

Apart from these documents, the Court also placed reliance upon journal publications of the year 1996 by Novartis's inventor Jurg Zimmerman wherein the mesylate salt had been disclosed. To this, Novartis argued that these documents merely "covered"/"claimed" the mesylate salt, but had not disclosed it since they did not enable the manufacture of imatinibmesylate. It was also submitted with respect to the

Zimmerman patent that a "*claim defines through language the various ways the invention could be used, i.e., possible but not actualized products*" and that the standard for disclosure was higher.

In the facts of the case, this was a specious argument since a reading of Column 3 of the specification of the Zimmerman Patent makes it difficult to argue that imatinibmesylate was not "disclosed" in the patent. Below are certain Paras from Column 3:

> "*Salt-forming groups in a compound of formula I are groups or radicals having basic or acidic properties. Compounds having at least one basic group or at least one basic radical, for example a free amino group, a pyrazinyl radical or a pyridyl radical, may form acid addition salts, for example with inorganic acids, such as hydrochloric acid, sulfuric acid or a phosphoric acid, or* ***with suitable organic carboxylic or sulfonic acids****, for example aliphatic mono- or di-carboxylic acids, such as trifluoroacetic acid, acetic acid, propionic acid, glycolic acid, succinic acid, maleic acid, fumaric acid, hydroxymaleic acid, malic acid, tartaric acid, citric acid or oxalic acid, or amino acids such as arginine or lysine, aromatic carboxylic acids, such as benzoic acid, 2-phenoxy-benzoic acid, 2-acetoxybenzoic acid, salicylic acid, 4-aminosalicylic acid, aromatic-aliphatic carboxylic acids, such as mandelic acid or cinnamic acid, heteroaromatic carboxylic acids, such as nicotinic acid or isonicotinic acid,* ***aliphatic sulfonic acids, such as methane-, ethane- or 2-hydroxyethane-sulfonic acid, or aromatic sulfonic acids,*** *for example benzene-, p-toluene- or naphthalene-2-sulfonic acid. When several basic groups are present mono- or poly-acid addition salts may be formed.*
>
> *For the purposes of isolation or purification, as well as in the case of compounds that are used further as intermediates, it is also possible to use pharmaceutically unacceptable salts. Only pharmaceutically acceptable, non-toxic salts are used for therapeutic purposes, however, and those salts are therefore preferred.*
>
> *Owing to the close relationship between the novel compounds in free form and in the form of their salts, including those salts that can be used as intermediates, for example in the purification of the novel compounds or for the identification thereof, hereinbefore and hereinafter*

> *any reference to the free compounds should be understood as including the corresponding salts, where appropriate and expedient."*

Clearly, the mesylate salt was disclosed *and claimed* in the Zimmerman patent since salt claims were appended to independent claims as "*or a pharmaceutically acceptable salt*". Besides, the argument advanced by Novartis failed to take into account the knowledge of a person skilled in the art to make a pharmaceutically acceptable salt of a new compound. After all, since it was Novartis's stance in the Zimmerman patent that a person skilled in the art could manufacture imatinibmesylate from the imatinib free base without undue experimentation, the argument that imatinibmesylate was not enabled and hence not disclosed, was not available to it.

Critically, it appears that according to Novartis it is possible to claim a "potential product" without enabling it, warranting the following reaction from the Supreme Court:

> "*139. The dichotomy that is sought to be drawn between coverage or claim on the one hand and disclosure or enablement or teaching in a patent on the other hand, seems to strike at the very root of the rationale of the law of patent. Under the scheme of patent, a monopoly is granted to a private individual in exchange of the invention being made public so that, at the end of the patent term, the invention may belong to the people at large who may be benefited by it. To say that the coverage in a patent might go much beyond the disclosure thus seem to negate the fundamental rule underlying the grant of patents.*"

Assuming one was to hold Novartis to its own position, does this mean the Zimmerman patent claimed pharmaceutically acceptable salts without disclosing the method of making it? If these salts were only claimed but not enabled, would this not contravene the enablement requirement under Section 112 of the US Patents Act? Importantly, Section 7(3) of the Indian Patents Act requires a patent applicant to categorically undertake that he is in possession of the invention. Therefore, claiming "*possible but not actualized products*" is not possible under Indian law, which principle applies equally to analysis of the prior art for disclosure and anticipation. Consequently, the Supreme Court was justified in law and facts in treating imatinibmesylate, and not the imatinib free base, as the "known substance" with respect to which enhanced efficacy ought to have been established by the beta crystalline form of imatinibmesylate.

3.4 What is "Enhanced Efficacy"?

Novartis contended that in the facts of the case, there was no "known efficacy" of imatinibmesylate since it was merely a "possible" or "conceivable" product, and not an "actualized one". Consequently, according to Novartis, its efficacy was not known and therefore it could not serve as the benchmark to assess enhancement in efficacy. In response to this, the Court quoted the following portions of *Monsanto Company v. CoramandalIndag Products (P) Ltd* on the interpretation of "publicly known"[3]:

> *"…To satisfy the requirement of being publicly known as used in clauses (e) and (f) of Section 64(1), it is not necessary that it should be widely used to the knowledge of the consumer public. It is sufficient if it is known to the persons who are engaged in the pursuit of knowledge of the patented product or process either as men of science or men of commerce or consumers...."*

Applying this principle to the facts of the case, the Court held that since imatinibmesylate was disclosed and enabled in the Zimmerman patent, its efficacy too was known. This may not be an accurate observation since disclosure and enablement for anticipation do not translate to knowledge of the product's efficacy. However, in the facts of the case, Novartis's patent application on BCIM contained statements to the effect that "*all the indicated inhibitory and pharmacological effects*" of BCIM were found in the free base and its salts. Therefore, clearly the inhibitory effects/"efficacy" of imatinibmesylate were known, and BCIM did not differ in efficacy from imatinibmesylate or the imatinib free base. Further, this statement in the BCIM patent specification was consistent with Novartis's original emphasis on increased thermodynamic stability and other physical properties since enhanced inhibitory effect/efficacy was never the focus of the patent application.

On the meaning of "efficacy", the Court had no difficulty in arriving at the conclusion that efficacy was restricted to therapeutic efficacy, as reflected by the choice of words in the explanation to Section 3(d). Only those properties that directly relate to therapeutic efficacy are relevant for the purposes of Section 3(d). Consequently, the Supreme Court did not take the blanket position that "enhanced bioavailability" cannot be used to

3 1986 SCR (1) 120.

satisfy the requirement of "enhanced efficacy" under Section 3(d). Instead the Court ruled that "***whether or not an increase in bioavailability leads to an enhancement of therapeutic efficacy in any given case must be specifically claimed and established by research data".*** In the facts of the case, since there was no material placed to establish that increased bio-availability of BCIM led to enhanced efficacy, it was held that BCIM failed the test of Section 3(d). Had Novartis presented data to prove that increased bioavailability led to enhanced efficacy, nothing stops one from plausibly and reasonably assuming that the Court would have ruled in its favour.

3.5 Position on Incremental Innovations and working of patented inventions

An unbiased and objective reading of the decision tells us that the Supreme Court's approach was entirely fact-based, with there being very little room for blanket observations/generalizations as demonstrated by the restrained observations on what constitutes efficacy. The Apex Court has done justice to the object of inclusion of Section 3(d) and has effectively sent out a very balanced and positive message in the process that India *does* encourage *genuine* enterprise and innovation by categorically drawing an unequivocal distinction between "ever-greening" and "incremental innovation". This is evident from the following observation of the Court:

> *"191. We have held that the subject product, the beta crystalline form of Imatinib Mesylate, does not qualify the test of Section 3(d) of the Act but that is not to say that Section 3(d) bars patent protection for all incremental inventions of chemical and pharmaceutical substances. It will be a grave mistake to read this judgment to mean that section 3(d) was amended with the intent to undo the fundamental change brought in the patent regime by deletion of section 5 from the Parent Act. That is not said in this judgment."*

If there was any doubt about the status of incremental innovation under the Act, this paragraph removes all such doubts and myths with abundant clarity. Therefore, there is no real basis for fear-mongering that the decision has shut the doorcompletelyon incremental pharma innovation. If anything, this decision has only clarified the position of the

law by etching the contours of "efficacy" as envisaged in the Act, thereby reducing uncertainty to a fair extent which is significant from a commercial standpoint. Lack of clarity in law leads to capricious application and to the extent the Novartis decision "enhances known clarity" of the law, it is a positive development for all prospective patent applicants and patentees.

The other extremely significant observation of the Court is its re-statement of the goals of Indian patent law and jurisprudence, which is captured in Para 156 of the decision as follows:

> "*156. However, before leaving Hogan and proceeding further, we would like to say that in this country the law of patent, after the introduction of product patent for all kinds of substances in the patent regime, is in its infancy. We certainly do not wish the law of patent in this country to develop on lines where there may be a vast gap between the coverage and the disclosure under the patent; where the scope of the patent is determined not on the intrinsic worth of the invention but by the artful drafting of its claims by skilful lawyers, and where patents are traded as a commodity not for production and marketing of the patented products but to search for someone who may be sued for infringement of the patent.*"

For a fledgling patent regime which is still exploring itself, setting out these first principles is important. This observation is particularly significant for it could be used by the Patent Office to interpret Section 83 of the Act in the context of working of patented inventions and grant of compulsory licenses, and by Courts in grant of interim injunctions.

3.6 Is Section 3(d) TRIPS-compliant?

As stated earlier, Novartis filed writ petitions before the Madras High Court challenging the TRIPS-compliance and constitutionality of Section 3(d), which were dismissed by the High Court essentially on grounds that it did not have the requisite jurisdiction to look into TRIPS-compliance. If however Novartis or any country which is party to TRIPS were to challenge the legitimacy of Section 3(d) before the WTO Dispute Settlement Panel, India is not without legally sound arguments to support the inclusion of Section 3(d). In fact, support for Section 3(d) may be

drawn from Article 27 of TRIPS which India is alleged to have violated by introducing Section 3(d). Extracted below is Article 27 of TRIPS:

> *Article 27: Patentable Subject Matter*
>
> *1. Subject to the provisions of paragraphs 2 and 3, patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application. Subject to paragraph 4 of Article 65, paragraph 8 of Article 70 and paragraph 3 of this Article, patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced.*
>
> *2. Members may exclude from patentability inventions, the prevention within their territory of the commercial exploitation of which is necessary to protect public order or morality, including to protect human, animal or plant life or health or to avoid serious prejudice to the environment, provided that such exclusion is not made merely because the exploitation is prohibited by their law.*
>
> *3. Members may also exclude from patentability:*
>
> *(a) diagnostic, therapeutic and surgical methods for the treatment of humans or animals;*
>
> *(b) plants and animals other than micro-organisms, and essentially biological processes for the production of plants or animals other than non-biological and microbiological processes. However, Members shall provide for the protection of plant varieties either by patents or by an effective sui generis system or by any combination thereof. The provisions of this subparagraph shall be reviewed four years after the date of entry into force of the WTO Agreement.*

Article 27.1 clearly begins with a contingent clause which makes the obligations imposed under Para 1 of Article 27 subject to the flexibilities available under Paras 2 and 3. Para 2 of Article 27 clearly vests member countries with flexibilities to exclude from patentability those inventions whose commercial exploitation could adversely affect public order, including public health. In other words, thanks to Article 27.2, member

countries have the right to exclude from the purview of Para 1 those inventions which negatively impact public health. Consequently, the obligation to treat inventions in different fields of technology without discrimination is subject to the exercise of flexibilities under Paras 2 and 3 to exclude certain inventions as being ineligible for grant of patents.

Further, Article 27.2 does not prescribe or limit the minutiae or specifics of the criteria which may be used to exclude such inventions from patentability, thereby giving member countries the freedom to select criterion they deem fit to preserve public health. Consequently, India is well within its rights to use an elevated novelty standard under Section 3(d) to exclude subject-matter which have a bearing on public health/public order. It is also possible to treat Section 3(d) as an extension of or yet another category of Section 3(b) which addresses the issue of public order and morality.

Although a separate instrument is not necessary to prove this point any further, the Declaration on the TRIPS Agreement and Public Health dated November 20, 2001, popularly known as the Doha Declaration, categorically recognizes this right in Para 4 as follows:

> *"4. We agree that the TRIPS Agreement does not and should not prevent members from taking measures to protect public health. Accordingly, while reiterating our commitment to the TRIPS Agreement, we affirm that the Agreement can and should be interpreted and implemented in a manner supportive of WTO members' right to protect public health and, in particular, to promote access to medicines for all.*
>
> *In this connection, we reaffirm the right of WTO members to use, to the full, the provisions in the TRIPS Agreement, which provide flexibility for this purpose."*

Therefore, the allegation that Section 3(d) is violative of India's TRIPS obligations is baseless. In fact, anyone who argues to the contrary clearly does so to undermine the sanctity of the Doha Declaration, and the flexibilities of member countries.

IV. Conclusion

The Novartis decision clearly proves that if ably assisted, Indian Courts can handle patent litigation and address critical issues objectively with restraint. That said, the hype and interest surrounding the Novartis decision seems to have created this misplaced notion that weeding out frivolous patent applications is the panacea to all our healthcare challenges. With pharma patent litigation increasingly taking centre stage, the one thing that we need to be wary of is the temptation to expect the patent system to solve all our healthcare challenges, including that of affordable access to medicines. This temptation to put all our eggs in the patent basket becomes a compulsive habit particularly in the absence of a clear-cut healthcare strategy, since the health establishment of the country would want to be seen as doing something, and patent busting is probably the most public way to be seen as doing something given the unpopular perception of patents and innovator drug companies.

Patents are without a doubt relevant to the debate, and patents which add no value must definitely be discouraged. But the question is, apart from pitting innovator drug companies against generics and deriving a vicarious pleasure out of this slugfest, have we truly explored all plausible and available options under and outside the Patents Act, 1970? For instance, if the Government is truly keen on nipping frivolous patent applications or patents in the bud, it could and ought to have actively employed the pre-grant and post-grant opposition mechanisms and revocation petitions. After all, the definition of "person" under the Act includes the government, and the Ministry of Health could arguably qualify as a "person interested". Therefore, nothing prevents the Government from filing oppositions to and seeking revocations of frivolous patent applications and patents.

Also, what has prevented the Government from stocking adequate quantities of patented drugs in hospitals and dispensaries owned by the Government, thereby giving effect to Section 47(4) of the Act? Section 47 lists the conditions subject to which a patent is granted under the Act. One of these conditions under Section 47(4) is that in the case of a patent in respect of any medicine or drug, the medicine or drug may be imported by the Government for distribution in any dispensary or hospital or other medical institution maintained by or on behalf of the Government. The

provision further empowers the Central Government to notify and permit importation of patented medicines by hospitals and institutions which render public service. If the Government is truly intent on increasing affordable access to drugs, these are concrete steps which it can take forthwith without having to legislate any further.

Apart from patent-related issues, one of the issues central to the healthcare discourse is elevating the quality of research undertaken by Indian pharma companies and providing impetus to the growth of home-grown entities in related areas such as clinical trials. Instead of investing efforts in this direction, the Government has in fact contributed to the potential decline of Indian clinical trial industry by implementing feckless provisions such as the new Rule 122DAB of the Drugs and Cosmetics Rules, 1945, which states, *inter alia,* that *failure of an investigational product to provide the intended therapeutic effect shall be considered as having caused a clinical trial-related injury or death*. If the very purpose of a clinical trial is to evaluate the drug, what sense does it make to hold the sponsor of a trial or the Clinical Trial Organization (CTO) responsible for failure of the drug to provide the intended therapeutic effect? This is again demonstrative of the Government's need to appear to have taken stringent action after being hauled over hot coals by the Supreme Court in October 2012 in a PIL filed by an NGO, SwasthyaAdhikarManch, for clinical trial-related deaths. But in the process, thoughtless provisions such as the Rule 122DABcould have the effect of deterring companies from undertaking clinical trials in India, thereby adversely affecting the fortunes of CTOs/CROs in India, which already face stiff competition from China.

Unfortunately, instead of holistically addressing issues like these, the healthcare discourse seems to revolve entirely around the system of patents. It would help to formulate our healthcare goals in specific terms, and explore options under multiple legislations instead of pinning all our hopes on the patent system. This calls for a comprehensive and strategic approach to healthcare, which though is the need of the hour, hardly seems to engage the attention of the powers that be.

5 IJIPL 45-66 (2012)

DIGITAL RIGHTS MANAGEMENT: A PANDORA'S BOX TRYING TO WIPE OFF THE RIGHTS OF CONSUMERS

Arnab Naskar[*] *& Shubhangi Gupta*[**]

"For too long, copyright and patent enforcement has been framed as an issue of 'intellectual property rights', with the implication that they have a similar status to human rights. But ……the misuses of intellectual property rights are actually hampering freedom of expression, education, and participation in cultural life - and governments are beginning to agree with us. We want to re-frame Intellectual Property enforcement as an issue of consumer protection."

Jeremy Malcolm[1]

I. Introduction

"*Imagine young Chris Disk sitting at home, one afternoon, listening to the radio when he hears that his favorite band, The Screaming Monkey Bandits, released a new CD. Upon hearing this, he runs up to his mom and asks her for money to go and buy the new CD. She proceeds to explain to Chris the importance of money and that he needs to work for the money. Chris then spends the next two weeks working hard...Finally, Chris has made enough money to buy the CD and he rushes off and buys the new Screaming Monkey Bandits CD. He races home, pops the CD into his computer setup with speakers, hits play, and then KABLAM! The computer makes a loud noise, starts smoking and won't work. Chris begins to cry. After saving up more money to pay*

* Fourth Year Student of B.A.LL.B. (Hons.) (Five Years Integrated Course) at Rajiv Gandhi National University of Law, Patiala. The author can be contacted at arnabnaskar@hotmail.com.

** Third Year Student of B.A.LL.B. (Hons.) (Five Years Integrated Course) at Rajiv Gandhi National University of Law, Patiala. The author can be contacted at guptashubhangi2@gmail.com.

1 Jeremy Malcolm, CI Project Coordinator for IP and Communications; See Plan to amend UN Consumer Protection Guidelines to safeguard access to education and culture, September 2010, available at http://www.consumersinternational.org/news-and-media/press-releases/2010/09/plan-to-amend-un-consumer-protection-guidelines-to-safeguard-access-to-education-and-culture.

> *a computer repairman to extricate the CD from the computer drive and repair his computer, Chris returns to the store to get his money back. At this point the retailer explains that this CD has a new copyright protection "format" that cannot be played in a computer. Unfortunately..the new Screaming Monkey Bandits CD was not marked to warn Chris that he could not play it in his computer...*"[2]

In the above scenario, Chris was left with nothing other than a damaged computer. This story is more than just a hypothetical incident; it led to class action lawsuit in California against five major record labels for distributing defective and unstable audio-discs containing no-copy technology.[3]

Before proceeding further, it is pertinent to highlight the changing digital status quo. In the pre-digital era, people's ability to do various things to or with content was limited. However, the networked digital age allows doing anything to digital content, instantaneously, and at virtually no cost. While this is indeed a great opportunity for new content business models, but it threatens the livelihood of content creators by making rampant piracy possible.[4] Thus, there was felt a need for a technology that will enable to secure content, management, distribution and promotion of Digital Content on the cyberspace.

Such progressive technology has been termed as Digital Rights Management ('**DRM**') and Technological Protection Measure ('**TPM**').[5] DRM is a broad term that refers to any technologies and tools which have been specifically developed for managing digital rights or

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2 Kevin C. Earle, *No-Copy Technology and the Copyright Act: Has the Music Industry been Allowed to Go too Far in Diminishing the Consumers Personal User Rights in the Digital World?*, 2 J. Marshall Rev. Intell. Prop. L. 337-338 (2002-2003).

3 *See Id.*

4 Stephen Manes, *Full Disclosure: Copyright Law–Ignore it at your own Peril*, PC World, July 2003, available at*http://www.pcworld.com/article/111657/full_disclosure_copyright_lawignore_at_your_own_peril.html*0,*aid,111657,00.asp*.

5 "*In the context of 'digital rights management', the term 'digital' can refer to various aspects: (1) automated management (by digital means) of (2) rights which are specified by digital means with regard to the use of (3) digitally stored content. These aspects are typically – but not necessarily – all present in a single technical measure for a given platform*", Lucie Guibault and Natali Helberger, *Consumer protection and Copyright Law*, ECLG/035/05, p. 9.

information.[6] In this Article, '**Digital Content**' means any text, graphics, images, audio, video, software, etc., necessarily in digital format. DRM aims to protect ownership / copyright of Digital Content by allowing only an authorized recipient to do certain permitted act with the content.

For better explanation, some of the instances of DRM are- *a movie production company embeds software on its Digital Versatile Disc('**DVD**') that limits the number of copies a user can make form that DVD; an e-book server restricts access to, copying of and printing of material based on constraints set by the copyright holder of the Digital Content*, *etc.*

Digital Content Owners ('**Content Owner**') consider DRM as a tool to secure their interest in the digital world. Other important reasons to choose DRM are as follows: *First* and much reported in the media, DRM aims at making illegal copying harder and more costly.[7] In simple words, DRM aims to increase the cost of piracy. *Second*, often overlooked, but of equal importance, DRM intends to reduce costs of obtaining Digital Content legally.[8] Thus, DRM encourages the Digital Content Users / Consumers ('**User**') to obtain the Digital Content legally.

Though on the face of it DRM appears to create a win-win situation for both the side, but in reality it largely helps the Content Owners. Different approaches may be adopted by the User to address this issue. Recourse can be taken to the law(s) dealing with the Copyright; and/ or the law(s) dealing with the Competition; and/ or the law(s) dealing with the Consumer Protection. This article primarily aims on the first recourse available in India and in light of that seeks to address the concern of Indian User so as to provide them with the benefit of technological innovations without abusive restrictions.

This Article exposes the extent to which Content Owners aims to restrict the User's rights by enforcing DRM / TPM. To balance this inequity, the analytical research investigates the application of Copyright law of various jurisdictions, which somewhere promotes, and somewhere

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6 Nicola Lucchi, *Countering the Unfair play of DRM Technologies*, 16 Tex. Intell. Prop. L.J. 93 (2007-2008). [hereinafter Nicola]

7 *Five Giants in Technology Unite to Deter File Sharing*, N.Y. TIMES, Jan. 5, 2004, at C1.

8 Viktor Mayer Schönberger, *Beyond Copyright Managing Information Rights with DRM*, 84 Denv. U. L. Rev 181-182 (2006-2007).

restricts the curtailment of User's rights though DRM / TPM. Furthermore, this article also highlights the recent Amendment to the Copyright Act, 1957, with special reference to the introduction of anti-circumvention provision in India.

The *first* part of the Article, after a brief definition of the term DRM and TPM, deals with the functioning of this system. The *second* part discusses the reasons by virtue of which DRM / TPM has stormed up controversies around the Globe. This part also throws light on various practical cases like *Apple i-Tunes case*, *Sony BMG Rootkit case*, etc, which have stretched far in exposing the pessimism of DRM / TPM. The *third* part deals with the direct nexus of DRM / TPM technology with the User's interests. In addendum, it also raises the obligation on the part of the Content Owner's to disclose information while selling DRM / TPM encrypted material to protect the right to privacy of consumers. Prior concluding, the *fourth* part takes into consideration the endeavours put in by the Indian Legislature by incorporating Section 65(A) and 65(B) in the Copyright Amendment (Amendment) Act, 2012. The *last* part recommends certain changes to improve the position of the Indian User at par with the Content Owner and concludes.

II. DRM, TPM: Definition and Functioning

Introduction of DRM took place in 1994 as a panacea for control of accessing and handling the digital content.[9] Since then, DRM have been a very controversial topic and the story of implementing DRM has been full of turns and twists. However, with the passage of time DRM started restricting the User to view, access and use the Digital Content.

The Article uses the term TPM and DRM, therefore, it will be unjustified to keep the concept of TPM untouched. The term DRM and TPM is often considered a synonym. But fundamentally the difference lies between their respective mode of application: TPM's [10] are generally

9 MatějMyška, *The True Story of DRM*, 3 Masaryk U. J.L. & Tech. 267 (2009).[hereinafter MatějMyška]

10 "*"technological measures" means any technology, device or component that, in the normal course of its operation, is designed to prevent or restrict acts, in respect of works or other subject-matter, which are not authorised by the rightholder of any copyright or any right related to copyright as provided for by law*", TPM has been defined under Article 6.3 of Directive 2001/29/EC of the

designed to impede access or copying, whereas DRM[11] systems do not impede access or copying *per se*, but rather create an environment in which various types of use, including copying, are only practically possible in compliance with the terms set by the right holders.[12]

DRM usually embeds with the Digital Content and aim to limit the ways in which Digital Content can be used, reducing the User's choice and generating interoperability problems. Through DRM, Content Owner's also access Users' personal information, posing a powerful threat to Right to Privacy. Such situation creates conflict with the interests of legitimate User, i.e. the Consumers rights and privileges[13]. DRM used to control distribution of an e-book, enforcing a 'read but don't lend' permission, restricting the ability of the individual to read the e-book on more than one computer.[14] Other conditions which are being enforced by the DRM includes: 'read once', 'erase in two weeks', 'do not copy text', 'do not print' or 'do not copy'.[15]DRM sometimes also restricts enjoyment of

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European Parliament and of the Council on the harmonisation of certain aspects of copyright and related rights in the information society [hereinafter Infosoc Directive).

11 "..*"rights-management information" means any information provided by rightholders which identifies the work or other subject-matter referred to in this Directive or covered by the sui generis right provided for in Chapter III of Directive 96/9/EC, the author or any other rightholder, or information about the terms and conditions of use of the work or other subject-matter, and any numbers or codes that represent such information"* DRM has been defined under Article 7.2 of the Infosac Directive.

12 LucieGuibault and NataliHelberger, *Consumer protection and Copyright Law*, ECLG/035/05, p. 9.

13 Kevin C. Earle, *No-Copy Technology and the Copyright Act: Has the Music Industry been Allowed to Go too Far in Diminishing the Consumers Personal User Rights in the Digital World?*, 2 J. Marshall Rev. Intell. Prop. L. 337-338 (2002-2003).

14 See general, Caitlin J. Akins, *Conversion of Digital Property: Protecting Consumers to the Age of Technology*, 23 Loy. Consumer L. Rev. 215 -251 (2010-2011).

15 See *Id*; "*Digital rights often set out to control: ability to read a document; ability to read the document a number of times; preventing reading a document before a given date/time; preventing reading a document after a given date/time; preventing printing the document, limiting printing to a number of copies; preventing using the Print Screen feature to copy information, allowing low quality printing; allowing limited copying and allowing a program to be run*", David Fewer, Philippe Gauvin, and Alex Cameron, *Digital Rights Management Technologies and Consumer Privacy*, CIPPIC, September 2007, available at *http://www.cippic.ca.*

creative works by allowing its access though some specified type of device(s), such as an iPod, iPhone, and other Apple products[16].

Due to the above-enumerated reasons, DRM generated huge controversy. The proponents of DRM / TPM, specifically the Content Owner, contend that DRM / TPM is imperative for protecting consumers against viruses and preserving the interest of Copyright Owner in the digital environment. Whereas, the opponents raise the contention that DRM has gone too far, by placing excessive control in the hands of copyright holders, which upsets the balance in Copyright law.[17] However though the first claim raised by the proponents lacks any evidentiary support, second claim is indeed true.

The second claim of the Content Owners, on the face of it appears only a humble claim. But for the below mentioned instances it can be stated that in reality such interest of the Content Owners actually aimed to limit the legitimate interests of the User. A Celine Dion album released in 2002 by EPIC and Sony records is capable of crashing a User's computer upon insertion of the same in a CD-ROM drive.[18] In the same year, Microsoft implemented Palladium system that combines software and hardware controls to create a 'trusted' computing platform. Palladium system embeds DRM into software and hardware.[19] There are large numbers of such restrictions imposed by the Content Owners, which aims to cornerstone the User's rights and privileges.

III. Controversy Surrounding DRM and TPM

DRM is a great relief for copyright holders. DRM, though initially created to protect Digital Content,[20] turned out to be an oppressive weapon

16 See general, Nicola F. Sharpe and Olufunmilayo B. Arewa, *Is Apple Playing Fair? Navigating the i-Pod Fair Play DRM Controversy*, 5 Nw. J. Tech. &Intell. Prop. 332-350 (2006-2007).[hereinafter Nicola F. Sharpe]

17 See general, J. Thomas Rosch, *Keynote Address: A Different aspect on DRM*, 22 Berkeley Tech. L.J. 971-980 (2007).

18 *Digital Rights Management and Privacy*, EPIC, March 2004, available at http://epic.org/privacy/drm/.

19 Ian Roberts, *Digital Rights Management*, ParvizCarmini, Polytechnic University, 2004.

20 *Brett Glass, What Does DRM Really Mean?* PC MAG., Apr.4, 2003, available at *http://www.pcmag.com/article2/0,2817,929861,00.asp*.

against the User. A simple technical discussion will help to establish the implications of DRM crystal clear.

DRM is specific computer code that works as a protective layer over the Digital Content, allowing Content Owners to limit a consumer's use of that product. To secure content, DRM users (Content Owner) usually takes two approaches: The first is 'containment' (or the wrapper), an approach where the content is encrypted in a shell so that it can only be accessed by authorized users.[21] The second is 'marking' (or using an encrypted header), such as the practice of placing a watermark, flag, XML or XrML tag on content as a signal to a device that the media is copy protected."[22]

DRM's unpopularity is because of the reason that it offers nothing to the User, other than a one-sided requirement, imposed by the Content Owner. The metaphor of User's right from the real world can be easily carried on to the cyber world. Hence the Statutes/ Rules enacted to protect User from deceptive marketing practices, negligent misrepresentation, unfair terms, or unfair business practices apply with full force in the digital world as well.[23]

Till date legal battle against the Content Owners for imposing DRM or TPM has not been observed in India. Hence, following are the few instances of Conflicts, observed in the Western countries, between the Content Owners and the Users:

3.1. THE APPLE – iTUNES CASE[24]

On April 2, 2007, Apple Inc. and EMI Music held a joint press conference in London, considered being the harbinger of significant

21 Nicola, *supra* note 6 at p. 93.

22 See *Id*; Digital Rights Management and Privacy, EPIC, March 2007, available at *http://www.epic.org/privacy/drm/*.

23 John Rothchild, *Protecting the Digital Consumer: The Limits of Cyberspace Utopianism*, 74 IND. L.J. 893, 897-98, 898 n. 13 (1999) (discussing methods of protecting consumers).

24 Pamela Samuelson & Jason Schultz, *Regulating Digital Rights Management Technologies: Should Copyright Owners Have to Give Notice About DRM Restrictions?,*March 2012, available at *http://people.ischool.berkeley.edu/~pam/papers/notice%20of%20DRM-701.pdf.*

changes in the digital music arena.[25] The conference relieved the User's by assuring them that their Apple Inc. will not disappoint them further by continuing the enforcement of DRM.[26] However, the situation was not the same before 2007.

The iTunes Music Store, a service of Apple Inc., enforces its standard contract terms by means of a DRM system called 'FairPlay' and according to the terms of service, the provider reserves the right, at its sole discretion, to modify, replace or revise the terms of use of the downloaded files.[27] In the European Communities ('**EC**') market, this behaviour is prohibited by law and considered unfair, particularly when applied in a standard form contract not subject to negotiation.[28]

On January 25, 2006, based on the EC laws, the Norwegian Consumer Council presented a complaint with the Consumer Ombudsman (Mr. Bjorn Erik Thon) against iTunes Music Store for breach of fundamental consumer rights.[29] Although Norway is just an European Economic Area member, its copyright and consumer protection law fully

25 Nicola F. Sharpe, *supra* note 16 at p. 332.

26 Eric, Bangeman, *EMI goes DRM Free on i-Tunes Store,* ARS Techina, 2007, available at *http://arstechnica.com/apple/news/2007/04/emi-to-announced-drm-free-plans-tomorrow-reports.ars*.

27 Nicola, *supra* note 6 at p. 94-95; "*iTunes reserves the right, at any time and from time to time, to update, revise, supplement, and otherwise modify this Agreement and to impose new or additional rules, policies, terms, or conditions on your use of the Service. Such updates, revisions, supplements, modifications, and additional rules, policies, terms, and conditions (collectively referred to in this Agreement as 'Additional Terms') will be effective immediately upon release and incorporated into this Agreement. Your continued use of the iTunes Store [sic] will be deemed to constitute your acceptance of any and all such Additional Terms. All Additional Terms are hereby incorporated into this Agreement by this reference.*" Lars Grondal, DRM and Contract Terms, INDICARE MONITOR, February 2006, available at *http://www.indicare.org/ tiki-readarticle.php? articleId=177*; For further technical comment refer, See general, Andrew W. Bagley and Justin S. Brown, The Broadcast Flag: Compatible with Copyright Law & Incompatible with Digital Media Consumers, 47 IDEA 607-657 (2006-2007).

28 Nicola, *supra* note 6 at p. 95; Council Directive 93/13, Unfair Terms in Consumer Contracts, 1993 O.J. (L 95) 29 (EEC), available at *http://europa.eu.int/eur-lex/lex/LexUriServ/LexUriServ.do?uri=CELEX:31993L00 13:EN:HTML*.

29 Agreement on the European Economic Area, January 1994, available at *http://secretariat.efta.int/Web/EuropeanEconomicArea/EEAAgreement/EEAAgreement/EEA -Agreement.pdf*

complies with the EC Copyright and Consumer *acquis*.[30] On January 2007, Norway declared Apple's DRM illegal and ordered them to remove the restrictions of FairPlay within October 2007.[31]

In the meantime, France and Germany also raised their voices against the unfair activities of the iPod giant. The tussle came however ended in 2009 when after the Apple Inc. withdrew its unfair 'FairPlay' restrictions.[32]

3.2. SONY-BMG ROOTKIT

In 2005 Sony BMG Music distributed thousands of musical Compact Disks ('**CD**') that contained TPM software designed to embed itself in the Windows Operating System where it could monitor and restrict use of the musical files from the CD.[33] Because of the statement given by Thomas Hessee, Ex-President of Sony BMG's Global Digital Business that, "Most people don't even know what a rootkit is, so why should they care about it",[34]it is pertinent explain the concept of 'Rootkit'.[35]

Sony BMG secretly included Extended Copy Protection (XCP) and MediaMax CD-3 software on millions of music CD, of various artists like Celine Dion, Neal Diamond and Santana in the mid-2000. The software designed to keep Users at bay from making too many copies of the CD's.[36] It was in form of a Rootkit, undetectable by anti-virus and anti-

30 See *Id.*

31 Norway and iTunes: The DRM War, GIGAOM, October 2008, available at *http://gigaom.com/apple/norway-itunes-drm-war/*.

32 Norway Drops its Legal Complaints against Apple, Macworld, February 2009, available at *http://www.macworld.com/article/1138649/norway_drops_its_legal_complaints_against_apple.html.*

33 Mulligan &Perzanowski, Supra *Note* 6; *<http://www.eff.org/IP/DRM/Sony-BMG/guide.ph>*. Retrieved from *<http://people.ischool.berkeley.edu/~pam/papers/notice%20of%20DRM-701.pdf>* on March 9, 2012 at 11:00am.

34 Sony BMG Rootkit Scandal: 5 Years Later, NETWORK WORLD, November 2010, available at *http://www.networkworld.com/news/2010/110110-sonybmg-rootkit-fsecure-drm.html.*

35 *See Id.*

36 For some detailed legal and technical comments of the rootkit case, see general Megan M. LaBelle, *The "Rootkit Debacle": The Latest Chapter in the Story of the Recording Industry and the War on Music Piracy*, 89-98 Deny. U.L. Rev. 79-134 (2006). [hereinafter Rootkit debacle]

spyware programs that opened the door for other malware to infiltrate computers.[37] Even if Sony BMG disclosed the existence of this software in the End User's License Agreement ('**EULA**'). The agreement did not disclose the real nature of the software being installed, the security and privacy risks it created, the practical impossibility of uninstalling and many other potential problems for the User's computer.[38]

When users and consumer organizations were informed of this matter, they filed more than twenty lawsuits[39] against Sony BMG in Canada, United States and Europe.[40] The main motive was to restrict the content on the copy-protected CD's so that the data can only be transferred to certain media players and portable devices (i.e., those using Sony or Micro-soft products) and could not be transferred to an iPod device or iTunes media player.[41] Though the iPod is the dominant portable device and that iTunes is one of the most popular media players, many purchasers of Sony's copy-protected CDs were denied the right to "space-shift"[42] their music.

Following the discovery of the use of this surreptitious copy protection technology, in November 2005, the Attorney General of Texas filed a class action lawsuit against Sony BMG under Texas' Consumer Protection Against Computer Spyware Act of 2005 followed by a number of class action law-suit.[43] Those cases were the first cases in the US, based on consumer law as an instrument of defence against DRM technologies.[44]

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37 *See Id.*

38 Nicola, *supra* note 6 at p. 97.

39 *The State of Texas* v *SONY BMG Music entertainment*, LLC (2005), available at *http://www.oag.state.tx.us/newspubs/releases/2005/122105sony_lawsuit.pdf*.

40 Nicola, *supra* note 6 at p. 98.

41 Rootkit debacle, *supra* note 42.

42 Shift space "*allows media, such as music or films, which is stored on one device to be accessed from another place through another device.*" Space Shifting, WIKIPEDIA, available at http://en.wikipedia.org/wiki/Space_shifting; "*space-shifting legally purchased music to a portable MP3 player is permitted under the fair use doctrine*" Recording Industry Association of America v. Diamond Multimedia Systems, Inc., 180 F.3d at 1079.

43 Nicola, *supra* note 6 at p. 93.

44 *See Id.*

3.3. REGION CODES[45]

All hail to the Content Owner, DVD region coding system recently prevented the British Prime Minister from viewing a set of 25 "American classics", which were gifted by President Barack Obama, considered to the most powerful person on Earth.[46]

So what is this 'Region Code'? DVD Region Coding is an early form of TPM.[47] DVD's are often encoded with a numerical identifier that corresponds to a specific geographic region in which that DVD is authorized to play. For example, if one purchases a DVD with a European Region Code while on vacation in France that DVD may not play on most U.S. or India manufactured DVD players, thanks to the Region Code. Users who then travel or move from one region to another risk an unfair surprise in finding that the Digital Content, which they legally purchased, does not work with equipment(s) at their home. Though pervasive, most DVD manufacturers neither disclose this to the User either at the point of sale, nor through any agreement (like EULA), entered therein. Thus, the consumer is kept unaware of such TPM restriction imposed on them by the Content Owners in conjunction with the DVD Copy Control Association.[48]

Such problems have also extended beyond the Digital Content. Like, Hewlett-Packard has started 'region coding' its printers to match only certain printer cartridges bought in the same region of the world as the printer[49]. If the wrong cartridge is inserted, the printer refuses to print, even though it is functionally identical to the approved cartridges.[50]

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45 MatějMyška, *supra* Note 9.

46 DVD region code blocks British Prime Minister from enjoying Obama's gift, autoblog, March 2009, available at *http://www.engadget.com/2009/03/20/dvd-region-code-blocks-british-prime-minister-from-enjoying-obam/*.

47 DVD Region Coding, ZYRA, available at *http://www.zyra.tv/dvd-region-coding.htm*.

48 Amela Samuelson and Jasin Schultz, *Should Copyright Owners have to Give Notice of their Technical Protection Measures?*, 6 J. on Telecomm. & High Tech. L. 48-49 (2007-2008).

49 David Pringle and Steve Stecklow, *Electronics With Borders: Some Work Only in the U.S.*, Wall Street Journal, January 17, 2005, p. B1.

50 See *Id.*

3.4. EMI FRANCE[51]

A French court,[52] to take another example, fined EMI Music France for selling CDs with DRM protection schemes that would not play on car radios and computers. EMI was held guilty for violating the consumer protection law[53] because it did not appropriately inform consumers of these restrictions. The Court ordered EMI to label its CD's with the text: "*Attention: cannot be listened on all players or car radios*" to aware the User of such restriction. Even the EMI Music was made liable to pay 3000 € as damages.[54]

IV. DRM / TPM and its Direct Nexus with Consumerism

Copyright Act primarily deals with the rights of the Content Owners. Hence to ascertain the rights of the Users it will be useful to have a brief analysis of the Common law rights that the Consumers enjoys, which DRM / TPM contradicts. DRM / TPM tend to contradict mainly three distinct rights of the Users. *Firstly*, the right to know, i.e. the Content Owners have a disclosure obligation. *Secondly*, right to privacy. *Thirdly*, right to private copy, usually this right emanates from the Copyright Act.

4.1. DISCLOSURE OBLIGATIONS WHEN SELLING DRM / TPM ENCRYPTED MATERIALS

There is little doubt that disclosure and transparency are effective means of protecting the User's rights and interests, especially in cases of information asymmetry.[55] Users have a right to know about the

51 Urs Gasser and John Palfrey, *Case study on DRM - protected music Interoperability and Elnnovation*, Berkman Publication Series, University of St. Gallen, 2007.

52 *Association CLCV* v. *EMI Music France*, Tribunal de Grande Instance (T.G.I.) [ordinary court of original jurisdiction] Nanterre, June 24, 2003, D. 2003, Somm.2823, full text available at *http://www.legalis.net/jurisprudence-decision.php3?id-article=34*.

53 article L213-1 of the French Comsumer law (Code de la Consommation), C. CONSOMMATION art. L213-1, Law No. 92-1336 of Dec. 16, 1992, Journal Officiel de la R6publique Francaise [JO.] [Official Gazette of France], Dec. 22, 1992 (eff. Mar. 1994), available at*http://www.legifrance.gouv.fr/WAspad/ UnArticleDeCodecommun=CCONSO&art =L213-1*.

54 Nicola, *supra* note 6 at p. 99.

55 Howard Beales, Richard Craswell, & Steven C. Salop, *The Efficient Regulation of Consumer Information*, 24 J.L. & Econ. 491, 513 1981).

permissible extent to which they are entitled to access a Digital Content.[56] This right is considered as the grand norm of Consumer jurisprudence.[57] It is an express obligation for the Content Owner to disclose any material limitations of access rights (including, but not limited to, technological limitations such as an inability to use the media on another platform) clearly and conspicuously before selling those to the Consumer.

Repeatedly the Content Owner's failed to provide full disclosure of DRM / TPM software(s), embedded in their Digital Content which in turn deprived User's of their basic rights. For instance, Sony did not inform Consumers that the Rootkit would collect information from Users' computers and use it to serve advertisements; which will ultimately compromise the security of the Consumers system. It is undisputable that the Users have right to play their CDs on their electronic systems, capable of processing Digital Contents, without being monitored and targeted for marketing.[58] The Commission in US has challenged this type of conduct by adware purveyors.[59]

Indian Consumer Protection Act, 1886 does not specifically talk about the protection of Consumers from DRM. However, under Section 6(b) of the Indian Consumer Protection Act, 1986, Consumers have the rights to receive information about the quality, quantity, potency, purity, standard and price of goods or services. Hence, interpreting the statute, Content Owners selling DRM / TPM encrypted material in India may be obliged to disclose the same to the User.

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56 Nicola, *supra* note 6 at p. 103.

57 Matthew Hilton, *The Duties of Citizensand the Rights of Consumers*, 15 CONSUMER POL'Y REV., January 2005, at 6, available at *http://www.allbusiness.com/ management/ consumer-demand-management/ 1021482-1.html.*

58 In *re Zango, Inc. et al.*, File No. 052 3130, November 2006(consent order), available at *http://www.ftc.gov/os/caselist/0523130/index.htm.*

59 J. Thomas Rosch, *A Different Perspective on DRM*, March 2007, Federal Trade Commission, available at *http://www.ftc.gov/speeches/rosch/Rosch-Berkeley-DRM% 20 Speech-Mar9-2007.pdf.*

4.2. OBLIGATIONS TO PROTECT PRIVACY

Right to privacy is a fundamental right guaranteed by all major international human rights Covenants.[60] Users are not much aware of violation of this right through DRM / TPM. This violation takes place in such a way that it is not possible for a Consumer to identify it. A factual example will make it clear how this violation takes place.

Microsoft's Windows Media Player ('**WMP**') for Windows XP violated the privacy right of User's. WMP allowed Microsoft to track DVD movies been watched by users on their Windows PC. This problem was introduced in version 8 of WMP that were preinstalled on all Windows XP systems. Microsoft violated the Privacy Rights though the following process:

> "*Each time a new DVD movie is played on a computer, the WMP software contacts Microsoft Web server to get title and chapter information for the DVD. When this contact is made, the Microsoft Web server is given an electronic fingerprint, which identifies the DVD movie being watched, and a cookie, which uniquely identifies a particular WMP player. With these two-pieces of information, Microsoft can track what DVD movies are being watched on a particular computer. The WMP software also builds a small database on the computer hard drive of all DVD movies that have been watched on the computer. As of Feb. 14, 2002, the Microsoft privacy policy for WMP version 8 does not disclose that the fact that WMP 'phones home' to get DVD title information, what kind of tracking Microsoft does of which movies consumers are watching, and how cookies are used by the WMP software and the Microsoft servers. There does not appear to be any option in WMP to stop it from phoning home when a DVD movie is viewed. In addition, there does not appear any easy method of clearing out the DVD movie database on the local hard drive.*"[61]

60 Article 19, Universal Declaration on Human Rights, U.N. General Assembly Resolution 217 A (III), 1948; Article 11, American Convention on Human Rights, "Pact of San José", 1969; Article 8(1) Convention for the Protection of Human Rights and Fundamental Freedoms (E.C.H.R.), Council of Europe, 1950.

61 Richard M. Smith, *Serious Privacy Problems in Windows Media Player for Windows XP*, Computer Bytes Man, available at *http://www.computerbytesman.com/privacy/wmp8dvd.htm*.

This is not a single instance of privacy violation[62] but there are many more instances hidden in the sacks that are appearing in forefront with the passage of time. In India also this DRM / TPM is violating the Privacy Right, may be in a much more aggressive manner. But mainly due to two reasons such violations are not being addressed. *Firstly*, India lacks any statutory enactment which expressly guarantees a general Right of Privacy to individuals; therefore, it is becoming increasingly difficult to protect the Privacy rights of Indian Users / Consumers. *Secondly*, there is a lack of awareness about privacy right in India.

However, elements of privacy right, traditionally embedded in the common law and criminal law,[63] have been recognized by Indian courts[64]. But lack of any specific recognition of this right in the Digital World threatens the privacy rights of Indian Users / Consumers. However, recently the Indian Government issued *Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011* ('**IT Rules**'), as a delegated legislation deriving its power from Section 43A[65] of the Information Technology Act, 2000.

As the Indian Content Owners falls under the definition of Body Corporate[66], hence they will be bound to protect privacy of Sensible Personal Data[67] of the Users. IT Rule covers only Body Corporate(s)

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62 "*According to Article 6 and 7 of the European Directive on Data Protection, personal data can only be collected if this is necessary for a specific lawful purpose and based on legitimate grounds.*" LucieGuibault and NataliHelberger, *Consumer protection and Copyright Law*, ECLG/035/05, p. 18.

63 Juvenile Justice Act, 2000, Code of Criminal Procedure, 1973, Indian Penal Code, 1860 etc.

64 *Kharak Singh v. State of U.P.*, AIR 1963 SC 1295. Two of the judges of the seven judge bench, saw the right to privacy as a part of Article 21 of Constitution of India, 1950, marking an early recognition of privacy as a fundamental right. Justice SubbaRao held "*It is true our Constitution does not expressly declare a right to privacy as a fundamental right, but the said right is an essential ingredient of personal liberty*".

65 Section 43A of the Information Technology Act, 2000 prescribes punishment for the body corporate which possess, deals or handles sensitive personal data or information and subsequently due to negligent action or in absence of reasonable security practices cause wrongly loss or wrongful gain to any person.

66 Explanation 1 attached to Section 43A of the Information Technology Act, 2000.

67 'Sensitive Personal Data' includes: password; financial information such as Bank account or credit card or debit card or other payment instrument details; physical, physiological and mental health condition; sexual orientation; medical records and history; Biometric information; any detail relating to above, received by the body

located in India, hence Content Owners located outside India will not be bound to abide by this delegated legislation. Further the consent, in writing, of the User also need to be taken, pursuant to the IT Rules to access the Sensible Personal Data.

4.3. OBLIGATION TO PROTECT 'RIGHT TO PRIVATE COPY'

A User who buys a Digital Content from the Content Owner has the right to reproduce that article for his own purpose; academically this right has been referred to as 'right to private use'.[68] This right is guaranteed under various international covenants dealing with the Intellectual Property rights.[69]

In India, 'Right to Private copy' is enshrined under the doctrine of Fair Dealing. Fair Dealing is statutorily laid down under Section 52 of the *Indian Copyright Act*, 1957, which stipulates, that a Fair Dealing with a literary work for the purpose of criticism or review, whether of that work or of any other work shall not constitute infringement of copyright. In the case of *Wiley Eastern Ltd. and Ors.*v. *Indian Institute of Management*[70]*;* the Delhi High Court traced the purpose of the enforcing Fair Dealing with reference to the Constitution of India:

> *"The basic purpose of Section 52 of the Indian Copyright Act, 1957 is to protect the freedom of expression under Article 19(1) of the Constitution of India...Section 52 is not intended by Parliament to negatively prescribe what infringement is."*

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corporate for provision of services; and any information relating to above that is received, stored or processed by the body corporate under a lawful contract or otherwise, Rule 3 of the Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011.

68 "The Institute for Public Policy Research (IPPR) is calling for a 'private right to copy'." Copying own CD's should be legal, BBC News, October 2006, available at *http://news.bbc.co.uk/2/hi/uk_news/6095612.stm*; See general William Davies and Kay Withers, Public Innovation, IPPR, available at *http://news.bbc.co.uk/2/shared/bsp/hi/pdfs/30_10_06_public.pdf.*

69 Article 9.2 of Berne Convention for the Protection of Literary and Artistic Works, 1886; Article 10 of the WIPO Copyright Treaty, 1967; Article 13 of the Agreement on Trade Related Aspects of Intellectual Property Rights, 1996; Article 5(2)(b) of the Infosac Directive.

70 61 (1996) DLT 281 ¶19.

Thus, the Content Owners have a duty to respect the 'right to private copy' and, therefore, the same may not be curtailed by imposing DRM / TPM.

V. Role Of Copyright Law In Protecting The Interest Of The Content Owners

In India, the only effective protection against DRM can be obtained though the Copyright Act, 1957 due to the 2012 Amendment. The recent amendment to the Indian Copyright Act drastically changed the Copyright regime of India. The anti-circumvention law introduced in India is quite different compared to that of the United States of America ('**USA**'). This part deals *firstly*, with the anti-circumvention law prevalent in USA and *secondly* with the recent amendment of the Indian Copyright Law, 1957 and the features of the newly inserted Indian anti-circumvention law.

5.1. USA: DIGITAL MILLENNIUM COPYRIGHT ACT, 1998

With the rising concern of Content Owners regarding their intellectual rights and adoption of the World Intellectual Property Organization ('**WIPO**') Treaty[71]; in 1998 Congress of the United States of America ('**US**'), enacted the Digital Millennium Copyright Act ('**DMCA**'). The DMCA and its anti-circumvention provisions for copy protection technology goes beyond the Audio Home Recording Act,1992[72]; DMCA not only prevents coping but also prevents unauthorized access. With the enactment of DMCA, scholars raised fear that the anti-circumvention legislation went too far to protect Copyright Owners and would directly contradict the US Constitution.[73]

By virtue of DMCA, the Copyright Owners deploy DRM mechanisms that do not allow Fair Use of the Digital Content, resulting in a

71 WIPO Copyright Treaty, arts. 11-12, Apr. 12, 1997, S. Treaty Doc. No. 105-17, 36 I.L.M. 65, 71-72, available at http://wipo.int/clea/docs/en/wo/wo033en.htm#P88_11974.

72 In 1992, Congress passed the AHRA to amend the Copyright Act of 1976, 17 U.S.C. Section Section 1001-1010 (2000). The 1992 Act added Chapter 10 to Title 17 of the U.S. Code.

73 Kevin C. Earle, *No-Copy Technology And The Copyright Act: Has The Music Industry Been Allowed To Go Too Far In Diminishing The Consumers' Personal Use Rights In The Digital World?*, 2 J. Marshall Rev. Intell. Prop. L. 352 (2003).

curtailment of Users' ability to engage in lawful Fair Uses of digital copyrighted works.[74]

5.2. INDIA: COPYRIGHT (AMENDMENT) ACT, 2012

Recently the Indian Parliament passed the Copyright (Amendment) Act, 2012 ('**Amendment Act**') which amended the Copyright Act, 1957 with certain changes for clarity, and aimed to remove operational difficulties by addressing certain new issues that have emerged in the context of digital technologies and the Internet. The Amendment Act aimed to bring the Copyright Act, 1957, in conformity with the two WIPO Internet Treaties, viz., the WIPO Copyright Treaty (WCT), 1996 and the WIPO Performances and Phonograms Treaty (WPPT), 1996 to the extent considered necessary and desirable[75]. This Amendment imposed 'TRIPS plus' standards on India for which there was no legal obligation.[76]

The Amendment Act allowed User's to break DRM / TPM on legally purchased Digital Content, as long as do not violate copyright terms.[77]The Amendment Act inserted two new provisions, section 65A and section 65B to the Copyright Act, 1957, relating to protection of technological measures and protection of rights management information.[78]

Section 65A has been drafted to provide certain rights to the Users.[79] However, many pressure groups like Indian Music Industry, RPG Enterprises-Saregama, Indian Performing Right Society Limited and many more tried to influence the Standing Committee of Parliament to enforce

74 Timothy K. Armstrong, *Digital Rights Management And The Process Of Fair Use*, 20 Harv. J.L. & Tech. 49 (2006-2007).

75 Two Hundred Twenty-Seventh Report on the Copyright (Amendment) Bill, 2010, RajyaSabha Secretariat India, November, 2010, ¶ 1.3 available at http://www.prsindia.org/uploads/media/Copyright%20Act/SCR%20Copyright%20Bill%202010.pdf (Last visited on November 1, 2012). (*hereinafter* PRS report)

76 *See id.*, 472.

77 *See Id.*

78 Section 65A and Section 65B of the Copyright Act, 1957 inserted vide Clause 37 of the Copyright (Amendment) Act, 2012.

79 Nicola, *supra* note 6 at p. 57.

stringent law in line of USAs' *Digital Millennium Copyright Act*, 1998[80], but the Committee refused to recommend so.[81]

Section 65A(1) of the Amendment Act, imposes punishment to the User of the Digital Content in the event of circumventing any DRM / TPM technology imposed by the Copyright Owner. However, Users are exempted from such punishment provided[82]:

a. the act of circumvention is not expressly prohibited by the Copyright Act;

b. does anything necessary to conduct encryption research using a lawfully obtained encrypted copy: or

c. conducts any lawful investigation; or

d. does anything necessary for the purpose of testing the security of a computer system or a computer network with the authorization of its owner; or

e. operator; or

f. does anything necessary to circumvent technological measures intended for identification or surveillance of a user; or

g. any measure is taken necessary in the interest of national security

Thus, the ambit of section 65A of the Amendment Act does not exclude the right of Fair Dealing, guaranteed under section 52 of the Copyright Act, 1957 unlike that of the DMCA. Section 65B prevents removal of the information regarding the management of rights included in the digital copies of the work.[83] This newly inserted section provides protection to the Content Owner against any removal of DRM / TPM, without authority. Section 65B mandates punishment to the User, who knowingly:

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80 *Digital Millennium Copyright Act*, Pub.L. No. 105-304, 112 Stat. 2860 (1998).

81 Department Related Parliamentary Standing Committee on Human Resource Development, RajyaSabha Secretariat New Delhi, November 2010/ Agrahayana, 1932 (SAKA), p. 56 available at *http://www.prsindia.org/uploads/media/Copyright% 20Act/SCR%20Copyright%20Bill%202010.pdf*.

82 Section 65A(2) of the Copyright (Amendment) Act, 2012.

83 A.G. Scaria, *Does India need Digital Rights Management Provisions or Better Digital Business Management Strategies?*, 17 JIPR 464 (2012).

a. removes or alters any rights management information (DRM / TPM) without authority; or

b. distributes, imports for distribution, broadcasts or communicates to the public, without authority, copies of any work, or performance knowing that any rights management information (DRM / TPM) has been removed or altered without authority.

This provision also allows the Content Owner to obtain civil remedy,[84] in addition to the criminal punishment as per the Copyright Act, 1957.

However one serious concern cab be raised here. TRIPS only require criminal procedures for copyright infringement in case of "*piracy on a commercial scale*"[85]. DRM / TPM measures may be circumvented both in commercial and private non commercial level. Section 65A and 65B denies recognition of the difference between the two and thereby provides for criminal punishment to both.

Criminality is being judged depending upon the harm to the society as a whole. This general requirement of harm to society is not satisfied by instances of private non-commercial level circumvention. Hence, there is no justification to treat both commercial and non-commercial private circumvention equally.

VI. Conclusion

Personal computers entered the Indian market much later compared to the Western countries. Indian legislature though trying to bring the enactments dealing with Digital world at par with the Western counterparts, but the process is very slow. Positive attitude of the India legislature to address the international issues can be witnessed in recent years, post enactment of the Information Technology Act, 2000.

The Western Countries address the implications of DRM / TPM invoking their respective municipal laws. India, prior to the 2012 amendment of the Copyright Act, 1957, was unable to acknowledge, the

84 Section 55 of the Copyright Act, 1957.
85 Article 61 of TRIPS Agreement

presence of DRM / TPM, statutorily. With the 2012 amendment of the Copyright Act, 1957, India not only recognised the existence of DRM / TPM but also provided relief to the User's by allowing them to circumvent such technological measures in certain prescribed situations.

However, the Indian legislature failed to justify the treatment both commercial and non-commercial private circumvention equally. As it is already mentioned that TRIPS only require criminal proceedings against copyright infringement done on commercial scale, hence treating the both under equal footing may be unreasonable for the Indian Democratic setup.

Amendment Act though provides rights to the Content Owner's, failed to provide with a limit of such technological measures that aims to curtail the freedom of the User / Consumer. Taking non-digital world as a baseline for User's right, digital world does not allow the same level of freedom to them. Instead the rights of the User in the digital world are much narrower. Hence the burden lies upon the legislature to equalize the rights of the Users in both the world. Every right has a corresponding duty; hence the Content Owner though entitled to protect their Digital Content must also be bound to fulfil their obligations like: protect privacy rights of the Users; provide right to private copy; disclose the existence and implications of DRM / TPM software in a Digital Content.

However, this paper only attempt to deal with the Copyright Act and its role in controlling DRM / TPM but it is indisputable that Copyright law primarily aims to protect the interests of the copyright owner. Therefore, to protect the interests of the Consumers, laws relating to the Consumers right must also provide protection against encroachment of their rights by the Content Owners. With regard to the international perspective, it is pertinent to note the efforts of amending the UN Consumer Protection Guidelines for the safeguarding of consumers against the embargo created by DRM technologies.[86] Indian Consumer Protection Act, 1986, till date, does not provide for any such special safeguards in the digital world against the Content Owner.

86 Plan to amend UN Consumer Protection Guidelines to safeguard access to education and culture, September 2010, available at http://a2knetwork.org/plan-amend-un-consumer-protection-guidelines-safeguard-access-education-and-culture.

It is worth mentioning at end that the Indian legislature took a reasoned approach while protecting the DRM / TPM technology of the Content Owners through the Amendment Act. The Amendment Act did not provide any 'blanket prohibitions' against circumvention like that are present in the DMCA.[87] In near future Privacy Act[88] can also be expected in India which will protect the privacy of Users. Until then the Amendment Act will be the guiding star in dealing with DRM / TPM issues in India.

87 *Digital Millennium Copyright Act*, Pub.L. No. 105-304, 112 Stat. 2860 (1998).

88 There has been an attempt to pass legislation for Privacy Protection in India for quite some time. First serious attempt was made when the Personal Data Protection Bill, 2006 was presented to the Parliament in December 2006 along with Information Technology Amendment Bill, 2006. However the Bill was not passed and lapsed when the tenure of the previous Parliament ended. There is news that Government of India is under process of drafting a new version of the Privacy Protection legislation in the form of Privacy Bill, Natasha Vaz, *Privacy Matters — Analyzing the "Right to Privacy Bill"*, April 2012, available at *http://cis-india.org/internet-governance/right-to-privacy-bill-conference*.

A RE-LOOK INTO COMPULSORY LICENSING: AFTER NATCO V. BAYER

DeepikaSekar[*] *&Aishwarya H*[**]

I. Introduction

Patent is a legal right granted to an inventor as a reward for disclosing his invention. It is the right of the owner to exclude others from making, selling, importing, or using the product or process without his authorization for a fixed period of time.[1] It is a lawfully gained monopoly right which is justified because the patent holder makes his invention available to the public. If he does not, it will amount to an abuse of the monopoly power granted to him. Abuse can be by way of refusing to grant licences, imposing unreasonable terms on the licensee or restrictive conditions on the use of patented articles or excessive pricing. The provision of compulsory licensing in the Law of Patents prevents such a situation. It is a legal method by which a Government grants either to itself or to a third party the right to produce or to import a patented product without authorization of the patent holder.[2] The object of compulsory licensing is to deter those who obtain patents but try to take advantage of their monopoly power as patent holders.

With TRIPS[3] bringing in a new era of enhanced patent protection, developing economies face difficulties in balancing the rights of patent holders with public needs. In India as well as internationally, the debate

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* Fourth Year Student of B.A. LL.B. (Hons.) (Five Years Integrated Course) at National University for Advanced Legal Studies, Kochi. The author can be contacted at vtssdeepika@gmail.com.

** Fourth Year Student of B.A. LL.B. (Hons.) (Five Years Integrated Course) at National University for Advanced Legal Studies, Kochi. The author can be contacted at aishwarya.hg@gmail.com.

1 Eugene Maskus, Intellectual Property Rights in the Global Economy 36-37 (Institute for International Economics 1st ed.) (2000).

2 Frederick M. Abbot, Rudolf V. Van Puymbroeck, Compulsory Licensing for Public Health, A Guide and Model Documents for Implementation of the Doha Declaration Paragraph 6 Decision (World Bank Working Paper No. 61) (2005).

3 Agreement on Trade Related Aspects of Intellectual Property Rights, 15 April 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex IC, 33 ILM 1197 (1994) [hereinafter TRIPS].

over compulsory licensing gained momentum after the decision of the Controller of Patents, Mumbai in the case of *Natco* v. *Bayer*[4] on March 9, 2012. The decision allows Natco Pharmaceuticals Ltd, an Indian pharmaceutical company to manufacture and sell a generic version of a drug Nexavar, at a price which is nearly 30 times lower than what was charged by its patent holder Bayer Corporation, a German pharmaceutical company. This decision definitely makes an effort to make drugs more affordable but the question is whether it will discourage investments in future innovations. In this paper we seek to explore the history of compulsory licensing, the friction it creates between developed and developing countries, and further analyse whether the decision by the Controller of Patents is compliant with TRIPS while suggesting safeguards that need to be taken into account before authorizing a compulsory license.

II. Evolution of Compulsory License

The birth of the concept of compulsory license can be traced back to the UK Statute of Monopolies 1623[5] which disallowed monopolies which were mischievous to the state or hurt trade.[6] During that time patents were a tool to bring in foreign inventions into the local market and to boost local industries. Therefore the patent holder had to manufacture/work the invention locally in order to retain his patent rights.[7] This 'working obligation' was based on the idea that an invention to which the privilege of exclusivity is granted should be implemented in such a way that the society also benefits from it.[8] This would result in creation of employment and industrial and technological advancement.

But the later developed Paris Convention for the Protection of Industrial Property, 1883,[9] aimed to reduce the burden on patentees to set

4 Compulsory License Application No. 1 of 2011.

5 Statute of Monopolies, 1623, 21 Jam. 1, c. 3 (Eng.), in 1 STATUTES REVISED (BRITAIN) HENRY III TO JAMES II, 1253-1685.

6 Deli Yang, *Compulsory Licensing: For Better or For Worse, the Done Deal Lies in the Balance*, 17 Journal of Intellectual Property Rights, 76-81 (2012).

7 *Supra* note 5.

8 Hiroko Yamane, Interpreting TRIPS: Globalization of Intellectual Property Rights & Access to Medicines, HART Publishing, 2011.

9 Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, *revised* July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305 [hereinafter Paris Convention], The Convention came into force in 1884 with 14 member states. It established principles

up manufacturing facilities in each and every country for getting a patent grant by doing away with the local working requirement. Subsequent amendments [10] to the Convention however brought in the concept of 'compulsory licensing' in case of failure to work the patent. The Hague Revision of the Paris Convention in 1925 introduced this concept. The most recent revision conference was held in 1967 in Stockholm which reaffirmed the concept of compulsory licensing. Thus the working obligation which was originally a condition for granting the patent became a ground for giving a compulsory license.

Presently, The TRIPS Agreement which was negotiated at the end of the Uruguay Round of the General Agreement on Tariffs and Trade in 1994 is the most comprehensive international agreement on intellectual property. It sets the minimum standards for intellectual property protection which all member countries have to comply with. In many ways, it signifies a radical departure from earlier standards of patent protection. However in contrast to the Paris Convention, TRIPS does not mention the term compulsory license let alone deal with working requirements.

III. The Case

In India, the Patents Act, 1970 ensures that the monopoly granted to the patent holder does not just benefit him but also contribute to the promotion of technological innovation and the social and economic welfare of the country. It expressly recognises the concept of compulsory licensing under Section 84. Also, non working is an independent ground for granting a compulsory license in India.

In the case of *Natco* v. *Bayer*, [11] M/s. Bayer Corporation, an internationally renowned manufacturer of drugs invented a drug useful in the treatment of advanced stage liver and kidney cancer and obtained a

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and procedures of cooperation among contracting parties of the Paris Union in relation to industrial property such as patents, trademarks, trade names, industrial designs and geographical indications as well as the prevention of unfair trade practices. The Convention was designed to facilitate the ability of inventors of one Union member country to obtain protection in other member countries for their intellectual creations, in the form of industrial property rights.

10 The Paris Convention was subject to six subsequent revisions over the course of 115 years.

11 *Supra note* 4.

patent for it in India in the name Nexavar. This was sold at a very high price of Rs. 2,80,428 for a month's therapy. Natco Pharmaceuticals an Indian drug manufacturer filed an application for compulsory license under section 84 of the Patents Act in respect of the patent granted to Bayer and proposed to sell the drug at a much lower rate of Rs. 8800/-.

The main issue in this case was whether the requirements of Section 84 (1) upon which a compulsory license can be granted were satisfied. On an analysis we find that firstly, Section 84 (1) requires at least three years to have elapsed since the grant of the patent before the license can be applied for. This requirement was satisfied in this case.[12] Further Section 84 (1) of the Act sets out three grounds on which a compulsory license can be granted. These grounds are alternative grounds in the sense that satisfaction of a single ground alone would entitle the applicant to get a compulsory license. Section 84 (1) lays down that a compulsory license can be granted on *any one* of the following grounds *viz.* when the reasonable requirements of the public with respect to the patented invention have not been satisfied *or* when the patented invention is not available to the public at a reasonably affordable price *or* when the patented invention is not worked in the territory of India.

Section 84 (6) prescribes certain factors which have to be taken into account by the Controller while deciding the grant of the application. In this regard, the following circumstances will have to be considered. Firstly, the efforts taken by the patentee, the nature of the invention, the time elapsed since the grant of the patent, and the measures taken by the patentee to make full use of the invention are to be considered. Also, the ability of the applicant to work the invention must be reckoned. Lastly, it must be seen whether the applicant had made efforts to obtain a license directly from the patentee on reasonable conditions. In this regard, Natco had the necessary business experience in the market to work the invention and make it available to the public. Also, the negotiations for getting a license from Bayer to manufacture and sell the drug had failed.

On deciding whether the potential requirements under Article 84 (1) have been satisfied, the Controller, first looked into statistics regarding

12 Bayer had obtained the patent in 2007 by Patent Application No. 1633/MUMNP/2007, available at http://124.124.193.235/patentpublishedsearch/publishApplicationNumber.aspx?application_number=1633/MUMNP/2007.

the existing and projected demands. Only 2% of the affected population had access to the drug and the projected demands were also high. It was therefore concluded that the reasonable demands of the public with respect to the patented invention was not met.

On the subject of whether the price was affordable, Bayer had submitted that it incurs huge costs for developing new drugs. Further it contended that Nexavar has been granted an orphan drug status in various countries which means that it is a drug which treats a rare disease[13]. Another argument was that the drug price was similar to other oncology based drugs. More importantly, it strongly argued that as the inventor of the drug, having invested huge resources in developing the drug, it must have a say in determining the reasonable price of the patented invention. The Controller however reasoned that such high prices were one of the reasons affecting the availability of the drug. Thus the price affecting the availability, the Controller leaned in favour of the conclusion that the patented invention was not available to the public at a reasonably affordable price.

As regards the non working clause, it was submitted by Natco that since the product was imported into India it did not satisfy the working requirement in 84 (1) (c). Bayer however, brought to notice the fact that the phrase "manufactured in India" was specifically removed from the earlier Act through the amendment to Patent Act in 2002, in order to make it comply with Article 27 of TRIPS. Article 27 of TRIPS provides that all patent rights shall be enjoyable regardless of whether products are imported or locally manufactured. The Controller however observed that it was removed from 90 (a) in the earlier act in the context of requirements of public, but was made as a separate ground under Section 84 for granting compulsory licenses.

In support of this logic, the Controller looked into Section 90 (2) of the Act wherein it is mentioned that no license by the Controller can authorise the importation of a patented product. Using this provision, the Controller concluded that if a licensee cannot import products to satisfy the working condition, it is implied that importing cannot amount to working an invention by the patentee. Further, it was held that a reasonable fetter on the rights of patentees' by compulsory licensing mechanism does not

13 In the United States, Nexavar was granted an orphan drug status because less than two lakh patients met the indications which the drug treats.

violate the provisions of TRIPS. In fact, TRIPS does recognise such a mechanism under Article 30 which provides for limited exceptions to patent rights.

Apart from these provisions, the general principles in Section 83 also turned the decision in favour of the applicant. Section 83 (a) states that patents are granted to encourage inventions and to secure that the inventions are worked in India on a commercial scale. 83 (b) clarifies that patents are not granted merely to enable patentees to enjoy a monopoly for the importation of the patented article. Section 83 (d) further states that patents should not impede protection of public health and nutrition.

With these in mind, the Controller finally issued the compulsory license in favour of Natco Pharmaceuticals. The license is non exclusive which would be valid till the patent for Nexavar ends in 2021, and the royalty was set at 6 % of total net sales payable by Natco to Bayer Corporation. It is worthwhile to mention here that though the Controller has granted the license on all three grounds under Section 84 (1), it would have sufficed if a single ground alone was satisfied. The huge controversy around the meaning of what amounts to working in India need not exert too much influence on compulsory licensing decisions, as high prices and public demands not being met can independently be a ground for issuing the license.

After this decision, U.S. condemned it calling it a dilution of the international patent regime as it violates TRIPS.[14] But in spite of the strong opposition by U.S, after this decision several developing countries are considering an amendment to their patent laws to include compulsory licensing.[15] India has thus set a trend which many countries could opt for in the future.In the next section, we would like to throw light on the divided opinions which countries have with regard to limitations on patent rights.

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14 Shamnad Basheer, *Compulsory Licensing,: Pot v Kettle* SPICY IP, http://spicyipindia.blogspot.in/2012/05/compulsory-licensing-pot-vs-kettle.html (last updated May 07, 2012) *Also see* C.H. Unnikrishnan, *US steps up lobbying efforts against compulsory license,* Livemint, http://www.livemint.com/2012/07/16203019/US-steps-up-lobbying-efforts-a.html (last updated Jul. 17, 2012).

15 Archana Shukla, *Developing world supports India's compulsory license policy*, CNBC TV18, http://www.moneycontrol.com/news/cnbc-tv18-comments/developing-world-supports-indias-compulsory-licence-policy_746844.html, (last updated Aug. 17, 2012).

VI. Developing and Developed Countries' Perspective

During the Uruguay Round negotiations for TRIPS in 1987, U.S. and other developed countries argued for strengthening of the Paris Convention so that importation would be considered as the working of patents. But developing countries opposed this view and criticized this as a restriction on compulsory licensing.[16]

TRIPS is however conveniently silent on the point. But generally speaking, the standards of patent protection set under TRIPS are more in line with the patent laws of developed nations.[17] The U.S. had enormous influence and considerable power in the world economy to bring nations to agree to such standards of patent protection. Particularly, the U.S. government had vast powers under Section 301 of the Trade Act, 1974.[18] This provision gave powers to the U.S. Government to authorize trade sanctions against countries with inadequate intellectual property protection as it would impose unjustifiable burdens on its commerce.[19] This threat of trade retaliation by the U.S Government against developing economies forced them to conform to the standards set out in TRIPS. Thus developing countries eventually agreed to move in towards stronger intellectual property enforcement.

Although all member nations have now more or less come to an agreement as to the minimum standards of patent protection to be complied with, developing countries often face problems relating to public health due to excessive pricing of patented pharmaceutical drugs. Hence, they seek to carve out an exception to patent rights which is strongly opposed by developed nations.

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16 *Supra* note 8.

17 F M Scherer and Jayashree Watal, *Post-Trips Options for Access to Patented Medicines in Developing Countries,* CMH Working Paper Series 1 (Nov. 20, 2001), http://www.icrier.org/pdf/jayawatal%20.pdf.

18 Popularly known as Special 301 provisions.

19 Alan O. Sykes, *Constructive unilateral threats in International Commercial Relations : The limited case for section 301*, 23 Law & Policy in International Business, Georgetown University Law Center 263-330 (1992).

The unrest is in the fact that the patents of developing countries are usually held by patentees' of developed economies.[20] While developing countries need flexibility in patent laws for increased access to technology and more importantly to meet public demands with respect to health and nutrition, developed countries try to protect their interest which is to profit from the patents obtained. A weak intellectual property regime in foreign countries would not serve their purpose as it would mean reduced returns. They fear that such provisions may discourage investments in future research and development or result in new inventions being kept as trade secrets. Thus an ideological divide regarding the measure of patent protection exists even after TRIPS.

Historically, the U.S. has aggressively opposed the use of compulsory licensing by countries.[21] Based on the past record of licensing, countries that elect to take licenses must demonstrate a willingness to endure lawsuits, pressure, and threats of trade sanctions from the U.S.[22] Notably the U.S. has opposed the compulsory licensing laws of Brazil, South Africa and most recently India.

Article 68 of Brazil's Industrial Property law allowed non manufacture of the product locally as a ground for issuing a compulsory license. This was opposed by the United States as a violation of Article 27 of TRIPS and announced its intentions to take up the matter before the WTO. However the two governments entered into a settlement due to political pressure[23]. In 1997, South Africa passed compulsory licensing laws in the wake of high pharmaceutical prices for addressing its growing HIV/AIDS epidemic. The United States responded by threatening the South African government with sanctions and exerting economic pressure on the country. However, it later gave into pressure from public interest groups and the matter never went before the WTO.

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20 Colleen Chien, *Cheap Drugs at What Price to Innovation: Does the Compulsory Licensing of Pharmaceuticals hurt Innovation?* , Berkeley Technology Law Journal, (2003).

21 Sara M. Ford, *Compulsory Licensing Provisions Under the TRIPS Agreement: Balancing Pills and Patents*, 15 AM. U. INT'L L. REV 941, 953-54 (2000).

22 *Supra* note 20.

23 *See* Request for the Establishment of a Panel by the United States, Brazil- Measures Affecting Patent Protection, WT/DS199/3 (Jan 9, 2001), *See generally,* Paul Champ and Amir Attaran, *Patent Rights and Local Working under the WTO TRIPS Agreement: An Analysis of the U.S.-Brazil Patent Dispute,* 27 THE YALE JOURNAL OF INTERNATIONAL LAW 365, (2002).

At this point, we would like to point out that although it is a common belief that developing countries are strong advocates for compulsory licensing, one can find such provisions even in the statutes of industrially advanced economies. In the United Kingdom compulsory licensing may be ordered if the demand for the patented product is not being met on reasonable terms or if the refusal to grant a licence prejudices the establishment or development of commercial or industrial activities. In Japan a license may be ordered if a patent is not worked for three years or where it is in public interest to do so. In Canada, a compulsory licence may be granted if three years after the grant the demand for the patented article is not being met to an adequate extent and on reasonable terms or the trade or industry of Canada is prejudiced and it is in public interest. In Germany, licensing can be ordered if it is in public interest or if it is necessary to ensure adequate supply of the patented product in the domestic market.

In the U.S., there is no legislation which sets out the various grounds on which a compulsory license can be issued. But the concept of compulsory licensing has been judicially endorsed. Although compulsory licensing is frequently resorted to as a remedy for antitrust violations, there have also been instances where compulsory licensing have been granted in public interest.[24]

Further, 28 U.S.C. § 1498[25] gives immunity to the U.S. Government to use patents without the permission of the patentee. The only remedy available to the patentee in such cases would be to claim for 'reasonable and entire compensation'. This effectively limits a patentee's remedy for infringement by the government or a government contractor to reasonable compensation and strips off the remedy by way of an injunctive relief. Additionally, there have been cases where injunctions are denied on the basis of overriding public interests. The power to grant injunctions can be decided in accordance with the principle of equity as per 35 U.S.C. § 283[26]

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24 *City of Milwaukee* v *Activated Sludge* 69 F.2d 577 (7th Cir. 1934), *Johnson & Johnson* v *Ciba Vision* 712 F. Supp. 2d 1285 (M.D. Florida 2010) wherein injunctions were not granted against the infringer due to public interests. *See generally* James Packard Love, *Recent examples of the use of compulsory licenses on patents*, http://keionline.org/content/view/41/1 (last updated Mar. 8, 2007).

25 United States Code Title 28- Judiciary and Judicial Procedure.

26 United States Code Title 35- Patents; 35 U.S.C. § 283- The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the

even in cases where the infringer is not a government entity. Equitable principles that traditionally govern the appropriateness of injunctive relief include within it considerations of public interest.[27] Therefore, it is not necessary that in all cases where infringement is proved, an order of injunction would automatically ensue. Money damages would be the sole remedy in such cases.[28] In effect, a de facto license would be issued in these cases.

Thus, developed countries including the U.S. which is known for opposing compulsory licensing provisions of other countries , have some mechanism or otherwise to deal with overriding public interests.

V. Compliance with Trips

As seen earlier, the decision of *Natco v. Bayer* created a furore in the International scenario as the United States alleged that it violated TRIPS. On this issue we would like to establish that the decision is in compliance with TRIPS.

Though TRIPS is still ambiguous on issues relating to compulsory licensing, leaving it open to interpretation, Article 30 and 31 of TRIPS do provide an exception to patent rights in a language implying compulsory licensing. Article 30 lays down that limited exceptions may be granted to the exercising of the rights of the patent holder if they do not unreasonably conflict with the normal exploitation of a patent or prejudice the legitimate interests of the patent holder taking into account the legitimate interests of third parties. This gives some leeway to member countries to allow the use of a patent without authorization from the patentee. Article 31 talks about certain aspects which need to be respected while member countries choose to adopt the right under Article 30. Firstly, prior negotiations with the patentee must have occurred and failed before an authorization to use the

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principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.

27 The four equitable factors that traditionally govern the appropriateness of injunctive relief: (1) whether the plaintiff will suffer irreparable harm if an injunction does not issue, (2) whether the plaintiff has an adequate remedy at law, (3) whether the balance of hardships tips in the plaintiff's favour and (4) whether an injunction is in the public interest as affirmed in *eBay Inc. v. Merc Exchange L.L.C* 126 S. Ct. 1837 (2006).

28 *Id.*

patent can be given.[29] Further the granting of right to use without authorization should be subject to judicial review by an independent higher authority. Also, unauthorized use must be non-exclusive, non-assignable, mainly for supply to the domestic market and reasonable remuneration is to be paid to the patentee.

Due to the broad and general nature of Article 30, controversies involving the Paris Convention and TRIPS arose after several countries incorporated local working requirements in their national laws. Some countries claimed that this requirement violates Article 27 of the TRIPS which provides that all patent rights shall be enjoyable irrespective of whether products are imported or locally manufactured.

The right given to the patentee under Article 27 is an obligation on all member nations not to curtail the rights of a patentee if the patented product is only imported and not locally produced. This is in direct contradiction to Article 5A (2) of the Paris Convention which recognised failure to work the patent locally as an independent ground for issuing a compulsory license thus allowing a discrimination on the basis of whether a product is locally manufactured or imported. Thus Article 5A (2) of Paris Convention allows what is prohibited by Article 27 of TRIPS. The importance of Article 5A (2) of the Paris Convention is that it is incorporated by reference into TRIPS by Article 2 of TRIPS which requires all Member nations to comply with Articles 1-12 and 19 of the Paris Convention.

It is also debatable whether Article 27 can override the rights of member nations under Article 30 which allows use of a patent without authorization of the patent holder. While some countries believe in Article 27 being absolute, others argue that it is subject to the exceptions under Article 30.

It cannot be easily concluded that Article 27 terminates the 'working obligation' which was originally an essential condition for grant of a patent. The language used in Article 27 is not clear enough to support such an unequivocal conclusion. Article 27 is a general right of a patentee to enjoy all his rights without any discrimination based on the place he

29 This condition may be waived in cases of extreme urgency and when the authorization is for public non commercial use.

chooses to manufacture the patent. Article 30 is however a specific exception to all general rights. According to established principles of legal construction when a general legal provision conflicts with a specific legal provision, the specific legal provision takes precedence.[30] Therefore Article 31 would take precedence over and derogate from Article 27.

Local working is one of the primary means by which transfer of technology can be achieved. This is one of the objectives of TRIPS as reflected in Article 7.[31] But there is no obligation on the patentee to work a patent locally as protection can be sought under Article 27. However, Article 27 must be interpreted in light of Article 7, the objectives and Article 8, the Principles of TRIPS. These provisions state that protection of intellectual property rights should ensure technological innovation and the transfer of technology and should be conducive to social and economic welfare so as to balance rights and obligations. Article 8[32] of TRIPS allows a member nation to prevent abuse of intellectual property rights by resorting to measures consistent with the provisions of TRIPS. An appropriate measure in the form of compulsory licensing when refusal to work the patent locally leads to an abuse of rights would thus be supportive of the purposes and objectives of TRIPS.[33]

Article 27 cannot be isolated from the rest of the TRIPS Agreement and be read alone. It has to be read along with the exceptions provided under Article 30, the objectives and principles contained in Article 7 and 8,

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30 *Lexspecialis derogate legigenerali.*

31 TRIPS art. 7, The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations.

32 TRIPS art. 8(1) Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development, provided that such measures are consistent with the provisions of this Agreement. (2) Appropriate measures, provided that they are consistent with the provisions of this Agreement, may be needed to prevent the abuse of intellectual property rights by right holders or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology.

33 Paul Champ and Amir Attaran, *Patent Rights and Local Working under the WTO TRIPS Agreement: An Analysis of the U.S.-Brazil Patent Dispute,* 27 THE YALE JOURNAL OF INTERNATIONAL LAW 365, 386-388, (2002).

and also Article 5A (2) of the Paris Convention which is incorporated into TRIPS by reference. Though there is a view that the TRIPS agreement prohibits the necessity of local working requirements, they are based on a narrow reading of the TRIPS agreement without regard for the document as a whole or its context.

Amidst this controversy surrounding the TRIPS and Paris Convention, the Doha Declaration[34] was tabled which confirmed the right of countries to issue compulsory licenses[35] and allowed member nations to take measures to protect public health and to promote access to medicines.[36] The legal status of the Declaration is however controversial since it is not a decision, but it contains an agreement among the members as to how the TRIPS should be interpreted. Nevertheless, it ensures a balance between the rights of Members to implement policies intended to safeguard public health and the rights of the patent holder. Once again, this is in tune with Article 8 (1) of TRIPS which provides that Members may adopt measures necessary to protect public health and nutrition provided that such measures are consistent with the other provisions of TRIPS.

In conclusion we see that though TRIPS does not expressly provide for compulsory licensing, reading it as a whole and in regard to the Paris Convention and the Doha Declaration, member countries may resort to use of the patent without authorization of the patent holder in certain cases. The decision in the case of Natco ensured that the drug is affordable and therefore is in tune with TRIPS and Doha Declaration to protect public health.

VI. Conclusion

Thus though TRIPS creates a strict intellectual property compliance, it does address the concern of developing nations to promote their public health. The principal opposition to the Natco decision from critics seems to stem from the fact that it violates Article 27. But critics fail to notice the fact that, even if Bayer had indeed set up a manufacturing unit in India, and Nexavar was locally produced, the astronomical rates charged

34 Declaration on the TRIPS Agreement and Public Health: WTO, Ministerial Conference, Fourth Session, WT/MIN(01)/DEC/2, November 14, 2001.

35 *Id* ¶ 5(b).

36 *Id* ¶ 6.

(at least in the context of the Indian economy) could alone be a ground for issuing a compulsory license.

Now, there is absolutely nothing in TRIPS to suggest that high prices and non availability of a patented product should not be a ground for issuing a license. While there is an Article 27 to part rebut local working requirements in national laws, there is no such thing which is against high prices being a ground for issuing a compulsory license. That is to say there is nothing in TRIPS which says patent rights shall be available irrespective of the cost at which the patented product is sold. The Doha declarations have in fact only strengthened the movement towards high prices being a ground for issuing compulsory licenses.

On a final note, it is impossible to harmonize world patent law under TRIPS without the mechanism of compulsory licensing. It could have been quite possible that when TRIPS was being negotiated, the provisions regarding compulsory license were made deliberately vague. This vagueness itself brings out the fact that there was no consensus among world nations regarding this issue. Thus we have only general guidelines, while each country is free to charter its own course for the substantial conditions upon which a license can be issued. If the international law in this regard within the TRIPS framework has to take shape, it is not possible without high prices and non availability being grounds for issuing a compulsory license. Presently, it is still the most practical way to prevent misuse of monopoly power granted by patents. In conclusion, "*One should not forget that patents represent an interventionist instrument, ultimately for the sake of community welfare. Thus intervention to restrict some of the effects of patents may be required, when the community welfare is no longer served.*[37]

37 Michael Kern, *Frequently asked questions about compulsory licenses,* http://www.cptech.org/ip/health/cl/faq.html (last updated Jan. 20, 1999).

(B) ADWORDS? - COMPETITION AND IPR LAW IMPLICATIONS OF GOOGLE'S SEARCH/ADVERTISING PLATFORM

Ramyaa Veerabathran[*]

The perfect search engine would be like the mind of God.[1]

Sergey Brin

For a company with "Don't be evil" for a motto, Google Inc. is accused of evildoing surprisingly often. Perhaps some things, like anti-trust concerns, come attached to a market share of over 70%.[2] Google faces endless litigation all over the world, over allegations of unfair competition and trademark infringement. At the eye of this legal storm is the money – spinning advertisement service, Google Adwords. The aspect most relevant to this discussion is that Google sells 'keywords' to advertisers which correspond to commonly used search-terms. When a search term is entered, the advertisements of those advertisers who have been allotted its constituent keywords are displayed as 'Sponsored Links' to the right of or below the organic results, ranked by a combination of the amount bid per click and the quality of the website.[3] Even apart from Adwords, search engines – and particularly market dominator Google - have immense power to make or break businesses based on their search rankings.[4]

These factors raise a number of concerns straddling the realms of competition law and intellectual property law, which courts have struggled

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* Third Year Student of B.A.LL.B.(Hons.) (Five Years Integrated Course) at National Law School of India University, Bangalore. The author can be contacted at ramyaav@gmail.com.

1 C. Ferguson, *What's Next for Google*, Tech. Rev., 38 (1st of January, 2005), *available at* http://www.technologyreview.com/web/14065/ (Last visited on 20th May, 2012).

2 E. Clemons & N. Madhani, *Regulation of Digital Businesses with Natural Monopolies or Third-Party Payment Business Models: Antitrust Lessons from the Analysis of Google*, 27(3), Journal of Management Information Systems, 43, 71 (2011).

3 How AdWords Works,*available at* http://support.google.com/adwords/bin/answer.py?hl=en&answer=2497976&topic=1713894&ctx=topic (Last visited on 20th May, 2012).

4 J. Grimmelman, *Some SkepticismAbout Search Neutrality* in The Next Digital Decade: Essays on the Future of the Internet, 435, 436 (B.Szoka et al, eds., 2010).

to adjudicate the world over, producing a mass of rather convoluted decisions that apply a statutorily circumscribed set of principles to reach unpredictably varied outcomes through reasoning that is all too often mere rationalization.

This essay shall attempt a comparative analysis of the judicial response to this issue in the United States of America, the European Union and India, and finally analyze the merits of the judicial response thus far.

I. Why is Google a (B)AdWord for IPR Owners?

The furor over Adwords revolves around its implications for trademark owners' rights. The advertisers select of keywords to trigger advertisements with suggestions from Google based on the popularity and the number of clicks received by the word or phrase. These suggestions also include trademarked terms in some regions of the world.[5] Therefore, Google *suggests* trademarked keywords to its clients, *sells* trademarked keywords to them, uses the trademarked terms to trigger the advertisements and profits by this. Hence the allegations that Google infringes trademark. Several suits for trademark infringement or contributory infringement or ancillary infringement have been brought against Google in jurisdictions the world over, apart from anti-trust complaints. However, Google places responsibility on the advertisers for the lawful use of AdWords.[6] Trademark disputes over AdWords have been extremely difficult for the judiciary to handle because of several reasons.

The primary reason being the difficulty in deciding whether existing legal regimes governing trademarks ever intended to cover or can logically be extrapolated to cover the kind of use of trademarks made by Google. Moreover the implications of the borderless cyberspace means legal responses to the IP and antitrust implication of AdWords are unevenly progressive, making judicial responses varied and convoluted.[7] This is the

5 Adwords Policy On Trademarks In Ads - Scope Of Investigation, *available at* http://support.google.com/adwordspolicy/bin/answer.py?hl=en&answer=144298 ((Last visited on 20th May, 2012).

6 What is Google's AdWords and AdSense trademark policy?,*available at* support.google.com/adwordspolicy/bin/answer.py?hl=en&answer=6118 (Last visited on 20th May, 2012).

7 A. Tan, *Google Adwords: Trademark Infringer Or Trade Liberalizer?,* 16 Mich. Telecomm. Tech L.Rev., 473, 474 (2010).

reason for Google implementing different policies in different countries, with respect to the freedom of advertisers to choose trademarked words or phrases as keywords.

For instance, if there is alleged infringement of trademark by or through Google AdWords in the United States, Canada, United Kingdom or in Ireland, the Google will only investigate infringing use of trademarks in the text of the advertisement displayed and not in the keywords that trigger the display of the advertisement. However in other countries of the European Union, in response to a complaint, Google will undertake a limited investigation concerning whether a keyword (in combination with particular ad text) causes confusion about the origin of the advertised goods and services.[8]

A brief comparison of the American and European judicial response to AdWords and the tentative Indian position will bring out the divergence in views, as well as highlight that developed legal systems are no better equipped than developing legal systems in this respect.

II. The American Judicial Response

The Lanham Act, which is the primary federal trademark statute in the USA, does not lend itself to the cyber advertising scenario very well.[9] However, there are two powerful doctrines applied to decide upon search engine liability under Section 32 of the Act– trademark use and initial interest confusion.[10] Federal courts have struggled with the scope and meaning of both.[11] The former investigates whether it is a "use in commerce". The ambiguity exists because, unlike traditional infringing uses of trademark, Google's use is invisible to consumers, though it profits from the sale of keywords. Therefore some courts have considered the keyword sale transaction separate from the consumer's purchase of the advertised goods or services and have found that AdWords's use of the trademark is

8 *AdWords Trademark Policy, available at* http://support.google.com/adwordspolicy/bin/answer.py?hl=en&answer=6118

9 R.N. Eng, *A Likelihood of Infringement – the Purchase and Sale of Trademarks as AdWords*, 18 Alb. L.J. Sci. & Tech., 493, 530 (2008).

10 Greg Lastowka, *Google's Law*, 73 Brook. L. Rev.1327, 1384 (2008).

11 A. Tan, *Google Adwords: Trademark Infringer Or Trade Liberalizer?,* 16 Mich. Telecomm. Tech L.Rev., 473, 484 (2010).

not a "use in commerce".[12] But other courts, such as the Court of Appeals in the Second Circuit in *Rescuecom Corp. v. Google Inc.* have taken the view that it does qualify as a "use in commerce" on the reasoning that the sale to advertisers is not an internal, non-commercial use.[13] However, there is neither clarity nor uniformity on why the sale qualifies as commercial use of the trademark.[14]

The 'initial interest confusion' doctrine is a variant of the 'likelihood of confusion' doctrine suggested as apposite to infringement analysis in the internet advertisement context by McCarthy[15] and accepted by the Ninth Circuit in *Brookfield Communications v. West Coast Entertainment Corp.*, thought the reasoning in this decision has been widely criticised.[16] Initial interest confusion focuses on consumer confusion over what is sought, not bought.[17] It investigates whether consumers looking for the trademarked product get diverted from the correct link to the trademark owner's website, not causing infringement but amounting to unfair advantage taken of the trademark's goodwill by the search engine.[18] After *Brookfield Communications* and *Planned Parenthood Federation of America, Inc. v. Bucci*[19], appellate courts outside the Second Circuit (where the doctrine of trademark use is dominant[20]) have adopted the initial interest confusion test and extended it to make a probability of confusion sufficient for liability.[21]

12 Merck & Co. v. MediPlan Health Consulting Inc., 425 F. Supp. 2d.402 (S.D.N.Y. 2006).

13 Rescuecom Corp. v. Google, Inc., 456 F. Supp. 2d 393 (N.D.N.Y. 2006).

14 A. Tan, *Google Adwords: Trademark Infringer Or Trade Liberalizer?,* 16 Mich. Telecomm. Tech L.Rev., 473, 482 (2010).

15 4 McCarthy, Trademarks and Unfair Competition,25-136 (4th edn., 2000).

16 Brookfield Communications v. West Coast Entertainment Corp 174 F.3d 1036 (9th Cir. 1999).

17 A. Tan, *Google Adwords: Trademark Infringer Or Trade Liberalizer?,* 16 Mich. Telecomm. Tech L.Rev., 473, 483 (2010).

18 Greg Lastowka, *Google's Law*, 73 Brook. L. Rev., 1327, 1391-94 (2008).

19 Planned Parenthood Federation of America, Inc. v. Bucci 354 F.3d. 1020 (9th Cir., 2004).

20 Greg Lastowka, *Google's Law*, 73 Brook. L. Rev., 1327, 1387 (2008).

21 *See also,* Promatek Industries Ltd v. Equitrac Corp., 300 F.3d 808 (7th Cir. 2002); People for the Ethical Treatment of Animals v. Doughney, 263 F.3d 359 (4th Cir. 2001); Google, Inc. v. American Blind and Wallpaper Factory, Inc., No. 03-cv-05340 JF (RS) (N.D. Cal. Apr. 18, 2007).

III. The European Judicial Response

In the European Union, the European Trademark Directive was brought into force and every member state had to amend its national laws so as to harmonize them with the Directives. The European Court of Justice therefore has the authoritative word on interpretation of national trademark laws *vis–à–vis* the European Trademark Directive. Article 5(1) of Trademark Directive II authorizes the owner of the Trademark to prevent all unauthorized parties from using any sign in the course of trade, which is identical to his/her trademark, in relation to the services or goods in connection with which the mark is registered. If the likeness is not exact in respect of either the sign or the goods or services it is employed to mark, as per Article 5(1)(b), the likelihood of confusion to the public must be proven.

Article 5(2) of the same Directive states that Member States of the European Community may allow trademark holders to prevent third parties from using any mark which is identical with or similar to his/her trademark with respect to goods or services which are *not* similar to those for which the trademark is registered as well, where the trademark is reputed in that member state so as to cause unfair advantage to accrue to the unauthorized user in a manner that is detrimental to the distinctive character of the trademark. Both these articles require proof of the mark's use "in the course of trade". In *Arsenal FC v. Matthew Reed*[22], the ECJ held that use would be in the course of trade when it "takes place in the context of commercial activity with a view to economic advantage and not as a private matter."[23] When Trademark owners brought suits seeking to hold Google liable for its use of their trademarks in its sponsored search processes and results, national courts in Europe, which are the courts of first instance, arrived at contradictory conclusions about the interpretation of the Trademark Directives. French courts tended to hold that Google AdWords' use of trademarked terms as keywords violated EU trademark law while English courts British courts tended towards the view that the use of trademarked AdWords' uses was not infringing.[24]

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22 Arsenal Football Club plc v. Matthew Reed [2002] ECR I-10273.

23 *Id.*

24 *See generally,* Brokate, W.Brian& Winsor, Christina L.: ""When, Where, How and Who: Anti-Counterfeiting Enforcement in the Wake of eBay and the Struggling Economy", 655 at 667-668 *available at http://www.gibney.com/uploads/news.188[1].pdf* .

The ECJ finally dealt with the issue in *Google v. Louis Vuitton*[25] ruling. The ECJ decided issues raised by three different cases which had come before the French Cour de Cassation (Supreme Court)in which the the responsibility of Google and the advertisers was in question for using trademarks on AdWords. The ECJ noted that keywords performed the function of triggering the display of advertising links to websites on which goods and services are offered for sale which are identical to the ones that the trademarks in question were attached to. The ECJ used a three pronged approach to arrive at its conclusion. The first point of enquiry was whether there was a use that may be termed 'in the course of trade'.

The Grand Chamber concluded that while the Search Engine Operator was indeed operating in the course of trade when it enabled AdWords clients to select keywords which were identical to trademarks and then used the chosen keywords in its processes to trigger the display of the advertisement on the basis of the search query, this could not be termed the same as *use* in the course of trade. Google was not using the trademarked signs in its own commercial communication. The second point was to see whether the use is in relation to goods or services. The ECJ held that the use of a sign identical to a trademark by an advertiser even as a keyword would count as use in relation to goods or services within the meaning of Article Art i cl e 5(1)(a) of the Directive. The third point of enquiry is whether there was any adverse impact of the use on the functions of the trademark. In this case there were two relevant functions – the origin identification function and the advertising function. The Grand Chamber held that while it was very possible that in particular cases AdWords services could infringe trademark by adversely affecting the origin identification function of the trademark, it was for the national courts to determine whether in fact infringement had taken place depending on the facts of each case. Therefore the ECJ declined to hold Google liable for trademark infringement for AdWords' keywords system.

Simply put, trademark law does not allow a trademark owner to prohibit *all*uses of the sign by other parties. The contours of protection accorded are spelt out in the European TMD. The Court held that the kind of use that Google made of the trademarked signs did not fall within the protection of the law, therefore Google could not be directly held liable for

25 Google France v Louis Vuitton [2010] OJ C 134/2.

infringement. However, if the advertiser caused the likelihood of confusion in the minds of consumers to arise either with respect to the origin of the goods (or services) or the existence of an economic link between them and the trademark owner, they would be liable for infringement and in such a case, the possibility of secondary liability for Google was not precluded. The ECJ had to consider whether the European E-Commerce Directive of 200 shielded Google (as an "information society service provider") from liability for third party infringement. It referred the matter back to the French courts, only holding that this shall depend on whether AdWords is a fully automated system as Google claimed or whether Google played any active role at all in selecting and ordering advertisements.

Ultimately, the ECJ did not answer the question of Google's liability in clear cut terms. Instead the framework it has laid out for decision-making by national courts in this regards is, perhaps inevitably, extremely fact-specific, thus creating abundant space for continued divergence among the stances of different European legal systems.[26]

The treatment of search engine liability for competitive keyword advertising is significantly different in the European Union and in the United States. The conceptual bases for liability are obviously different in both jurisdictions. But a gradual convergence is very evident in decisions on either side of the Atlantic. For instance, Kulk argues that the reasoning employed by the ECJ in the *Louis Vuitton* decision, wherein the ECJ considered the confusion caused in the mind of the consumer at the time of viewing the advertisement, could be demonstrative of the crossing-over of the initial interest confusion doctrine to European trademark jurisprudence.[27] Nevertheless, in terms of real implications as things stand today, USA, a search engine operator in the USA could most likely be held liable for direct infringement, probably by employing the touchstone of confusion in the minds of the consumers.

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26 *See also,* Stefan Kukl, Search Engines Searching for Trouble? Comparing Search Engine Operator Responsibility for Competitive Keyword Advertising Under EU and US Trademark Law at 67 (July 1, 2011). Available at SSRN: http://ssrn.com/abstract=1911038 or http://dx.doi.org/10.2139/ssrn.1911038

27 Stefan Kulk, Search Engines Searching for Trouble? Comparing Search Engine Operator Responsibility for Competitive Keyword Advertising Under EU and US Trademark Law at 67 (July 1, 2011). Available at SSRN: http://ssrn.com/abstract=1911038 or http://dx.doi.org/10.2139/ssrn.1911038

On the other hand, in the European Union, a search engine operator's responsibility for competitive keyword advertising will, in light of the ECJ's decision in the *Louis Vuitton* case, likely be under different national laws affixing secondary liability for infringement by the advertiser. This difference is significant because secondary liability in the EU trademark context will be based upon the the form and basis of national general liability and unfair competition rules as opposed to in the USA where federal trademark law itself provides for secondary liability rules. Evidently, the legal systems even in the West are very much in flux in the area of IP and search engine liability. This makes it all the more important that developing nations do not wholesale import principles from either side of the Atlantic without due consideration of the broader implications for trademark law in the country consequent to any such choice.

IV. Work in Progress: The Indian Judicial Response

The High Court of Judicature in Madras grappled with the IPR implications of AdWords in a trademark infringement suit, *Consim Info Pvt. Ltd. v. Google India Pvt. Ltd.*[28] It was alleged that Google committed contributory or ancillary infringement of several trademarks of the plaintiff by displaying the advertisements of competitors (defendants 2 to 4) when consumers searched for the plaintiff's trademark. After an exhaustive discussion of case-law, the judge applied the standards for infringement under Section 29 of the Trademarks Act, 2002, hinging upon the scope of "use" as defined in Sections 2(2)(b) and (c), concluding that Google was not liable.

Primarily, the trademarks were found to be descriptive and not substitutable, hence neither the competitors nor Google could have used a substitute. Google therefore fell within the ambit of the exception under Section 29(8) which allows advertisements rendered in conformity with honest commercial practice and the defence of 'honest practices under commercial matters' under Section 30. It was found that in addition to the absence of use leading to infringement, Google lacked intention for contributory infringement.[29] The Court however warned that the descriptive nature of the trademarks in this case dictated this result and that the selling of fanciful trademarked words as keywords would likely lead to

28 Consim Info Pvt. Ltd. v. Google India Pvt. Ltd.2010 Indlaw MAD 2449.

29 Consim Info Pvt. Ltd. v. Google India Pvt. Ltd.2010 Indlaw MAD 2449, ¶ 137.

liability for the search engine.[30] The Madras High Court did not apply the initial interest confusion test, though it discussed the doctrine's evolution.

In September 2012, a Division Bench of the Madras High Court refused to disturb the order passed by Justice Ramasubramaniam. They found that while Consim Info satisfied the burden of proving a *prima facie* case for interim injunction and the balance of convenience, the question of irreparable injury could only effectively be evaluated at trial. They took note of the undertaking given by Google before the single judge that it would continue to adhere to its policy of not allowing infringing use by advertisers by using the trademarked phrases in the title and text of the advertisement. Though the Division Bench was of the view that Consim Info was entitled to an injunction, they felt that *status quo* should be maintained till the disposal of the suit with the *caveat* that the undertaking given by Google and that Google should ensure that Consim Info is given the benefit of their trademark policy.[31]

However, Trademark violations are not the most sinister allegations against Google. Antitrust complaints paint Google as more than just an infringer.

V. Bullying Competition Through (B)AdWords

Google is not only the dominant internet search engine, it has also forayed into other markets with new offerings such as Google Maps, Google Places, Google+, Google Analytics etc. It is therefore in competition with the very businesses that it indexes in its organic search results and often, in its sponsored results. Since consumers of search results pay neither for the advertisements nor the search results, Adwords is a third party payer business model where ad-space prices depend on value to the competing advertisers and not the consumer.[32] In this position of immense power, it is unsurprising that trademark owners complain of that their exclusive rights to appropriate economic returns from trademark are undermined by Google through its anti-competitive sale of keywords and

30 Consim Info Pvt. Ltd. v. Google India Pvt. Ltd.2010 Indlaw MAD 2449, ¶ 200.

31 O.S.A. No.s 406 & 407 /2010. *Available at https://docs.google.com/file/d/0Bxi2TzVXul5ZeXNlNnFDb1MtSUE/edit?pli=1.*

32 E. Clemons & N. Madhani, *Regulation of Digital Businesses with Natural Monopolies or Third-Party Payment Business Models: Antitrust Lessons from the Analysis of Google*, 27(3), Journal of Management Information Systems, 43, 71 (2011).

that advertisers indulge in unfair competition by taking advantage of the consumer's interest in their trademark.

There are also allegations Google promotesits own services at the cost of unbiased search results, hurting competitors. Allegations fly both ways – one, that Google services get more links, prime placement and perks such as images [33] and the other, that Google's competitors are unceremoniously ousted or demoted in the rankings.[34] That there is anti-trust danger posed by Google's strategies, both in seeking to maximize its advertising profits at the cost of IP owners' rights (not just through AdWords but also other ventures such as Google Books) and in leveraging its market dominance in search to gain market share in its other ventures, is borne out by the increasing willingness of regulatory authorities to investigate such complaints. The European Competition Commission,[35] the Federal Trade Commission[36] in the USA and the Competition Commission of India[37] are investigating antitrust allegations into Google's allegedly anti-competitive practices, involving AdWords and its organic search results. Apart from the difficulty of proving any anticompetitive intentions in the context of an algorithm based search engine except where manual interventions manifest such intention and action, antitrust law as such is well equipped with a well defined focus on consumer-centric analytical toolkit of concepts. [38] AdWords does not challenge the conceptions in

33 B. Edelman & B. Lockwood, *Measuring Bias in 'Organic' Web Search* (January 19, 2011) *available at* http://www.benedelman.org/searchbias/ (Last visited on 20th May, 2012).

34 B.Edelman, *Bias In Search Results? Diagnosis and Response*, 7 Indian J. L. & Tech., 16, 22 (2011).

35 *FTC Hires Outside Lawyer to Steer Google Probe*, The Economic Times, (27th April, 2012) *available at*http://economictimes.indiatimes.com/tech/internet/ftc-hires-outside-lawyer-to-steer-google-probe/articleshow/12892235.cms (Last visited on 20th May, 2012).

36 *No Hurry With Google Anti Trust Decision: EU Competition Commissioner,* The Economic Times (4th May 2012), *available at*http://articles.economictimes.indiatimes.com/2012-05-04/news/31572785_1_joaquin-almunia-eu-competition-commissioner-search-results (Last visited on 20th May, 2012).

37 *CCI Orders Probe Into Google's AdWords Programme,* The Economic Times, *available at*http://articles.economictimes.indiatimes.com/2012-05-06/news/31597590_1_google-s-adwords-google-spokesperson-bharatmatrimony (Last visited on 20th May, 2012).

38 J. Grimmelman, *Some Skepticism About Search Neutrality* in The Next Digital Decade: Essays on the Future of the Internet, 435, 440 (B. Szoka et al, eds., 2010).

competition law analysis in the way it does in respect of trademark infringement. However, the trademark angle to AdWords is implicated in all of these investigations, making it all the more important.

VI. The Flipside

The dominant ideology of our times is IPR (over)reach, though this is increasingly being challenged, with Google involved in more than one battlefront. As divergent decisions across the world and within legal systems have demonstrated, in the absence of legislative guidance, it is a subjective decision whether Google's use of trademarked keywords is infringement. As a policy decision, this author opines that the positives of the AdWords impact must be acknowledged. The internet marketplace is a great leveler of the ability to capture market-share because visibility does not *have* to be bought and the consumer can easily compare. It has been argued that AdWords is a great competition booster in its current form, allowing trademark keywords.[39] It is important to look at the trademark issue with AdWords separately from the other allegations of anti-competitive behavior such as Consom Info's allegation of anticompetitive sale of keywords,[40]Trade Comet's allegations of unfair competition[41] and the preferential treatment given to Google products such as Google Maps and Google Places.[42] Seen thus, the threat of IPR over reach subsuming new possibilities for market competition and cyber advertisement spawned by search-engine culture becomes more plausible. Moreover, the Google search results are comparable to a supermarket aisle, where a consumer may go looking for a particular trademark, but is given the choice of comparing several products. The internet enhances this choice greatly, at no cost to the consumer. Denying this opportunity would be to undermine a fundamental goal of trademark law[43] – consumer welfare.

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39 A. Tan, *Google Adwords: Trademark Infringer Or Trade Liberalizer?,* 16 Mich. Telecomm. Tech L.Rev., 473, 504 (2010).

40 *CCI Orders Probe Into Google's AdWords Programme,* The Economic Times, *available at*http://articles.economictimes.indiatimes.com/2012-05-06/news/31597590_1_google-s-adwords-google-spokesperson-bharatmatrimony (Last visited on 20th May, 2012).

41 TradeComet.Com LLC v. Google, Inc., S.D.NY Case No 1:2009cv01400 (2009).

42 B.Edelman, *Bias In Search Results? Diagnosis and Response*, 7 Indian J. L. & Tech., 16, 20 (2011).

43 A. Tan, *Google Adwords: Trademark Infringer Or Trade Liberalizer?,* 16 Mich. Telecomm. Tech L.Rev., 473, 484 (2010).

VII. Only Anti-Competitive AdWords Are (B)AdWords

It is submitted that Google AdWords, subject to anti-trust limitations, has immense ability to promote consumer welfare without infringing trademark owners' rights. Although the latter limb is an unsettled judicial conundrum, it is submitted that both tests employed to bring Google within the scope of infringement liability are unconvincing. The basis for the trademark use doctrine in deciding liability of search engines is tenuous and is in reality based on the 'undercurrents of unconscionability'[44] that operate in courts steeped in attitudes that endorse unlimited and ever-growing economic appropriation rights for IPR owners. In turn, the initial interest confusion doctrine is overly restrictive and is inconsistent with how consumers today actually use search engines.[45]

The goals of trademark law would be justly met if Google were held liable only where there is demonstrable *mala fide* or anti-competitive intention behind its use of trademarks or manipulation of search results. This conclusion is rather anti-climactic, but is preferable to an over-reaction to the idea of Google as some kind of potential internet tyrant. It is submitted that anti-trust law has sufficiently capable analytical tools and disincentives to deal with such eventualities. In fact, it can take care of eventualities much beyond the trademark infringement claims discussed here, including the pricing of AdWords, positioning of search results, privileging of Google services etc. Hence trademark law ought not to be distorted merely to protect disgruntled owners who do not want to have to pay to advertise their trademark.

In the meanwhile, until the *Consim*trial is finally concluded, trademark law in Indian on this issue will present a hazy picture.

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44 *See* Greg Lastowka, *Google's Law*, 73 Brook. L. Rev., 1327, 1404 (2008).

45 A. Tan, *Google Adwords: Trademark Infringer Or Trade Liberalizer?,* 16 Mich. Telecomm. Tech L.Rev., 473, 483 (2010).

5 IJIPL 93-105 (2012)

'ALL YOUR INTELLECTUAL PROPERTY ARE BELONG TO US'[1]: HOW COPYRIGHT AND PATENT 'TROLLS' ARE QUESTIONING THE JURISPRUDENTIAL FOUNDATIONS OF TREATING INTELLECTUAL PROPERTY AS 'PROPERTY'

Tarun Krishnakumar[*]

I. Introduction

The assumption that intellectual property *is* property is not one that can be made easily and without generating a substantial amount of controversy. [2] However, it is not disputed that there exist certain irreconcilable differences between products of the intellect and their physical counterparts. *Non-rivalry* – the characteristic of intellectual property or knowledge that the consumption of it by one consumer does not impact the simultaneous use or consumption by another[3] - and *non-excludability* – the characteristic that once intellectual property is created it is extremely costly to exclude others' access to it[4] - being the two most obvious points of such divergence.[5] Despite this, theories that were formulated to deal with traditional tangible forms of property are commonly extended in an attempt to explain and on a broader level justify intellectual property.

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1 A variant of the '*All your base are belong to us*' internet meme. Used here to showcase the 'domination', excessive control over intellectual property exerted by intellectual property trolls. *See* Chris Taylor, All Your Base Are Belong To Us, *Time Magazine*, September 25, 2001; Jeffrey Benner, When Gamer Humor Attacks, *Wired Magazine,* February 23, 2001 (*available at* http://www.wired.com/culture/lifestyle /news/2001/02/42009).

* Fourth Year Student of B.A. LL.B. (Hons.) (Five Years Integrated Course) at National Law School of India University, Bangalore. The author can be contacted at tarunkrishnakumar1@gmail.com.

2 Stephen L. Carter, Does it Matter Whether Intellectual Property is Property?, *Chicago-Kent Law Review,* 68 (1992-3) 715 *citing* Frank H. Easterbrook, Intellectual Property is Still Property, 13 Harvard Journal of Law and Public Policy (1990).

3 For example the playing of a copyrighted song in no way affects the ability of another person to play the same song.

4 Knowledge or product of the intellect is of such a nature that once created, it is impossible to control its proliferation and dissemination.

5 Henry E Smith, Intellectual Property as Property: Delineating Entitlements in Information. *The Yale Law Journal*, 116(8) (2007) 1742.

This brief note, *first*, examines the various justificatory frameworks that are relied upon in order to support the treatment of intellectual property as traditional tangible 'property' (**II.**) before analysing the manner in which patent and copyright 'trolls' call these very frameworks into question (**III.**). It is, however, not the objective of this note to challenge the various justifications or their applicability to the intellectual property field. It assumes *arguendo* that these theories when construed in their broadest and most liberal sense are in fact *as applicable* to justify intellectual property as they are to traditional tangible property.

In other words I will not be challenging whether the Labour, Utilitarian and Personality theories are right to be extended to the realm of intellectual property. Notwithstanding the criticisms that subsist against such extension, it is merely the objective of this note to take these theoretical frameworks and to apply them to a recent phenomenon – that of intellectual property trolls.

This note while broadly applicable to the principles of intellectual property in general, largely pertains to copyrights and patents. Although recent times have seen the emergence of troll-like behaviour in the realm of trademarks[6], the links between creative input and the *protection* of that input manifest more clearly in copyrights and patents. Protection of trademarks, on the other hand, is oriented *more* towards the protection of a brand identity as opposed to the input and effort that went into designing the particular mark.[7] Therefore, I shall be focussing on the forms of intellectual property where the role of *creativity* is far more accentuated.

II. Common justifications to the treatment of Intellectual Property as 'property'

The perspectives that explain the existing systems of intellectual property are in fact extensions of the various moral justificatory theories that were initially formulated with respect to, and concerning, more

6 Roger Cheng, China to curtail trademark trolls, *CNET news*, December 24, 2012 (*available at http://news.cnet.com/8301-13579_3-57560710-37/china-to-curtail-trademark-trolls/*).

7 Peter S. Menell, Intellectual Property: General Theories, 149 (1999).

traditional notions of private property in its physical and tangible sense.[8] Therefore, in an attempt to justify itself, intellectual property has come to be treated as an outgrowth, and consequently as a subset, of 'property'.[9] It is however not to be assumed at any stage that any of these theories can serve to fully explain and encompass the entire genus of intellectual property rights. At best, some of these theoretical frameworks support '*to varying degrees*' the validity of the existing intellectual property system.[10] After all, in applying them to relatively intangible phenomena like Intellectual Property, it is taken for granted they are being stretched to lengths never contemplated by those who propounded them.[11]

The justifications dealt with herein are those that embody the Labour, Utilitarian-Economic, and Personality Theories of property.[12] The following sections aim to briefly introduce each of these theories and analyse how they may (and have been) extended in their application to cover decidedly intangible intellectual property rights.

A. THE LABOUR THEORY OF PROPERTY

Locke's labour theory of property hinges on the notion that the labour of a man 'increased the value of a thing' and that for any man "…*the Labour of his Body, and the Work of his Hands, we may say, are properly his*".[13] Thus, Locke advocates ownership of property *as a natural right* based on an individual's labour upon materials and resources that are held in common.[14] It is this very construction that is extended when one contends that it is mental labour that leads to the formation of intellectual property. Thus, an individual who labours on knowledge or information held in common to

8 Justin Hughes, The Philosophy of Intellectual Property, *Georgetown Law Journal* 77 (1988) 290.

9 Justin Hughes, The Philosophy of Intellectual Property, *Georgetown Law Journal* 77 (1988) 297-99.

10 Justin Hughes, The Philosophy of Intellectual Property, *Georgetown Law Journal* 77 (1988) 290-92.

11 As stated earlier, I will not be broaching the issue of whether such extensions may be made. (*See* footnote 6).

12 William Fisher, "Theories of Intellectual Property," in Stephen Munzer, ed., *New Essays in the Legal and Political Theory of Property*, (2001) 5.

13 John Locke, *Two Treatises of Government*, 1690, Section 27.

14 John Locke, *Two Treatises of Government*, 1690, Section 27.

produce an intellectual product should similarly be entitled to seek its protection.[15]

Due to its broad wording, Lockean theory has come to manifest as one of the most 'easily' relied upon justifications to intellectual property. Even his only qualification – the famous 'proviso'[16] that a person may acquire a right to property only when "*there is enough, and as good left in common for others*"[17] – has been interpreted to support the extension of the theory to intellectual property.[18] For instance, Nozick *partially*[19]argues that the proviso would not be violated by the protection of intellectual property as consumers would ultimately benefit from protected inventions. This would result in his sole criterion of there being no "net harm" being satisfied. For instance, a patented life-saving drug would *benefit* society more than if the drug had not been invented – for lack of economic incentive – in the first place. This line of reasoning is further pursued to argue that in the absence of intellectual property protection, the potential inventor might have been dis-incentivised by the lack of potential returns to the extent that he may have chosen to pursue an alternate livelihood (i.e. to not invent in the first place). The possibility is left open for one to go as far as to argue that the absence of such protection would lead to maintenance of status quo – leading to an opportunity of a "net benefit" being forgone.

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15 This is, however, not to say that the theory is applicable in its entirety. I feel one obvious inconsistency lies with the problem of 'derivative works' which are based not on resources held in common but on other instances of protected, *private* (as opposed to 'common') products of the intellect.

16 "…*It being by him removed from the common state Nature placed it in, it hath by this labour something annexed to it, that excludes the common right of other Men. For this Labour being the unquestionable Property of the Labourer, no Man but he can have a right to what that is once joyned to, at least where there is enough, and as good left in common for others*."(Emphasis supplied) John Locke, *Two Treatises of Government*, 1690, Section 27.

17 John Locke, *Two Treatises of Government*, 1690, Section 27.

18 Nozick argues (in an attempt to interpret Locke's proviso) that the acquisition of property is valid and legitimate so long as such acquisition does not lead to "net harm" being caused to society. *See* Robert Nozick, *Anarchy, State and Utopia*, 1974, p. 179-81

19 Nozick however acknowledges that his interpretation of Locke's proviso is subject to two limitations on the inventor's entitlements. *First*, that an individual who invented a patented device *independently* must be permitted to manufacture and sell it in his own name. *Second*, that patents should not last longer than the length of time it would take for another inventor to invent the same device. *See* Robert Nozick, *Anarchy, State and Utopia*, 1974, p. 179-185.

B. THE UTILITARIAN-ECONOMIC JUSTIFICATION

The general argument from utilitarianism advocates the adoption of the most economically efficient and socially beneficial outcome – which, in effect, bears a mere semantic difference from Bentham's classic "*greatest good for the greatest number*" formulation.[20] In determining its applicability to intellectual property, the crucial question lies in determining the more efficient solution between granting an inventor a monopoly over the utilization of the work and excluding others from it, thereby causing social "harm", and the alternative of not recognizing intellectual property rights at the risk of dis-incentivising innovation.

The argument from utilitarianism in support of intellectual property protection reasons that by allowing a creator to profit from his work, monetary incentives are afforded for technological invention and artistic creation – activities which typically benefit society and humankind at large.[21] In what has been termed an *ex ante* justification by Lemley[22], theorists of this school advocate the proliferation of intellectual property rights as a means to foster investment of temporal and financial resources in innovation[23] in the hope that the inventions and works that result there from act to promote Millian "*general happiness*"[24] and increase the standard, quality of living and thereby the net welfare benefit amongst the general populace.

Despite its wide applicability, utilitarian theories have attracted criticism – mainly on the issue of whether intellectual property protection in its current state supported form is the most socially beneficial system possible. While critics point to alternative "*reward-based*" models[25], the

20 The simple pleasures human kind is susceptible to i.e. Section II of Chapter V of Jeremy Bentham, *An Introduction to the Principles of Morals and Legislation*, 1781, Chapter V.

21 William Fisher, "Theories of Intellectual Property", in Stephen Munzer, ed., *New Essays in the Legal and Political Theory of Property*, (2001) 9.

22 Mark Lemley, Ex ante versus Ex post Justifications for Intellectual Property, *University Chicago Law Review*, 71 (2004) 129.

23 Peter S. Menell, Intellectual Property: General Theories*, Encyclopedia of Law & Economics: Volume II* (Boudewijn Bouckaert and Gerrit de Geest (eds.)) (2000) 130-131.

24 John Stuart Mill, *Utilitarianism,* 1863, Chapters 3-4.

25 Under such systems, the government would pay rewards to innovators whose inventions would thereupon pass into the public domain and become freely available.

combined effect of the difficulty in decisively computing welfare and the high costs in reforming existing intellectual property protection systems render utilitarian justifications difficult to dislodge from their current positions– justified or not – of strength.

It is of note that economic efficiency and social welfare measures take into their fold other measures like social and consumer benefit in computation of the net welfare effect.[26] The significance of this is that the various ancillary and seemingly trivial benefits are assigned increased weightage – in an interesting instance, Landes and Posner argue that trademarks have the added social benefit of improving the quality of a consumer's vocabulary and language[27] - in the computation of net welfare. It is such an approach that legislatures and judicial systems the world over have come to recognize and, to a certain extent, affirm.[28]

C. THE 'PERSONALITY' THEORY

In what has been classed as a variant of the natural rights genre of justifications[29], the approaches of Kant and Hegel to property rights centre on an individual's personality and the external extensions thereof. According to Hegel, man acquires an "*absolute right of appropriation*" by "*putting his will into any and every thing…thereby making it his*". The fundamental premise of the personality/personhood theory is that for a person to be able to develop fully, and strive towards 'self-actualisation'[30], it is required

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See Steven Shavell and Tanguy Van Ypersele, Rewards versus Intellectual Property Rights, *Journal of Law and Economics*, vol. XLIV (October 2001) 525.

26 William Fisher, "Theories of Intellectual Property," in Stephen Munzer, ed., *New Essays in the Legal and Political Theory of Property*, (2001) pp.8-10.

27 Landes and Posner argue that by "*creating words or phrases that people value for their intrinsic pleasingness as well as their information value*," an added measure of economy is inducted into day to day communications. An added effect is that of conversation becoming more 'pleasurable'. *Refer* William Landes and Richard Posner, "Trademark Law: An Economic Perspective," *Journal of Law and Economics*, 30 (1987) 265

28 *M/s Bishwanath Prasad RadheyShyam* v *M/s Hindustan Metal Industries* AIR 1962 SC 1444. Also see, *Fox Film Corp.* v *Doyal* 286 U.S. 123, 127-28 (1932); *Kendall* v *Winsor*, 62 U.S. (21 How.) 322, 327-28 (1858).

29 William Fisher, "Theories of Intellectual Property," in Stephen Munzer, ed., *New Essays in the Legal and Political Theory of Property*, (2001) 20.

30 Hegel writes that "*a person must translate his freedom into an external sphere in order to exist as an Idea*" and that "*personality is the first, still wholly abstract, determination of the absolute and*

that he have control over some elements of the external world.[31] Property rights, in this light, are a form of the "*necessary assurances of control*."[32] In what seems to be an argument better oriented towards justifying the protection of *creative* works rather than technical inventions[33], this justification provides for the protection of those works which are seen as intimate projections of one's personality into the external world – be it in the form of literary or artistic in nature. In other words, for the personality theory to apply there must be an intimate and/or emotional connection between the author-creator and his works or inventions.

Another school of thought promotes the establishment of protections for intellectual property due to their satisfaction of, according to Waldron, specific needs and interests that one wishes to promote.[34]

European nations like France and Germany have been noted to be more favourable towards relying on this justification to intellectual property.[35] However, this theory like its counterparts is not immune from criticism of which I feel the underlying thread is the lack of a definite scope. This stems from the fact that most manifestations of this theory, due to its emphasis on moral rights, provide only against the '*appropriation or modification'* of objects through which a creator's will has been expressed. This leaves open the question as to whether the theory was intended to be applicable to purely technical works and inventions given that these are less 'expressive' than the former.[36] While the personhood theory should in fact

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infinite will." This is the basis of self-actualisation. *See* Justin Hughes, The Philosophy of Intellectual Property, *Georgetown Law Journal* 77 (1988) 331-339.

31 Margaret Radin, *Reinterpreting Property*, 1982, p. 142.

32 Justin Hughes, The Philosophy of Intellectual Property, *Georgetown Law Journal* 77 (1988) 331-339.

33 I say this on account of the fact that inventions are generally perceived to be more impersonal than creative works. Where an emotional connection always plays a part in a creative work, the same cannot always apply to a technical invention which may also come about due to 'professional' commitments.

34 Fisher argues that Waldron's arguments of *Peace of Mind, Self-Reliance, Self-realisation of being a social being, Responsibility and Citizenship* (six out of ten arguments) justify the protection of intellectual property. William Fisher, "Theories of Intellectual Property," in Stephen Munzer, ed., *New Essays in the Legal and Political Theory of Property*, (2001) 20.

35 William Fisher, "Theories of Intellectual Property," in Stephen Munzer, ed., *New Essays in the Legal and Political Theory of Property*, (2001) 6.

36 Justin Hughes, The Philosophy of Intellectual Property, *Georgetown Law Journal* 77 (1988) 290.

apply to inventions due to the fact that expressions may be extended in many directions and not just as works creative or artistic in nature; whether the likes of Kant and Hegel contemplated such an extension of the theory is, at best, ambiguous.

III. Theory in Practice? The Attack of the Trolls

A. INTRODUCTION

This section aims to apply these theories to the recent emergence of copyright and patent 'trolls'. As with innumerable others, the word 'troll' has come to acquire a secondary meaning come the technology era. In today's intellectual property parlance, a copyright or patent 'troll' (hereinafter "troll") is a non-innovating, non-manufacturing entity whose sole function is the 'acquisition' and enforcement of the intellectual property (here copyrights and patents) of other innovating entities against third parties most typically through litigation – or in practice as it is observed, the *threat* thereof. Such a company's business model would most typically consist of filing suit against bloggers, artists, freelance journalists and other 'small-fry' individual users fo*r alleged* unauthorised reproduction of works it had acquired the rights to enforce.

Most typically, the result that would follow is that defendants in such suits would be forced enter into pre-trial out-of-court settlements in the face of prohibitively high and debilitating litigation-defence costs prevalent in many modern Western economies. Such business models, I argue, are not only inherently exploitative and abusive of the legal process (as courts of late have come to recognise[37]) but that they also question the very theoretical justifications that are commonly put forth to support the treatment of intellectual property as 'traditional' tangible property as discussed above. I also argue that if the frameworks presented in the previous section are assumed to be the pillars of the modern intellectual

37 In *Righthaven*v *Democratic Underground* Case No.:2:10-cv-01356-RLH-GWF (US District of Nevada Court), it was found that Righthaven has no standing to sue for copyright infringement. A similar ruling of a federal judge in Colorado has put an end to all 57 proceedings that Righthaven had initiated in that state.

property, they do not support the continued existence much less functioning of such entities.

B. THE CAST: RIGHTHAVEN AND INTELLECTUAL VENTURES

Righthaven LLC[38] in the copyright field and Intellectual Ventures in patents are two companies that are often accused of conforming to the above described business model.[39] This section aims to analyse their functioning in the context of the theoretical justifications discussed earlier.

But first, who are they? Righthaven LLC is a copyright holding company founded in 2010. Its business model consists of entering into agreements with various publishers (often localised periodicals) and subsequently filing suits for copyright infringement against bloggers and website owners for unauthorised reproduction of the periodicals' photographs and other content.[40] Righthaven then proceeds to demand $75,000 from each alleged infringer in lieu of court action (but is known to agree to settle claims for a few thousand dollars per defendant). This coupled with Righthaven's propensity to swiftly settle cases and high expenses in defending such actions leads to a highly profitable business model – with Righthaven footing no more than the cost of the paper on which the initial demand was made. In recent times, the company has been criticised for bullying internet users into *unnecessary* settlements and has been fined for making material misrepresentations to federal courts.[41]

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38 The Company is now insolvent having failed to pay legal costs owed to the defendants in *Righthaven v. Thomas DiBiase* and *Righthaven v. Wayne Hoehn*. Its domain name (righthaven.com) was recently auctioned by the receiver to satisfy the company's debtors. *See* Steve Green, Righthaven ordered to pay nearly $120,000 in attorney fees, court costs, *Las Vegas Sun*, October 26, 2011 (*available at http://www.lasvegassun.com/news/2011/oct/26/righthaven-ordered-pay-nearly-120000/*); Mike Masnick, Righthaven loses again; Told to pay $34,045.50 In Legal Fees, *TechDirt*, August 16, 2011 (*available at http://www.techdirt.com/articles/20110815/17441215537/righthaven-loses-again-told-to-pay-3404550-legal-fees.shtml*).

39 As stated above, Righthaven is now (January 2013) virtually defunct. Many new companies have today stepped forward to fill its shoes. It has been chosen as a case purely because it will always remain one of the first and therefore 'quintessential' copyright holding NPEs .

40 As of July, 2011 it had filed around 274 such lawsuits. Steve Green, *Third judge rejects R-J copyright suit arrangement* (July 2011).

41 *Righthaven*v *Democratic Underground* Case No.:2:10-cv-01356-RLH-GWF (US District of Nevada Court).

Intellectual Ventures, on the other hand is a similarly structured enterprise in the patent 'industry' - founded in 2000, it has grown to become one of the five largest patent holders in the United States. Its business model consists of purchasing a large number of patents, licensing them and, where circumstances permit, suing third parties for patent infringement. Such behaviour has resulted in the company facing accusations of being a *patent troll*.[42]

The following portion of this note attempts to frame these facts in the context of the above-described justifications of intellectual property rights. In other words, I will attempt to establish whether the theories in their original forms could support such business models.

C. PERSPECTIVES FROM LABOUR THEORY

A basic tenet of Locke's labour analysis is that one should be rewarded for the labour of his body and the work of his hands on materials held in the common. However, Locke's analysis only provides scope for the original creator of the work i.e. the individual who labours to benefit from its protection and passing into the domain of private ownership and control. The Labour theory does not, in any manner, recognise a third party's right to benefit from the labour of another. Righthaven and Intellectual Ventures, both being Non-Innovating entities do *not* labour to create the good that is sought to be protected – here the creative work or the invention.

Moreover, the trolls' conduct violates Locke's proviso in that there is 'net harm' being caused to innovation in general. In the copyright realm, innovation in the form of creative expression which cites or comments upon copyrighted work is 'chilled' or curtailed for fear of over-zealous enforcement by trolls. A similar 'chilling effect' on innovation is observed in the domain of patents where the "net harm" is in the form of small innovators limiting themselves for fear of infringing on existing patents. Thus neither case leaves '*as good left in common*' for others. To take Nozick's approach to the proviso would mean the reading in of a "net harm" prohibition. Net harm to society is caused by the curtailments to free speech and expression caused by the threat of litigation. This angle is

42 Nicholas Varchaver , "Who's afraid of Nathan Myhrvold?", *Fortune Magazine* (July 10, 2006).

explained – drawing from the work of AmartyaSen – in the following portions of the note.

D. PERSPECTIVES FROM UTILITARIANISM

The utilitarian outlook advocates an approach that manifests the largest gain to social welfare. For the purposes of this note, social welfare is a function of economic development or growth – the former being, at least, proportional to the latter.[43] As discussed earlier, intellectual property protection is mandated to incentivise innovation by allowing a creator/inventor to profit from his work. However, in the context of the trolls, such an argument cannot hold. A recent study[44] shows how "Non Practicing Entities (NPEs)" in the patent industry like Intellectual Ventures and Lodsys have cost the industry half a trillion dollars in litigation costs and lost wealth[45] since 1990 – this is no less than fifty billion dollars a year.

This is on account of the hundreds of patent infringement suits filed against small innovators every year. The same study also reveals that there has been a five-time increase in the number of patent suits litigated by NPEs in 2011 to 2600. Not only does such a business model dissuade individuals from entering the innovation field but also forces existing innovators to adopt more conservative scientific and innovating approaches to minimise legal exposure. The net result hence is unquestionably not in favour of the end-consumer and in no way increases welfare - either economic or social.

The same line of reasoning may be extended to a copyright aggregator like Righthaven whose approach not only stifles free speech by infringing on the fair use doctrine but may also lead to a chilling effect which adversely affects an individual's right to expression. When such natural and fundamental rights are abridged, there can be nothing but an

43 Sardar M. N. Islam and Matthew Clarke, The Relationship between Economic Development and Social Welfare: A New Adjusted GDP Measure of Welfare, *Social Indicators Research*, 57(2) (2002) 203.

44 James Besson, Jennifer Ford, Michael Meuer, The Private and Social Costs of Patent Trolls, *Boston University School of Law Working Paper No. 11-45* (September 2011) 24.

45 James Besson, Jennifer Ford, Michael Meuer, The Private and Social Costs of Patent Trolls, *Boston University School of Law Working Paper No. 11-45* (September 2011) 18.

adverse impact on the quality and enjoyment of an individual's life[46] – as his freedom to perform certain legitimate activities is curtailed – in turn resulting in a negative impact on social welfare and completing the circle.[47]

E. PERSPECTIVES FROM PERSONALITY THEORY

The reasons that exclude the application of the labour theory by patent and copyright aggregators by and large may be extended to the personality theory. *In addendum*, this theory is not applicable, *first*, on account of the lack of any form of intimate or personal connection - one of the principle tenets of the Theory - to the intellectual property being enforced by the aggregators[48] – motives are purely profit-driven and suffer from no bonds of attachment to the subject matter of the intellectual property. This stems from the fact that they play no role whatsoever in their development or initial 'creation'.

Second, if there is anything that is clear about the abstract – and often murky – concept of personality, it is that it is an extension of a person's soul into the external domain. The theory seeks to protect such rights of individuals – whether these protections would extend to the alienated/sold rights of an individual is doubtful and at best, unclear on account of the emphasis laid on moral rights of authors by the framework.

IV. Conclusion

Thus, on account of the above application and discussion, it is submitted that not only do intellectual property aggregators like Righthaven and Intellectual Ventures act in a manner prejudicial to the interests of intellectual property owners, inventors and consumer at large but that their functioning finds no justification in traditional theories that sought to justify the creation of rights in intellectual property. It has been illustrated here how these entities function in a manner seemingly independent of the three dominant strains of property theory – the Labour, Utilitarian and Personality justifications.

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46 *See* AmartyaSen, Human Rights and Capabilities, *Journal of Human Development*, 6(2) (2005) 151.

47 John Stuart Mill, *On Liberty* (1859) Chapter II.

48 *See* Justin Hughes, The Philosophy of Intellectual Property, *Georgetown Law Journal* 77 (1988) 331-339.

While I do not wish to broach the subject of what the consequences of such "violations" should be – these observations alone, I believe are sufficient, at very least, to warrant the raising of more substantial and searching questions about these entities and their respective business models. As the US courts have recently started to recognise, they have no legal basis for continued functioning, I have attempted to show that this lack of basis extends to the jurisprudential and historical realms as well. At best, they can be characterised as capitalism-induced manifestations of corporate greed.

I AM MINE…OR AM I? ANALYZING THE NEED FOR A PROPERTY RIGHT IN PERSONAL INFORMATION

A.S. Vishwajith [*] *& Samira Varanasi* [**]

I. Introduction

- *"We do not own or operate the applications that you use through Facebook Platform (such as games and utilities)… That means that when you use those applications and websites you are making your Facebook information available to someone other than Facebook"*[1] is what you read when you visit Facebook's privacy policy page. While it makes you think that Facebook has no control over third party applications, you read another line, reached through an obscure link in the page- *"When you use an application, your content and information is shared with the application."*, [2] and all your notions of Facebook's straightforward privacy policy disappear in an instant.

- Nancy Graf was shocked to know that while she harvested corn for gold coins on the popular social network based game "Farmville", her private information, made available by her on the application, was being sold to third party advertisers and data companies without her consent.[3]

- Dustin Freeman too was unaware of the fact that the information he had wilfully given while targeting a group of angry green pigs in Angry Birds, making notes through Evernote and catching up with the news on Flipboard on his iPhone was now being used freely by third parties for commercial gain[4].

These are just some of the examples of how personal information through what was generally considered to be simple, non-harmful means of entertainment, has stopped being "personal" and slowly and secretly taken

* Fifth Year Student of B.A.LL.B.(Hons.) (Five Years Integrated Course) at NALSAR University of Law, Hyderabad. The author can be contacted at mailvishwajith@gmail.com.

** Fifth Year Student of B.A.LL.B.(Hons.) (Five Years Integrated Course) at NALSAR University of Law, Hyderabad. The author can be contacted at sara4711@gmail.com.

1 Facebook's Privacy Policy, http://www.facebook.com/policy.php.

2 *Id.*

3 Graf v Zynga Game Network, Inc, No 3:2010-CV-04680.

4 Freeman v Apple Inc, No 5:2010-CV-05881.

on the role of "public information". As more and more users sign up to use apps on their smart phones, tablets and computers, or have started playing fantasy sports leagues, lucky draws, online games, the issue of who information belongs to and what best can be done to maintain the sanctity and importance of keeping private information "private" has become a raging topic among academics, policy makers and law makers.

Data mining has been defined as the "*non-trivial process of identifying valid, novel, potentially useful and ultimately understandable patterns in data*."[5] It is done by first collecting 'data' from a number of databases, from which business related information gets organized in a 'data warehouse'. [6] Unreliable information is discarded from the data warehouse by employing 'data cleaning' techniques and only 'neutral' information is retained. Once this is done, the actual process of discovering the patterns, i.e., data mining commences, which may involve classification of such data into pre-existing categories; clustering data into new categories created during the analysis of the collected data; summarizing the data; describing dependencies between variables; finding links between data fields; predicting future values of data or modelling sequential patterns in the data to observe revealing trends.[7]

The United States General Services Administration [8] defines personally identifiable information [hereinafter PII] as "*information that can be used to distinguish or trace an individual's identity, either alone or when combined with other personal or identifying information that is linked or linkable to a specific individual.*" Over the past two decades, data mining techniques have found frequent use in a variety of areas ranging from detection of fraud to the promotion of customer service.[9] However, such use has sparked concerns regarding the protection of PII that can be mined by almost any party that may have access to knowledge discovery technologies. The long-standing argument that information put up by an individual in public domain also becomes untenable when it comes to the employment of data mining techniques.

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5 Tal Z. Zarsky, *"Mine your own business!": Making the case for the implications of the data mining of personal information in the forum of public opinion*, 5 Yale J.L. & Tech. 1, 6 2002-2003.

6 *Ibid,* 8.

7 Joseph S. Fulda, *Data mining and privacy*, 11 Alb. L.J. Sci. & Tech. 105, 107 2000-2001

8 Appendix to OMB M-10-23 (Guidance for Agency Use of Third-Party Website and Applications); available at http://www.gsa.gov/portal/content/104256 (last visited on August 30th, 2012).

9 *Ibid.*

Frequently, it is not the data itself but the association of a person with the data that may be private; and consequently, its disclosure problematic.[10] For instance, some may consider it improper for a guest to go through a stack of magazines lying in their living room without their consent, possibly because of the content of such magazines; while others may object to third parties going through a stack of mail to check return addresses without permission even if the letters are not opened in the process.[11] While the above are instances of information which may be accessible to public, it is possible that people may be uncomfortable with being associated with the same and might find it unfair that such association is being disclosed to third parties.

This sentiment was noted by Justice Stewart of the United States Supreme Court in *Katz v United States*[12] when he declared that "what a person knowingly exposes to the public, even in his own home or office, is not a subject of Fourth Amendment protection.... But what he seeks to preserve as private, even in an area accessible to the public, may be constitutionally protected". However, till date, a lot of American privacy litigants have had to face the fact that arguments along the above lines are based on a moral standard as opposed to a legal standard and are hence untenable before the courts.

The Indian jurisprudence on informational privacy is far younger and less developed. But given that privacy concerns have been plaguing citizens across the world, it becomes increasingly important to address the same so as to give individuals control over their personal information and the opportunity to give an informed consent for the use of the same. Through this paper, the authors wish to examine the tenability of statutorily protected property rights in personal information in India.

For this purpose, the paper shall be divided into two parts. The first part of the article would examine the theoretical justifications for the property rights in personal information. This has been addressed most famously in Lawrence Lessig's *Code and Other Laws of Cyberspace.* He states that such a property right in one's persona would benefit "both those who

10 *Id,* 108.
11 *Id,* 111.
12 389 U.S. 347 (1967)

value their privacy more than others and those who value it less, by requiring that someone who wants to take a given resource must ask."[13]

In the second part, the authors seek to emphasize the importance of such rights by highlighting the hurdles faced by privacy litigants, especially in the United States. The authors would then go on to examine possible policy and legal solutions to these concerns and the scope of applying the same in India. While doing so the authors would also briefly discuss the Canadian Personal Information Protection and Electronic Documents Act [hereinafter, *PIPEDA*] and whether the legal principles enunciated in the same can be imported into the Indian legal framework.

II. Theoretical justifications for property rights in personal information

The right of informational privacy can offer a variety of protections which could include on one hand, the right to deny access to certain personal information; and on the other, the right to prevent 'publicity' of one's own name and image, which has manifested itself in the 'right of publicity' which is essentially the right of an individual to command and control the use of his or her name, image, likeness or other unequivocal aspects of his or her distinctiveness[14].[15] In all of the aforementioned cases, however, the 'identifiable' individual claiming to have had its right of privacy violated seeks control over his or her electronic persona which may comprise of any number of identifying characteristics.[16] Thus, most theoretical justifications for viewing information as property seek to achieve this end. In this part, the authors would attempt to justify proprietary rights in PII on the basis of the incentive theory, the allocative efficiency theory and the natural rights theory.

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13 Paul M. Schwartz, *Beyond Lessig's Code for Internet Privacy: Cyberspace filters, privacy-control and Fair Information Practices,* 2000 Wis. L. Rev. 743, 751.

14 Poorvi Chothani, Esq. and Vidhi Agarwal, *Personality Rights,* available online at http://www.itagbs.com/pdf's/Personality%20Rights%201.5.pdf (Last visited August 30th, 2012).

15 Richard S. Murphy, *Property rights in personal information: An economic defense of privacy,*84 Geo. L. J. 2381, 2381.

16 Jeanette Teh, *Privacy Wars In Cyberspace: An Examination of the Legal and Business Tensions in Information Privacy*, 4 Yale J.L. & Tech. 1, 13 2001-2002

A. INCENTIVE THEORY JUSTIFICATIONS

The copyright rationale is primarily based on the understanding that a failure to protect "works" would lead to a situation where people are not incentivized to produce more "works".[17] Therefore, copyright law seeks to incentivize and promote the creation of valuable works of authors for the larger benefit of the society and to ensure discourse and deliberation of these works in society.

While some Courts as well as scholars have tried to justify personality rights like the right of publicity by using the incentive theory justification,[18] adopting that line of reasoning, *in toto*, to justify property rights in personal information (and even to publicity rights to a large extent) is misleading and counter-intuitive.[19]

The authors would like to highlight two approaches to this utilitarian rationale of the incentive theory. The first approach deals with the incentive to develop facets of an individual's personality, while the second approach deals with incentive to disclose personal information. As with the right of publicity[20], the utilitarian approach of the incentive theory when dealing with the first perspective does not fit well within the framework of property rights in personal information. While dealing with the right of publicity, a plethora of scholars have highlighted the fact there does not exist any empirical data to signify that a lack of publicity would lead to lesser time and investment by an individual in becoming famous.[21] Extending that argument to the right in personal information, it is counter intuitive to even assume that individuals will cease to develop character traits and personalities, and invest less time and effort in doing the same due to the absence of a right in personal information. Additional

17 Stewart E. Kirk, *Rhetoric and Reality in Copyright Law*, 94 Mich. L. Rev. 1197, 1198-1204 (1996)

18 Randall T.E. Coyne, *Toward a Modified Fair Use Defense in Right of Publicity Cases*, 29 Wm. & Mary L. Rev. 781, 812 (1988)

19 Stacy L. Dogan& Mark A. Lemly, *What The Right Of Publicity Can Learn From Trademark Law*, 58 Stan. L. Rev. 1161.

20 Wendy J. Gordon, *Asymmetric Market Failure and Prisoner's Dilemma in Intellectual Property*, 17 U. Dayton L. Rev. 853 (1992)

21 Michael A. Carrier, *Cabining Intellectual Property Through a Property Paradigm*, 54 Duke L.J. 1, 43-44 (2004)

protection, would at best, provide marginal incentive.[22] Therefore, using the incentive theory to justify property rights in personal information in the first approach only weakens the cause of property rights in personal information.

However, when the second perspective is viewed from that lens of the incentive justification, the argument for property rights in personal information gets strengthened. A right in personal information would not only grant more control over the use of information by companies to the individual but also lead to economic compensation for the use of that information. The overall sense of control as well as economic compensation leads to incentivization of information sharing by individuals. For instance, according to a study, 80% of internet users provide personalised information with the aim of receiving reciprocal benefits, while 30% of online shoppers had given their personal information to web sites even though they had not purchased anything[23]. This behavioural trend clearly highlights that individuals are more open to the idea of disclosing personal information and being monitored for targeted advertising if a *quid pro quo* arrangement exists and if they stand to gain some tangible benefits. Thus, a right in personal information would incentivize more users to disclose information, in return for benefits like control and monetary compensation. As of consequence of this, there would be more information for companies to efficiently exploit, leading to the growth and development of the information market.

B. ALLOCATIVE EFFICIENCY JUSTIFICATIONS

Another theory that is increasingly being used to justify property rights in personal information and personality primarily deals with allocative efficiency. The premise of the argument by the advocates of this theory, commonly understood as the 'tragedy of commons' argument, is that unless control and centralization of resources such as fame, personal information and the like takes place, there is exists a danger of overuse and eventual reduction of value in these resources leading to overall economic

22 Jay F. Dougherty, *Right of Publicity-Towards a Comparative and International Perspective*, 18 Loy. L.A. Ent. L.J. 421

23 Jeanette Teh, *Supra* n. 12, 13.

inefficiency.[24]

While the tragedy of commons argument fits well in the context of tangible property, the aforementioned argument, as some argue, falls when dealing with intangible property like personal information.[25] As Mark Lemly points out, the problem lies with the inherent lack of understanding of the non rivalrous and non-depleting nature of property in question i.e. information, and that the commons argument would only stand if and only if the information is either under produced or over distributed.[26]

However, we believe that such an understanding is myopic, if not flawed. In an era where internet privacy is becoming more and more valuable, there is a high possibility of individuals not disclosing personal information due to a fear of lack of control over it as well as the way the information is being used by third parties. For example, if X was aware that Google would use his search terms and history and sell it to companies for targeted advertising, X might just restrict what he searches for on the net simply because he doesn't want to either feel a sense of loss of control over his information or because he is uncomfortable with third parties knowing what he searches for on the net. This has the potential of leading to a scenario where information, while not being finite per se, takes a finite form due to the lack of distribution in the information market. Simply put, recognizing property rights in personal information forces the user of the information to disclose how an individual's information will be used by him thereby enabling the consumer to make a more informed choice, which ensures the most efficient allocation in the market.[27]

Another argument by advocates of the allocative efficiency theory, which has faced criticism, is that instead of the information depletion, there is a possibility of overuse and loss of value in the information.[28] This argument has been criticised on the grounds that such an argument is anti-

24 William M. Landes& Richard A. Posner, *Indefinitely Renewable Copyright*, 70 U. Chi. L. Rev. 471, 485 (2003)

25 Mark A. Lemley, *Ex Ante Versus Ex Post Justifications for Intellectual Property*, 71 U. Chi. L. Rev. 129, 144-47 (2004)

26 *Id.*

27 Richard S. Murphy, *Property Rights In Personal Information: An Economic Defense Of Privacy*, 84 Geo. L.J. 2414.

28 Mark F. Grady, *A Positive Economic Theory of the Right of Publicity*, 1 UCLA Ent. L. Rev. 97, 109 (1994)

market and that competing producers (i.e. third parties who eventually use the said information) would eventually increase production to bring down the net marginal cost.[29]

Hence the argument that there would be overuse, according to these critics, is unwarranted.[30] However, it is precisely because of "competition" that the argument of critics seems weak in the context of personal information. By granting information rights to individuals, companies will be forced to compete for the use of the same. This, we believe, would lead to a promotion of competition in a market economy thereby benefitting the holder of the information. Furthermore, the market created through property rights in personal information would allow individuals to bargain for the most suitable price, through price mechanisms, as per their privacy preferences.[31]

This would also ensure that social costs, related to collection and use of data, are internalized by companies, and not borne by individuals thereby forcing the firms to improve their investment plans relating to the type of data collected and the use of such data.[32] Thus, for example, Company X will be forced to seek only that information relevant for the growth of its business thereby enabling the individual to disclose only that information which is necessary for the Company.

C. NATURAL RIGHTS JUSTIFICATIONS

One theory that stands out, and which we also believe provides the strongest theoretical justification for property rights in personal information, is the natural rights theory.[33] This theory, in the context of intellectual property, focuses more on labour based moral right as opposed to a theory of personal liberty i.e., the right of an individual to his or her own labour and protection against unjust enrichment by competitors.[34]

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29 Mark A. Lemley, *Supra* n. 22, 144-147.
30 *Id.*
31 Pamela Samuelson, *Privacy As Intellectual Property?*, 52 Stan. L. Rev. 1125 (2000).
32 Jeanette Teh, *Supra* n. 12, 13.
33 Roberta Rosenthal Kwall, *Fame*, 73 Ind. L.J. 1, 57 (1997)
34 Edward J. Bloustein, *Privacy as an Aspect of Human Dignity: An Answer to Dean Prosser*, 39 N.Y.U. L. Rev. 962, 989 (1964)

Infringing on the right to personal information does not directly concern itself with economic harm to the individual, but concerns itself with the loss of control by the individual of his own personal information. This line of reasoning borrows directly from Kantian philosophy which states that an individual has the right to control the use of his own person and intrusion of the same by anyone else, without the consent and express will of the individual is a an infringement of a person's inherent right of freedom.[35] Prof. McCarthy summarizes the argument aptly by stating that- *"perhaps nothing is so strongly intuited as the notion that my identity is mine—it is my property to control as I see fit. Those who are critical of this principle should have the burden to articulate some important countervailing social policy which negates this natural impulse of justice*."[36]

While it is easier to identify the element of "labour" in the right to publicity[37], the same cannot be said about rights in PII. An argument can be made that no labour goes into the creation and development of personal information. However, it is our opinion that even personal information can fall within the framework of "labour" For example, a certain element of labour is involved in an individual's preference of graphic novels over traditional novels or adherence to a more liberal economic ideology than a conservative economic ideology- all information that companies can use for targeted advertisements. These preferences form important aspects of an individual's personality and an element of labour is employed by an individual in developing these economically exploitable personality traits. Some scholars have even suggested that reputation, being based on "*our abilities, capacities, and even physiognomy as modified over the years by every action we take, every behaviour we display*"[38] is formed by taking natural resources and mixing our labour with it, much like personal property; and since, according to them, privacy concerns are based primarily on concerns about protection of one's reputation, this argument adequately buttresses the natural rights justification for property rights in personal information.

35 Alice Haemmerli, *Whose Who? The Case for a Kantian Right of Publicity*, 49 DUKE L.J. 383, 411-30 (1999)

36 J. Thomas McCarthy, The Rights of Publicity and Privacy § 1.3 (2nd ed. 2011).

37 Andrew T. Coyle, *Finding A Better Analogy For The Right Of Publicity*, 77 Brook. L. Rev. 1167.

38 Joseph S. Fulda, *Reputation As Property*, ST. Croix REV. 33, April 2000, at 30, 30

The natural rights theory makes room for the argument that while there might not be any visible economic harm to the individual, there still is a possibility of unjust enrichment taking place i.e., a third party exploiting the information of the individual for economic gain (by selling it to advertisers, for example). Therefore, by adhering to this theory and establishing a right, an individual needs to only show only unjust enrichment and an infringement of right, and not necessarily economic harm.[39]

The practicality of adhering to this theory can be better understood by drawing parallels with Commercial Contracts and the right to publicity. When an artist agrees to appear in an advertisement, the advertiser and the artist agree upon the usage of the artist's persona in the advertisement. The artist is compensated for the same and any usage of his persona over and above the agreed terms can be prevented by the artist by enforcing the contract.[40] Therefore, the same idea that an artist has an inherent right over his persona can be transplanted to the case of the use of personal information rights of an individual. The individual and the proposed user of the information set out terms of use of information in a contract and the individual is compensated for the same. Any use of information over and above the agreed terms can be prevented by the individual by enforcing the contract. Additionally, this prevents any unjust enrichment as well i.e., it promotes fairness for individuals and prevents their personal information from being misappropriated.

III. The need for a statutorily protected property right in personal information

While the fact that consumer concerns about privacy have been on a rise can be adequately supported by the recent avalanche of high profile privacy litigation especially in American courts, a certain amount of scepticism to privacy against producers using data mining techniques having their basis primarily in the fear of loss of autonomy has been observed across circuits in the United States. In *In re Double Click Inc. Privacy Litigation*[41][hereinafter *Double Click*], in response to claims challenging the use of "cookies" for information gathering, the Court stated that *"It is*

39 William Prosser, *Privacy*, 48 Cal. L. Rev. 338.

40 Andrew T. Coyle, *Supra* n. 34, 1167.

41 154 F. Supp. 2d 497 (S.D.N.Y. 2001); 2001 U.S. Dist LEXIS 3498.

simply implausible that the entire business plan of one of the country's largest Internet media companies would be 'primarily motivated' by a tortuous or criminal purpose.[42]"

Most claims along these lines are met with the reasoning that they do not satisfy the requirement of Article III (of the U.S. Constitution) standing since the plaintiffs in all these cases have been unable to identify what economic harm resulted from the access or tracking of their personal information. In *In re iPhone Application Litigation*[43] [hereinafter *iPhone Litigation*], where several iPhone users filed a suit against Apple based on the claim that by allowing third party applications running on iOS devices to collect and make use of personal information without the knowledge or the consent of the users, the District Court for the Northern District of California held dismissed the suit on the ground of absence of Article III standing stating that the plaintiffs had been unable to identify the apps used, the personal information that had been accessed, and most of all, they had been unable to provide a 'particularized example' of economic injury or harm to their computers[44]. The court, in holding this relied on *La Court v. Specific Media Inc.*[45] and *In re JetBlue Airways Corp. Privacy Litigation*[46], in addition to *Double Click*. Significantly, the same Court had, in an order passed five months prior to the aforementioned order on *iPhone Litigation* had upheld the plaintiffs' Article III standing[47]. However, in that case, the Court had noted that the plaintiffs, like other RockYou customers, paid for the productions and services bought from RockYou by providing their PII. Therefore, the court held that this PII constituted valuable property that was exchanged not only for RockYou's products and services but also their promise to employ commercially reasonable methods to safeguard their PII. However, unlike in this case where the customers had paid RockYou an ascertainable amount in return for its services, which in the court's opinion, included safeguarding of PII, most online service providers that collect PII offer free services. This makes it more difficult for the customers to prove economic harm in the absence of a specific right protecting personal information vesting in them.

42 Tar Zarsky, *Supra* n. 1, 6.
43 2011 WL 4403963 (N.D. Cal.; Sept. 20, 2011).
44 *In re iPhone Application Litigation,* 2011 WL 4403963 (N.D. Cal; Sept. 20, 2011), p. 6.
45 8:10-cv-01256-GW-JCG (C.D. Cal. April 28, 2011).
46 79 F. Supp. 2d 299 (E.D.N.Y. August 1, 2005).
47 *Claridge v. RockYou, 2011 WL 1361588 (N.D. Cal.; Apr. 11, 2011)*

The privacy litigants' concerns about loss of autonomy are understandable, but without legal backing. In the absence of an express right, the litigants could have only been able to claim compensation by establishing economic harm, possibly by relying on one of the aforementioned theories. It may help to adopt, for instance, the allocative efficiency justification to support the plaintiffs' claims in *iPhone Litigation.* The plaintiffs' primary grouse was that Apple was allowing third party applications to mine their PII. These third party applications would, based on this information, identify the consumers' needs. Based on this, they might also be able to identify the consumers' 'paint points'; 'paint point' being the most undesirable values at which the consumer would agree to transact[48].

In most such transactions, the consumers are price-takers and the prices that the consumers end up paying are beyond their control. It would not be possible for consumers to negotiate on the prices of goods in an online shopping store. They would simply have to accept that price. In such a scenario, knowledge of the consumer's pain points may allow the producers to fix a higher price conveniently.[49] If the consumers were to have an opportunity to bargain, while data-mining techniques may have resulted in an informational advantage to the producers, they would not have necessarily resulted in monopolistic prices. However, if in such a situation the concerned producers, already armed with an informational advantage over competitors establish a monopoly or an oligopoly in the market, they might push the consumers to transact at 'pain point'. While consumer would end up paying higher than the marginal cost of production, the producer would receive a positive surplus.

This would result in economic inefficiencies and reduce the overall allocation of resources.[50] Thus, it can be established before the Court that the fact that the abundance of easily accessible PII about the consumers is available in the market has resulted in economic harm to the same consumers. While this may seem like a convincing explanation, in the *iPhone Litigation* case, it was not possible to even identify what applications were used and whether they were paid applications or not. Without being able to

48 *Ibid,* 518.

49 Doughlas M. Kochelek, *Data mining and Antitrust,* 22 Harv. J. L. & Tech. 515, 521 2008-2009.

50 *Id,* 522.

ascertain the exact economic harm suffered by the plaintiffs, it would not be possible to estimate damages in such a suit.

The *iPhone litigation* can be contrasted with the case of *Fraley v. Facebook, Inc.*[51] where the plaintiffs claimed violation of privacy rights in response to their Facebook profile pictures and user names appearing in "Sponsored Stories" on their Facebook friends' pages every time they "liked" a business or a market product on Facebook. The plaintiffs claimed that by publishing their preferences to their friends, Facebook made it appear like they were endorsing the said businesses or market products. In this case, however, the plaintiffs were able to rely on the statutorily protected right of publicity.

Judge Koh, noting that the plaintiffs were identifiable persons to their friends, held that a tangible property interest *in their personal endorsement of Facebook advertisers' products to their Facebook Friends*" in the form of right of publicity comparable to that of celebrities vested in these users and Facebook having indulged in unauthorized commercial exploitation of their statutory right of privacy, they had suffered an economic harm which satisfied the requirement of Article III standing.[52] This judgment seems to be in consonance with the 11th Circuit's judgment in *Martin Luther King Jr. Center for Social Change v. American Heritage Products Inc.*[53], wherethe term 'celebrity' was given a very expansive connotation. It was held that under the 'direct commercial exploitation of identity' test, any person whose identity has been put to unauthorized use that is both direct in nature and commercial in motivation would by definition become a celebrity for right of publicity purposes.

In both *iPhone Litigation* and *Fraley v. Facebook, Inc.,* the plaintiffs' PIIs were disclosed to third parties without their consent. But commercial exploitation was not found in the former, the latter claim found the support of the Court because the plaintiffs had a statutorily recognized tangible property interest in their PII. In light of this, the authors would like to

51 2011 WL 6303898 (N.D. Cal. Dec. 16, 2012).

52 Eric Goldman, *Facebook "Sponsored Stories" Publicity Rights Lawsuit Survives Motion to Dismiss--Fraley v. Facebook,* Technology and Marketing law blog, December 19, 2011, available at http://blog.ericgoldman.org/archives/2011/12/facebook_sponso.htm (last visited August 30th, 2012).

53 694 F.2d 674, 676 (11th Cir. 1983)

emphasize the importance of having a statutorily protected property right in personal information founded on the natural rights theory. This, as has already been discussed, would allow individuals to seek compensation for unauthorized commercial exploitation of their personal information for economic gain simply by proving unjust enrichment and without having to prove visible economic harm.

IV. Case for the creation of a new species of intellectual property rights in India

The right to privacy is constitutionally protected under Article 21 of the Indian Constitution. Perhaps the most salient Indian case discussing the right of informational privacy as a constitutional right is *Raj Gopal v. State of Tamil Nadu*[54] which held that the citizen has the right (also described as the 'right to be let alone) to safeguard the privacy of his own, his family, marriage, procreation, child-bearing and education among others and that nothing concerning these could be published without consent, except if a person voluntarily thrusts himself into a controversy or any of these matters becomes part of public records. However, protection of personal information from non-state third parties has not adequately been addressed in Indian jurisprudence.

The right of publicity, which has already found mention in this paper, has been defined as "*the inherent right of every human being to control the commercial use of his or her identity*" [55]. While publicity rights have been acknowledged by the Indian judiciary,[56] the jurisprudence on this subject is quite limited. The Delhi High Court in *ICC Development (International) Limited v Arvee Enterprises*[57] held that publicity rights are also a species of privacy rights whose violation would attract Articles 19 and 21 of the Constitution. However, it took a more evolved stance in *DM Entertainment Pvt. Ltd. v.*

54 (1994) 6 SCC 632.¶ 28. Here, a convict's autobiography describing the involvement of some politicians and businessmen in illegal activities, was challenged as invading the privacy of others.

55 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 28.1 (4th ed. 2004)

56 *DM Entertainment Pvt Ltd v Baby Gift House*, MANU/DE/2043/2010; *ICC Development (International) Limited v Arvee Enterprises,* 2003 (26) PTC 245 (Del); *Star India Private Limited v Leo Bunett India (Pvt.) Ltd*., (2003) 2 B.C.R. 655

57 2003 (26) PTC 245 (Del).

Baby Gift House[58], which relied on *Ali v. Playgirl Inc*[59]'s focus on a performer's "*proprietary interest in the profitability of his public reputation or persona"* to hold that the right of publicity protects against "*the unauthorized appropriation of an individual's very persona which would result in unearned commercial gain to another*[60]. This judicial opinion is significant in that, seems to recognize right of publicity as a right more akin to an alienable property right than one protecting the integrity of an individual's identity[61] and finding basis in Article 21. Further, it uses the more expansive term 'individual' as opposed to 'performer' or 'celebrity'. Thus, so long as an individual's persona or some of its essential attributes are identifiable from the defendant's unauthorized use, he or she can claim a right of publicity. The Indian judiciary thus seems quite amenable to recognizing the proprietary right of an individual in his persona.

However, as has been understood by contrasting the *iPhone Litigation* case with *Fraley v. Facebook,* even a statutorily protected right of publicity may not be enough to protect people's PII from being disseminated to third parties without their consent. As has already been discussed in the introduction to this paper, the privacy concern does not arise from the unbridled access to information *per se* but from the fact that such information is likely to indicate preferences[62]. For instance, while the fact that a consumer has purchased a book may not be problematic by itself, the fact that based on such a purchase, his or her taste in books may be analyzed may be so. Hence, one can take this preference to be the 'labour' exerted by the consumer and apply the natural rights theory to justify proprietary rights in the PII that may inhere in the said consumer.

However, the proprietary right in PII would neither fall under the category of copyright not under trademark. Vide Section 13 of the Indian Copyright Act, 1957; copyright protection is conferred on literary works, dramatic works, musical works, artistic works, cinematograph films and sound recordings. Copyright law in India is meant to protect the expression

58 MANU/DE/2043/2010
59 447 F Supp 723
60 *DM Entertainment Pvt. Ltd. v. Baby Gift House,* Supra n. 54, ¶ 13.
61 Stacy L. Dogan& Mark A. Lemly, *Supra* n. 15, 1167.
62 *Supra* n. 6.

of an idea rather than an idea itself[63]. PII, in all probability, would not find expression the way copyrightable works under the Copyright Act, 1957 would; thus making it difficult to bring proprietary rights in PII within the fold of copyright law. Similarly, it is difficult to challenge a violation of the proprietary right in PII on the basis of the consumer confusion rationale, which remains central to trademark law[64]. All the same, there is a need for recognizing this property right. Hence, the authors advocate the creation of a new species of statutorily intellectual property rights aimed at protecting the property rights in personal information.

The Canadian PIPEDA is a good source to draw inspiration from with regard to a statutorily protected right of personal information. It defines 'personal information' as "information about an identifiable individual, but does not include the name, title or business address or telephone number of an employee of an organization"[65]. Thus, it recognizes that 'personal information' need not necessarily be sensitive, private or confidential information. [66] Property rights in personal information in Canada are understood to mean the right of individuals "to determine what information about them is disclosed to others, and encompasses the collection, maintenance and use of identifiable information". Hence, a lot of importance has been given to the right of an individual to control his personal information and the access to it. Except where it is unreasonable to require or otherwise inappropriate, it is always considered important to obtain the knowledge and consent of an individual whose personal information is required for the collection, use or disclosure of her personal information.[67]

The Canadian focus on control as key to property rights in information would have been deficient had it not been able to protect the sanctity of the consent of an individual to the use of his or her personal information. Frequently, internet users volunteer personal information to

63 *Idea-Expression Dichotomy in judgment reporting in India,* available online at http://airwebworld.com/articles/index.php?article=925 (last viewed August 30th, 2012).

64 Stacy L. Dogan& Mark A. Lemly, *Supra* n. 15, 1192.

65 Personal Information Protection and Electronic Documents Act, S.C. 2000, ch.5, §2 (Can.).

66 Jeannette Teh, *Supra* n. 12, 8.

67 Jennifer Barrigar et al., *Let's not get psyched out of privacy: Reflections on withdrawing consent to the collection, use and disclosure of personal information,* 44 Can. Bus. L.J. 54, 56 2006-2007.

websites just to gain access to more information. Considering this to be 'informed consent' may just prove problematic. Recognizing this, PIPEDA allows the information subject to withdraw consent at any time, subject to legal and contractual restrictions and reasonable notice.[68] This would go a long way in protecting the right of privacy of many internet users.

That the Canadian approach to personal information is based on control of an individual over one's PII would be a valuable import for a law seeking to protect an individual's proprietary interest in PII, primarily because control is the essence of a proprietary interest. While many inconsistencies and loopholes have been pointed out in the PIPEDA[69], the authors emphasize that it would be very helpful in guiding policy makers and legislators in developing a framework for intellectual property rights in personal information.

V. Conclusion

As already established, India is a country where privacy is considered to be of paramount importance. With more and more people from India becoming technologically oriented, it is high time privacy and information rights have been brought to the forefront of the debate. As the authors have already suggested, Indian policy makers and law makers can take a leaf out of Canada's legislation. The Canadian approach to personal information is based on control of an individual over one's PII, and such a concept would be a valuable import for a law seeking to protect an individual's proprietary interest in PII, primarily because control is the essence of a proprietary interest. While many inconsistencies and loopholes have been pointed out in the PIPEDA[70], the authors emphasize that it would be very helpful in guiding policy makers and legislators in developing a framework for intellectual property rights in personal information.

At the end of the day, this paper has sought to find a solution to the growing problem of privacy, access to information and information

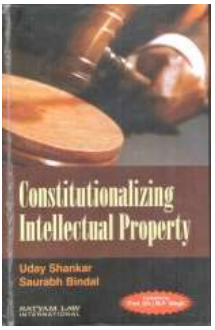
68 Personal Information Protection and Electronic Documents Act, S.C. 2000, Schedule I, §4.3.8 (Can.).

69 Lisa M. Austin, *Reviewing PIPEDA: Control, privacy and the limits of Fair Information Practices,* 44 Can. Bus. L.J. 21 2006-2007; Jeannette Teh, *Supra* n. 12.

70 Lisa M. Austin, 'Reviewing PIPEDA: Control, privacy and the limits of Fair Information Practices', 44 Can. Bus. L.J. 21 2006-2007; Jeannette Teh, *Supra* n. 12.

exchange efficiency. Facebook recently hit the one billion membership mark and every day more and more smart phones are being released into the market. This only means that more and more people will find more and more ways to exchange information, either voluntarily or involuntarily, and what this paper has done, at its core, is try to argue in favour informational efficiency by granting property rights in personal information to individuals.

The authors have tried to provide pragmatic and cogent arguments in support of establishing property rights in personal information. These arguments may also be useful tools which law makers, judges, academicians and the like can use in matters that deal with privacy protection and information exchange. The concept of free market of information seems like a noble and achievable idea, however what is required is greater discourse and deliberation for enabling of the concept.



BOOK REVIEW

'CONSTITUTIONALIZING INTELLECTUAL PROPERTY' BY DR. UDAY SHANKAR & MR. SAURABH BINDAL (2012)

V.C. Vivekanandan[*]

The literature on Intellectual Property Law subject in Indian context is a nascent one and had concentrated more on the law and practice of IP laws. The new work on 'Constitutionalizing Intellectual Property' by Dr. Uday Shankar – faculty of the Rajiv Gandhi School of IP at IIT Kharagpur and his co-author Mr. Saurabh Bindal is a different and refreshing attempt at contextualizing IP in the framework of the Indian Constitution. The book forwarded by Prof. M.P. Singh – a renowned Constitutional Law scholar, is an attempt to interface IP and its impact with socio–economic rights, health, environment, right to information and other themes.

The various chapters analyses and introspects Intellectual Property Rights and the legislations in terms of the twelve themes. The debate whether Intellectual Property Rights is a '*Lex Specialis*' was the theme of the ATRIP conference held recently in Oxford. The book in a sense portrays that IP is a part of a whole gamut of human right issues and mandates of the constitution.

The authors in their work on the various themes have attempted to strike a balance between the issues of constitutional mandate like right to life, right to food, right to cleaner environment with that of the structural-functional issues of IP and have expressed their analysis and opinion at the end of the chapters dealing with such sub themes.

[*] Ministry of HRD IP Chair Professor, NALSAR University of Law, Hyderabad

Each Chapter has been constructed with the sub theme overview, its interface with Intellectual Property Rights, landmark judgments, policy pronouncements and the prescription of the authors. Among the Indian literature on IP and its transactional issues, this could be the first attempt to cover a range of sub-themes within the canvas of the Constitution and bring out recent judgments to map the contours the progress of IP legislation and practice in India.

The authors could have attempted a chapter on the interface of the Constitution and International Treaty obligations to highlight the National-Global chasm, which often proves to be tricky for the policy mandarins to deal with trade and investment realities. Nevertheless this book is a must to inspire students and researchers to focus on the IP jurisprudence in a developmental context.

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