2013, Vol.6

The Indian Journal of Intellectual Property Law

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NALSAR HYDERABAD

The Indian Journal of Intellectual Property Law

2013 Vol.6

NALSAR University of Law, Hyderabad

MHRD IP CHAIR PUBLICATION

PUBLISHED BY

THE REGISTRAR

NALSAR UNIVERSITY OF LAW
POST BOX NO. 1, JUSTICE CITY, SHAMEERPET
RR DISTRICT, HYDERABAD - 500 101, INDIA

CITATION FORMAT

[VOLUME] IJIPL [PAGE] ([YEAR])

ISSN 0975-492X

TABLE OF CONTENTS

EDITORS' FOREWORD: INTELLECTUAL PROPERTY AND THE GLOBAL SOUTH: CHANGING AND CONFLICTING PARADIGMS

Sanya Samtani[1], Debarpan Ghosh[2] and Yashashree Mahajan[3]

As the universalizing discourse evolves and grows, and those who claim to speak on behalf of the World seek to frame global norms and set international standards, the question of representation of affected stakeholders is a prime concern. The intellectual property rights debates typify this trend, with the emergence of standards that are touted to be international, but in reality are framed by the global North. Though concerns from below have sometimes been accommodated, as seen most recently in the Marrakesh Treaty and the Novartis decision, the history of law making through treaties and agreements, is undercut by a stark lack of representation of third worldism and the global South, while framing such norms.

Free Trade Agreements such as the Trans Pacific Partnership amongst others shrouded in secrecy; monetization of biodiversity and patenting of genetic codes; the general notion of forum shifting and the TRIPS plus standards all evince the global North's attempts to protect their interests. However, changing perspectives have required the increased cooperation and consideration of the interests of the global South, moving beyond the tokenism that has characterized the IP debates of the past decade. In order to facilitate the creation of

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further academic discussion from the South, we have elected to make this our area in focus for the sixth volume of the Indian Journal of Intellectual Property Law.

First, we have a comprehensive piece from Sumer Dayal, which explores the geo-political pressures leading up to and emanating from the Novartis decision. Approaching the controversy from perspective that is broader than the strictly legal, it locates the case within the multiple axes of domestic history, international politics and industrial pressures, the article demonstrates that intellectual property, as an area of law, is as much about politics as it is about 'justice'. Further, it charts the conflict between the global North and South as they each battle to solidify their advantages and advocates cooperative solutions in preference to adversarial stalemates.

Dr. Edem E. Udoaka provides us with a succinct outline of the problems surrounding the licensing of patents in Nigeria. Writing from the perspective of the global South, he grounds his thesis in empirical data gathered from Nigeria itself. He finds that less than 10% of the local population owns patents that have been granted over the years. The domestic legislation *re* patents in Nigeria seeks to restrict compulsory licensing, thus playing into the existing paradigm where concentration of access remains in the hands of a few. Nigerian courts are also complicit in this process. Dr. Udoaka provides a case study wherein an injunction was passed against authorization of government use of a foreign owned patent to substantiate this argument. He provides a subversive solution within the paradigm of the existing structure – that Nigeria would need to

develop indigenous technological expertise to create further local owned patents, as well as enable local entrepreneurs to utilize those in the public domain. He concludes by calling for reform of existing law, in order to take into account the interests of the many stakeholders that it presently ignores.

The next article, authored by Meenakshi Kurpad and Sreyan Chatterjee, seeks to discuss issues surrounding education and intellectual property law in the global South. As students in a developing country like India, they are uniquely poised to discuss this issue in relation to their experience. They discuss how the maximalist national exhaustion doctrine only serves to further the profit motive of publishing houses, and contrary to popular perception, do not have any hand in incentivizing innovation They go on to discuss this idea in light of international exhaustion in various common law countries, and arrive at the conclusion, that India, as a global South country, must necessarily harmonize their trade and copyright laws and take positive steps to ensure that parallel imports are recognized in Indian law.

Ishan Seth brings analytical rigour to the problems of intellectual property clauses with Free Trade Agreements. Written in the context of the controversy about the secret negotiation of FTA's with India, it identifies in the growing ubiquity of FTA's, the foundations of unfair intellectual property rights relations. Historicizing the process, he locates this trend within a movement in the Global North that seeks to strengthen the TRIPS standards, reasserting their positions along the way. The article performs a succinct cost-benefit analysis to

demonstrate the patent harms of the India-EU FTA in particular, before concluding that public knowledge and mobilization may yet offer a way out for India and other countries of the global South.

In light of the recent patent-wars that have emerged from the Indian judiciary, Namrata Dawar and Pooja Kumari discuss the scope of patentability of pharmaceutical drugs and compulsory licensing in India. They examine whether or not such a provision has a real effect on affordability of drugs in the Indian market and try to balance the conflicting interests of public health and patent holders' rights, without detriment to either side, with a view to ensuring affordability and accessibility in the developing world. In order to make this point, they undertake a thorough analysis of recent case law in this field and the implementation of the provisions of compulsory licensing in India. This could serve as an interesting base for the further examination of IP regimes in the global South, and the consolidation of interpretative tools for the same.

In addition to our focus on the global South, this edition of the Indian Journal of Intellectual Property Law, also carries an article by Samyak Sibasish and Yogini Oke, which creatively synthesizes arguments from tort law, property law, intellectual property law and privacy concerns to formulate an argument about an intellectual property rights approach in achieving privacy. The article looks at arguments from publicity rights, trademark protection justifications and property rights in general, and highlights the problems and potentialities of each. Using the landmark case of *Douglas v. Hello!* as a starting point, the articles discusses the possible practical implications

of the discussed theories upon the case. The article is an exercise in the clash of philosophical justifications and critiques, all of which are dealt with even-handedly by the authors as they attempt to formulate an intellectual property rights approach to privacy law.

This edition of the journal also carries two essays from the field. First, Leo Paul Johnson, an engineer, writes about his experience with the monetisation of intellectual property rights. He provides a brief overview of the various systems that exist to facilitate this practice, as well as an insight into the various patterns that he has drawn from a sample set of patents that he has encountered. The conclusions that he draws from this data, attempts to throw light on the rapid proliferation of intellectual property laws in the recent past. Next, Narahari Kulkarni, a patent agent, brings to our notice the various contradictions and weaknesses of the legal regime that regulates his profession. The requirement of a degree in science and allied technical fields, is demonstrated to be farcical, especially when the Act prohibits them from utilizing that knowledge when providing assistance to their clients. Further, the inherent contradictions of Sections 123 and 132 are discussed, whereby the former becomes almost redundant. Charting the course of judicial practice in the country with regard to patent agents, the article leaves us with a number of questions that demonstrate the multiple conflicts and the unclear legal positions that constitute the Indian legal scenario for patent agents.

Varsha Deiveegan brings us an analysis of the copyleft movement in software publishing. Delineating a brief history of the movement, she

goes on to discuss the various schisms that have arisen within it. The note locates copyleft clauses within a community narrative and demonstrates how it differs from various allied clauses, both in its goals and in its manner of performance. She discusses the enforceability of such clauses, and the policy implications of the same upon innovation, concluding that there exists sufficient incentivization within the copyleft structure and community to promote creativity and innovation.

The youngest author of this volume, Balaji Subramanian, provides us with an incisive case comment on the *Cindy Lee Garcia v. Google Inc.*, or as it is better known, the "Innocence of Muslims" case. He flags off the key issues, and provides a critical analysis of Judge Kozinski's majority opinion in the case. He goes on to offer his own alternative, in the form of the 'right to be forgotten'. A week before this volume was due to be published, Judge Kozinski revised his initial opinion, and hence Balaji has also dealt with that in some measure, though constrained by time and space.

Our final piece is by Professor V.C. Vivekanandan who reviews and analyzes recent trends in the field of intellectual property, through his succinct and penetrating review of recent literature in the field. Closing the issue, the book review concludes and reiterates many of the themes that form a common thread through this volume.

We hope, in conclusion, that every reader of this volume will enjoy and learn from the writings, as much as we, the editors did. It has been a long and winding road to the publication of this journal, but

the experience and the learning has been well worth it. Of course, no project, which is this large, could possibly be undertaken by the editors alone. We would like to thank Professor V. C. Vivekanandan, for all his assistance and encouragement in helping us come out with a themed issue. Nehaa Chaudhari and Swaraj Paul Barooah have always provided inestimable help and guidance. We would also like to thank the Vice Chancellor of NALSAR, Professor Faizan Mustafa, for his continuous support. Any errors and omissions are of course, ours and ours alone.

REDEFINING PATENTABILITY: THE IMPACT OF *NOVARTIS V. UNION OF INDIA* ON TRIPS, TRADE AND THE BALANCE OF POWER BETWEEN DEVELOPED AND DEVELOPING NATIONS

*Sumer Dayal**

The TRIPS Agreement is accompanied by a perennial tug of war between developed and developing nations, especially in pharmaceuticals. Developed nation desires for high IP standards are opposed by developing nations promoting flexible interpretations. Thus far, developed nations enjoyed greater influence; however the Supreme Court of India's judgment in the 2013 Novartis case exemplifies a global power shift. This paper discusses the growing geopolitical influence of developing nations and the repercussions it will have on future IP regimes. It concludes by proposing that an adversarial approach should give way to cooperative approaches, beneficial to nations and IP law in general.

I. INTRODUCTION

The *Agreement on Trade Related Aspects of Intellectual Property Rights*[1] is accompanied by a perennial tug of war between developed and developing nations. For the industrialized, 'harmonizing' intellectual property ('IP') regimes in conformity with high minimum standards is the emphatic goal of the Agreement.[2] Conversely, developing nations are more likely to perceive it as skeletal and undefined, promoting flexibility in its interpretation.[3] This clash stems from the inextricable

* Sumer Dayal, University of New South Wales, Sydney, Australia.

1 Agreement Establishing the World Trade Organization Annex 1C, 15 April 1994, 1869 UNTS 299 [hereinafter TRIPS].

2 Amy Kapczynski, *Harmonization and its Discontents: A Case Study of TRIPS Implementation in India's Pharmaceutical Sector*, 97 CAL. L. REV. 1571, 1572 (2009).

3 CYNTHIA M. HO, ACCESS TO MEDICINE IN THE GLOBAL ECONOMY: INTERNATIONAL AGREEMENTS ON PATENTS AND RELATED RIGHTS 89 (2011).

link between IP laws and the economies of nations, earlier understood by the scholar P.J Michel when he stated that:

> *"Patent systems are not created in the interests of the inventor but in the interest of national economy. The rules and regulations of the patent system are not governed by civil or common law but by political economy."*[4]

Power in IP stems from geopolitical factors, typically resulting in lesser nations 'fixing' their regimes for the sake of broader trade advantages.[5] This has led to obvious complications, exemplified when pharmaceutical patents rights trump the need for access to medicines.

Amidst this clash, India plays a vital role. It is an economic power, averaging 8 per cent growth in GDP between 2005 and 2009.[6] It carries the fourth largest pharmaceutical industry,[7] is the fourteenth largest exporter,[8] the leading generics manufacturer,[9] and comprises a

4 PRINCIPLE NATIONAL PATENT SYSTEMS: VOLUME 1 quoted in SRI JUSTICE N RAJAGOPALA AYYANGAR, SUBMISSION TO MINISTRY OF COMMERCE AND INDUSTRY, REPORT ON THE REVISION OF THE LAW IN INDIA RELATING TO PATENTS FOR INVENTIONS ¶21 (1959) [hereinafter AYYANGAR REPORT].

5 *See* HIROKO YAMANE, INTERPRETING TRIPS: GLOBALISATION OF INTELLECTUAL PROPERTY RIGHTS AND ACCESS TO MEDICINES 146 (2011).

6 VIKASBHADORIA ET AL., INDIAPHARMA 2020: PROPELLING ACCESS AND ACCEPTANCE, REALISING TRUE POTENTIAL, EXECUTIVE SUMMARY 13 (2010).

7 George T. Haley and Usha C.V. Haley, *The Effects of Patent-law Changes on Innovation: The Case of India's Pharmaceutical Industry*, 79 TECHNOLOGICAL FORECASTING AND SOCIAL CHANGE 607, 611 (2012).

8 Shamnad Basheer, *India's Tryst with TRIPS: The Patents (Amendment) Act, 2005*, 1 THE INDIAN JOURNAL OF LAW AND TECHNOLOGY 15, 18 note 8 (2005).

9 William Greene, '*The Emergence of India's Pharmaceutical Industry and Implications for the U.S. Generic Drug Market*16 (U.S. Int'l Trade Comm'n, Office of Economics Working Paper No 2007-05-A, 2007).

market representing 8 per cent volume of global trade[10] with an expected growth rate above 13 per cent.[11] India's capabilities have made it 'the pharmacy of the developing world'[12] and a strategic actor in how developed nations deal with their developing counterparts. India's 2005 implementation of TRIPS was hence perceived as a victory for IP and patent protection.

However, *Novartis AG v Union of India*[13] has brought the parameters of TRIPS back into contention, when India's highest court rejected the patent application for a new form of the anti-cancer drug Gleevec due to its inability to demonstrate 'significantly enhanced efficacy'. The verdict shows a desire to use 'TRIPS flexibilities' to their fullest extent and has borne immediate repercussions, gaining the attention

10 Nitya Nanda and Amirullah Khan, 'Competition Policy for the Pharmaceuticals Sector in India' (2005) quoted in PRABODH MALHOTRA, IMPACT OF TRIPS IN INDIA: AN ACCESS TO MEDICINES PERSPECTIVE 57 (2011).

11 BHADORIA, *Supra n* 6.

12 *See* Timothy Bazzle, *Pharmacy of the Developing World: Reconciling Intellectual Property Rights in India with the Right to Health: TRIPS, India's Patent System and Essential Medicines*, 42 Geo. J. Int'l L. 785 (2010) discussing India' importance as a generics manufacturer; Sudip Chaudhari, Chan Park and K.M. GOPAKUMAR, FIVE YEARS INTO THE PRODUCT PATENT REGIME: INDIA'S RESPONSE 10 (United Nations Development Programme, 2010); Patralekha Chatterjee, *India-EU Free Trade Pact Could Stifle Generics Industry*, 377 THE LANCET 1305 (2011); MOHAMMAD K. EL SAID, PUBLIC HEALTH RELATED TRIPS-PLUS PROVISIONS IN BILATERAL TRADE AGREEMENTS: A POLICY GUIDE FOR NEGOTIATORS AND IMPLEMENTERS IN THE WHO EASTERN MEDITERRANEAN REGION 131(2010).

13 S.C.C Civil Appeals Nos. 2706-2716, 2728 & 2717-2727 (2013) [hereinafter *Novartis*].

of the United States' Trade Representative ('USTR') and ensuring that India maintain its status on the 'Priority Watch' list in 2013.[14]

The conclusion of Gleevec's litigation raises poignant questions. What makes the *Novartis* decision justifiable? Does it reflect a change of power within global trade? Developing nations have noticeably moved beyond their limited economic and social influence experienced in 1995. India hence provides the perfect 'test case' to ascertain the changes within the world order, and whether it affects the structure of IP regimes.

To explore these issues, this paper will begin with the historical background to India's IP regime, including the pressures and considerations that have defined its approach. Second, it will discuss the reasoning behind *Novartis* and its impact both domestically and internationally. Third, it will explore the factors justifying India's patent strategy and how *Novartis* solidifies a change to trade relations. Finally, the paper will provide recommendations on how the industrialized should approach the growing influence of developing nations, with the goal of moving discussions beyond an adversarial relationship to promoting collaboration between parties.

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14 OFFICE OF THE U.S. TRADE REPRESENTATIVE, U.S. CONGRESS, 2013 SPECIAL 301 REPORT 38–9 (2013); *see also* a letter dated 18 June 2013 to U.S. President Barack Obama by 170 members of Congress criticizing a 'growing trade imbalance' due to India favoring its own producers over those of the U.S. (the statistics quoted in the letter have since been challenged: Krista Cox, *170 Members of Congress Send Letter to Obama Criticizing India on Intellectual Property* (20 June 2013) Knowledge Ecology International<http://keionline.org/node/1757>).

II. THE INDIAN CONTEXT

India's behavior towards pharmaceutical patenting can be understood via the strategies it has employed for economic progress. Three phases are of particular consequence: post-independence; the implementation of patent reform in 1970; and the Uruguay Round of negotiations within the General Agreement on Tariffs and Trade ('GATT'), leading to the World Trade Organization ('WTO').

A. INDEPENDENCE

India emerged as a de-colonized nation in 1947. At this time, domestic industries carried manufacturing capabilities but innovation was virtually non-existent.[15] Regulations under the colonial *Indian Patents & Designs Act 1911* were seen as unsupportive for local development.[16] Foreign companies used the regime to fix prices and block local manufacture, focusing on importing patented products rather than forming domestic capabilities.[17] From 1930 to 1937 the grant of patents to Indians and foreigners lay at a ratio of 1:9,[18]

15 MALHOTRA, *Supra n* 10, at 2; Janice M. Mueller, *The Tiger Awakens: The Tumultuous Transformation of India's Patent System and the Rise of Indian Pharmaceutical Innovation*, 68 U. Pitt. L. Rev. 491, 507–8 (2007).

16 *Novartis* ¶62 (Alam J).*See also* the results of the Government of India/Chand Patent Enquiry Committee (1948–50) concluding that 'the Indian patent system has failed in its main purpose, … to stimulate inventions among Indians and to encourage the development and exploitation of new inventions for industrial purposes' for public benefit: CAROLYN DEERE, *THE IMPLEMENTATION GAME:* THE TRIPS AGREEMENT AND THE GLOBAL POLITICS OF INTELLECTUAL PROPERTY REFORM IN DEVELOPING COUNTRIES 39 (2009).

17 Sudip Chaudhuri, *TRIPS and Changes in Pharmaceutical Patent Regime in India* 29 (Indian Institute of Management, Kolkata, Working Paper No 535, 2005) citing the Chand Patent Enquiry Committee (1948–50).

18 AYYANGAR REPORT quoted in *Novartis*¶35; *see also* DEERE, *Supra n* 16, at 39.

restraining the affordability and accessibility of key products. Between 1947 and 1957 Multinational Corporations ('MNCs') held an uncontested monopoly, with 99 per cent of pharmaceutical patents in the country.[19] Drug prices were consequently amongst the highest in the world.[20]

In 1959, the Ayyangar Report was published. It advocated a narrower scope of patent protection, granting fewer patents to foreigners thereby increasing the opportunity for India's industry to develop.[21] Furthermore, it argued restraint in entering into international conventions; as such action was more likely to benefit foreign inventors than India's own.[22] The scope of patent regimes had to be determined in light of India's economic and technological progress,[23] then ill-suited to stimulate Indian invention and benefit the country.[24] The Report conceptualized the view that international norms must be flexible against national interest,[25] and even tolerate situations where

19 A Aggarwal, *Strategic Approach to Strengthening International Competitiveness in Knowledge Based Industries* 4 (Research and Information System for the Non-Aligned and Other Developing Countries, Discussion Paper No RIS-DP#80/2004, 2004).

20 MALHOTRA, *Supra n* 10, at 2; PETER DRAHOS, THE GLOBAL GOVERNANCE OF KNOWLEDGE – PATENT OFFICES AND THEIR CLIENTS 202 (2010); *see also* the findings of a 1961 U.S. Senate Committee headed by Senator Kefauver which named India as a high-price country for pharmaceuticals in Y.K. Hamied, *Patents and the Pharmaceutical Industry: A Review* (Paper for the International Conference on Patent Regime Proposed by the Uruguay Round, New Delhi, 2–4 September 1993).

21 YAMANE, *Supra n* 5, at 351.

22 AYYANGAR REPORT¶308.

23 YAMANE, *Supra n* 5, at 350.

24 INTERIM REPORT 165 quoted in *Novartis*¶37.

25 *Id.* at 351.

acceptable patents are denied in light of India's economic position.[26] This approach established the platform for the 1970 reforms.

B. THE PATENTS ACT 1970[27]

The Patents Act brought two fundamental changes: it removed product patenting,[28] but still allowed for processes for the manufacture of substances; and it provided for broad compulsory licensing of process patents three years after the date of issuance.[29] For example, if an invention was not available to the public at a reasonable price, the Patent Controller could grant a 'license of right' that required a patentee to grant a license to any person interested in working the patent. In the case of pharmaceuticals, the royalty could not exceed 4 per cent of the net ex-factory sale price in bulk.[30] The Patents Act also regulated the Indian government's right to use and acquire inventions.[31]

The immediate effect of the Actwas to break the anti-competitive effects of patent monopoly whilst proliferating reverse engineering

26 AYYANGAR REPORT, at 20–1.
27 The Patents Act, 1970 [Hereinafter *The Patents Act*].
28 *Id.* § 5 (repealed by Patents (Amendment) Act, 2005). The act provided that 'substances intended for use, or capable of being used, as food or as medicine or drug,' or inventions 'relating to substances prepared or produced by chemical processes (including alloys, optical glass, semi-conductors and inter-metallic compounds),' could not be patented 'for the substances themselves, but claims for the methods or processes of manufacture shall be patentable.'
29 WHITE & CASE LLP AND DUA CONSULTING, THE VALUE OF INCREMENTAL PHARMACEUTICAL INNOVATION: BENEFITS FOR INDIAN PATIENTS AND INDIAN BUSINESS 9 (U.S.-India Business Council, 2009).
30 *The Patents Act* §§ 86(1) and 88(1) quoted in Drahos, *Supra n* 20, at 203.
31 *See* Chap. XVII of *the Patents Act*.

skills and domestic manufacturing.[32] Drug prices dropped and access to medicines increased to around 35 per cent of India's population.[33] In 1970, pharmaceutical market share was represented by 68:32 in favor of MNCs.[34] By 1998, this was reversed (exactly) in favor of Indian companies.[35] India's IP strategy and protectionist measures against foreign competition allowed for the rapid development of domestic companies such as Ranbaxy, Dr. Reddys and Cipla. Progress also transformed India from importer to exporter, tapping into the key generics markets of the United States ('US') and Europe.[36]

1. Imitation vs. Innovation

India's strategy has therefore been founded upon a basic premise: countries must imitate before developing innovation capabilities, and strict IP regimes interfere with this process.[37] Evidence suggests this approach was useful in the development of many industrialized nations.[38] There is merit to its success in India – for example, a 2005

32 MALHOTRA, *Supra n* 10, 2.

33 *Id.*

34 Ministry of Petroleum and Chemicals 1971 cited in Sudip Chaudhari, *The WTO and India's Pharmaceutical Industry*: *Novartis*¶48.

35 *Novartis*¶48.

36 MALHOTRA, *Supra n* 10, 3.

37 Ranee Kumar, *Encourage Innovation with Holistic Approach: Basheer*, THE HINDU (Oct. 13, 2008), *available at* http://www.hindu.com/biz/2008/10/13/stories/2008101350051600.htm.

38 Justice Ayyangar found that Germany, Norway and Japan excluded product patents in various stages of their development. Germany's development after 1877 was particularly emphasized, refusing product patenting on the grounds that it had a 'deadening-effect on research': AYYANGAR REPORT¶58–61; *see* Office of Technology Assessment, 'Intellectual Property Rights in an Age of Electronics Information' (Doc No OTA-CIT-302, United States Congress, April 1986) 228 describing how the United States as a developing country refused to respect international intellectual property rights on the grounds that

study found 13 new drugs developed post-1970, compared to three in the initial phase.[39] Reverse engineering of imported technologies played a vital role in upgrading the capabilities of Japan and South Korea,[40] similar to present India.[41]

However, weak patent regimes do not automatically proliferate innovation. Between 1970 and the 1990s, India's domestic firms spent less than 0.2 per cent of sales on research and development ('R&D').[42] This, during a period when new drugs and delivery systems developed indigenously were exempted from price controls for five and three years respectively.[43] A.V Ganesan, India's chief negotiator for TRIPS, argued that India did not have the financial resources to engage in R&D and more investment was required.[44] Yet expenditure remained at 1.6 per cent between 2004 and 2005.[45] By comparison, western firms spent 15 per cent notwithstanding higher

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it was 'freely entitled to foreign works to further its social and economic development'.

39 *The Structure of Indian Industry* quoted in Kalpana Chaturvedi, *Development Policy and Practice: Policy and Technology Co-Evolution in the Indian Pharmaceutical Industry* 21 (The Open University, IKD Working Paper No 8, 2005).

40 UNITED NATIONS DEVELOPMENT PROGRAMME, INTERNATIONAL COOPERATION AT A CROSSROADS: AID, TRADE AND SECURITY IN AN UNEQUAL WORLD 135 (2005).

41 Haley and Haley, *Supra n* 7, at 612.

42 D.K. Nauriyal, *TRIPS Compliant New Patents Act and Indian Pharmaceutical Sector: Directions in Strategy and R&D*, (SPECIAL ISSUE CHINA & INDIA)INDIAN JOURNAL OF ECONOMICS AND BUSINESS 1, 3 (2006).

43 *See,* Martin J. Adelman and Sonia Baldia, *Prospects and Limits of the Patent Provision in the TRIPS Agreement: The Case of India*, 29 Vand. J. Transnat'l L. 507, 526 (1996).

44 A.V. Ganesan, *The GATT Uruguay Round Agreement Opportunities and Challenges* (Rajiv Gandhi Institute for Contemporary Studies, RGICS Paper No. 8, 1994)¶3.19.

45 Haley and Haley, *Supra n* 7, at 613.

research costs.[46] India's expenditure on R&D comprises 0.7 to 0.9 per cent of GDP, lower than Brazil or China.[47] The result is that copycat drugs constitute 90 per cent of India's domestic market,[48] with any growth in pharmaceutical sales expected to originate from un-patented products.[49]

Determining the effectiveness of imitation is outside the focus of this paper. But an institutionalized dependence on outside innovation continues to affect India's approach post-TRIPS. India has notable advantages in R&D,[50] while industry growth is higher than either the US or Europe.[51] Recent accounts praise its developing self-sufficiency.[52] Still, two-thirds of India's ever-growing population remains without access to medicines.[53]

These considerations have effectively maintained India's aversion to monopolistic IP rights;[54] its impact evident in the *Novartis* decision.

C. GATT, TRIPS AND POLITICAL INCAPACITY

The conclusion of TRIPS demonstrates the impact of power politics within IP regimes. As discussed above, restraint from entry into

46 *Id.*
47 YAMANE, *Supra n* 5, at 401.
48 Taking Pains, THE ECONOMIST (Sept. 8, 2012), *available at* http://www.economist.com/node/21562226.
49 PWC, FROM VISION TO DECISION: PHARMA 2020 20 (2012).
50 *Id.* at 612–13.
51 CYGNUS BUSINESS CONSULTING, QUARTERLY PERFORMANCE ANALYSIS (2007) quoted in MALHOTRA, *Supra n* 10, at 58.
52 *Id.*
53 MALHOTRA, *Supra n* 10, at 79.
54 *See* AYYANGAR REPORT; GOVERNMENT OF INDIA, COMMUNICATION FROM INDIA TO THE GENERAL AGREEMENT ON TARIFFS AND TRADE, Doc No MTN.GNG/NG11/W/37 ¶11–15 (July 10, 1989).

international conventions gave India the initiative to develop its IP regimes independently, without 'arm-twisting' from other nations.[55] However, the 1986-1994 Uruguay Rounds saw India abandon its former strategy by reinstituting product patents[56] and narrowing compulsory license powers.[57] A.V. Ganesan presented the reasons behind India's acceptance of such conditions stoically:

> [W]hen the world is moving in one direction, it makes no sense for India to move in the opposite direction. In reality, India has no choice and there is no question of not becoming a party to the Uruguay Round Agreement. At best, India can seek amelioration, which it has done successfully.[58]

This betrays India's limited bargaining power in geopolitics. India, along with Brazil, reproached any attempts to harmonize patent laws with industrialized nations, believing they were monopolistic and impeded trade.[59] A growing population in need of healthcare and a domestic industry low on innovation were the wrong conditions for standardized patent regimes.

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55 Mueller, *Supra n* 15, at 512; PARAMESWARAN NARAYANAN, INTELLECTUAL PROPERTY LAW IN INDIA 2 (2005).

56 TRIPS art 27, also known as the non-discrimination provision, requires patents to 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'.

57 For example, TRIPS art. 31 requires that authorization from the rights holder be sought under 'reasonable commercial terms and conditions' within a reasonable period of time before such use is allowed, the scope and duration of use to be limited to the purpose for which it is authorized.

58 A.V. Ganesan interview with *The Economic Times* quoted in YAMANE, *Supra n* 5, at 145.

59 GOVERNMENT OF INDIA, *Supra n* 54, ¶5, 11–13.

This was challenged by a decade of developed nation efforts to enforce acquiescence. For instance, IP protection became a key factor in assessing nations that would be entitled to US trade benefits. By 1984 those with weak IP protection saw their tariff concessions removed. Special 301 provisions instructed the USTR to monitor, threaten, or impose trade sanctions to those that violated domestic US laws, irrespective of internationally accepted standards. Special 301 investigations culminated in a 100 per cent tariff on select Brazilian imports,[60] prompting Brazil's President to pursue the desired US IP reforms by 1990.[61] Against India, the US implemented Special 301 proceedings in 1991 and trade sanctions in 1992.[62]

By 1993 China, Malaysia and Thailand had implemented stronger IP regimes.[63] Behind the scenes negotiations turned TRIPS into a 'convergence of processes', as opposition to US demands were diluted by bilateral agreements entered into and enforced so that 'accepting TRIPS would be no big deal'.[64] The EU also followed this strategy, resulting in 18 developing countries undertaking reforms even before TRIPS came into force.[65]

In addition, 'forum shifting' from the World Intellectual Property Organization (WIPO) to the GATT, where the US was arguably the

60 *See, Brazil Patent Protection for Pharmaceuticals*, 52 Fed Reg 28 223 (1987).
61 Peter Drahos, *Negotiating Intellectual Property Rights: Between Coercion and Dialogue* in GLOBAL INTELLECTUAL PROPERTY RIGHTS: KNOWLEDGE, ACCESS AND DEVELOPMENT 170 (Peter Drahos and Ruth Mayne eds., 2002).
62 DEERE, *Supra n* 16, at 55.
63 YAMANE, *Supra n* 5, at 113; Ganesan, *Supra n* 44, ¶3.2.
64 Peter Drahos' interview with a US trade negotiator in 1994 cited in Drahos, *Supra n* 61, at 170.
65 DEERE, *Supra n* 16, at 49.

most influential player, became a powerful strategy. This allowed 'cross-retaliation' in the goods sector to ensure developing nations accepted stronger IP regimes.[66] The importance of access to developed markets was more vivid than the market restrictions high IP standards might create.

The futility of developing nation resistance therefore correlates with the degree of trade power held by developed nations leading into the 1990s. Only 20 from over 100 developing nations now bound by TRIPS were involved in its negotiation.[67] The Uruguay Rounds represent the impotence and lack of coordination that developing nations faced in advocating their interests, allowing broader trade considerations, such as market access in textiles and agriculture, to take precedence over the specifics of IP regimes.[68]

D. DOHA AND THE RISE OF TRIPS FLEXIBILITIES

A change in trade power dynamics arrived in the affirmation of 'TRIPS flexibilities' within the *Declaration on the TRIPS Agreement and Public Health* ('Doha Declaration') in 2001,[69] a carefully elaborated strategy that enforces the right of nations to, inter alia, interpret TRIPS according to its enunciated principles (including measures to protect public health), determine the grounds on which compulsory licenses are granted on pharmaceuticals, fix the definition of 'public

66 Ganesan, *Supra n* 44, ¶3.2.
67 DEERE, *Supra n* 16, at 56.
68 A.V. Ganesan quoted in YAMANE, *Supra n* 5, at 112.
69 World Trade Organization, Ministerial Declaration of 14 November 2001, WT/MIN(01)/DEC/1. 41 ILM 746 (2002) [hereinafter Doha Declaration].

health crises' independently and enjoy the freedom to form their own IP regimes, subject to most-favored nation and national treatment provisions within TRIPS.[70] The cumulative effect of such provisions is to uphold member rights to interpret TRIPS in line with public health needs.[71] The confirmation of TRIPS flexibilities was pivotal, as it indicated that some leniency was in line with TRIPS' spirit and purpose.[72] Undoubtedly, this modified how nations approached pharmaceutical trade. After Doha, India's activism for interpreting TRIPS flexibilities in pharmaceuticals strengthened.

This change therefore framed India's 2005 amendments to the Patents Act, integrating its acquiescence to stronger patent laws from the Uruguay Rounds whilst capitalizing on increased interpretive flexibilities. Opinions differ on whether this can be maintained. Some believe factors such as resource limitations and extra-legal pressures create unavoidable difficulties.[73] Others believe India has strategically exploited TRIPS flexibilities to the hilt.[74] *Novartis* is therefore pertinent, as it legitimizes India's pursuit to employ interpretive flexibilities on patent standards to their fullest extent.

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70 Doha Declaration ¶5(a)–5(c).

71 *Id.* ¶4–7.

72 Carlos M. Correa, *Implications of the Doha Declaration on the TRIPS Agreement and Public Health*, Doc No WHO/EDM/PAR/2002.3 (June 2002) 13.

73 *See* Kapczynski, *Supra n* 2, at 1575.

74 Interview with Shamnad Basheer in V. Venkatesan, *The Current Patent System is Deeply Flawed* FRONTLINE, Apr. 21, 2012), *available at* http://www.frontline.in/navigation/?type=static&page=flonnet&rdurl=fl2908/stories/20120504290802600.htm.

III.NOVARTIS

The following section outlines the details of Gleevec and the history of the *Novartis* case to better understand its context. The section then analyses the Supreme Court's decision, and assesses its impact upon legal development, society and the pharmaceutical industry.

A. GLEEVEC

In 1996, the US granted Novartis a patent covering the free base enzyme 'imatinib' and all its pharmaceutically accepted salts ('the Zimmerman patent') for the treatment of Chronic Myeloid Leukemia.[75] In 2001, the US Food and Drug Administration approved the salt form 'imatinib mesylate' for commercial marketing. 'Gleevec' has since been hailed as a wonder drug[76] with an estimated global market above $4 billion.[77]

In 1998, Novartis filed a new patent claim over an improved salt, imatinib mesylate in beta-crystalline form ('the *Beta* patent'), the most stable version of Gleevec's active ingredient. The application claimed various improvements, centered on better processibility and superior storage when compared to imatinib mesylate's alpha-crystalline form.[78] In particular, it stated that the beta-crystalline form had

75 Shamnad Basheer, *Written Submissions on Behalf of the Intervenor*, Submission in Novartis AG &Anr. v. Union of India &Othrs, S.L.P.(C) No 20549/2009, 3.
76 *Id.* at 4.
77 Amit Sengupta, *Patent to Plunder*, FRONTLINE, Apr. 21, 2012, *available at* http://www.frontline.in/navigation/?type=static&page=flonnet&rdurl=fl2908/stories/20120504290800400.htm.
78 Application No 1602/MAS/1998.

greater flow properties making it better processible, less hygroscopic and more thermodynamically stable.[79]

B. CASE HISTORY

The *Beta* patent was claimed via the 'mailbox' system during India's transition towards product patenting.[80] At the same time, Natco and four other generic manufacturers of the product filed a pre-grant opposition.[81] In January 2006, the application was examined and dismissed by the Assistant Controller of Patents and Designs on three grounds. First, the application lacked novelty due to anticipation from prior publications under the 1993 Zimmerman patent, which had claimed all salt forms of imatinib. Secondly, the 30 per cent increase in bioavailability in the *Beta* patent was deemed insufficient to qualify significantly enhanced efficacy as per section

79 *Id.*; IPAB Order, M.P Nos 1-5/2007 in TA/1-5/PT/CH & M.P No 33/2008 in TA/1/2007/PT/CH & TA/1-5/2007/PT/CH 6 (Jun. 26, 2009) [Hereinafter IPAB orders]; *Novartis* ¶172.

80 Under art 70(8)(a) of TRIPS, India and other developing countries were permitted to delay implementation of product patents in exchange for the establishment of 'a means by which applications for patents for such inventions can be filed'. In India, the 'mailbox' system accepted pharmaceutical product patent applications filed during the 10-year transition period to be examined in 2005, allowing the 'novelty' of the application to be determined by its filing date instead of from when product patents became incorporated into the legal regime: *see,* Basheer, *Supra n* 8, at 27. It should be noted that the 20-year patent is granted from the application filing date, not from the date the patent is granted: Sonja Babovic and Kishor M. Wasan, *Impact of the Trade-related Aspects of Intellectual Property Rights (TRIPS) Agreement on India as a Supplier of Generic Antiretrovirals*, 100 JOURNAL OF PHARMACEUTICAL SCIENCES 816, 818 (2010). The system is also referred to as 'pipeline protection': *see* Mueller,*Supra n* 15, at 520.

81 Initiated under *the Patents Act* § 25(1).

3(d) of *the Patents Act*. The third ground was obviousness, again due to prior publications in the Zimmerman patent.[82]

Section 3(d) disqualifies from patentability 'the mere discovery of a new form of a known substance which does not result in the enhancement of the known efficacy'. This includes the mere discovery of a new property, or a new use for known substances or processes.[83]

Novartis appealed to the Madras High Court,[84] which transferred determination of the claim's validity to the Intellectual Property Appellate Board (IPAB).[85] The IPAB reversed the decision on anticipation and obviousness, citing a lack of information to create imatinib mesylate in the Zimmerman patent and the inability of clinical trials to demonstrate that the beta-crystalline form inevitably

82 Basheer, *Supra n* 75, at 6.

83 The Explanation to section 3(d) in the Act states that:
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

84 Novartis AG & Anr. v. Union of India & Others, 2007 4 M.L.J. 1153 [Hereinafter *Novartis (MHC)*] assessed the violation of TRIPS and whether section 3(d) breached a person's right to equal protection of the laws as established in Article 14 of the Constitution of India because it discriminated against Novartis. The Madras High Court ruled against Novartis.

85 The IPAB is a specialized tribunal established in India on 15 September 2003. The Board is designed to hear appeals from the decisions of the Registrar for Trademarks and Geographic Indications and (as of April 2007) from the Controller of Patents. The Board's specialized nature requires at least one 'technical member' in addition to at least one 'legal member'. It receives cases pending under the High Court that fall within its jurisdiction, including administrative patent challenges, although the district courts maintain original jurisdiction for patent infringement disputes: for more information *see generally*, Linda L. Lee, *Trips and TRIPS-ulations: Indian Patent Law and* Novartis AG v Union of India, 23 Berkeley Tech. L.J. 281, 286–7 (2008).

resulted from prior art procedures creating imatinib mesylate.[86] The IPAB affirmed that Novartis had 'surely made a technical advance as compared to the existing knowledge'[87] and that its application met the requisite guidelines for the determination of a 'selection patent'.[88]

However, the effect of section 3(d) upheld the claim's invalidity, as the alleged improvement of a 30 per cent increase in bioavailability did not qualify significantly enhanced efficacy as per *the Patents Act.*[89] In addition, the IPAB determined the claim infringed section 3(b) of the Act, due to the potentially disastrous consequences of its excessive pricing for public order.[90] Gleevec was priced at close to $2000 per month, and would hence be unaffordable to the poor. The sum of the IPAB's determination meant the process patent was upheld, but not the product patent.

The issue was appealed to the Supreme Court.

C. THE SUPREME COURT OF INDIA

The Court dismissed the Novartis appeals, holding that the *Beta* patent failed the twin tests of invention and patentability.

The judgment relied heavily on the object and purpose of the 2005 Amendments. It held that section 3(d) was specifically aimed at preventing abuses in medicinal product patents, designed to create a

86 IPAB orders, *Supra n* 79, 14–17, 168–70.
87 *Id.* at 175.
88 *Id*, 179–84.
89 *Id.* at 62.
90 *Id.* at 191.

'second tier' of qualifying standards whilst leaving the door open for 'genuine inventions'.[91] The Court interpreted 'efficacy' as meaning 'the ability to produce a desired or intended result' depending on the 'function, utility or purpose of the product in consideration' – when applied to pharmaceuticals claiming to cure disease, this could only be *therapeutic* efficacy.[92] Hence 'enhanced efficacy' equaled enhanced therapeutic properties, to be judged 'strictly and narrowly'.[93]

Notably, the Court upheld the distinction between inventiveness and patentability. In their submissions, the appellants argued section 3(d) was *ex majore cautela*, designed to prevent evergreening[94] and to ensure that 'mere discoveries' can never be classified as inventions. Consequently, an eligible 'invention' should not have to fulfill section 3(d). The Court believed this submission 'misses the vital distinction'[95] between the two concepts – i.e., patentability is associated with allowing 'genuine innovations' over claims under 'spurious grounds'.[96] Even if considered together, section 3(d) effectively differentiated standards between classes, with higher thresholds for pharmaceuticals and chemicals.[97]

Applied to the facts, the Court held that the *Beta* patent was a new form of the known substance Imatinib Mesylate (not the free base)

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91 *Novartis*¶103.
92 *Id.*¶180.
93 *Id.*
94 Various definitions exist: *see* YAMANE, *Supra n* 5, at 439. Alam J interpreted evergreening as making a 'trifling change' to an existing product and claiming it as a new invention: *Novartis*¶100.
95 *Novartis*¶102.
96 *Id.*¶103.
97 *Id.*¶104.

and attracted section 3(d) requirements.[98] Although the claimed properties would lead to superior processibility and storability, these alone did not show enhanced efficacy.[99] The Court noted that the claim itself attested that the *Beta* patent possessed all the pharmacological properties of the Zimmerman patent *equally*; hence there was no question of enhancement.[100] Alam J considered the application a 'loosely assembled, cut-and-paste job'[101] heavily reliant on its predecessor, with over a dozen statements and averments taken directly from the Zimmerman patent.

The Court clarified that increased bioavailability *may* lead to enhanced efficacy, but only when this is established by research data.[102]

D. IMPACT OF UPHOLDING 'THERAPEUTIC EFFICACY'

1. Legal Development

Section 3(d) is unique to India, with no comparable provisions in other jurisdictions. Hence, the absence of precedent allowed its interpretation to be founded upon local understandings and legislative history, insulated from transnational pressures.[103] *Novartis* directly impacts the structure of India's IP regime, and by surviving

98 *Id.*¶161.
99 *Id.*¶173.
100 *Id.*¶162–163.
101 *Id.*¶164.
102 *Id.*¶189.
103 Kapczynski refers to this strategy as 'fragmentation'. Section 3(d) is novel and side-steps international regimes, the lack of precedent in its interpretation meaning that India must rely on local perspectives for terms like 'efficacy'. Specific and unique local provisions thus allow 'insulation' from the influence of transnational legal culture: *Supra n* 2, at 1634.

judicial scrutiny generates a new dimension for patentability that carries strong authority.

Crucially, *Novartis* has formalized section 3(d)'s legitimacy. Critics argued it was vague and open-ended,[104] allowing too much discretion to individuals.[105] The answer to this has come from the Court's examination of how 'efficacy' and 'known substance' should be identified, creating a method that can now form guidelines for interpretation in future patent applications and cases. Without the 'therapeutic efficacy' standard, section 3(d) was vulnerable.

In addition, *Novartis* places specific importance on section 3(d)'s purpose as a defense to evergreening, answering any questions relating to whether the provision is deceitful or violates acceptable norms.

It should be noted that section 3(d) applies to more than just pharmaceuticals – therefore, it remains arguably 'vague' for other classes. Furthermore, the judgment does not clarify the exact scope of 'therapeutic efficacy' while the issue of bioavailability remains unclear. Nevertheless, it is now an enforceable standard.

2. Society

This enforceability has an obvious social impact. The International President for Médecins Sans Frontières ('MSF') considers the *Novartis* judgment a relief for patients and doctors dependent on affordable Indian drugs and a victory for access to medicines in developing

104 *See* Basheer, *Supra n* 8; *Novartis (HC).*
105 *See, e.g.,* Kapczynski, *Supra n* 2, at 1617.

nations.[106] Estimates have Gleevec costing $4,000 per month in branded form against $73 as a generic – significant in countries like India where the average wage equals $120,[107] healthcare coverage is virtually non-existent, and costs are met via out-of-pocket expenses.

3. Industry

The success of the *Novartis* judgment thus places India's pharmaceutical industry at a crossroads.

In *Novartis*, the Supreme Court determined a strict and narrow test for therapeutic efficacy, neglecting irrelevant properties, however beneficial.[108] Currently, there are an estimated 7,000 patent claims in India's mailbox system[109] with few deemed to be new chemical entities. As such, the majority could be invalidated by section 3(d).[110] The existence of pre-grant as well as post-grant opposition mechanisms makes challenging these patents increasingly likely.

Novartis expressed its disappointment at India's 'growing non-recognition of intellectual property rights that sustain [R&D] for innovative medicines' and called the ruling a 'setback for patients that

106 Press Release, Médecins Sans Frontières, Indian Supreme Court Delivers Verdict in Novartis Case (Apr. 1, 2013).

107 India's Top Court dismisses Drug Patent Case, AL-JAZEERA, Apr. 2, 2013, *available at* http://www.aljazeera.com/news/asia/2013/04/201341227582567O.html.

108 *Novartis*¶180.

109 Interview with D.G. Shah, Secretary General Indian Pharmaceutical Alliance in Kapczynski, *Supra n* 2, at 1594.

110 *Id.*

will hinder medical progress'.[111] There are arguments for and against this assertion.

From one perspective, the Court places itself as supporting 'genuine innovation' and curtailing evergreening. The majority of US patents granted from 1989 to 2000 were minor innovations,[112] and their ineligibility removes perpetual monopolies. *Novartis* may help facilitate substantial domestic competition,[113] lowering pharmaceutical prices whilst contributing to industry growth. Therefore, it arguably champions both IP innovation and patient rights.

Alternatively, the strategy may be self-defeating. Basheer and Reddy believe a 'bright-line rule' is advantageous for novice and understaffed patent offices,[114] but the threat to useful incremental innovations is strong, potentially harming industry growth.[115]

During India's 2005 parliamentary debates, an argument was raised that patents should be given for incremental innovations, since Indian scientists did not have the resources to devise new chemical

111 Media Release, Novartis International AG, Supreme Court Denial of Glivec Patent Clarifies Limited Intellectual Property Protection and Discourages Future Innovation in India 1 (Apr. 1 2013).

112 Carlos María Correa, *Ownership of Knowledge – The Role of Patents in Pharmaceutical R&D* 82 BULLETIN OF THE WORLD HEALTH ORGANIZATION 784, 785 (2004).

113 Kapczynski, *Supra n* 2, at 1594.

114 Shamnad Basheer and T. Prashant Reddy, *The "Efficacy" of Indian Patent Law: Ironing out the Creases in Section 3(d)*, SCRIPTED, August 2008, at 232, 260.

115 *E.g.,* heat stability and Novel Drug Delivery Systems.

entities but had the know-how to make improvements.[116] Demonstrated success by Indian companies supports this: for example, Ranbaxy's CIPRO-OD constitutes a successful Novel Drug Delivery System('NDDS') suited for tropical Indian temperatures.[117] NDDS products are considered a 'thrust area' for larger companies,[118] and some have allegedly claimed international patents on innovations that would be unclaimable at home.[119]

The Court believed it would be a 'grave mistake' to perceive the verdict as barring patent protection for all incremental innovations in pharmaceuticals.[120] This may be true, but *Novartis* provides little encouragement. It remains to be seen whether companies believe incremental innovations (and therefore R&D) are now a risk worth taking.

IV. *NOVARTIS* WITHIN GEOPOLITICS

Novartis consolidates India's approach to TRIPS, fuelled by its prioritization on generics and public health concerns. This section analyses the change in trade relations formed by the judgment, starting with three explanations for why India's strategy may actually

116 Union of India, *Parliamentary Debates*, LokSabha, 22 March 2005 (Kharabela Swain).

117 Basheer, *Supra n* 8, at 41 note 87.

118 Sudip Chaudhuri, *Is Product Patent Protection Necessary in Developing Countries for Innovation: R&D by Indian Pharmaceutical Companies After TRIPS* 15 (Indian Institute of Management Kolkata, Working Paper No. 614, 2007).

119 TECHNICAL EXPERT GROUP ON PATENTS LAW ISSUES, PARLIAMENT OF INDIA, REPORT OF THE TECHNICAL EXPORT GROUP ON PATENTS LAW ISSUES (REVISED)¶5.37 (2009).

120 *Novartis* ¶191.

succeed: TRIPS compliance, trade power and Non-Government Organization ('NGO') support.

A. TRIPS COMPLIANCE

Opponents to India's IP regime argue that it abrogates international norms on two grounds: first that it creates unpermitted standards for invention; and secondly that it discriminates against a field of technology, i.e. pharmaceuticals.[121]

However, it is becoming increasingly certain that section 3(d) is TRIPS compliant. The patent protection guarantee (article 27.1) is taken in conjunction with member 'freedom' to determine the standards and implementation of TRIPS objectives according to their own laws and obligations (article 1), which includes balancing IP rights with social obligations (articles 7 and 8).[122] Each of these provisions was quoted by Alam J, and affected how the Patents Act was interpreted.

Furthermore, the focus on evergreening in *Novartis* demonstrates that the therapeutic efficacy test seeks to rectify a problem unique to the pharmaceutical industry. Gervais and Kapczynski believe that differential treatment on the grounds of public health would not count as discriminatory in such cases.[123] It is the specific targeting of

121 *See Hearing on U.S.–India Trade Relations: Opportunities and Challenges Before the Subcomm. on Trade of the Comm. On Ways and Means*, 115th Cong. (2013) (statement of Roy F. Waldron, Senior Vice President and Chief Intellectual Property Counsel, Pfizer).

122 Supported in Kapczynski, *Supra n* 2, at 1595; HO, *Supra n* 3, at 95.

123 Gervais cites the Doha Declaration as allowing such a bona fide exception, with paragraph 6 referring to manufacturing capacities and paragraph 7

evergreening in the *Novartis* judgment that authenticates the claim that section 3(d) is compliant with international standards. These factors support the characterization of TRIPS as a framework for *minimum* standards that allow countries to progress their laws pursuant to local economic considerations.[124]

The past year has provided ample time for *Novartis* to be reflected upon. Congressional deliberations on US-India trade relations highlighted the possibility for WTO challenges, and that India has a history of adhering to WTO orders.[125] Yet no action has been instigated. The USTR expressed concern over the *Novartis* judgment, citing risks to potentially beneficial innovations, but has not implied TRIPS violations.[126] Developed nations may be reluctant to restrict a country's patentability standards since it is a policy space they wish to

creating a distinct exception to TRIPS obligations regarding pharmaceuticals: DANIEL GERVAIS, THE TRIPS AGREEMENT: DRAFTING HISTORY AND ANALYSIS 358 (3d ed., 2008); also cited in *Novartis* ¶64; Kapczynski, *Supra n* 2, at 1598; the 'bona fide exception' rule is derived from the Canada panel asserting that article 27 does not prohibit exceptions to deal with problems that exist only in certain product areas: Panel Report, *Canada – Patent Protection of Pharmaceutical Products*, Doc No WT/DS114/R (17 March 2000) ¶7.94.

124 *See* Rochelle Cooper Dreyfuss and Andreas F Lowenfeld, *Two Achievements of the Uruguay Round: Putting TRIPS and Dispute Settlement Together*, 37 Va J. Int'l L. 275, 296 (1997).

125 *See* Senior Fellow Peterson Institute for International Economics and the Centre for Global Development Arvind Subramanian's testimony on U.S. – India trade relations to the House Committee on Ways and Means, Subcommittee on Trade, 13 March 2013 :RepDevinNunes, *US – India Trade Relations – Challenges and Opportunities* 18:16, *available at* http://www.youtube.com/watch?v=19X5sGgc2pU.

126 *See* Office of the U.S. Trade Representative *Supra n* 14, at 38.

retain.[127]Nevertheless, a lack of legal challenges means that a therapeutic efficacy interpretation is here to stay.

B. TRADE POWER

As discussed before, India has become a powerful player in pharmaceuticals, particularly for generic exports. The US is the largest pharmaceutical market[128] and Indian generics form 25 to 50 per cent of its application approvals.[129] Indian firms are increasingly transnational: the US was Ranbaxy's largest export market in 2007.[130] US healthcare reforms (decreasing spending and increasing coverage) may increase the demand for generics, which India is well placed to provide.[131] Political clout therefore falls in India's favor.

C. INTERNATIONAL NGO SUPPORT

The growing power of NGOs directly correlates with efforts to make IP regimes conducive to least-developed needs. Institutions such as the World Bank have encouraged developing nations to set high standards for the inventive step to prevent 'routine discoveries' from being patented in the overarching purpose of 'promoting dynamic competition'.[132]

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127 Kapczynski, *Supra n* 2, at 1632.
128 Greene, *Supra n* 9, at 25.
129 Kapczynski, *Supra n* 2, at 1582.
130 Haley and Haley, *Supra n* 7, at 612.
131 PWC, INDIA PHARMAINC: GEARING UP FOR THE NEXT LEVEL OF GROWTH EXECUTIVE SUMMARY 10 (2012).
132 *See* THE WORLD BANK, GLOBAL ECONOMIC PROSPECTS AND THE DEVELOPING COUNTRIES 143 (2002).

But it is India's role as cheap generics provider and the 'pharmacy of the developing world' that gives it primacy. Since 2005, India's manufacturers have supplied 70 per cent of the anti-retroviral treatments for HIV/AIDS provided by UNICEF, the International Dispensary Association, the Global Fund and the Clinton Foundation.[133]

India has a strong relationship with MSF in particular, supplying 84 per cent of their generic HIV drugs used to treat 60,000 patients in more than 30 countries.[134] MSF has served as an avid spokesperson on behalf of India's generics industry in a manner unattainable through international negotiations or bilateral talks.[135] When confronting the *Novartis* decision in front of the United States House of Representatives Energy and Commerce Committee, an inquiry initiated to assess the 'harmful' effect of Indian industrial policy on American companies, MSF asserted that determining the right balance for what merits patent protection is a 'complex matter', and declared its support for India's decision to have it only apply to those

133 Médecins Sans Frontières, *Examples of the Importance of India as the "Pharmacy of the Developing World* quoted in Bazzle, *Supra n* 12, at 786.

134 Janice M. Mueller, *Taking TRIPS to India – Novartis, Patent Law and Access to Medicines*, 356 New Eng. J. Med. 541, 542 (2007).

135 For example, the Director of Policy and Advocacy to MSF's Access Campaign, Rohit Malpani, provided witness testimony on India's industrial policy as it was being investigated by the United States House of Representatives Energy & Commerce Committee in light of *Novartis* and the compulsory license against Bayer, explaining how India's actions were in line with international rules and India's commitment to curtailing patent abuse: *see* Rohit Malpani, *India's Access to Medicines Policies Under Attack*, MÉDECINS SANS FRONTIÈRES, Jun. 27, 2013, *available at* http://www.doctorswithoutborders.org/publications/article.cfm?id=6837&cat=speech.

that have accomplished 'something significant' in curative or therapeutic effects.[136]

In *Novartis* itself, Alam J cited the pressures of public health objectives and the involvement of independent organizations as strongly influential in the final creation of the 2005 amendments. A letter from the Director of Advocacy, Communication and Leadership for UNAIDS backed India's leadership in global access to medicines and warned against the 'potentially devastating' consequences of the 2005 reforms,[137] whilst a letter from the HIV/AIDS Director of the World Health Organization (WHO) expressed concerns on behalf of a host of developing nations regarding evergreening and urged India to 'continue to account for the needs of the poorest nations' without adopting 'unnecessary restrictions'.[138]

Geopolitics now extends beyond state actors, and NGOs play a key role in lobbying and creating state policy, consequently affecting the formulation of judicial reasoning.

V. HAVE TRADE RELATIONS CHANGED?

The answer is unequivocally yes.

Developments in *Novartis* represent a more nuanced approach in increasing trade power than, for instance, compulsory licensing. The one-sided aggressiveness of compulsory licensing carries the danger

136 *Id.*
137 *Novartis*¶77.
138 *Id.*¶76.

of retribution;[139] in contrast, adoption of strict standards to promote genuineness over trivialities goes to the heart of IP regimes and cannot readily be cast as malfeasance. Therefore, it can break patent monopolies without any arbitrary considerations – for instance, the Supreme Court did not use public order or Gleevec's price to justify its decision. The strength of *Novartis* lies in assessing the inherent worth of a patent application independent of political or economic factors, applying indiscriminately to all.

Novartis undoubtedly assists India's self-interest. However, given that the wording of section 3(d) is derived from EU law, it would be difficult to say its logic was beyond anyone's contemplation.[140] India may even find implicit affirmation from the USTR encouraging it to adopt policies conducive to innovation *as well as* a 'robust' generics market.[141]

A. NOVARTIS AND DEVELOPING NATIONS

The implications of *Novartis* to the broader IP system can be discerned when we consider how IP norms are created. Leading into

139 *See* DEERE, *Supra n* 16, at 230–1 for a discussion on the geopolitics influencing compulsory licensing policies.

140 Section 3(d)'s Explanation is a direct transposition of Council Directive 2004/27/EC, art. 10(2)(b), 2004 O.J. (L 136) 34, which classifies a 'generic medicinal product' as: a medicinal product which has the same qualitative and quantitative composition in active substances and the same pharmaceutical form as the reference medicinal product, and whose bioequivalence with the reference medicinal product has been demonstrated by appropriate bioavailability studies. *The different salts, esters, ethers, isomers, mixtures of isomers, complexes or derivatives of an active substance shall be considered to be the same active substance, unless they differ significantly in properties with regard to safety and/or efficacy* (emphasis added).

141 U.S.T.R, *Supra n* 14, at 38.

the GATT, the US and EU formulated the basic IP standards that assisted their domestic objectives that were then channeled to a global framework under TRIPS. A clear strategy and strong coordination amongst developed nations was instrumental in this endeavor.

In light of the redistribution of economic power within the past decade, better coordination amongst developing nations and the adoption of the section 3(d)-*Novartis* framework can lead to a transnational 'counter-culture', increasing their combined ability to influence IP regimes – a prospect that is already being asserted.[142] Politically, further adoption of the section 3(d)-*Novartis* interpretation by other developing nations will establish greater legitimacy for its approach.

It must be noted that proliferation of the suggested IP 'counter-culture' is not simply motivated by antipathy towards western demands. Arguments have often focused on the need for variety and diversification to develop IP regimes.[143] Experimentation with technical innovations in legal norms (and *Novartis* can certainly be

142 Kapczynski refers to the strategy as 'counter-harmonization', rewriting the transnational circuit of patent law as opposed to resisting it. Countries may pool their resources, reduce costs, and increase participation in a legal other: *Supra n* 2, at 1639; *see also* John F. Duffy, *Harmony and Diversity in Global Patent Law*, 17 Berkeley Tech. L.J. 685 (2002) discussing the 'positive externalities' sprouting from a non-uniform legal regime that can help advance the needs of the whole system.

143 *See in particular* Duffy, *Supra n* 142, highlighting that the history of patent law demonstrates how individual nations varied their patent law and practice, with other jurisdictions following where the experiment was deemed successful. The process of experimentation and innovation is fundamental to legal development and produces valuable advances to our understanding of its technology: at 691, 709.

considered such an innovation) allows the assessment of their viability and informs other jurisdictions of the possible merits of these norms. The benefits of opposing theories could be far-reaching and therefore difficult to reject. *Novartis* could become a model for developing nations in pursuit of IP regimes more compatible with their needs.

For example, Brazil has a similar desire to break monopolization and harness TRIPS flexibilities to maximize social benefits. From 1971–1996 Brazil did not permit patents on chemical or pharmaceutical processes and products, only implementing them under US pressure during the GATT negotiations as discussed above. Since TRIPS, efforts to combat the country's HIV/AIDS epidemic included a 'local working' requirement that issues compulsory licenses if a patented invention is not manufactured in Brazil within three years.[144] However, Brazil's domestic industry is dominated by MNCs, with foreign firms and their subsidiaries constituting 70 per cent of the market.[145] Generics have a poor market share of 11.6 per cent[146] with companies lacking technological capacity to create their own drugs. Peter Drahos' interviews with personnel from Brazil's National Institute of Industrial Property revealed skepticism in Brazil's

144 Art. 68(1) of Law No 9.279 of May 14, 1996. This provision was challenged by the U.S. in the WTO but this challenge was met with political opposition. It was subsequently 'tempered' via bilateral consultations in a 'mutually agreed solution': *see* GERVAIS, *Supra n* 123, at 360; Anna Bitencourt Emilio, *Tripping Over Trips and the Global HIV Epidemic: Legislation and Political Decisions in Brazil and the United States*, 58 The J. Contemp. Health L. &Pol'y 57, 72 (2011); and Notification of Mutually Agreed Solution, *Brazil – Measures Affecting Patent Protection*, WT/DS199/4 (Jul. 5, 2001).

145 U.S. COMMERCIAL SERVICE, CS BRAZIL COUNTRY GUIDE 26 (2006).

146 YAMANE, *Supra n* 5, at 409.

industry on the likelihood of creating a future based on their own innovation.[147]

Integrating a section 3(d)-*Novartis* framework opens the door for Brazil to develop basic imitation capabilities without shunning TRIPS obligations. The implementation mechanism already exists in domestic law: in 1999, patent approval was made dependent on the consent of the Brazilian National Sanitary Surveillance Agency (ANVISA) that has its own criteria to assess inventive step with the aid of experts, connecting patentability with public health and pharmacological know-how.[148] Through ANVISA, 'significantly enhanced efficacy' can play a direct role in patent evaluation.

In contrast, China embraced IP rights to promote domestic innovation and international engagement. The 'open-door policy' of the 1970s protected patents to enable foreign direct investment and access to imported technologies, thereby promoting industrial growth. The process of joining the WTO meant that China acquiesced to US demands for patent standards and procedures both in international fora and within bilateral negotiations – 20-year patent terms, the patentability of all chemical inventions, the removal of pre-grant opposition and the instigation of product patents.[149] However, China's current economic power and relationship with the US demonstrates a more equal bargaining position. The 2008

147 Drahos, *Supra n* 20, at 255.
148 Article 229-C of the Law 10.196/01.
149 Drahos, *Supra n* 20, at 228.

amendments to its Patent Law hint at a 'sovereign adjustment' in its favor.[150]

China emulates India in its focus on generics, little pharmaceutical R&D, and troubles in unaffordable patented drugs. It has already been suggested that China should limit patents to new chemical entities and disregard new forms of known substances,[151] and *Novartis* could prove favorable to its ambitions. However it must be noted that unlike India, China now has the highest rate of patent filings in the world,[152] and its attitude to patents will be affected by growing domestic capabilities.

B. THE INDIA-EU BROAD-BASED TRADE AND INVESTMENT AGREEMENT ('INDIA-EU FTA')

Despite the above potentialities, reforming IP structures remains subject to political developments. The ongoing negotiations of the India-EU FTA involve TRIPS-plus provisions, and some elements raise concern. For example, talks of including IP rights in investor-state dispute resolution mechanisms, thereby permitting MNCs to demand compensation for interference with the 'enjoyment' of their investments, have direct implications on decisions like *Novartis* and may affect judicial ability to occupy a pro-health position.[153] EU

150 For greater discussion on the topic, *see* Drahos, *Supra n* 20, at 229–31.

151 *See* Jing Chen et al., *TRIPS-plus and Access to Medicines in China*, 34 JOURNAL OF PUBLIC HEALTH POLICY 226, 234 (2013).

152 *See* WORLD INTELLECTUAL PROPERTY ORGANIZATION, WORLD INTELLECTUAL PROPERTY INDICATORS (2013).

153 Letter from Médecins Sans Frontières, to the Prime Minister of India, Re: Access to Medicines and the India-EU FTA 3 (Mar. 14, 2013).

demands include interlocutory injunctions on 'any imminent infringement' of IP rights; seizure of company assets; and the freezing of bank accounts for those suspected (not proven) of infringement.[154] Such measures could discourage companies from challenging patents, stifle distribution networks and harm exports.[155] FTAs are seen as a potent strategy in a 'global [IP] ratchet' to reset minimum standards.[156] The flexibility India has enjoyed could be threatened by the codification of TRIPS-plus, and would extend when considered alongside most-favored-nation treatment.[157]

Whether nations readily accept TRIPS-plus remains to be seen. However, the fact that one of the agreed provisions for the India-EU FTA 'recognize[s] the importance of the Doha Declaration' and the need to protect public health[158] shows the greater recognition of developing interests when compared to the Uruguay Rounds.

154 EU draft article 22 in Negotiating Text of the India-EU Broad-based Trade and Investment Agreement, KNOWLEDGE ECOLOGY INTERNATIONAL, Mar. 28, 2013, *available at* http://keionline.org/node/1691.

155 D.G. Shah quoted in Soma Das, Indian Pharma Sector Fears India-European Union FTA could Imperil Local Industry, ECONOMIC TIMES, Mar. 27, 2013, *available at* <http://articles.economictimes.indiatimes.com/2013-03-27/news/38070575_1_patent-infringement-union-free-trade-agreement-bank-accounts>.

156 Peter Drahos, *Intellectual property and Pharmaceutical Markets: A Nodal Governance Approach*, 77 TEMP. L. REV. 401, 405 (2004).

157 CARLOS M. CORREA, NEGOTIATION OF A FREE TRADE AGREEMENT EUROPEAN UNION-INDIA: WILL INDIA ACCEPT TRIPS-PLUS PROTECTION? (2009) 3; D.G Shah, *Supra n* 155.

158 India-EU FTA art 13.

VI. COOPERATION OVER ADVERSALISM

The relationship between developed and developing nations thus remains adversarial. However, solutions to the conflict between strong IP enforcement and developing country needs could spring from cooperation, founded upon creating mutual benefit. Currently, there is a gap in the literature on how nations may actively collaborate in an evolving geopolitical system, to potentially move IP beyond a zero-sum game. Confronting this impasse, this paper offers three suggestions to open the door towards this possibility: psychological change, a reallocation of resources and promoting foreign direct investment.

A. PSYCHOLOGICAL CHANGE

Industrialized nations have hitherto approached other nations with patriarchal derision, arguing the need to 'educate' countries on the importance of IP rights or hold them accountable for malfeasance.[159] This approach must be discarded. Global experience since the GATT demonstrates that strict IP rules do very little to stimulate innovation

159 *See* Charles S. Levy, *Implementing TRIPS–A Test of Political Will*, 31 Law & Pol'y Int'l Bus. 789, 790-91 (2000), who (despite pointing out the existence of political and economic complications for developing countries) condemns TRIPS flexibilities, believing that this 'attitude' must be addressed directly through strategic litigation. Investigating *why* developing countries will not accept the proposition that IP protections are beneficial is not considered; *see, e.g.,* India on the 'Priority Watch' list in the *Special 301 Report*, *Supra n* 14; *see also* Teresa Stanek Rea, Deputy Director of the US Patent and Trademark Office, testimony to the House Subcommittee on Intellectual Property on 27 June 2012 speaking about 'education efforts' on the ground in Indian patent offices: KEIWashDC, *Teresa Stanek Rea tells Congress USPTO opposes India compulsory license on patented cancer drug*, *available at* <http://www.youtube.com/watch?v=k9_68z6De9E&list=FLbqrokcjthq3pYSvfFGuxBw&index=1>.

other than protect the markets of foreign owners.[160] As India has shown, TRIPS can be used to create legitimate alternatives to western ideals that are difficult to retort in a global reshuffling of trade power. Developed nations must accept their counterparts as more influential in formulating IP regimes than during the Uruguay Rounds, and work *with* them accordingly.

B. REALLOCATION OF RESOURCES

Reallocating resources away from enforcement raises the possibility of improving collaboration between patent offices. Indian examiners remain both poorly resourced[161] and conservative in granting patents.[162] Coordination with US and EU offices allows the transfer of examiner know-how and helps to protect genuine innovations from being struck down. This already exists in passing – India has a memorandum of understanding with both countries. However, the assistance provided is geared more towards sharing patent information to ensure compliance with established standards and aid MNCs, rather than the goal of improving the quality of methods for establishing inventiveness. The USPTO and EPO have been criticized for only seeking to aid developing nations in training patent officers and capacity-building to ensure interpretive methods are harmonized in a technical 'rules-based' manner, increasing the scope

160 Daniel Gervais, *Challenges in Intellectual Property Governance: Providing the Right Incentives in the Quest for Global Innovation*, 4 TRADE LAW AND DEVELOPMENT 385, 388 (2012).

161 Kapczynski, *Supra n* 2, at 1617.

162 Basheer, *Supra n* 8, at 35.

of lesser inventions being patented.[163] However, there is much to gain from reversing the flow of experiential learning. Variations like section 3(d) may allow the USPTO and EPO to modify their own assessment procedures in ways more conducive to their public health policies. The purpose of cases like *Novartis* is not to harm innovation, and greater collaboration between patent offices can only lead to an improvement in the procedures used to protect truly meritorious patent applications.

C. FOREIGN DIRECT INVESTMENT

There must be greater foreign investment to develop R&D capabilities in developing countries. This may seem counter-intuitive: however, generating more value from patented products increases the likelihood for countries like India to prioritize their protection. Domestic industry views on IP rights diversify as economic opportunities emerge[164] whilst growth in R&D helps create actors in favor of strong IP rights[165]. Foreign companies may capitalize on India's strengths in the process, exemplified by the joint venture between MSD and India's Sun Pharma to develop convenient formulations of branded generics.[166]

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163 *See, e.g.,* Peter Drahos' discussion of Wittgenstein's philosophical aphorism ('the limits of my language mean the limits of my world) applying to patent examination, where he argues that a greater understanding of patent language makes examiners see inventiveness differently, when a scientific viewpoint may consider it minor or even trivial: Drahos, *Supra n* 20, at 217.

164 DEERE, *Supra n* 16, at 208.

165 Chaudhari quoted in DEERE, *Supra n* 16, at 209 note 62.

166 PwC, *Supra n* 49, at 21.

Formulating IP regimes need not be a tug of war, and greater collaboration could actually satisfy the desired outcomes of all parties.

VII. CONCLUSION

Thus, it appears that Michel's words continue to resonate in the creation of IP structures within the 21st century. Patent (and hence IP) regimes continue to be defined by political economy, now on a global scale, with geopolitics constantly altering their scope and substance. This paper has sought to explain the impact that India and *Novartis* will have in a post-TRIPS world, creating stepping-stones that could lead to a comprehensive change in the way society perceives the role of IP regimes. Although *Novartis* could be seen as either a victory for developing nations, or a step back for the industrialized in the global struggle for trade power, this should not be its defining legacy. This paper has ended with a resolve to look beyond the tug of war, to the potential that creative thinking and collaboration have in finding common ground where there previously was none.

Such collaborative approaches can already be seen. The WTO, WIPO and the WHO – organizations typically associated with differing objectives – have come together in a study that emphasizes the link between trade, innovation, and access to medicines, believing each to be immaterial without the other.[167]Policy makers and experts

167 WORLD HEALTH ORGANIZATION, WORLD INTELLECTUAL PROPERTY ORGANIZATION AND WORLD TRADE ORGANIZATION, PROMOTING ACCESS TO MEDICAL TECHNOLOGIES AND INNOVATION: INTERSECTIONS BETWEEN PUBLIC HEALTH, INTELLECTUAL PROPERTY AND TRADE 30–35 (2012).

are encouraged to develop such thought processes in the future, the constant re-evaluation of IP regimes being the key to bridging the gaps between developed and developing interests. Persistent analysis of the purpose and application of concepts like patentability may become the platform for true creativity in geopolitics, the goal of which should always be to develop synergies across opposing objectives.

In the ongoing restructure of power, cooperative models have the best chance of creating long-term benefit, and must become our focus for discourse. Only then may there be true advancement on both sides of the geopolitical sphere.

6 IJIPL 48-77 (2013)

CRITICAL APPRAISAL OF THE PROBLEMS IN LICENSING OF PATENTS IN NIGERIA

Dr. Edem E. Udoaka[*]

This work examines the legal problems in licensing of patents in Nigeria, and evaluates the extent of exploitation of patents granted to non-residents. Based on data, statistics and vital information gathered from various agencies concerned with the administration of industrial property in Nigeria, the study shows that non-residents own 90 percent of the patents granted over the years, while the residents own 10 percent. Moreover, less than one percent of Nigerian patents held by foreigners have been voluntarily licensed for exploitation locally, while no compulsory licence has ever been issued due to the stringent conditions in the Nigerian Patents Act and the multilateral treaties to which Nigeria is a party. An authorization for government use equally failed, as the court granted an injunction based on a suit filed by the foreign owner of the patent. The study concludes that Nigeria needs to develop sufficient indigenous technological expertise in order to create sufficient patentable inventions, to justify our participation in the system. This will also enable local entrepreneurs to exploit those inventions that are in the public domain. The current stringent licensing rules and procedures should be revised to reflect the interests of Nigeria and not only those of the industrialized states as it is the case now.

I. INTRODUCTION

The patent system is indispensable as it encourages research and creativity, and enhances a country's technological and economic development. Nigeria, as an active participant in the system, has patent laws and grants patents to residents and non-residents. The

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latter who own 90 percent of these patents,[1] are always unwilling to exploit them locally. They apply the patents simply to prevent reproduction locally, and reserve Nigeria as their export market. The country, on the other hand, makes the grants in the hope of having them exploited locally.[2] This conflict in objectives has generated much dissatisfaction, as the country is loosing from its participation in the system.

Worse still, the WTO Trade Related Aspects of Intellectual Property Rights (TRIPS)Agreement has linked intellectual property with world trade[3] by making it mandatory for all WTO member states[4] to grant patent protection to applicants irrespective of the place of invention, the field of technology, and whether the products are manufactured locally or abroad.[5] It has proffered no solution to the problem of artificial scarcity and high monopolists' prices that patentees usually

1 This is based on data collected by me from the Trademarks, Patents and Designs Registry, showing number of patent applicants filed in Nigeria, and grants made to residents compared with non-residents covering a period of 15 years. See also the WORLD INTELLECTUAL PROPERTY ORGANIZATION, INDUSTRIAL PROPERTY STATISTICS for the years 2001, 2002, and other years in the series, i.e. *IP/STAT/2001/A, IP/STAT/2002/A*, etc., Publication A, WIPO/OMPI, Geneva, July 2003.

2 F. Araba, has advised on this point as follows: *"Since Nigeria does not have a strong indigenous technological innovation base, the intellectual property rights system represents one major means to obtain technology. It is therefore very clear that Nigeria needs to have a liberal policy. … If properly backed by national laws, owners of technology are more receptive to enter joint ventures or to grant license in order to amortize the investments made in the research, which led to the innovations in the first place."* See F. Araba, *Implications Of The Uruguay Round Agreements On Technology Acquisition In Nigeria* 4 MILBQ 57 (1999)

3 The *TRIPS Agreement* is part and parcel of the *WTO Agreement*. It constitutes Annex 1C of the *Marrakech Agreement Establishing the World Trade Organization*, which was concluded on April 15, 1994.

4 The *TRIPS Agreement* binds all member states of the WTO (see article II.2 of the *WTO Agreement).*

5 Article 27 of the *WTO-TRIPS Agreement*, 1994.

cause.[6] Rather, it has decreased access to essential goods[7] like life saving drugs through stringent licensing rules, making it almost impossible to have foreign owned patents licensed and exploited locally.[8]

This article is focused on the problems relating to licensing of patents in Nigeria and reveals the negative impact of the present international patent rights policies on licensing and exploitation of patented products in the country. It examines the provisions of the *Nigerian Patents and Designs Act* relating to licensing of patents, and evaluates the extent of exploitation of patents granted to non-residents. The study also proffers appropriate recommendations for balancing the interests of all parties. Finally, the need to promote research and

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6 These were part of the complaints that were made by the group of developing countries, including Nigeria, to the TRIPS Council concerning their experience with the *TRIPS Agreement*. See *Developing Country Group's* paper titled: "TRIPS AND PUBLIC HEALTH submitted to the TRIPS Council and received on 19th June 2001. It was jointly submitted by the Africa Group, Barbados, Bolivia, Brazil, Dominican Republic, Ecuador, Honduras, India, Indonesia, Jamaica, Pakistan, Paraguay, Philippines, Peru, Sri Lanka, Thailand and Venezuela.

7 See A. O. D. Kolawole, *Patent Rights and Essential Medicines in Developing Countries: Is Access Compromised for Innovation* where it is stated that: *"The TRIPS agreement is expected to encourage new research and development into new product including essential drugs globally. However, there is concern in Low Income Countries (LIC) and Low-Medium Income countries (LMIC) that his agreement may further reduce the people's access to much needed essential drugs."* See A. O. D. Kolawole, *Patent Rights and Essential Medicines in Developing Countries: Is Access Compromised for Innovation* 3JOURNAL OF MEDICINE AND MEDICAL SCIENCE 130- 134, (2012).

8 According to F. Araba, *"Marginalisation – In some circumstances, Nigeria may find itself unable to pay the high cost of acquiring technology or may altogether not have access to some specific technology under the strong protection accorded to IPR under the URA. For such high technology, owners prefer to sell you the end product rather than grant licences to manufacture locally."* F.Araba, *Implications of the Uruguay Round Agreements on Technology Acquisition in Nigeria*,4 MODUS INTERNATIONAL BUSINESS QUARTERLY (1999)

development internally[9], in order to create a viable technological base and be able to cope with the system is emphasized, as the rules presently are too advanced for a technologically disadvantaged state.[10] Only countries that have "*accumulated sufficient indigenous capabilities with extensive science and technology infrastructure to undertake creative imitation*"[11] can benefit from the present patent system through licensing or other forms of technology transfer.

II. THE IMPERATIVE FOR LICENSING OF PATENTS IN NIGERIA

Maintaining a patent system, and through it, becoming connected to the world wide industrial property system is part of the industrialization process. This explains why Nigeria is a signatory to most international conventions on the subject, including the *Paris Convention for the Protection of Industrial Property* (1883), the *Convention Establishing the World Intellectual Property Organization*(WIPO), the *Convention on Biological Diversity (CBD), the World Trade Organization (WTO) Agreement,* which incorporates the *Trade-Related Aspects of*

9 To this end, it has been suggested that: "*There should be increase in research grants given to researchers and institution; this can be raised from both public and private sources."* A. O. D. Kolwole, op. cit. at p. 133.

10 To this end, it has been stated, thus: "In this context, there is the need to establish a comprehensive policy system for the promotion of invention, innovation, creativity, intellectual properties and technological transfer in the educational system." P. B. Abu, and J. E. Oghenekohwo, *Policy Issues in the Management of Inventions*, 39 EUROPEAN UNION OF SCIENTIFIC RESEARCH, 193 – 198(2010).

11 "Technology Transfer and Intellectual Property Rights: The Korean Experience" – by Eswar Prasad, Kenneth Rogoff, Shang-Jin Wei, and M. Ayhan Kose, IMF (International Monetary Fund) March 17, 2002. Cited by NANDAKUMAR KRISHNACHAR, in IMPEDIMENTS TO INTERNATIONAL TRANSFER OF TECHNOLOGY – A DEVELOPING COUNTRY PERSPECTIVE, 6.

Intellectual Property Rights (TRIPS) Agreement, and the *Patent Cooperation Treaty (PCT).*[12] Inventions were patented in Nigeria before it gained independence. Unfortunately, the country has not been able to utilize the system profitably, which is a cause for concern.

Nigeria grants an average of 300 patents year,[13] about 270 (or 90 per cent) of which usually go to residents of other countries,[14] whose main aim is simply to secure the inventions. The country does not benefit from such grants, but merely locks the inventions safely for their owners. It would be ideal to have them exploited locally, to yield mutual benefits to their owners and the country.[15] As a technologically disadvantaged state, licensing of foreign patented inventions is imperative in order to satisfy our needs. At the moment, the country imports all industrial goods, most of which have been patented in the country at one time or the other. Modern, effective

12 Nigeria acceded to the PCT on 8th of February 2005, with her membership commencing from the 8th of May, 2005. See PCT CONTRACTING STATES, *PCT Applicant's Guide*, volume 1, Annex A, of 3rd March 2005.

13 See D. A. Okongwu, "Industrial Property Information and Its Usefulness for R & D Organizations" -Seminar on the *Management of Intellectual Property for Research and Development and the Commercialization of R & D Results - Summary of Registered Patents in Nigeria*, from Patent, Design and Trademarks Registry. Seminar organized by WIPO and NOTAP in Abuja, October 30 – November 1, 2000.

14 See "Summary of Registered Patents in Nigeria," contained in *Id*.. 2000. See also Table 1 of this study. Moreover, it has been stated as follows: *"According to Nwauche, over 90% of the 10,500 patents granted in Nigeria between 1971 and 1989 are foreign. Consequently, Nigerian patent law essentially provides protection mainly for foreigners and imposes liability on Nigerian entrepreneurs who attempt to take advantage of such inventions without the foreign inventor's permission."* F. Shyllon, *Munich*, Velag C. H. Beck, 2003, p. 147.

15 According to Waziri, "An effective intellectual property regime must strike an appropriate balance between the monopoly powers of creators and the interest of the consuming public." K. M. Waziri, *Intellectual Property Piracy and Counterfeiting in Nigeria: the Impending Economic and Social Conundrum* 4 JOURNAL OF POLITICS AND LAW, 199, (2011).

life-saving drugs meant for ailments like tuberculosis and HIV/AIDS are also imported at prohibitive costs in spite of their being patented within. There is the need for the patent holders to cause them to be manufactured locally, failing which they ought to be licensed for manufacture, provided the patent holder is paid his royalty.

Contractual licensing is one option that is allowed in the Nigerian *Patents and Designs Act, 1990*[16] (hereinafter referred to as the "*Patents Act*") and the relevant patent treaties. However as a way of warding off applicants, the patent owners often refuse to grant these at reasonable costs and on fair terms. They always incorporate unfair and onerous terms in the licensing contracts, or seek to grant at extremely prohibitive costs such that the prospective licensees would opt out and give up.

Compulsory licensing which is another option has become extremely difficult to grant due to the stringent conditions stipulated in the *Patents and Designs Act*[17] and the relevant intellectual property treaties.[18] These usually discourage possible licensees from engaging in what they may perceive as potentially problematic transactions.[19]

16 CAP. P.2, LAWS OF THE FEDERATION OF NIGERIA 2004.

17 CAP P.2 Laws of the Federation 2004.

18 An aspect of the problem has been stated thus: *"Patent protection is important and it is not a question of reducing it to zero. What is controversial is the high level of protection.*" E. Alsegard, *Global Pharmaceutical Patents After the Doha Declaration – What lies in the Future*, 1 SCRIPT – ED, 13. (2004)

19 E.g., Correa has stated thus concerning TRIPS Agreement: *"Article 31(g), in particular, imposes a serious burden on the compulsory licensing system, as it opens up the possibility that a compulsory licence be terminated as soon as the circumstances which led to its granting have ceased to exist. If literally applied, this condition would discourage applications for compulsory licenses, since the licensee may be exposed to the revocation of his/her right at any time."* Correa C. M., *Trade-Related Agenda, Development And*

Where exploitation is authorized for the service of government, there are usually some legal problems. In one of the few instances where such power was exercised, an injunction was granted even though the transaction was duly authorized by the Federal Government, and the drugs concerned were required for government service.[20] These problems once constrained the developing countries to complain to the TRIPS Council.[21] Constructive denial of licensing in this manner is curious given the fact that licensing was introduced in 1925, and meant to be applied instead of cancellation of unexploited patents, which some states had resorted to.[22]

Licensing ought to be eased because compulsory licensing was introduced at the third revision conference of the Paris Convention

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Equity Working Paper "Intellectual Property Rights And The Use of Compulsory Licenses: Options For Developing Countries"*,* (1999).

20 This happened in the case of *Rhone Poulence S.A. and May &Baker v. Lodeka Pharmacy Ltd.* (1965) L.L.R. 9.

21 See the "Developing Country Group's Paper" titled: 'TRIPS AND PUBLIC HEALTH', submitted to the TRIPS Council and received on 19th June 2001. It was jointly submitted by the Africa Group, Barbados, Bolivia, Brazil, Dominican Republic, Ecuador, Honduras, India, Indonesia, Jamaica, Pakistan, Paraguay, Philippines, Peru, Sri Lanka, Thailand and Venezuela. It was meant for special discussion on intellectual property and access to medicines at the TRIPS Council meeting June 20, 2001. They argued in it that TRIPS Agreement should enhance, rather than impede access to medicines through licensing, that licensing of patented medicines for production should be permitted, and that the TRIPS Council should clarify this point.

22 "*Historically, non-voluntary licensing arose to ameliorate the patentee's risks of forfeiture that derived from numerous restrictions on the use of patented inventions in early domestic and international laws. The first major improvement of the patentee's status in this regard was the abolition of forfeiture for merely importing patented articles into countries that practised this restriction.*" Reichman, J. R. and Hasenzahl, C., *Non-Voluntary Licensing of Patented Inventions*, Historical Perspective, Legal Framework under Trips, and an Overview of the Practice In Canada and U.S.A., Intellectual Property Rights and Sustainable Development *, ICTSD and UNCTAD issue paper No. 5*., June 2003 p. 1.

held at The Hague in 1925, as an alternative to compulsory working requirement of patents by their owners. It was felt that abolition of compulsory working would transform the patent into a trade monopoly, and jeopardize the industrial development of the less developed countries.[23] Compulsory licensing was introduced,[24] though it was felt that it would not be sufficient remedy for the developing countries because of the difficulty of finding interested licensees locally. Revocation of patents that were not worked locally was provided for in cases where the grant of compulsory licences could not stop the abuse.[25] Causing licensing to be practically impossible in spite of its permission in the law amounts to shifting all the benefits of the system to patent holders, and allowing all the disadvantages to flow to the patenting state.

Nigeria, like other developing countries, will continue to demand for modern industrial products and life-saving drugs, given its

23 Anderfelt U., *op cit.,* at p. 79.

24 According to Ladas, the result of the adoption of article 5 of the *Paris Convention* in 1925 "*was to stimulate the adoption of a compulsory license system in the patent law of most countries which therefore had no such provision.*" Ladas, S. P., *Patents, Trademarks and Related Rights – National and International Protection,* 516 (1975), cited in Reichman, J. R. and Hasenzahl, C., *Non-Voluntary Licensing of Patented Inventions*, Historical Perspective, Legal Framework under TRIPS, and an Overview of the Practice In Canada and U.S.A., *Intellectual Property Rights and Sustainable Development*, *ICTSD and UNCTAD* I*ssue Paper No. 5*., June 2003.

25 The agreed text of the 1925 revision conference therefore stood as follows:- (1) *"The importation by the patentee into a country where the patent has been granted of Articles manufactured in any of the countries of the* Union *shall not entail forfeiture of the patent. (2) "Nevertheless, each contracting country shall have the right to take the necessary legislative measures to prevent the abuses which might result from the exclusive rights conferred by the patent, for example, failure to work. (3) "These measures shall not provide for forfeiture of the patent unless the grant of a compulsory licence is insufficient to prevent such abuses. (4) "In any case, the patent may not be subjected to such measures before the expiration of at least three years from the date of the grant, if the patentee proves the existence of legitimate excuses*."

insufficient industrial capability to invent and manufacture them locally. Even the industrialized countries often acquire some technological goods from other sources. A situation where most of these inventions are patented locally under conditions which they cannot be exploited in the country is incompatible with good business practice.

III. REFUSAL TO EXPLOIT PATENTS IN NIGERIA

The need for licensing arises because of the failure of most patent holders to exploit them locally. They also usually refuse to license out on reasonable conditions. A study[26] conducted sometime ago has established that patents granted by the developing countries formed about six per cent of the world patent stock, while the developed countries granted the other 94 per cent. It stated further that of the six per cent granted in the developing countries, 84 per cent of these were owned by foreigners, while nationals held only 16 per cent. The report further stated that of the total patents held by foreigners in developing countries; only 5 to 10 per cent were used in production, while 90 to 95 per cent were not being exploited locally. Nigeria was not included in the study.

The danger of failing to exploit patents locally was demonstrated in South Africa, following the passing of the *Medicines and Related Substances Control Amendment Act.*[27] With about 3.2 million

26 UNCTAD/UNDESA/WIPO, THE ROLE OF THE PATENT SYSTEM IN THE TRANSFER OF TECHNOLOGY TO DEVELOPING COUNTRIES, (1975).

27 *Medicines and Related Substances Control Amendment* Act No. 19 of 1997.

HIV/AIDS patients, and patented anti-retroviral drugs selling at very exorbitant prices, the government was constrained to take legislative measures to ensure the availability of low-priced generic drugs. The Pharmaceutical Union and its 39 member subsidiaries of foreign pharmaceutical companies sued[28] the government, and were supported by their home governments, which also pressurized the South African Government to drop the legislation.[29] The plaintiffs withdrew the suit in 2001 due to intensive campaign by Non-Governmental Organizations in and outside South Africa, which exposed the public health hazards of the industry action.[30] The bill was eventually passed, but its implementation was suspended due to these intimidations.[31] This has frustrated the control of the HIV/AIDS epidemic in South Africa.[32] Many countries are afraid to utilize the provisions in their patent statutes permitting licensing during national emergencies, as this could invite unpleasant outcome.

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28 Case No,. 4183/990: *Pharmaceutical Manufacturers Association of South Africa etc. v. Nelson Mandela, President of South Africa.*

29 C. M. Correa, *Trade-Related Agenda, Development and Equity*, *Working paper No. 5*: "Intellectual Property Rights and the Use of Compulsory Licences: Options for Developing Countries," Centre for Advanced Studies, University of Buenos Aires, South Centre, Argentina, October 1999.

30 F. M. Abbot, *WTO TRIPS Agreement and Its Implications for Access To Medicine in Developing Countries*, Commission on Intellectual Property Rights Study Paper No. 2 52. (2002)

31 According to Kolawole, A. O. D., "*In reality, many countries are reluctant to use these (*compulsory licences*) due to fear of sanctions and litigations from drug companies and their home governments, as well as lack o technological ability."* A. B. D. Kolawole, *Patent Rights and Essential Medicines in Developing Countries: is Access Compromised for Innovation in Nigeria,* 3 JOURNAL OF MEDICINE AND MEDICAL SCIENCES, 131, (2012).

32 *Id.* at p. 54.

In Nigeria, the *Patents and Designs Act, 1990* does not hinge the validity of patents on manufacture of the products locally,[33] which makes it difficult to cancel or challenge the validity of any patent that is not used in production in the country. This was stressed in the Nigerian case of *Agbonrofo v. Grain Haulage & Transport Limited.*[34] In that case, the plaintiff who patented his invention in Nigeria in 1990 discovered in 1994 that the defendant company had carried out mass production and marketing of the product in Nigeria. In their defence, the latter stated that the plaintiff did not show any evidence of establishing a factory or manufacturing the product, or even selling it in Nigeria. Deciding in favour of the plaintiff, the court held that the *Patents and Designs Act* did not hinge the validity of a patent on establishment of a factory or manufacturing or marketing of the product in Nigeria.[35]

The concern that Nigerian patents held by foreigners are not applied in production locally has been raised by a number of experts in Nigerian. One of these is Nnadi who observed that: "*as can be confirmed by official statistics, the number of recorded inventions and research*

33 It has been stated that *"Governments and the public agencies in developing countries and LDCs responsible forproviding essential health care, are only buyers of medicines, not producers*." F. Araba, CLDP Workshop on the Reform in the Legislation and Adjudication of Nigeria's Intellectual Property on "Patent Paw Reforms: Treaty Obligations, Public Health and Promoting Inventiveness", Sept. 27-28, 2006, p. 18.

34 FHCL 236.

35 It stated thus: "*There is no provision under the Patents and Designs Act which makes it a condition precedent that for a patentee under the Act to succeed in an action for the infringement of his patent, he must show that he has a factory or machine and other means of production or that his patented product must have been sold and circulating in the market. Conversely, ownership of a factory and other means of production coupled with the ability to register a business and market a product cannot form the basis for infringing another person's patent or form the fulcrum upon which to base any defence to an action for infringement."* See FHCL 236.

results that eventually find their way into the market place as commercialisable ready–to–use products may on the average, each year in Nigeria, be far less than ten".[36]

Another commentator, Sani has stated the problem this way:[37] "*it is noteworthy to say here that about 95 per cent of the articles enjoying patents in Nigeria are foreign or articles to which the rule of priority applies under section 3(4) of the Act …It is the writer's opinion that any foreign article to be patented in Nigeria should be accompanied with document stating that such article shall be manufactured or worked in Nigeria and this should be enforced strictly."* This suggestion echoes the general feelings of Nigerians,[38] but it is impracticable as it is contrary to the provisions of the international patent treaties.[39] If that were practicable, many developing countries could have done so by now. Such a step would violate article 27(1) of the *TRIPS Agreement*, which states that: "… *patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field*

36 I. Nnadi, "Commercialization of Inventions and Research Results: Marketing and Business Planning"; Seminar on the Management of Intellectual Property For Research and Development (R & D) and the Commercialization of R & D Results, Organized by WIPO and NOTAP, Abuja, October 30 – November 1, 2000, p. 1.

37 A. B. Sani, *An Appraisal of the Nigerian Patent Law*, FINANCE AND INVESTMENT LAW (2003)

38 It has even been suggested that from another source, as follows: "*The need for a comprehensive IP policy cannot be over-emphasized. A National IP Policy will set out the framework for consistency and harmonisation between the creation, exploitation and management of IP on the one hand, and Nigeria's Development Agenda on the other hand.*" Emmanuel Okwuke, Senior IT Correspondent, Daily Independent, Posted on Tuesday, May 1st, 2012.

39 It has been stated, for instance, that "Article 27 of TRIPS and Article 5A(4) of the Paris Convention as incorporated therein, appear to allow foreign patentees to import their patented products without having to transfer related technology." Gail E. Evans, *Strategic Patent Licensing for Public Research Organisations: Deploying Restrictions and Reservation Clauses to Promote Medical R&D in Developing Countries* 34 AMERICAN JOURNAL OF LAW & MEDICINE 181 (2008)

of technology, and whether products are imported or locally produced." The only permissible option is licensing of such patents for exploitation locally, for which there are provisions in both the *Nigerian Patents and Designs Act, 1990* and the international conventions on the subject. The constraint, however, is that the conditions stipulated in these laws are simply unrealizable, as can be seen next below.

IV. CONTRACTUAL LICENCES IN NIGERIA

The *Patents and Designs Act, 1990* provides for grant of voluntary contractual licences by the patentees to interested persons[40] to exploit the patents on mutually agreed terms.[41] When granted it enables the licensee, in the absence of anything in the licence, to exercise in Nigeria all such rights as are reserved for the patentee by the Act. A contractual licence must be registered with the Patents' Registry, and the prescribed fee paid, otherwise it would have no effect against third parties. The registration may be cancelled if the licensing contract has been terminated.[42] In the absence of express authority in the licensing contract, the licensee is not permitted to grant further licences or assign the licence, but the licensor may grant more licences or personally exploit the invention.[43] Where a licensee is permitted to grant further licences, the obligations under the Act

40 "Patents provide a means of licensing technology at all levels" Salazar, S., *op. cit.*, 85
41 Section 23(1) and (2) of the *Patents Act.*
42 Section 23(3) of the *Patents Act.*
43 Section 23(4) of the *Patents Act.*

must apply to such cases as they apply to those granted by the licensor.[44]

The Act disallows, and declares as null and void, any obnoxious or restrictive conditions on the licence if such conditions do not derive naturally from the rights conferred by the relevant patent or design, or are unnecessary for safeguarding those rights[45] Incidentally, it permits some unfair conditions that could make the licences unprofitable to the licensees, some of which may be modified by the National Office for Technology Acquisition and Promotion. These clauses[46] must be partly responsible for the paucity of contractual licensing of patents in Nigeria. It rightly allows *limitations justified by the interest of the licensor in the technically efficient exploitation of the subject of the patent.* Limitations relating to scope, extent, territory, duration, quality, and quantity, which are permitted under the *Patents Act* could be problematic depending on the circumstances of each case. In some cases, it could cause avoidable scarcity and price increases beyond the

44 Section 23(5) of the *Patents Act.*

45 Section 23(3) of the *Patents Act.*

46 *"(3)Any clause in a contract for a licence under subsection 1 is null and void in so far as it imposes on the licensee in the industrial or commercial field restrictions which do not derive from the rights conferred by the relevant patent or design or are necessary for the safeguarding of those rights: Provided that: limitations concerning the scope, extent, territory or duration of the exploitation of the patent or design or the quality or quantity of the products in connection with which the patent or design may be exploited; (a) obligations imposed on the licensee to abstain from all acts capable of prejudicing the validity of the patent or the validity of the design; and (b) in the case of patents, limitations justified by the interest of the licensor in the technically efficient exploitation of the subject of the patent, are not restrictions of the kind mentioned in this subsection."* See Section 23(3) of the Patents Act

ability of most people. Unlike the Patents Act, Section 6(2)(j) of the *National Office for Technology Acquisition and Promotion Act*[47] disallows the registration of any contract or agreement "*where the volume of production is limited for sale and where resale prices are, in contravention of the Price Control Act or any other enactment relating to prices, imposed for domestic consumption or for exportation*". Restrictions in quantity could make licensing contracts to be unattractive, as it tends to lower the volume of production and profits. Permitting these limitations in Nigeria would naturally discourage prospective licensees.

Territorial limitations which are permitted by the Act usually prevent export of the licensed products to other countries, and earning of enough profits to make up for the royalties, particularly when the Nigerian currency is so low in value. Section 6(2) of the *National Office for Technology Acquisition and Promotion Act* directs the Director-General to refuse registration of any contract or agreement:

> *Where it is provided that the exportation of the transferee's products or services is prohibited or unreasonably restricted or where there is an obligation on such transferee to sell the products manufactured by it exclusively to the supplier of the technology concerned or any other person or source designated by the transferor.*

These provisions in the two Acts are contradictory, and ought to be harmonized.

47 CAP. N.62, LFN 2004.

Section 23(3)(a) of the Act also permits restrictive clauses pertaining to durations in patent licensing contracts without qualifying the types. Some licensing contracts have been known to impose obligations on licensees to continue the payment of royalties long after the expiration of the patent. Some know-how licensing contracts have stipulated endless obligations to pay royalties, even after the know-how concerned has entered the public domain. The licensee could only continue to pay royalty in such a case if it entered the public domain through his fault. The National Office for *Technology Acquisition and Promotion Act* does not permit unnecessary continuation of technology licensing contracts. It directs that registration should be denied in cases:

> *Where a transferor is required to use permanently or for an unconscionable period personnel designated by the supplier of the technology*[48] … *Where the contract or agreement is expressed to exceed a period of ten years or other unreasonable term where this is less than ten years.*[49]

The provisions in the two Acts ought to be harmonized with regard to duration, to disallow the payment of royalty after the period of protection has expired, unless the payment is for the associated technical knowhow which.

Section 23(3) of Patents Act permits licensors to impose obligations relating to quality of the product, without specifying the types.

48 Section 6(2)(i) of the *NOTAP Act.*
49 Section 6(2)(l) of the *NOTAP Act.*

Vesting of such power in the licensor in the guise of quality control could make the quality unsuitable or unaffordable, thus reducing both the quantity demanded and the profits. Quality is very important for the licensor to be involved in determining, but he should involve the licensee who is more familiar with the domestic market and environment. The *National Office for Technology Acquisition and Promotion Act* disallows registration of licensing contracts: "w*here the transferor by means of quality controls or prescription of standards, seeks to impose unnecessary and onerous obligations on the transferees."*[50] The Patents Act by stating this exemption could permit unnecessary interferences by licensors without the prior consent of licensees.

V. COMPULSORY LICENCES UNDER THE PATENTS ACT

The grant of compulsory licence[51] is also covered by the Act,[52] but the conditions are too stringent and almost impossible to fulfill. The Act permits the grant of compulsory licence to any applicant after the expiration of four years from the filing of a patent application or

50 Section 6(2)(o) of the *NOTAP Act.*

51 "*A compulsory licence is a special situation where permission to exploit an invention I given without the patent holder's permission. The purpose is to provide a safeguard against lack o use of a patent or misuse of the patent holder's monopoly rights*." Kommers kollegium 2008:2, "*The WTO Decision on Compulsory Licensing*" – p. 7.

52 Section 23(1) of the Patents and Designs Act States that: *"Subject to this section – (a) a patentee or design owner may by a written contract signed by the parties grant a licence to any person to exploit the relevant invention or design; and (b) in the absence of any provision to the contrary in the contract, the licensee shall be entitled to do anywhere in Nigeria in relation to the patent or design any of the acts mentioned in section 6 or 9 of this Act, as the case may be."*

three years from the grant of the patent.[53] This provision complies with article 5(4) of the Paris Convention[54] but it should be stated that where the patentee is not preparing to manufacture locally, and the product concerned is required for national emergency, or is a life-saving drugfor combating an epidemic, that length of time is unjustifiable. As long as the patentee is assured of his royalty, there is no need to delay the process in such cases.

The second problem with compulsory licensing is that it must be obtained through the court instead of the Registrar of Patents or a higher distinct national authority. The involvement of the court at this early stage could mar the relationship and cause the patent holder to refuse to cooperate and disclose the necessary know-how for the exploitation of the patent after the court would have granted the license.

Another likely source of difficulty is the provision which states that a compulsory licence may be transferred only with the industrial undertaking in which the relevant invention is used,[55] and that no such transfer shall be valid until the consent of the court has been obtained.[56] Subjecting such transfers to the approval of the court, to be effected together with the industrial undertaking exploiting the

53 Part 1 of schedule 1 to the *Patents Act*.

54 Article 5(4) of the Paris Convention for the Protection of Industrial Property states that: "*A compulsory license may not be applied for on the ground of failure to work or insufficient working before the expiration of a period of four years from the date of filing of the patent application or three years from the date of the grant of the patent, whichever period expires last; it shall be refused if the patentee justifies his inaction by legitimate reason*."

55 This aspect is, however, in compliance with article 5(4) of the Paris Convention.

56 Paragraph 7 of schedule 1 to the *Patents Act*.

license can only scare possible licensees. It prevents a licensee from assigning the licence and recovering his fee for it while continuing on the other lines of production in case of his inability to utilise the license successfully or profitably.[57]

The worst of all is paragraph 9 of schedule 1, which states that on the application of the patentee, the court may cancel a compulsory licence if the licensee fails to comply with the terms of the licence, or the conditions which justified the grant of the licence have ceased to exist. In the latter case, a reasonable time would be given to the licensee to cease working the invention if an immediate cessation would cause him to suffer substantial damage. With this particular condition, nobody would ever seek for a compulsory licence. Cancellation of a licence if the conditions that justified the grant have ceased to exist is too harsh. It is inappropriate because of the licensee's investment in establishing the manufacturing facilities. Such a cancellation would cause him irreparable loss, and as far as this condition exists, no person would apply for a compulsory licence. It is not surprising that entrepreneurs have simply refrained from seeking for compulsory licences to exploit inventions in Nigeria.

57 These provisions are hard, but are all in line with TRIPS Agreement, which has made compulsory licensing to be extremely difficult, and almost impossible. Evans has observed thus: "In this respect, TRIPS has rendered the position more uncertain for developing countries that are attempting to effect technology transfer. Whereas the Paris Convention expressly authorises, on certain conditions, compulsory licensing for the failure to work patents locally, TRIPS does not contain such a clear and express authorization." Gail E. Evans, *Strategic Patent Licensing for Public Research Organisations: Deploying Restrictions and Reservation Clauses to Promote Medical R&D in Developing Countries* , 34 AMERICAN JOURNAL OF LAW & MEDICINE 181(2008)

Moreover, the application for a compulsory licence can only be made based on at least one of the following grounds: (a) that the invention has not been worked in Nigeria; (b) that the existing degree of its working in Nigeria does not meet the demands on reasonable terms; (c) that its working in Nigeria is being hindered or prevented by the importation of the patented product; and (d) that the patentee has refused to grant contractual licences on reasonable terms, and that this default has unfairly and substantially prejudiced the establishment of industrial or commercial activities in Nigeria.[58] Going to the court to prove these before obtaining a license would make the issue to be contentious, a problem which licensees, as reasonable businessmen, would naturally like to avoid.

The cumulative result of these provisions is that no applications or grants of compulsory licences have been made over the years. No entrepreneur would deliberately get involved in a problematic transaction, which is what the above provisions on compulsory licensing of patents portend. These conditions have made potential licensees to refrain from applying for compulsory licences, even when circumstances have warranted their grants,[59] as can be seen in the table below.

58 Paragraph 1 of part 1 to the first schedule to the *Patents Act*.

59 Refusal to apply for compulsory licenses is also the case with other developing countries. For instance, "More than four years after WTO members unanimously adopted the Doha Declaration on TRIPS and public Health, relatively few developing countries have been able or willing to actually implement its provisions. It was not until July 2007 that Rwanda became the first country to notify the WTO that it intended to import generic versions of the HIV/AIDS drug TriAvir, which is manufactured in Canada." Gail E.

VI. SUMMARY OF PATENT LICENSING CONTRACTS IN NIGERIA

The table below indicates the patent applications filed in Nigeria, the grants made to residents and non-residents, and licences issued (if any) during the eleven years: 1996 – 2006.

PATENT APPLICATIONS, GRANTS AND LICENCES IN NIGERIA FOR THE PERIOD 1996 - 2006

YEAR	PATENT APPLICATIONS FILED BY:			PATENT GRANTS MADE TO:			LICENCES	
	Residents (Non-Conventional)	Non-residents (Conventional)	Total	Residents (Non-conventional)	Non-residents (Conventional)	Total	Contractual	Compulsory
1996	62	242	304	48	248	296	1	--
1997	31	358	389	12	143	155	--	--
1998	42	408	450	28	355	383	--	--
1999	34	400	434	18	366	384	--	--
2000	56	466	522	13	252	265	--	--
2001	36	474	510	20	264	284	--	--
2002	45	457	502	**	**	**	--	--
2003	55	450	505	**	**	**	--	--
2004	77	424	501	66	260	326	1	--
2005	87	291	378	24	264	288	--	--
2006	95	255	350	68	277	345	--	--

SOURCE: Data on the first seven columns above, covering patent grants from 1996 – 2006 shown above were compiled for me for the purpose of this study at the Patents Registry in August 2007.

Evans, *Strategic Patent Licensing for Public Research Organisations: Deploying Restrictions and Reservation Clauses to Promote Medical R&D in Developing Countries* 34 American Journal of Law & Medicine 183-184(2008)

Information licensing indicated on the last two columns of the table was obtained from the National Office for Technology Acquisition and Promotion (NOTAP) in August 2007 for the purpose of this research.

NOTE: Although the schedule officers at the Patent Registry took great care in compiling information on the first seven columns above, it should be qualified as an approximation, due to the non-computerization of the process, and the laborious search for the information in different registers, which took two days. Also, the numbers of grants were taken as at the date of approval and sealing of the patent certificates, although a few of the applicants or their attorneys never turned up to collect the patent certificates.

The table above is based on data officially gathered by me from the Patents and Designs Registry, as well as the National Office for Technology Acquisition and Promotion in Abuja, in the course of the research. It covers a period of eleven years: 1996 – 2006. While the first column indicates the years, the second and third columns show the number of patent applications made by residents and non-residents, respectively. Columns five and six indicate the number of patents granted to residents and non-residents, respectively. From the above table it can be seen that Nigerian residents (which includes foreign owned companies operating in Nigeria) owned approximately ten percent of the patents granted over the above period, while non residents, who are nationals of the industrialized countries owned about 90 per cent of the grants. The staff assigned to compile the

data for me could not find the record that contained grants for years 2002 and 2003 (indicated with asterisks) although the number of applications made are indicated.

Most importantly, the table clearly shows in column nine that no compulsory license was issued throughout the period, and on enquiry, it was confirmed that none had been issued in the past years. According to the Director of Technology Acquisition, Documentation and Information (TADI) at NOTAP, there were no grants of compulsory licences, as all technology transfer contracts involving patents were based on voluntary or contractual licences.[60] It was equally stated at the Registry of Trademarks, Patents and Designs that assignments of Nigerian patents by non-residents were usually made to foreigners, and the information communicated to the Patent Registry for registration as required by the Act.[61]

Column eight shows that over the whole period of eleven years, only two contractual licences were issued: one in 1996 and the other in 2004, in spite of the huge number of patents granted to non-residents over the years. This is less than 0.2 percent. As stated by the Director-General of the National Office for Technology Acquisition and Promotion concerning the Nigerian experience in technology transfer through licensing, "*patents rarely featured, except for*

60 Based on my discussion on 29th of August, 2007, with the Director of TADI, National office for Technology Acquisition and Promotion in Abuja.

61 Based on my discussion with the officer in the Patent Unit of the Trademarks, Patents and Designs Registry, Federal Ministry of Commerce and Industry, Abuja, on August 30, 2007.

pharmaceuticals."[62] With the commencement of the TRIPS Agreement with all its stringent licensing conditions, patentees no longer bothered to grant licences for the exploitation of their patents, since these still enjoy protection under article 27 of the TRIPS Agreement even if exploited abroad and imported and sold in the country.

The Nigerian licensees during the period consisted mostly of industries and companies that have signed licensing agreements with foreign technology licensors to utilize one or more of their industrial property rights.[63] Patent licensing agreements were less common than those for trademarks or know-how, because the majority of the industries and enterprises in Nigeria used mostly patents in the public domain and required only technical services and technical assistance, through know-how contracts[64] to facilitate their exploitation. According to the Director of Technology Acquisition, Documentation and Information, the most frequent types of technology transfer arrangements in Nigeria were technical service agreements, management agreements, and a combination of know-how contracts and trademark agreements, which accounted for over 81% of all technology transfer agreements.[65]

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62 D. A. Okongwu, *Technology Transfer Through Licensing: The Experience of Nigeria*, WIPO-NOTAP National Workshop on Licensing of Intellectual Property Asset, Abuja, March 29 and 30, 2004.

63 F. Araba , Director, Technology Acquisition, Documentation and Information, at the National Office for Technology Acquisition and Promotion, in *Transfer of Technology Through Licensing and Franchising: Issues In The Negotiation of These Agreements*, 5 MODUS INTERNATIONAL LAW AND BUSINESS QUARTERLY, 64 *[2000]*

64 *Id.*. at p. 64

65 *Id.*., at p. 64.

VII. USE OF PATENTS FOR SERVICE OF GOVERNMENT AGENCIES

The use of patents for service of government is allowed in section 15 of the Act, which states that where a Minister is satisfied that it is in the public interest to do so, he may authorize any person to work or vend any patented article or invention for the service of a government agency. The authority may be given before or after the patent has been granted, and before or after the working or vending of the patented article.[66] The government, any person authorized by it, any supplier of the government, and agent of such supplier are all exempted from liability for infringement or payment of royalty.[67] But the Ministry concerned may inform the rights holder of the extent of the exploitation, except if it is not in the public interest to do so.[68]

During any period of emergency, these shall include the power to purchase, make, use, exercise and vend the article or invention for any purpose considered by the Minister as expedient for efficient prosecution of any war in which the FederalRepublic may be engaged, or for the maintenance of supplies and services essential to the life of the community. Other grounds include securing supplies and services essential to the well being of the community, promoting the productivity of industry, commerce and agriculture, fostering and directing exports and reducing imports, redressing the balance of trade, and ensuring that the whole resources of the community are

66 Paragraph 16, Part II of the *The Patents and Designs Act, 1990*.
67 Paragraph 17, Part II of the *Patents Act*.
68 Paragraph 18, Part II of the *Patents Act*.

made available and used in a manner that is best calculated to serve its interests.[69] These protections are extended to government agencies and persons acting on their behalf.[70] Products covered include drugs, pharmaceutical preparations and substances of materials, plants, machinery or apparatus.[71]

'Government' for whose agency the patent might be used include the Federal government, the governor of any state of the Federation, and any Federal or state ministry or department of government. Also included are voluntary agency hospitals that are wholly or partly maintained by the Federation or a State, a local authority exercising limited governmental powers in a defined area within a state, a statutory corporation or body corporate established by law and whose functions the government or a Minister is empowered to give directions, and any company that is owned or controlled by the government.[72]

These provisions are necessary for the purpose of controlling health crises and preventing avoidable deaths, whenever necessary. In *Wellcome Foundation Limited v. Lodeka Pharmacy Limited &Anor,*[73] the defendants were directed by the Federal Commissioner for Health to supply some drugs, including "alcopar" which was protected by the plaintiff's patent to the Federal Government. The defendants stated that they were covered by the exemption as contained in the letter to

69 Paragraph 20, Part II of the *Patents Act*.
70 Paragraph 21, Part II of the *Patents Act*.
71 Paragraph 23, Part II of the *Patents Act*.
72 Paragraph 23, Part II of the *Patents Act*.
73 (1971) ANLR 536.

them by the Federal Commissioner for Health. The *Patents Rights (Limitations) Decree* of 1968 did not contain any provision for such exemption, even though it contained a provision authorizing the Minister to purchase, use or sell such patented articles for the service of a government agency. The court, however, gave judgment in favor of the defendant, stating that even though the Minister gave a letter of exemption rather than an authority, it would not hold it to be void, as doing so would work great hardship on the defendants.

However, in *Rhone Poulence S.A. and May & Baker Limited v. Lodeka Pharmacy Limited,*[74] the defence of use of patent for government service was not successful, and an injunction was granted notwithstanding that the transaction was duly authorized by the federal government, and the drugs concerned were required for government service.[75] In that case, Ikpeazu J. stated that the provision exempting from liability for use of patents for government service was not applicable in Nigeria, since the *U.K. Patents Act of 1949* in which it was contained did not apply in totality in Nigeria. His Lordship stated that the Nigerian Government ought to have provided specifically for that in its local laws. He therefore granted the required injunction restraining the defendants from embarking on further importation and supply of the drugs to the Federal Ministry of Health.

74 (1965) LLR.9

75 *Rhone Poulence S.A. and May & Baker v. Lodeka Pharmacy Limited (1965) L.L.R. 9.*

VIII. CONCLUSION

A comparison of the number of patents granted to non-residents from 1996 to 2006 with the contractual licenses granted by them shows that less than 0.2 per cent of were licensed by their owners for exploitation locally. Out of an average of about 270 patents granted to non-residents annually for eleven years, only a total of 2 were licensed for working locally between 1996 and 2006. The others simply manufactured abroad and applied the patents as import monopolies.

No compulsory licence has been granted in Nigeria over the years, in spite of abuses of the monopoly rights like incorporation of onerous conditions in contractual licensing contracts. Assignments of patent rights were done mostly between non-residents outside Nigeria, who merely informed the Patents Registry to rectify their records. *The Patents and Designs Act, 1990* compounds the problem of licensing of patents through provisions that discourage prospective licensees. For instance, Section 23 of the Act permits unnecessary restrictions which naturally caused the licensors to incorporate onerous conditions in licensing contracts. Concerning compulsory licensing, one of the provisions states that *on the application of the patentee, the court may cancel a compulsory licence if the licensee fails to fulfill the terms of the licence, or if the conditions that justified the grant have ceased to exist.*[76] As far as this possibility exists in the Act, no one is likely to apply for a compulsory

76 Paragraph 9, part 1 of the First Schedule to the *Patents and Designs Act CAP P.21*, LFN 2004.

licence, to avoid suffering irreparable financial loss in the event of abrupt cancellation.

It is recommended that section 23 of the Patents Act should be amended to disallow onerous conditions in licensing agreements, in line with Article 40 of the *TRIPS Agreement*, which authorizes states to adopt "appropriate measures" to prevent or control such practices, such as "*exclusive grantback conditions, conditions preventing challenges to validity and coercive package licensing.*" Importantly, the provision which permits the court, on application by the patentee to cancel a compulsory licence if the conditions that justified the grant have ceased to exist, should be modified appropriately, to encourage applications for compulsory licences.

Also, the Act should also provide for 'Bolar' exception (i.e. early working exception) to enable generic producers to experiment on production of patented medicines, test them, and obtain governmental approvals, so as to produce and market them as soon as the patent expires. The legality of this was confirmed in 2000 in a WTO dispute case brought against Canada by the EU.[77] Also, a Monopolies and Price Control Commission should be established to ensure that patented products are not sold at prohibitive prices.[78] The

77 See "Canada – Patent Protection of Pharmaceutical Products", WTO document No. WT/DS114/R cited in CIPR report.

78 Control of prices of patented products is essential. According to Abbott, "… principal mechanism for assuring affordability of medicines is price controls. Such controls are favoured by many OECD countries, including the EU, Canada and (through reimbursement controls) Australia. Price Controls have their principal price-reducing effect on originator/patented products for which competition may be limited in the relevant therapeutic class." Frederick M.

Patents Act should include specific provisions for use of compulsory licences on patents for medicine, in the public interest, in order to take full benefit of the *Doha Declaration* on *TRIPS and Public Health*, and to promote local research in respect of medicines for pandemic diseases.

Finally, Nigeria needs to develop sufficient indigenous technological expertise in order to create sufficient patentable inventions, to justify participation in the system. This will also enable local entrepreneurs to exploit those inventions that are in the public domain without the need for know-how licensing contacts as it is the case now.

Abbott – *Innovation and Technology Transfer to Address Climate Change: Lessons from the Global Debate on Intellectual Property and Public Health*, Issue Paper No. 4, ICTSD Programme on Intellectual Property Rights and Sustainable Development – June 2009.

6 IJIPL 78-111 (2013)

COPYRIGHT LAW AND PARALLEL IMPORTATION IN TEXTBOOKS

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This work seeks to examine parallel imports and copyright with a special focus on textbooks. In the first section, we develop the law and economics background of textbook publishing and differentiate it from the general literature of copyrights. We then analyse the justifications for national exhaustion from the perspective of both the originating market and the destination market and demonstrate how the national exhaustion doctrine only helps to further the profit maximising ideal of the firms without affecting the incentives to express ideas. In the second part of the paper, we show the rising trends in common law countries to give effect to international exhaustion and we argue that it makes no sense for developing countries like India to protect price discrimination, as well as highlight the need for harmonisation of trade and copyright laws in light of our theoretical findings. We also examine the judicial trends in the India with respect to parallel imports and copyright. In the concluding section, we summarise the theoretical findings that have been examined in this paper and call for further research on possible models of harmonisation.

I. INTRODUCTION

Parallel imports, otherwise known as grey market goods, are the import of products into another market or country without the consent of the owner of the intellectual property of such good. Parallel imports involve cross-border trade in a product without the permission of the manufacturer or right holder in the importing country.[1] In other words, the term "parallel importation" refers to

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1 Singh & Associates, *Preventing Parallel Import*, NO. 181 MANAGING INTELL. PROP. 94, 94 (2008).

goods produced and sold legally, and subsequently imported.[2]The basic underlying principle on which parallel imports are allowed in certain jurisdictions is that since the rights holder has already gained some reward or benefit from the product's first sale, he or she has no further right to control the use and resale of goods put on the market.[3] In other words, he or she has *exhausted* the right to control the further distribution and sale of the product.

A copyright holder, by virtue of his holding of the copyright, among other rights, is allowed to publish, sell and distribute his work freely in copyright regimes. A relevant question at this juncture is how far this right to control sale and distribution subsist. Common law dictates that after the legitimate sale of the work for the first time, the copyright holder loses all power to control or derive benefit from the said work, the justification being that he has derived enough benefit by the first sale of the copy of the work[4] and the owner of the said copy is free to re-sell it further without the involvement of the copyright holder. Such extinguishing of the protection is commonly referred to as the doctrine of exhaustion or the first sale doctrine. In

2 Christopher Heath, *Parallel Imports and International Trade,* World Intellectual Property Organisation, *Available at:* http://www.wipo.int/edocs/mdocs/sme/en/atrip_gva_99/atrip_gva_99_6.pdf, (last accessed: August 21, 2013).

3 Carlos Correa, *Integrating Public Health Concerns into Patent Legislation in Developing Countries*, World Health Organisation, *Available at:* http://apps.who.int/medicinedocs/en/d/Jh2963e/11.3.html#Jh2963e.11.3, (last accessed: August 21, 2013).

4 This justification for parallel imports is well grounded in empirical data. Research by Basheer *et al.* shows that publishers of text books are able to command considerably high monopoly prices on the first sale; Shamnad Basheer *et al.*, *Exhausting Copyright and Promoting Access to Education* ,17 Journal of Intellectual Property Rights, 335-347 (2012).

other words, as soon as a copy of the copyrighted work is sold for the first time, the copyright holder loses all claims over it.

It is relevant to state at this juncture that what we defined above is the national exhaustion doctrine i.e. the right to control a second sale is extinguished when the initial sale is made within the domestic limits of the country. When one talks of international exhaustion doctrine, it is meant that irrespective of where the first sale of the copy was made, the owner has no right to control the subsequent sale. National exhaustion and first sale is a doctrine that finds widespread acceptance in the statute books in common law jurisprudence while international exhaustion remains contentious. It is to this debate that we turn our attention to as the central theme of our paper.

The debate surrounding parallel imports in the context of intellectual property rights is two-fold. Businesses contend that grey market goods create unwelcome competition and infringe upon copyrights, when imported and sold by third parties.[5] Consumers, on the other hand, contend that parallel imports provide them with greater choice and options and thus reflect principles of globalisation and free trade.[6] Central to bridging this divide between consumers and intellectual property rights holders, there exists a dire need for

5 Christopher B. Conley, *Parallel Imports: The Tired Debate of the Exhaustion of Intellectual Property Rights and Why the WTO Should Harmonize the Haphazard Laws of the International Community,* 16 TUL. J. INT'L & COMP. L.189, 190 (2007-2008).

6 Ryan L. Vinelli, *Bringing Down the Walls: How Technology is being used to thwart parallel importers amid the International Confusion concerning Exhaustion of Rights*, 17 CARDOZO J. INT'L & COMP. L. 135, 172 (2009).

harmonised laws governing parallel imports and copyrights, given the growing transnational nature of the trade. Furthermore, international law and treaties are silent on the issue of exhaustion of intellectual property rights.

This debate around parallel imports and international exhaustion is but part of a larger debate around the changing nature of intellectual property regimes in common law jurisdictions. It is a classic case of a trade-off between private and public goals, wherein the copyright regime supports a monopoly[7] in exchange for incentivising creativity. The standard IP maximalist argument remains the same. The claim is that since the structure of the international and national markets differs substantially, statutorily protecting the international exhaustion theory would mean that free trade is hit,[8] and unless firms are allowed to discriminate price, the profits would not be incentive enough for the firms to invest in the development of the copyrightable work in the first place. Another major argument is that price discrimination is actually *for* public policy as it allows customers in low income countries to remain in the market and for firms to offer it to them at such low rates.[9] On the other hand, the reductionists would argue that the incentive argument does not really have much basis as the royalty payments for most academic writings

7 Whether this is a true monopoly is a matter of debate and one which is not particularly central to the purpose of this paper.

8 Richard A. Epstein, *Parallel Imports as a Perversion of Free Trade*, IPI Centre for Technology Reform, *Available at*: http://heartland.org/sites/all/modules/custom/heartland_migration/files/pdfs/13292.pdf, (last accessed: August 21, 2013).

9 *Supra* n. 8.

are not high for the writers to be incentivised by the sales in the first place. Dividing our paper into two broad thematic approaches, in the first part we examine the theoretical foundations of these conflicting claims in light of the publishing industry in India and argue that they do not stand up to sustained scrutiny. In the second part, we depart from the domain of law and economics and argue for a possible harmonisation of copyright laws in line with the theoretical framework outlined in the first part.

II. THE QUESTIONABLE ECONOMICS OF THE MAXIMALIST ARGUMENT

A. THE "GREY" MARKET

Intellectual property law confers a bundle of rights on the holder of the right; one of which is to control the distribution of the copies of the copyrighted material.[10] This control is exercised only till the first sale of the said copy happens after which the buyer is free to re-sell it domestically or internationally without the involvement of the copyright holder.[11] International re-sale subsequent to the first sale would constitute parallel imports because the distribution happens in a channel *parallel* to the authorised distribution channel.[12] Parallel imports are also commonly called grey market, a connotation which

10 Michael J. Meurer, *Copyright and Price Discrimination*, Boston University School of Law, Working Paper No 01-06, 2001; See Federick M. Abbott, *Parallel Importation: Economic and Social Welfare Dimensions,* International Institute for Sustainable Development, 1 4 (2007).

11 We will assume that no right is infringed during the initial sale such deletion or modification of the copy; in other words the first sale is legitimate.

12 *Supra* n.10.

is decidedly unfair because these goods are not pirated or counterfeit.[13]

B. EXHAUSTION

At the very moment the first sale of a copy of the copyrighted material is complete, the right of the copyright holder is exhausted and public policy concerns take effect. The rationale is obvious; the copyright holder having profited to a sufficient degree from the first sale has *exhausted* his right to control further downstream sales and any further prolonging of the right is against public policy and affects adversely the owner of the copy of the copyrighted material. The first sale profits are deemed enough to incentivise the copyright holder to innovate to produce more copyrightable material. In jurisdictions where the first sale doctrine holds and the right is said to be exhausted only if the re-sale happens within the territorial limits of the country of origin is a national exhaustion regime.[14] Similar to national exhaustion regimes are regional exhaustion regimes where countries agree to recognise the exhaustion of the right within each other's territorial limits. International exhaustion, the focus of our arguments, however, deems the right to be exhausted irrespective of where the first sale has happened.[15]

13 *Id.*
14 Theo Papadopoulos, *Copyright Law and Competition Policy: International Aspects*, Agenda 113, 114 (2002).
15 *Supra* n. 10 at 5.

C. PRICE DISCRIMINATION IN COPYRIGHT: A MUST?[16]

National and regional exhaustion regimes invariably lead to price discrimination. Price discrimination among products is one of the foremost features of parallel imports. A grey market develops from the ability of third party distributors, retailers, or other purchasers to exploit arbitrage opportunities.[17] Arbitrage occurs when goods are produced or bought at low prices and then sold at higher prices. This practice of exploiting price differentials is known as arbitrage. Therefore, there exists a direct link between parallel imports and the legal principle of exhaustion. In the context of parallel imports and copyright, there are arguments for and against price discrimination. Those who argue for price discrimination (this group primarily comprises of copyright holders and manufacturers) contend that it helps copyright holders and enables them to tap the market and promote social welfare.[18] On the other hand, advocates against price discrimination contend that parallel imports promote efficiency and competition as well as enhance consumer protection.[19]

In our analysis, the copyright holders knowing fully well that consumers would not able to take advantage of arbitrage to buy the copies cheaply , indulge in price discrimination, cutting out the deadweight losses and milking greater profits. Let us assume that

16 *Supra* n 10, (Meurer shows price discrimination, while common in copyright scenarios, is not inevitable).

17 Vartan J. Saravia, *Shades of Gray: The Internet Market of Copyrighted Goods and a Call for the expansion of the First-Sale Doctrine,* 15 SW. J. INT'L L. 383, 384 (2008-2009).

18 *Supra* n.6 at 142.

19 *Id.* at 143.

both India and the United States follow an international exhaustion doctrine. Deadweight losses would occur say when a particular law textbook is priced uniformly in India and the United States at Rs. 500 and a student in India has a willingness to pay of Rs. 450. The maximalist argument goes like this-since the willingness to pay in the United States is higher overall, the price would be effectively closer to Rs. 500.[20] Without price discrimination, this part of the market would go untapped, that is the section of the market in India with a willingness to pay less than that of the common price, thus the publisher and the student both lose out. The maximalists argue that price discrimination would allow both the student and the publisher to benefit if the price in India was Rs. 400 and the price elsewhere was Rs. 500. However, this argument is founded on the presumption that the willingness to pay of students in the US is necessarily and substantially higher than that of students in India. There is evidence to show that this assumption might not necessarily be true.[21]

If parallel imports allow this portion of the market to buy the book at Rs. 400 (or equivalent prices), then it is still a win-win considering that the publishing company has lost no revenue (noting how these consumers were priced out of the market anyway). In any case, the difference in prices of home grown textbooks and similar low-price editions of foreign books are clear evidence of the fact that even with

20 While it is true that every book can be said to have a limited monopoly because no two books are perfect substitutes for each other, it is clear that this line of thinking cannot be applied to academic textbooks as they compete to fill the same niche. In layman terms, the publishing company cannot arbitrarily set prices for their books which a monopolist, in theory, can.

21 Basheer, *Supra* n. 4.

price discrimination, most of the students are priced out of the market.[22] As we will show later, the maximalist argument is not either for public policy or incentive maximisation but simply for profit maximisation.

D. THE PRICING OF TEXT BOOKS AND THE MAXIMALIST ARGUMENT

A common complaint of college students the world over is the amount of money they spend every year on textbooks. Why are textbooks priced so high? Going back to our hypothetical law textbook which is priced at Rs. 500, it is of interest to us to note how the publishing company reaches this figure.[23] Landes and Posner divide the cost of producing into two components: the cost of expression and marginal cost of producing a copy.[24] The cost of expression is the authors' time and effort plus the costs of soliciting and editing the manuscript and setting it into type. The cost of expression remains independent of total revenue i.e. total books sold while marginal costs change with number of copies sold. They show how the difference between marginal cost and marginal revenue on each sale, summed up, offsets the costs of expression. In the absence

22 We revisit this argument in the next subsection in light of certain empirical findings.

23 Claude E. Barfield and Mark. A. Groomfield, *The Economic Case for Copyright Owner Control over Parallel Imports* , Journal of World Intellectual Property 1(6), 914 (1998). (Books are in the nature of public goods because they are non-rivalrous and non-excludable and hence it is argued that leaving creativity to market forces will lead to distorted incentives or insufficient incentives. We will analyse this claim in the light of empirical finding later in the course of our paper).

24 William M Landes and Richard Posner, *An Economic Analysis of Copyright Law, in* ECONOMIC ANALYSIS OF THE LAW, 84, 85(Donald A. Whittman ed., 2003).

of copyright, the market price would be equivalent to the marginal cost of production(as competitors would simply copy the said material at similar marginal costs) and the book would not be produced in the first place as the author and the publisher would not be able to recover their costs of expression.[25] In a similar vein, Levine shows that the marginal cost of the book is quite low, say Rs.100.[26] On the other hand the fixed costs of producing the book include royalties, costs of editing and marketing make up most of the remaining cost, leaving sizeable margin of profit.[27] Thus, while the marginal cost of producing a copy being very low, it is actually priced much higher to ensure that the alleged high fixed costs are spread out over the sales. Clearly, the justification for copyright, full proof as it is cannot be used to justify why a legitimate copy of the book cannot be resold to take advantage of an arbitrary price discrimination.

When one buys a book, he is not paying Rs. 500 for 'a sheaf of paper held together by cardboard'[28] but rather he is paying for the *text* itself. One conclusion we reach at is that the consumers buy the *expression of the idea* itself, the content that is so priced and not the packaging.

Now that we have established the basic framework within which our arguments operate, let us turn to the arguments put forward by the

25 *Id.*

26 Robert Levine , FREE RIDE, 163-165 (2007).

27 Supra n. 26 at 158. (In response to claims by bloggers that publishers were too 'greedy' because it did not cost the publishers anywhere close to the cost price to print the book, Levine argues that books like all media products, have never been priced according to their marginal cost but rather to dilute the brunt of the fixed cost).

28 *Id.* at 164.

maximalist regime to justify why the price discrimination must be protected against arbitrage. The main justifications are that the price discrimination allows the copyright holder/ publishing company to maximise profits and maximising profits is important and indeed essential for public policy as it will lead to greater to incentive to innovate[29] and that this price discrimination allows certain sections of the market in developing countries such as India to buy the said books.

The first argument is the innovation argument. Barfield argues that pre-sale marketing and post-sale services are important costs which are not borne by parallel importers and such they distort the incentive structure.[30] One problem with this argument is that pre-sales marketing and post-sale services are not applicable to text books because of the very nature of the commodity. Another problem with this argument is the fact that the copyright holder and the publishing company are not necessarily the same entity when it comes to copyright with respect to books. Authors innovate and write books and if deemed to be profitable enough are published by the publishing company. In the process, however, the publishing

29 At this juncture it must be made clear that we are not arguing against price discrimination in the sense that the publisher releases a higher priced hard backed edition of a novel of a popular series before the lower priced paperback is released. Say the hardback is priced at price H and the paper back is priced at P and the difference between the marginal costs of the hardback and the paperback is x. Now if x< H-P, this is price discrimination to differentiate between customers whose expected utility is high enough to pay a premium to obtain the text of the said book and customers who are willing to wait for the paperback to be released.

30 *Supra* n. 23 at 939. (Barfield argues how control of parallel imports by copyright holders is a necessary pre-condition for enhancing creativity).

company becomes a copyright holder (at least a joint holder). While higher profits are an incentive to invest in other sectors such as pharmaceuticals, it is difficult to understand how this logic holds with respect to copyright in books. How does the publishing company 'invest' in producing Shakespeare or Milton?[31] One answer to that would be higher profits would lead to better incentives for the publishing company which would allow it to offer higher royalties to the authors. Now, the question of whether or not higher royalties are the incentive for authors to innovate and write is really self-explanatory.[32] While some authors would indeed be incentivised by

31 *Supra* n. 23 at 939. (Barfield thinks that this is indeed the case but clearly such perception is only representative of a small section of the authors who write textbooks); *See* Kenneth W. Arrow, *Economic Welfare and the Allocation of Resources for Invention ,*in NBER: The Rate and Direction of Investment : Economic and Social Factors , 609(1962). (The argument that he puts forward is for subsidising authors and creativity but in our opinion such subsidies or monetary incentives are simply not required for academic works. Rather as we argue later, the incentive mechanism is substantially different for textbooks and possibly for books in general).

32 Noam Cohen, *Don't' buy that Textbook, Download it free,* New York Times *Available at*:http://www.nytimes.com/2008/09/15/technology/15link.html?ex=1379217600&en=a7d0f04caf0a7e6a&ei=5124&partner=permalink&exprod=permalink&_r=0, (last accessed: August 21, 2013). (This news report is of Professor MacAfee bypassing the publishing company route and uploading his book for free on the internet. In his interview, he refers to the arbitrary pricing of academic textbooks and the problem of moral hazard in both pharmaceutical and textbook publishing industries. In simpler terms, one does not choose what medicine or textbooks one requires and firms assume an inelastic demand and charge arbitrary prices);*See* Lynn Viehl, *Revenue reality of a bestseller,* STRAIGHT GOODS NEWS, *Available at*: http://www.straightgoods.ca/2009/ViewBrief.cfm?Ref=187&Cookies=yes and the corresponding royalty statement, (last accessed: August 21, 2013); See Lynn Viehl, *Twilight Fall in Royalty Statement, Available at*: http://s259.photobucket.com/user/LynnViehl/media/TwilightFallRoyaltyStatement5-31-09.jpg.html, (last accessed: August 21, 2013).
(We do not need to look at textbook sales to know that royalties cannot be the general and primary incentive for authors. Lynn Viehl, author of New York

the royalties to come out with newer editions of their popular works, it is difficult to imagine path breaking publications being produced with the incentive of royalties. The answer to this argument becomes even simpler when we think of textbooks. Authors of textbooks generally can be pigeonholed into a certain category of individuals who derive substantial non-pecuniary benefits from publication such as prestige and recognition.[33] Basically, it can be argued that publishing is 'an effective method of self-advertisement and self-promotion'.[34] The gap between the profit-maker and the innovator is simply too wide to entertain the innovation argument for protection of monopoly rights.

The second argument is public policy. Having confirmed that students in certain countries such as the US are overpaying for their books for reasons other than continued quality, it is time to focus our attention to the second justification that markets of developing countries such as India are well served by having access to books which are offered at affordable prices. At the outset, it must be made clear that these books are priced over and above similar Indian works and are beyond the means of most Indian students in any case.[35] While such pricing of Indian editions alongside public policy justification would raise eyebrows, we will give it the benefit of doubt

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Times Top 20 bestseller novel, Twilight Fall, demonstrates from her royalty payments that if she produced one such bestseller every year her annual income would be good enough to amount to $2500 dollars over the US poverty line threshold. Clearly authors in general cannot be incentivised by the financial carrot).

33 *Supra* n. 24 at 87.

34 *Id.*

35 Basheer, *Supra* n. 4.

for the moment and consider acquisitions of foreign titles by libraries instead of acquisitions by individual students. A recent study conducted in the law libraries of the two of the most prestigious law schools in India show that these editions lag a couple of editions behind their Western counterparts and are mostly obsolete and outdated.[36] There is no special niche of the Indian market that these editions are fulfilling but rather are simply being dumped to maximise revenue. It is hardly surprising then that these librarians are reluctant to buy these editions even at their discounted rates.[37]

It is crucial at this juncture to take stock and analyse what remains of the maximalist argument. To justify the price discrimination in international markets we had started out with two arguments, incentivising the creator and tapping into otherwise out-priced market sections. As demonstrated above, neither of these justifications stands up to scrutiny. We must now go back to the basic question that we asked ourselves at the beginning of the subsection, why are textbooks priced so high? Recall that the only sizeable component that remains unaccounted for in our breakdown of cost of publication is the cost of marketing (other than the profits of course). Now considering how inelastic the nature of textbooks is for education and the fact that consumers pay for the text itself rather than anything else, the justification for marketing (if any) is on shaky ground. As such it is reasonable to conclude that protection of the right to discriminate price in the international market only serves

36 *Id.*
37 *Id.*

the revenue maximising motive of publishing companies leaving consumers in both the markets in question worse off.

E. THE TRADE-OFF

The crux of the problem of parallel importation, argues Szymanski, lies in whether an ex-post better allocation[38] under parallel trade is a sufficient trade-off for an ex-ante inferior product.[39] Clearly, such a trade-off is not advisable when the quality of the product is critical to its use, say in the case of cancer drugs. When Szymanski and Valletti argue that from a welfare point of view the adverse effect of parallel importation on total welfare is not removed by the actions of the monopolist in the face of parallel importation,[40] we believe they argue with pharmaceutical markets in mind. While a paperback can be equated to a generic drug and the same be done for an advanced edition to a sophisticated patented drug, the difference in utility in case of academic textbook would be hardly noteworthy. Thus we conclude the trade-off which may exist in other areas of intellectual property law and parallel imports simply do not exist in the case of copyright for academic textbooks. Theoretically, we have found no compelling evidence why international exhaustion as a doctrine should not be upheld. In *John Wiley v Supap Kirtseang*, the Supreme

38 It is important to note that the better allocation occurs under low demand dispersion. Considering that we are focusing on the effect of the effect of copyright on students the world over, it is reasonable to assume that the demand dispersion is low.

39 Tomasso M. Valleti & Stefan Szymanski, *Parallel Trade, International Exhaustion and Intellectual Property Rights: A Welfare Analysis*, 54 Journal of Industrial Economics, 499- 526 (2006).

40 *Id.*

Court of the United States appreciated this and upheld the first sale defence in conjunction with international exhaustion for the first time. In the subsequent sections, we will delve into a comparative analysis of the law in common law jurisdictions with these theoretical conclusions in mind and argue for harmonisation of laws to accommodate international exhaustion.

III. JURISDICTIONS ON PARALLEL IMPORTS AND COPYRIGHTS

A. WILEY V KIRTSEANG AND THE US STAND

The first sale doctrine is an important defence in jurisdictions where the law on parallel imports is not particularly black or white as seen in the deliberations of the U.S. Supreme Court in the recent landmark case of *John Wiley v Supap Kirtseang*.[41] Besides causing ripples in the international legal circles, this case also represents a growing trend in common law jurisdictions of turning back the absolute nature of the copyright protection that holders of copyright have had till now. In India, the international exhaustion doctrine has limited and unimaginative readings of the Copyright Act by the judiciary in most cases and the reluctance of the legislative to clear the ambiguity.

The facts of the case could not have been better suited to a landmark decision on parallel imports in copyright, as one analyst put it, 'too

41 568 US 11-697.

good to be true'.[42] Supap Kirtseang, who was studying in the United States, purchased a number of text books (through his relatives) in Thailand. These books he resold in the United States on eBay for a considerable profit.[43] The suit was brought by the publishing company John Wiley and Sons against Supap Kirtseang for copyright violation among other things.

There are but three important sections which were needed to be harmoniously constructed. These were Sections 106, 109 and 602 of the U.S. Copyright Act. Sections 107-122 deal with defences to suit of copyright infringement. Section 106(3) provides the general power to the copyright holder to distribute his work as he deems fit. Section 109(a) is the exception to the general power of the copyright holder and lays down the first sale doctrine. Section 602(a) is the import prohibition clause which stops copies of a good manufactured abroad to be imported without the holder's permission and a breach is a breach of the right of the copyright holder under Section 106. The question is since the right under Section 106 is itself limited by Section 109, should not an enabling clause of Section 106 such as Section 602(a) be limited to the same extent by Section 109?

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42 Ronald Mann, *Opinion analysis: Justices reject publisher's claims in gray-market copyright case*, SCOTUS BLOG, (August 2, 2013), *Available at*: http://www.scotusblog.com/?p=161209, (last accessed: August 21, 2013).

43 In the case itself, this was a major factual issue. While the copyright holders insisted that the revenue earned should be admitted as evidence. While the revenue earned was considerable (nearly $1.2 million), this particular point is not central to our argument. The question we would ask is not whether or not, the revenue earned was representative losses for the copyright holder but rather whether there is any basis for allowing the copyright holder/ publishing company to get away with such profits. The Supreme Court of the United States did not find any and we wholeheartedly concur.

The Supreme Court answered it in the affirmative. They held that limiting Section 602(a) by Section 109 does not render it useless but rather holding the opposite renders all the defences from Section 107-122. The Supreme Court of the United States overruled (by a 6-3 verdict) the lower court decision and held that the first sale defence was valid as the books had been legally sold once. While upholding that the national exhaustion principle has a lot of implications for other sectors such as the pharmaceutical industry and patents,[44] we will limit our analysis to the copyright example, specifically copyright in books. This decision from such a developed common law country which has been pro-IP protection in recent years should be a clear signal to developing countries like India that international exhaustion is the way forward.[45]

B. INTERNATIONAL TREATIES: PARIS AND BERNE CONVENTIONS

The Paris Convention for the Protection of Industrial Property ("Paris Convention"), signed in 1883 and was primarily aimed at protection of industrial innovations, has not formulated any provision with regard to exhaustion of IP rights. The convention,

44 *Supra* n. 39. (As Szymanski and Valletti conclude in their paper, parallel importation or a doctrine of international exhaustion might not be advisable to follow in the pharmaceutical sector as the rise in consumer welfare will be offset by the drop in the quality of product when the monopolist introduces a 'fighting brand' to compete with the generic drug).

45 Here we refer to the classic argument expounded by various scholars that IP protection should be increased with the increase in overall development of the particular country; *See* Shamnad Basheer, *US Supreme Court support parallel import: Lessons for India*, SPICYIP, (August 2, 2013), *Available at*: http://spicyipindia.blogspot.in/2013/03/us-supreme-court-supports-parallel.html, (last accessed: August 21, 2013).

whose primary purpose is to promote trade between nations, has gone through several revisions to take note of economic and social changes of the 20th century. Yet, on careful examination of the Paris Convention, there was neither the provision of the exhaustion doctrine nor was the issue of parallel imports addressed.[46]

The Berne Convention for the Protection of Literary and Artistic Works ("Berne Convention"), which was formulated in 1866 specifically for copyrights, also fails to cover provisions on exhaustion or parallel imports. The World Intellectual Property Organisation (WIPO) does not regard parallel importing as a threat to copyright interests and considers that its abolition would not breach the Berne Convention.[47] Under Article 12 of the Convention, "infringing copy" has been so defined to prohibit importation of copies made illegally in the manufacturing country.[48] Like the Paris Convention, the Berne Convention remains silent on the issues relating to parallel imports and copyrights and does not lay emphasis on the exhaustion doctrine.[49]

C. TRIPS

Today, the Trade-Related aspects of Intellectual Property Rights or the TRIPS, is the single multinational treaty which governs

46 Krithpaka Boonfueng, A NON-HARMONIZED PERSPECTIVE ON PARALLEL IMPORTS: THE PROTECTION OF INTELLECTUAL PROPERTY RIGHTS AND THE FREE MOVEMENT OF GOODS IN INTERNATIONAL TRADE, 49 (2003).

47 Peter John Lloyd& Kerrin M. Vautier, *Promoting Competition In Global Markets: A Multi-National Approach*, 94 (1999).

48 *Supra*n. 45 at 50.

49 *Id.* at 51.

intellectual property and world trade. Signed in 1994, TRIPS is an outcome of the Uruguay Round Agreements of the WTO. Unlike the Paris and Berne conventions, TRIPS does not entirely fail to notice the issue of parallel importation and exhaustion, and makes an attempt to address parallel imports and copyright.[50] Article 6 of TRIPS states-

"For the purposes of dispute settlement under this Agreement, subject to the provisions of Articles 3 [national treatment] and 4 [MFN] nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights."

This clearly restricts the WIPO from adopting an exhaustion regime, which would be uniformly applicable to all member-nations. The formulation of an international treaty like the TRIPS provided an opportunity to harmonise international law and standards on the issue of parallel imports and exhaustion, however TRIPS chose to provide freedom to its member nations to decide on such issues.[51] Article 6 clearly illustrates that the TRIPS excludes issues arising from exhaustion of IPR from WTO dispute settlement, allowing member-nations to adopt various exhaustion regimes.[52] Therefore, the TRIPS by choosing to remain silent on the issue of exhaustion regimes, has failed to address the issue of parallel imports.

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50 *Agreement on Trade Related Aspects of Intellectual Property Rights,* World Trade Organisation, *Available at:* http://www.wto.org/english/docs_e/legal_e/27-trips.pdf, (last accessed: August 21, 2013).

51 E. Kwan Choi & James C. Hartigan, HANDBOOK OF INTERNATIONAL TRADE: ECONOMIC AND LEGAL ANALYSES OF TRADE POLICY, 416 (2008).

52 Shayerahillias & Ian F. Fergusson ,INTELLECTUAL PROPERTY RIGHTS AND INTERNATIONAL TRADE, 35 (2008).

D. JAPAN

Japan is one of the few nations that has adopted an international exhaustion regime and promotes parallel importation. Japanese law on this point has incorporated the common law doctrine of "implied licence" which allows licensees to perform certain acts which would otherwise need the permission of the licence-holder. In other words, by virtue of law, the permission to do certain acts by the licensee is implied. [53] For example, if an individual purchases a music album, he has implied permission to play songs recorded on that album.[54] According to the Japanese Copyright Act, exhaustion occurs only when the first sale is in Japan or abroad.[55] There has been no copyright case directly addressing parallel imports, however, a Tokyo Court decided in the contrary in the case of import of video cassettes of a Walt Disney film into Japan, after being purchased first in the United States.[56] The court held that such importation was illegal and unauthorised and infringed upon the copyrights owned by Disney.[57] However, the Supreme Court of Japan has upheld the legality of parallel importation and adopted the implied license theory in *BBS*

53 Toshiko Takenaka, *Japanese Supreme court affirms legalization of parallel importation,* Centre for Advanced Study & Research on Intellectual Property, *Available at*:http://www.law.washington.edu/Casrip/Newsletter/default.aspx?year=1997&article=newsv4i3jp2, (last accessed: August 21, 2013).

54 *United States* v. *Univis Lens Co.*, 316 U.S. 241 (1942).

55 *Supra* n. 6 at 158. (Citing Christopher Heath*, Internet Trade, Digital Works and Parallel Imports*, in Copyright Law and the Information Society in Asia, 79,80 (2007)).

56 Peter Ganea& Christopher Heath*, Economic Rights and Limitations,* in Japanese Copyright Law: Writings in Honour of Gerhard Schricker, 75 (2005), (Peter Ganea, Christopher Heath & Hiroshi Saitôeds.).

57 *Id.*

Krafifahrzeugtechnic AG v. Racimex Japan Corp. and Jap Auto Products Co.[58] Therefore, Japan is one of the few nations to legalise parallel imports.

E. AUSTRALIA

Australia's approach to parallel imports in the framework of intellectual property rights and exhaustion is similar to that of Japan's. However, Australia differentiates between products while applying the doctrine of exhaustion rather than a uniform application of the same.[59] Since the 1990s, Australian copyright law, primarily The Copyright Act, 1968, has seen many amendments so as to encourage parallel imports and adopt an international exhaustion regime. The first amendment of 1991 allowed the parallel import of books into Australia.[60] For a while, the government had banned the parallel import of sound records which was lifted in 1998.[61] A series of amendments were made from 1999 to 2003, which were collectively called the Copyright Amendment (Parallel Importation) Act of 2003,[62] which allowed parallel imports of software, electronic versions of books and music.[63] These amendments illustrate that Australia's exhaustion policy tends more towards an international exhaustion and provided Australian consumers with a wide range of choice among a variety of products across a price range.

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58 Case No. H-7(O) 1988, dated 1 July, 1997.

59 Miranda Forsyth & Warwick Rothnie, *Parallel Imports and Exhaustion,* in The Interface between
Intellectual Property Rights and Competition Policy, 451 (2007).

60 § 5, Copyright Amendment Act, 1991 (No. 174 of 1991, Australia).

61 §112D , Copyright Act, 1968 (Australia).

62 Maureen B. Collins, *Crossing Parallel Lines: The State of the First Sale Doctrine after Costco v. Omega,*8 BUFF. INTELL. PROP. L.J. 26, 41 (2012).

63 §44E, Copyright Act, 1968 (Australia).

F. NEW ZEALAND

Copyright in New Zealand is governed by the Copyright Act, 1994. The Act allows for parallel imports of genuine works in New Zealand, but does not include films.[64] The right to distribute is vested in copyright holders under Section 16(1) (b) of the Copyright Act, 1994.[65] Furthermore, by virtue of the Copyright (Removal of the Prohibition on Parallel Importing) Amendment Act, 1998, Section 9 (1) (d) was inserted into the Act which allowed for the parallel import of genuine copies into New Zealand.[66] Therefore, New Zealand supports an international exhaustion regime by allowing for parallel importation of goods excluding films. Films have been temporarily banned under The Copyright (Parallel Importation of Films and Onus of Proof) Amendment Act, 2003 which amended Section 35 of the Act to make the parallel import of copies of films, for purposes other than private or domestic use, an infringement on the copyright of the rights holder.[67] This ban was further extended till October 2013.[68] A new Bill, The Copyright (Parallel Importing of Films) Amendment, seeks to extend this ban till October 2016.[69]

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64 *Parallel Importing and Copyright*, Ministry of Business, Innovation and Employment(New Zealand), *Available at*: http://www.med.govt.nz/business/intellectual-property/parallel-importing-in-new-zealand/parallel-importing-and-copyright, (last accessed: August 21, 2013).

65 § 16(1) (b), Copyright Act, 1994 (New Zealand);It states that *"16. Acts restricted by copyright- (1) The owner of the copyright in a work has the exclusive right to do, in (b) To issue copies of the work to the public, whether by sale or otherwise*"

66 *Supra* n. 62.

67 *Id.*

68 *Id.*

69 *Id.*

G. EUROPEAN UNION

The European Union or the EU follows a community exhaustion regime wherein the copyright owner's rights are exhausted once a legal sale has occurred within the region of EU member-nations and three additional nations.[70] The European Community has also signed agreements such as the European Economic Area (EEA) Agreement to this effect. However, even in the presence of community agreements, each member-nation can subject parallel imports to its own domestic laws.[71] Yet, in case of a conflict, the community law prevails.[72] Like most regional trade agreements, the EEA remains silent on parallel imports.

IV. CURRENT ISSUES IN PARALLEL IMPORTS AND COPYRIGHT

A. LACK OF LEGAL UNIFORMITY

As illustrated in the previous section of this paper, exhaustion regimes and laws relating to parallel imports are far from uniform on a global scale, with some nations adopting national exhaustion regimes and others envisaging an international exhaustion framework. International treaties such as the Berne and Paris Convention have remained silent on the issue, while TRIPS makes a futile attempt to address laws governing parallel imports.

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70 Alexander B. Pope, *A Second Look at First Sale: An International Look at U.S. Copyright Exhaustion,* 19 J. INTELL. PROP. L. 201, 216 (2011-2012).

71 *Supra* n. 60 at 41.

72 *Id.*

Parallel imports create market segmentation, which creates some restraint towards free flow of trade.[73] 'Rights holders incorporate technical barriers into their products to compensate for the lack of certainty as to when their rights exhaust and to counteract parallel importers who attempt to circumvent market segmentation'.[74] Exhaustion regimes differ from nation to nation, which further aggravates the confusion surrounding parallel imports. Ryan Vinelli argues that a consensus on exhaustion must be created and while doing so, it is important to ensure that such regime chosen is amenable to both developed and developing economies.[75] Therefore, there is an argument for harmonising laws on parallel imports.

Parallel imports are an important phenomenon in the realm of international trade and therefore many argue for a need to harmonise laws from an international trade law perspective. As parallel imports are solely within the realm of international trade law, the boundaries of the WTO should be used as guidelines to answer the question.[76] The main objective behind the founding of the World Trade Organisation (WTO) was to reduce trade barriers between nations and enhance trade based on concepts such as comparative advantage so as to create efficiency. The law and policy that is adopted by the WTO is solely based on harmonisation of laws of multiple nations so as to create a uniform set of legislation to achieve the WTO's main objective. Thus, it is argued that the WTO serves as an appropriate

73 Abbott, *Supra* n. 10 at 5.
74 *Supra* n. 6 at 161.
75 *Supra* n. 6 at 162.
76 *Supra* n. 5 at 209.

forum to resolve the discrepancies of the Paris and Berne Conventions, as well as the TRIPS.[77]

It is important to note that harmonisation does not directly imply the adoption of an international exhaustion regime; rather it seeks to set out to identify a regime that would best serve the interests of the international community and clear confusions that surround parallel imports.[78] Yet, bringing about harmonisation of laws has its own challenges with doubts regarding consensus on a standard to adopt. At this juncture, it is beneficial to discuss exhaustion regimes and evaluate their effectiveness as an international standard.

B. National Exhaustion vis-à-vis International Exhaustion

A National exhaustion regime, as mentioned earlier in this paper, is based on the concept that a property rights holder exhausts his right upon the legal sale in a particular country is limited to that jurisdiction. His copyright still exists in all other nations where it operates. On the other hand, an international exhaustion regime relies on the concept that once a legal sale has happened anywhere in the world the right of the property owner has been "exhausted".

As discussed earlier, the WTO's primary objective is to achieve free flow of trade and ensure fair competition amongst its member nations. Therefore, while adopting an exhaustion regime, it is necessary to ensure that it does not run counter to the primary

77 *Supra* n. 6 at 162.
78 *Supra* n. 5 at 211.

objective of the WTO. A national exhaustion regime prevents free flow of trade as it creates segmentation of markets caused due to price discrimination policies adopted by manufacturers; as such a regime limits the geographic scope of its exhaustion policy.[79] Furthermore, community exhaustion would also be disadvantageous as it still continues to segment markets, though over a larger region.[80] Yet, there are arguments that run counter to the adoption of an international exhaustion regime. Therefore, the main argument for harmonisation stems from the confusion created by different countries adopting various exhaustion regimes. A uniform international standard would help ease such confusion, but the main task remains as what this 'standard' must ensue so as to comply with WTO objectives.

V. FIRST SALE DOCTRINE, PARALLEL IMPORTS AND RE-EXPORTS: THE INDIA PICTURE

Copyright law in India is governed by the Indian Copyright Act, enacted in 1957, which was largely borrowed from pre-Independence copyright laws and British copyright laws. The first statute relating to copyright in India was enacted in 1914 and was largely based on the UK Copyright Act, 1911.[81] Post-independence in 1947, the 1914 Act was substantially amended to enact the Copyright Act of 1957 which remains in force today. The 1957 Act is read with the Copyright

79 Abbott, *Supra* n. 10 at 7.
80 *Supra* n. 6 at 163.
81 Tamali Sen Gupta, INTELLECTUAL PROPERTY LAW IN INDIA, 17 (2011).

Rules Act, 1958 as amended by the Copyright Amendment Act passed in 1999.[82]

The Copyright Act has been hailed to be one of the most modern copyright laws in the world, and timely amendments have made the law compliant to the provisions of the TRIPS and the WIPO Copyrights Treaty,[83] even though India is not a member of the latter.

Indian copyright law recognises Indian as well as foreign works as copyrighted works as Section 40 of the Act states that copyright law may be extended to foreign works and authors by a special order.[84] The question that arises at this juncture is whether imports of foreign works into India permissible under the Copyright Act? The Act does not address the issue of import of foreign works into India; however, under Section 51(b) (iv),[85] it renders illegal the import of infringing copies of a work.[86] Since, foreign works come within the ambit of copyright law within the meaning of the Act; this section would include import of infringing copies of foreign works as well, which would include illegally published foreign works as well.[87]

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82 *Id.*

83 Srivastav Vijay Prakash, COPYRIGHT ENFORCEMENT IN INDIA: ISSUES AND CHALLENGES, 217 (2008).

84 Pranesh Prakash, *Exhaustion: Imports, Exports, and the Doctrine of First Sale in Indian Copyright Law ,* Manupatra Intellectual Property Reports, Vol. 1, 149, 149 (2011), *Available at*: http://ssrn.com/abstract=1773723, (last accessed: August 21, 2013).

85 §51, Copyright Act, 1957, It states that: *"51. When copyright infringed- Copyright in a work shall be deemed to be infringed-(b) (iv) imports into India, any infringing copies of the work.*"

86 *Supra* n. 82 at 150.

87 *Id.*

Section 51 (b) (iv) prohibits the import of "infringing" copies into India, and therefore, it becomes important to determine what qualifies to be an "infringing" copy. It then becomes important to ascertain if works purchased outside the Indian Territory is an infringing copy when imported into India. Explanation to Section 14 states that a 'copy which has been sold once shall be deemed to be a copy already in circulation.'[88] Does this mean that the first sale doctrine is applicable under Indian copyright law? The Indian judiciary has been uncertain on the applicability of the first sale doctrine in India.

The issue of parallel imports was first addressed before the Delhi High Court in *Penguin Books Ltd. v. India Book Distributors & Ors*[89] in 1984. In the present case, the plaintiff, filed a suit against certain book distributors in India and alleged that the defendants imported American editions into India without license and thereby infringed their copyright.[90] The defendants relied on the first sale doctrine and argued that since the American editions were lawfully purchased in the United States and then imported into India, there was no violation of copyright. However, the Court rejected this argument and held that importation of American editions infringed Penguin Books' copyright as it interfered with the copyright holder's right to publish.[91]

88 §14 (Explanation), Copyright Act, 1957.
89 AIR 1985 Del. 29.
90 Raman Mittal, LICENSING INTELLECTUAL PROPERTY: LAW & MANAGEMENT, 185 (2011).
91 *Supra* n. 82 at 152.

However, in 1994, by an amendment to Section 14 of the Copyright Act, the copyright holder's "right to publish" was removed and made into a right to "issue copies of the work to the public not being copies already in circulation", thus overruling the *Penguin* judgment.[92] Post the 1994 Amendment, two important decisions have attempted to address parallel importation and copyright within the realm of Indian law. In the *Euro kids* case,[93] the court relied on the *Penguin* decision and held that 'a third party in contravention of an exclusive license automatically results in infringing the copyright. Most recently, in 2009, the Delhi High Court again addressed the state of parallel importation in *Warner Bros. v. Santosh V.G.*[94] In the present case; the defendant ran a movie rental which rented out DVDs of films to customers. He rented out the DVDs of films which he had legally bought in the United States and then brought into India. These films, however, were not released by the plaintiff in the India market. The plaintiff claimed infringement of copyright. The defendant, relying on the first sale doctrine, contended that since he had legally bought the DVDs in the United States, the plaintiff had exhausted their right over the same. However, the court rejected the argument of the defendant and held that the plaintiff's copyright had been infringed. It went to elucidate its reasoning by stating that the phrase "copy in circulation" within the meaning of Section 14 did not apply to cinematographic works as the phrase was limited to literary, musical and dramatic works.

92 *Id.*

93 *Eurokids International Pvt. Ltd.* v. *India Book Distributors Egmont,* 2005 (6) BomCR 198.

94 (2009) 2 MIPR 175 (Del).

John Wiley & Sons v. Prabha Chander Kumar Jain[95] discussed the exports of legally purchased books in India to other nations or re-exportation of books (also known as 'round-trip books'). In the present case, the plaintiff's parent company, based in the United States, licensed the plaintiff to sell books in India. These books were specialised editions available at a lower cost for sale in India, Bangladesh, Pakistan and other South Asian countries. Further, these books had a label on the cover which read 'The book for sale only in the country to which first consigned by Wiley India Pvt. Ltd and may not be re-exported'. This clearly illustrated the intent of the plaintiff to prevent exportation back into the United States. The facts of the present case were highly similar to that of *Bobbs-Merrill Co. v. Straus,*[96] a landmark judgment of the United States Supreme Court with respect to copyright and imports, where the court first developed the doctrine of first sale. The court, relying on the principle of privity of contract, held that the producer's right to sell, distribute and circulate a copy extinguishes once the product is sold. In the present case, Justice Manmohan Singh ruled that it was a violation of Section 51 of the Copyright Act and reasons on three main points. First, the rights of the licensee and the owner are distinct from one and another, second, the licensee cannot pass a better title than what he already owns and three, that sale includes all forms of circulation and issuing of copies.[97] Justice Singh's judgment has been often criticised as it fails to take into account principles of contract such as privity, especially in the case of

95 IA No 11331/2008 in CV (OS) No. 1960/2008.
96 210 U.S. 339 (1908).
97 *Supra* n. 82 at 153.

the copyrights holder who does not directly sell the copies, but does so through an authorised licensee.[98]

The *Euro kids, John Wiley* and *Warner Bros.* cases have shown that although the Indian judiciary has attempted to clarify the law on parallel importation, it continues to be unsettled. However, the Copyright (Amendment) Bill, 2010 seeks to add a proviso to Section 2(m) that would read:

> *"Provided that a copy of a work published in any country outside India with the permission of the author of the work and imported from that country into India shall not be deemed to be an infringing copy."*

This amendment clearly illustrates that the Copyright law seeks to adopt an international exhaustion regime.[99] However, it is important to examine if the adoption of such a regime would be beneficial in an Indian context.

As discussed earlier, there are two sides to the debate whether parallel imports must be restricted by national exhaustion of copyright or international exhaustion. International exhaustion seeks to dismantle private law barriers which prevent imports.[100] In order to ascertain the appropriate exhaustion regime, trading nations must identify and consider net gains and losses from adoption of such a policy and how

98 *Id.*at 157.

99 *Supra* n. 88 at 185.

100 Louise Longdin, *Cross Border Market Segmentation and Price Discrimination: Copyright and Competition at Odds* ,in New Directions in Copyright Law (Fiona Macmillan eds.) 132 (2007).

they intend to deal with copyright in parallel imports.[101] Countries that are net importers of copyrighted goods that adopt a national exhaustion approach are likely to see higher payments to foreign copyright owners.[102] Moreover, adoption of national exhaustion restricts the supply of goods and services and further affects overall competition in the market, thus leading to higher prices and reduced availability to consumers.[103] Given the nature of the Indian economy, with respect to copyrighted books, it makes economic sense to adopt an international exhaustion regime as it ensures competition in the market and provides consumers with a wider range of choices. In that sense, India can adopt the Australian or New Zealand approach in dealing with parallel imports and intellectual property regime so as to specifically address issues.

VI. CONCLUSION

In the first part of our paper we have established that the general rationale behind the IP maximalist regime in copyright is flawed and while this rationale might or might not hold true for the publishing industry, it does not for textbook publishing. Adopting an international exhaustion regime would benefit both the country of origin and the country of sale and only reduce the profits of the publishing firm; profits which we have demonstrated have no role in incentivising creation of new works. In the second part, we have

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101 *Id.* at 134. (Citing Australian Intellectual Property and Competition Review Committee, *Review of Intellectual Property Rules under the Competition Principles Agreement,* Final Report, 2000).

102 *Id.*

103 *Supra* n. 98 at 134.

shown that in practice, international exhaustion has yielded results similar to the theoretical findings in the first part of the paper. We have also analysed and compared various jurisdictions on the issue of parallel imports and have illustrated the marked divide between national and international exhaustion regimes. While there are nations such as Japan, Australia and New Zealand which adopt an international exhaustion regime by making respective amendments and revisions to their IP laws, there are nations which oppose such a regime. International legal framework, namely documents such as the Paris and Berne Conventions along with the TRIPS have failed to provide for a harmonised law on parallel imports, which brings us to look at the argument for harmonisation in parallel imports from an international law perspective. We have also examined national and international exhaustion regimes from a comparative point of view so as to understand the need for a harmonised regime on parallel imports. Research in this area has the potential of being explored much further, which is beyond the scope of this paper. We, therefore, call for exploration in the arguments for harmonised laws for parallel imports. This work has also examined case law and the issue of parallel imports in India. The judiciary has played a crucial role in identifying the need for a law that clarifies India's stance on the issue of parallel imports. On this note, we argue that India must take requisite steps to identify parallel imports as part of its intellectual property framework.

6 IJIPL 112-135 (2013)

OF FREE TRADE AND INTELLECTUAL PROPERTY RESTRICTIONS

*Ishan Seth**

The present paper seeks to highlight the growing importance of multilateral agreements in the protection of intellectual property rights. It takes a look at two major agreements of this type which are currently being negotiated i.e. the India - EU FTA and the Trans Pacific Partnership Agreement (TPP). This paper is divided into five parts. The first part is the introduction which aims to provide a general sense of FTA's or Bilateral Investment Treaties containing intellectual property chapters' function and tries to explain how they are construed. The second part focuses on some reasons as to why there is a rise in the protection of IP rights under the ambit of these treaties and agreements and also tries to list out some advantages that might accrue to investors by entering into such an agreement. The third part focuses on the India - EU FTA and elucidates the need for India not to be lured by promises of increased foreign investment and in turn end up giving the gains that it has achieved from using the TRIPS flexibilities. The fourth part focuses on the TPP and explains what the TPP means to the world at large. It also brings out a contrast between the evergreening provisions in the agreement and the Indian section 3(d) of the Patents Act 1970. Part five seeks to conclude by explaining the pressure tactics used by developed countries to make developing countries enter into agreements with TRIPS plus measures. Finally it highlights the need to establish a balanced IP system.

I. INTRODUCTION

Apart from having negotiation processes that are shrouded in secrecy in common, the Trans Pacific Partnership Agreement (hereinafter the "TPPA" or "TPP") and the EU-India Free trade Agreement (hereinafter "India-EU FTA") both have provisions that seek to accord strict Intellectual Property (hereinafter "IP") protection to rights holders. The leaked drafts give credence to the fact that such

agreements are not as unbiased and as mutually beneficial as they are made out to be.

They are heavily tilted in favour of the party that has an upper hand, due to economic, political or other factors, during the negotiation process. Claims of heavy lobbying and interest propagation by big corporates[1] through their home countries during the treaty/agreement drafting processes further hamper the claim that both parties are equals. These treaties have been described by organisations like Médecins Sans Frontières (Doctors Without Borders) as affecting proper access to generic medicines and establishing the dominance of patent protected monopolies[2] while its proponents have hailed them as the next step in IP rights protection, a significant boost to cross country innovation and an important step towards seeking much needed foreign investment in developing countries.

Since the signing of the first treaty of this kind between Germany and Pakistan in 1959,[3] these have only grown in favour. The rise of investment agreements in the form of bilateral investment treaties (hereinafter "BIT") or a FTA containing an investment chapter have

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1 *Trade Invaders: How big business is driving the EU-India free trade negotiations*, CORPORATE EUROPE OBSERVATORY, (10th April 2014), *available at* http://corporateeurope.org/sites/default/files/publications/trade_invaders_0.pdf.

2 James Arkinstall et al., *The reality behind the rhetoric: How European policies risk harming access to generic medicines in developing countries*, 8 JOURNAL OF GENERIC MEDICINES 14–22 (2011).

3 M. SORNARAJAH, THE INTERNATIONAL LAW ON FOREIGN INVESTMENT 172 (Cambridge University Press 2010).

been accompanied by an increasing adoption of TRIPS plus measures in such agreements.[4]

TRIPS plus refers to a greater level of protection than what is provided for by the TRIPS agreement. The Adoption of these measures by developing countries like India or Brazil would lead to them having a tougher time in enforcing their societal objectives as these measures might reduce the powers of the government in proceeding for example under article 31 of TRIPS.[5]

After the TRIPS agreement came into effect on January 1, 1995, India has made good use of the leeway provided to developing countries in the agreement. From making use of the compulsory license provision[6] to providing protection to the generic drug manufacturing industry the use of TRIPS flexibilities have enabled India to move towards its objective of providing access to medicines for all and bring about a much needed improvement to the standards of public health in the country. But India's overenthusiastic foray into BIT's and FTA's has put the gains achieved at risk, as the priority for the government in these agreements shifts from addressing public health concerns to the providing a high level of protection to foreign

4 Ping Xiong, *Patents in TRIPS-Plus Provisions and the Approaches to Interpretation of Free Trade Agreements and TRIPS: Do They Affect Public Health,*46 JOURNAL OF WORLD TRADE 155–186(2012).

5 See for example Annex B.4 of US Model BITs 2004 and 2012 that lists down (among others) the conditions such as the economic impact of the government action, and the extent to which the government action interferes with investor expectation.

6 *Natco Pharma Limited v Bayer Corporation,*Order No. 45/2013 (Intellectual Property Appellate Board, Chennai), (February 26, 2014) http://www.ipab.tn.nic.in/045-2013.htm.

assets and investments. On such agreement is the India-EU FTA.[7] In pursuit of this FTA, negotiations have been going on since 2007 and are expected to be concluded by 2014. Apart from dealing with the market access for goods, liberalised visa norms, and reforms in banking and insurance and other trade related aspects, this agreement also contains a chapter regarding IP rights.[8]

Another important agreement is the Trans-Pacific Partnership. This started out as a trade agreement between Brunei, Chile, New Zealand and Singapore and has now has expanded to include 12 members.[9] The TPP seeks to enhance trade and investment, economic growth, liberalise market penetration and seeks to establish a strong IP regime among the member countries.[10]

Keeping the recent EU-India FTA and the TPP negotiations and drafts in the backdrop, this paper seeks to analyse some reasons for the recent upsurge in protection of IP rights in multilateral treaties and how it can be characterised as an extension of tangible property

7 European Commission, *India-EU FTA*, (3rd March 2014), *available at* http://ec.europa.eu/trade/policy/countries-and-regions/countries/india/.

8 Since there is intense secrecy surrounding the agreement, the IP Rights chapter that would be used in this paper is one which was "leaked" by Knowledge Ecology International (KEI) and can be accessed at (9th March 2014)http://keionline.org/node/1691.

9 The countries presently negotiating the TPP are United States, Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. See Office of the United States Trade Representative, *Trans Pacific Partnership* (24th February 2014), *available at* http://www.ustr.gov/about-us/press-office/fact-sheets/2011/november/united-states-trans-pacific-partnership.

10 As is the case with the India-EU FTA, the TPP is also covered in a veil of secrecy. Wikileaks published a 95 page IP chapter which has been used in this paper. For the chapter, (9th March 2014) https://wikileaks.org/tpp/

rights to intangible property. It also seeks to highlight how these agreements have not always been beneficial to an economically weak country and have often been used to establish monopolies or strengthen pre-existing monopolies.

II. THE RISE IN MULTILATERAL AGREEMENTS: CONCENTRATION OF POWER IN THE RIGHTS HOLDERS

One of the biggest concerns that haunts developed countries is the expropriation of their assets. Expropriation can be of two types. Direct expropriation refers to the taking of property of nationals or of aliens by the state for economic or social purposes.[11] But this is subject to certain conditions which vary from providing adequate compensation to the property holder to only taking such measures when a public purpose arises and the same has to be done on a non-discriminatory basis and after following the due process of law.[12] Indirect expropriation refers to the acts of the state that interfere with property rights in such a way that they render them so useless that they are deemed to be expropriated.[13]

11 United Nations Conference on Trade and Development, UNCTAD, Expropriation, Series on Issues in International Investment Agreements II (New York and Geneva 2012) http://unctad.org/en/docs/unctaddiaeia2011d7_en.pdf.

12 See for example Article 5 of the Indian Model text of Bilateral Investment Promotion and Protection Agreement (BIPA), 2013, Department of Economic Affairs, Finance Ministry.

13 Starrett Housing Corp. v. Islamic Republic of Iran, Iran-U.S.C. T.R. 4 (1983 III), S. 122 (154).

Expropriation, a concept that has its origins in 'physical' foreign investments, is being increasingly linked to the protection of IP rights of an individual or a corporation. This stems from the fact that in a BIT or an International Investment Agreement (IIA), generally an investment is explicitly defined[14] to include Intellectual property rights. In some cases the investment provisions of such agreements get incorporated in the FTA's itself. With the ever increasing numbers of treaties of such nature being concluded between developed with developing countries, it is important to understand the consequences of such a formulation of investment.

The acquisition of any IP right mentioned in a BIT would be subject to a higher degree of compensation than what would be expected to be paid if such an 'acquisition' is done in accordance with Article 31 of TRIPS. This can be culled out from the way the compensation clauses are structured in a BIT. BIT's may require compensation to be paid at a value before the expropriation[15] or may be qualified with words like "full", "equitable"[16] etc. This differs significantly from Article 31 which provides only for "adequate compensation".[17] This conflict is highlighted by the much talked about compulsory license

14 In the modern version of a BIT there are numerous examples to support the proposition, for the sake of convenience see Article 1(iv) the Indian Model text of Bilateral Investment Promotion and Protection Agreement (BIPA), 2013 and also see Article 2(b)(iv) of the Turkey-Netherlands BIT and Article 1(iv) of the German Model Treaty.

15 See for example India-Czech Republic BIT, 2010, Article 4.

16 Prabash Ranjan, & Deepak Raju, *Losing Ground to Big Pharma BIT by BIT*, The Hindu, 21st February 2014.

17 Agreement on Trade-Related Aspects of Intellectual Property Rights, Article 31(h) Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299; 33 I.L.M. 1197 (1994), (hereinafter TRIPS agreement).

controversy concerning Bayer corporation. After the grant of the compulsory license, Bayer chose to appeal the decision[18] and one of the grounds for appeal was the 6% rate of royalty that was granted to it. On appeal this royalty was increased to 7% to 'meet the ends of justice'.[19] Bayer, a German company, can make use of the India-Germany BIT to argue that such a rate of royalty is not 'equivalent to the value of investment immediately before the expropriation'[20] and can then drag India into investor-state arbitration. Deciding royalties and remunerations from this point of view would significantly negate the gains derived from the issue of the compulsory license in the first place as then the remuneration or the compensation would be significantly higher than what would have been paid in the absence of such provisions.

This extension of tangible property rights to the realm of intellectual property creates problems on a practical as well as a theoretical level. With the advent of digital technology and a rise of knowledge based business models such as YouTube, Google, and Yahoo etc. that downplay the traditional propriety rights,[21] this expansion of the "property tent"[22] tries to envision IP rights as being the same as tangible property, which does not seem like the right approach. The exclusivity of IP rights like patents and copyrights is heavily qualified with the prevalence of numerous exceptions like fair use and their

18 *Supra n* 7.
19 *Id*, 54.
20 India-Germany Bilateral Investment Treaty, Article 5(1), 1995.
21 Peter S. Menell, *Intellectual Property and the Property Rights Movement*, 30 REGULATION 36 (2007).
22 *Id.*

interpretation in a manner that leads to the promotion of innovation,[23] casts a heavy doubt on the accordance of stringent 'property' like protections to them.

An important reason why developed countries are able to include TRIPS plus clauses in FTA's is because the TRIPS agreement does not say anything in relation to a FTA and this absence is used to expand the scope of IP rights protections in the agreements. But heightened IP protection would not render a FTA non-compliant with TRIPS or the WTO framework.[24] In fact, a treaty that has a low level of IP protection is more likely to be TRIPS non-compliant. Looking at the TRIPS preamble would suggest that it intends to create a harmonious balance between IP protections and legitimate trade and does not seek to increase the level of intellectual property protection to such an extent that they themselves end up becoming barriers to trade.[25]

Industrialised countries may use TRIPS itself to justify the expansion of protection to intellectual property. Article 1.1 of TRIPS grants the member countries with the right to grant more extensive protection

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23 *Id.*

24 FTA's or Bilateral Trade agreements are established pursuant to Art. XXIV of GATT, Art.V of GATS, and the Enabling Clause - Art. XXIV of GATT. Also see *Supra n* 5 Ping Xiong at 172.

25 TRIPS agreement, Preamble,
Desiring to reduce distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade;

than what is mentioned by the agreement, although, the same is subject to other provisions of the agreement.[26]

The economic fallout of such exclusionary and protective IP policies can cause insufficient utilisation of knowledge which leads to significant deadweight loss to the society. These ill effects of increased intellectual property protections through these treaties can be seen by looking at how the pharmaceutical patent regime might be affected. A very stringent level of protection if imposed as a result of a trade agreement would lead to consumers who would be ready to purchase a drug at the production cost or a little more, not being able to do so, as a situation of monopoly and exclusivity which is created by the TRIPS plus measures in these agreements push the sale price of the same drug beyond what a consumer can afford.[27] The US-Colombia FTA which came into effect in 2012[28] provides a suitable illustration of negotiated agreements begetting exclusion. It is estimated that this FTA, which encompasses in it a host of TRIPS plus measures, would lead to an increase of expenditure in Colombia

26 The validity of such an expansion in Art 1.1 is to be balanced by the other provisions of TRIPS, which for this purpose may include non-discrimination, and national treatment. See Susy Frankel ,*Challenging TRIPS-Plus Agreement: The Potential Utility of Non-violation Clauses*, JOURNAL OF INTERNATIONAL ECONOMIC LAW 12 (2010).

27 Swaraj Paul Barooah, *India's Pharmaceutical Innovation Policy: Developing Strategies for Developing Country Needs,* 5 TRADE L. & DEV. 150,165(2013).

28 *Colombia-US free trade agreement comes into force*, BBC NEWS, 23rd February, 2014, http://www.bbc.com/news/world-latin-america-18069469.

$919 million or alternatively lead to a reduction in consumption of medicines by 40%.[29]

Increased IP protection through treaties which leads to concentration of power in the hands of the rights holder is followed by an exponential increase in costs that the developing countries have to bear.[30] This casts a heavy doubt on the proposed benefits that a developing country might derive out of these agreements and it begs for a re-analyses of these treaties and the imbalance of power that they seemingly cause.

III. INDIA-EU FTA: SACRIFICING TOO MUCH FOR TOO LITTLE?

The India-EU FTA is hard to ignore for the fact that the trade with EU amounts to a staggering US$ 91.3 billion (as of 2010-11) and is expected to grow to US$ 207 billion by 2015 if the India–EU FTA is formalised.[31] But this increase is accompanied by TRIPS plus measures in the chapter of the agreement that relates to IP rights.

A measure in the India-EU FTA which seems TRIPS plus is the power with a judicial authority to order seizure of the movable and immovable property of the alleged infringer also order the blocking

29 Miguel Ernesto Cortes Gamba, *Intellectual Property in the FTA: Impacts on Pharmaceutical Spending and Access to Medicines in Colombia*, Mission Salud-Fundacion Ifarma, (1st March 2014) http://www.ifarma.org/web/wp-content/uploads/2009/02/tlc_colombia_ingles1.pdf.

30 *Id.*

31 Special correspondent, *Germany remains India's top trading partner within Europe*, THE HINDU, 6th March 2014, http://www.thehindu.com/business/Economy/germany-remains-indias-top-trading-partner-within-europe/article4226350.ece.

of his/her bank account and assets.[32] This is a TRIPS plus measure as provisions in TRIPS in relation to evidence allow the judicial authority to make a preliminary or final determination on the basis of the information presented to it and they can only *order* that the evidence be produced[33] (emphasis added). This then seems to be a deliberate attempt to bypass TRIPS provisions by providing for extreme measures in a treaty.

Newspaper reports suggest that the EU aims to exploit the Indian dairy market by allowing the export of dairy products in India under reduced import duties.[34] EU would also be looking to get its Geographical Indications (GI's) registered for its dairy products in India thus providing it with a double benefit of reduced import tariffs and an indication of quality which might end up adversely affecting local producers.[35]

Problems have also been raised with respect to the copyright provisions in the FTA. India has agreed to broad based provisions with regards to Technology Protection Measures (TPM's). A TPM is simply defined as any technology that controls access to a work and restricts the doing of an act that is not authorised by the rights

32 India-European Union Free Trade Agreement (hereinafter India-EU FTA) Article 22(3).

33 TRIPS agreement, Article 43.

34 Shramana Ganguly, *Amul calls for a relook at EU-India Free Trade Agreement*, ECONOMIC TIMES, 7th March 2014, http://articles.economictimes.indiatimes.com/2013-03-27/news/38041233_1_dairy-farmers-eu-india-free-trade-agreement-dairy-products.

35 Aparjita Lath, EU GAINING A DOUBLE BENEFIT: FREE TRADE AND GI PROTECTION, Spicy IP, (6th March 2014), http://spicyip.com/2013/04/eu-gaining-double-benefit-free-trade.html.

holder. India has agreed to sweeping language for this in the FTA[36] and has in affect agreed to the creation of a monopoly as agreement does not talk about any exceptions to 'legal' circumvention of such for instance when the copyright term of the work expires or for fair use. The FTA also raises concerns regarding copyright expansion that go beyond what is mandated by the Berne Convention.[37] By not specifically mentioning photographic works in the agreement, the parties seemed to have assumed that the same would fall under literary and artistic work[38] as defined by the Berne Convention.[39] The Berne Convention allows for the protection of photographic works for a period of 25 years[40] but the FTA by not mentioning the photographic works as a separate category has effectively extended the right to duration of life of the author plus 50 years.[41]

Another problematic copyright provision in the agreement relates to the '3 step test' that has been adopted by India and the EU to deal with the limitations and exceptions[42] to the right holders exclusive rights. The general three step test that emerged from the Berne Convention[43] basically established the legal boundaries for the reproduction of a work and lays down the 3 conditions;

36 India-EU FTA Article 7.7.
37 Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, as revised at Paris on July 24, 1971 and amended in 1979, S. Treaty Doc. No. 99-27 (1986) (hereinafter Berne Convention).
38 India-EU FTA Article 7.1.
39 Berne Convention, Art. 2(1).
40 Berne Convention, Art. 7(4).
41 India-EU FTA Article 7.2.
42 India-EU FTA Article 7.9.
43 Berne Convention, Art. 9(2).

> *(a) The exceptions and limitations must apply in certain special cases; (b) must not be in conflict with the normal course of exploitation of the subject matter in question and (c) must not unreasonably prejudice the legitimate interests of the right holders.*[44]

Although this test has been adopted by the India-EU FTA, it has failed to include or refer to the exceptions that are provided to developing countries in the Berne Convention.[45] The adoption of the three step test might not directly be a TRIPS plus measure that is being included in the treaty but by excluding the application of special provisions it has been indirectly made into one.

It is not only India that is being pressurized to sign on to data exclusivity and patent term extension measures. More middle/low income countries like Thailand are also being pressurized to conclude FTA's with the EU and in the process accept these stringent measures. This is a case for concern as it directly impacts the social welfare programmes like the national health coverage systems that developing country government's (like the Thai government) run through which more than 90% of the population receives medicines free of charge.[46] Measures like data exclusivity clauses (for 5 to 10 years) and patent extensions (for 2 to 5 years) point towards a negative impact on the Thai pharmaceutical market which has made

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44 *Id.*

45 Berne Convention, Appendix(Special Provisions Regarding Developing Countries).

46 *Activists rally against FTA*,BANGKOK POST, http://www.bangkokpost.com/print/370386/.

use of TRIPS flexibilities to try and provide access to medicines for all.[47]

A sustainability impact assessment report conducted on the overall effects of a FTA between the EU and India also highlighted the need to provide for TRIPS flexibilities in the agreement to continue the access to medicines programmes of the government of India.[48]

The aforementioned measures show that India seems to be giving up on the promise of increased investment and an increase in trade. The increased protection offered by these agreements is presumptively assumed to be beneficial for trade.[49] One major argument that is advanced by those who argue for greater level of protection is that the extremely high Research and Development (R&D) costs involved in the development of new drugs merits greater level of protection as this would provide requisite incentive to the producers to keep inventing and producing new drugs.[50] This justification often fails to hold true. For instance this was the justification given by the supporters of the high price of drugs like Glivec (even though in this case the sales were estimated to be around US$ 4.6 billion as against

47 Tessel Mellema, *The EU-Thailand FTA: What Fate For Access To Medicines?*, IP Watch, (5th March 2014) http://www.ip-watch.org/2013/12/12/the-eu-thailand-fta-what-fate-for-access-to-medicines/.

48 ECORYS, CUTS, Centad, Trade Sustainability Impact Assessment for the FTA between the EU and the Republic of India (9th April 2014) http://trade.ec.europa.eu/doclib/docs/2009/june/tradoc_143372.pdf TRADE07/C1/C01 – Lot 1 at 266.

49 Susy Frankel, *The Legitimacy and Purpose of Intellectual Property Chapters in FTAs, in*CHALLENGES TO MULTILATERAL TRADE THE IMPACT OF BILATERAL, PREFERENTIAL AND REGIONAL AGREEMENTS 185-199 (Ross Buckley, Vai Io Lo and Laurence Boulle eds., 2008).

50 Tereza De Castro, *EU-India TRIPS-plus Agreement: A Real Threat for the Developing World?*, Contemporary European Studies 28. (2011).

the R&D of the same being around US$ 38 to 96 million).[51] This observation is also questionable as it has been concluded that strong patent protection regimes do not necessarily lead to greater innovation and an increase in the number of products that actually reach the market.[52]

A case in point is the Jordan-US FTA.[53] The first FTA signed by the US with an Arab country. This agreement was signed on the promise of huge foreign investments into Jordan and a greater protection for intellectual property which would subsequently lead to increased R&D spending in medicines. But this has not been the case. This FTA has led to increasing drug prices due to high royalty payments[54] and data exclusivity measures and has also not lead to any increase in the number new 'products' launched in Jordan.[55] Jordan is the not the only country where such an adverse effect of TRIPS plus

51 Carlos Correa, *The Novartis Decision by the Indian Supreme Court: A Good Outcome for Public Health,* South Centre (27th February, 2014) http://www.southcentre.int/wp-content/uploads/2013/10/SB75_EN.pdf.

52 See footnote 95 in Susan K Sell, *TRIPS plus Free Trade Agreements and Access to Medicines*, 28 LIVERPOOL LAW REVIEW41–75, 63 (2007); and Amy Jocelyn Glass, *Costly R&D and Intellectual Property Rights*, Econweb, (2nd March 2014) http://econweb.tamu.edu/aglass/cos.pdf.

53 Jordan-US FTA 2000.

54 Mohammed El Said, *The Morning After: TRIPS-Plus, FTAs and Wikileaks - Fresh Insights on the Implementation and Enforcement of IP Protection in Developing Countries*, PIJIP Research Paper no. 2012-03. American University Washington College of Law, Washington, D.C at 13.

55 Oxfam,*All costs, no benefits: How TRIPS-plus intellectual property rules in the US-Jordan FTA affect access to medicines*, Oxfam Briefing Paper 17 (2007). *See also* United Nations Industrial Development Organization, UNIDO, *The Role of Intellectual Property Rights in Technology Transfer and Economic Growth: Theory and Evidence* (8th March 2014). http://www.unido.org/fileadmin/user_media/Publications/Research_and_statistics/Branch_publications/Research_and_Policy/Files/Working_Papers/2006/WPjuly2006%20IPR_rights_in_technology_transfer.pdf.

combined with lopsided trade rules is being felt.[56] These observations cast a heavy doubt on the proposed effectiveness of the India-EU FTA

IV. TRANS-PACIFIC PARTNERSHIP (TPP): LOOKING AT THE BIG PICTURE.

It becomes extremely hard for any country to ignore the TPP as the countries that make up the partnership contribute to around 25% of the world GDP and have a 38% share in the world trade.[57] The TPP seeks to make significant changes in how the world IP regime is structured. Topics like access to medicines for instance which are generally hotbeds of discussion among countries are being negotiated in total secrecy. The leaked draft shows the US's intention to push for allowing the evergreening of patents. The US has proposed that patents may not be solely denied on the basis of their enhanced efficacy,[58] a provision that is directly in conflict with section 3(d) of the Indian Patents Act, 1970. The amount spent on R&D reduces significantly once policies for easy grant of patents and extension of

56 See for example the impact of the Central America Free Trade Agreement (CAFTA) on Guatemala which has led to a reduced access and less availability of vital drugs. Ellen R. Shaffer and Joseph E. Brenner, *A Trade Agreement's Impact On Access To Generic Drugs*, 28 HEALTH AFFAIRS, w957-w968 (2009). Also see the effect of the Morocco-US FTA on the trade surplus. As of 2013 US trade surplus with Morocco was 1.1 billion$, a huge jump from a mere 9 million$ in 2004, the year in which the FTA with Morocco was concluded. United States International Trade Commission (8th March 2014) http://dataweb.usitc.gov/.

57 V. S. Seshadri, *Three deals that can change the world*, THE HINDU, 5th March 2014, http://www.thehindu.com/opinion/lead/three-deals-that-can-change-the-world/article5207438.ece.

58 Trans-Pacific Partnership (hereinafter TPP), Article QQ.E.1 (1).

monopolies are put into place.[59] Section 3(d) has been used in India to deny secondary patents that inordinately stretch the exclusivity of a pharmaceutical product and accordingly restrict access and lead to an increase in prices.[60]

It is important to not understand section 3(d) as 'belonging' solely to India and to contextualise it in the broader framework of what it means to developing countries. For instance these provisions along with the pre grant and post grant opposition mechanism that exists in India have been adopted by other countries, with the most recent example being that of South Africa which in its daft IP policy seeks to oppose "weaker" patents that frustrate access to public health.[61] Brazil is another country that is seeking to replicate section 3(d) by introducing changes to its intellectual property law by adding a new provision[62] which is similar to the Indian section. It is also important to note that provisions like section 3(d) are not used by governments to launch aggressive campaigns against rights owners, as it is often portrayed by its opponents. Recent studies suggest that patent applications in India that get rejected in India are influenced by section 3(d) to a very minimal level and are rejected based on other

59 *Supra n* 28 Barooah. Also see David Opderbeck, *Patents, Essential Medicines, and the Innovation Game*, 58 VAND. L. REV. 501 503 (2005).

60 Rajarshi Banerjee, *The Success of, and Response to, India's Law against Patent Layering*, HARV. INT'L L.J 54 (2013).

61 Department of Trade and Industry (South Africa) Draft National Policy on Intellectual Property, 2013.

62 See XI Projeto de Lei N.º 5.402, de 2013 Article 10. (9th April 2014). http://www.camara.gov.br/proposicoesWeb/prop_mostrarintegra;jsessionid=9716B7CC43354ED6CCF44E5AE7249BEB.node2?codteor=1090597&filename=Avulso+-PL+5402/2013.

grounds in the act.[63] This directly counters the accusation that provisions like 3(d) in the patent laws of developing countries are 'pro-government' and provide an easy way for expropriation of rights because of ambiguous and wide drafting and interpretation by courts.[64]

Another important measure of public health is sought to be brushed under the carpet by limiting the scope of the 2001 WTO Doha declaration on the TRIPS and Public Health. The agreement limits the mandate of the declaration to the cases of "HIV/AIDS, tuberculosis, malariaand other epidemics as well as circumstances of extreme urgency or national emergency".[65] Thus it conveniently forgets the fact that the 2001 declaration was not limited to only these cases and extended to all medicines and had a much broader effect.[66]

Even though India is not participating in the TPP, the importance of it can't be understated. For starters, India has already concluded trade agreements with four negotiating countries and is in the process of

63 Kenneth Shadlen,*Learning from India? A new approach to secondary pharmaceutical patents*, LSE Online (10th April 2014) http://blogs.lse.ac.uk/indiaatlse/2013/05/03/a-new-approach-to-pharmaceutical-patents/. See also Bhaven N Sampat, Kenneth Shalden, and Tahir M Amin, *Challenges to India's Pharmaceutical Patent Laws,*337SCIENCE 414-415 (2012).

64 Susan Fyan, *Pharmaceutical Patent Protection and Section 3(D): A Comparative Look at India and the U.S.*, 15 VIRGINA JOURNAL OF LAW & TECHNOLOGY (2010).

65 TPP, Article QQ.A.5.

66 James Love, *Knowledge Ecology International KEI analysis of Wikileaks leak of TPP IPR text*, (10th April 2014), *available at* http://keionline.org/node/1825.

negotiating agreements with four other countries[67] that are participating in the TPP negotiations. Also the provisions in the TPP become highly relevant while looking at how future multilateral 'partnership' agreements would shape up. One manifestation of this could be the increased linkage of Most Favoured Nation (MFN) clauses with BIT's leading to investors making use of an arbitral tribunal where such a use wasn't specified, to exclude the jurisdiction of local courts.[68] Inclusion of such a provision would allow foreign pharmaceutical firms to challenge Indian government's decisions for generic medicines in an arbitral tribunal.[69] Huge awards to investors put developing countries under heavy financial strain[70] and that might lead to sacrificing the gains that they get via TRIPS flexibilities in the first place.

One such future partnership agreement that might incorporate the above mentioned disconcerting provisions is the Regional Comprehensive Economic Partnership (RCEP) that is proposed to be signed between 10 ASEAN members plus the members of ASEAN plus three (China, Japan and Korea) and India, New

67 Brock R. Williams, *Trans-Pacific Partnership (TPP) Countries: Comparative Trade and Economic Analysis*, Congressional Research Service 27 (June, 2013).

68 See for example The Maffezinicase (*Emilio Agustín Maffezini v. The Kingdom of Spain*, ICSID Case No. ARB/97/7); Stephen Fietta, *Most Favoured Nation Treatment and Dispute Resolution Under Bilateral Investment Treaties: A Turning Point,* INT.A.L.R 131 (2005).

69 European Commission, Briefing Note, (May 2011);The Intellectual Property and Investment Chapters of the EU-India FTA: Implications for Health at 4.

70 See for example, *CME v The Czech Republic*, UNCITRAL (1976), the Tribunal calculated the amount to be $350 million, which was much more than the investors actual investment. See also Olivia Chung,*The Lopsided International Investment Law Regime and Its Effect on the Future of Investor-State Arbitration* 47 VA. J. INT'L L. 953 (2006-2007) at 965.

Zealand, and Australia[71] the negotiations for which have already begun.[72] The fact that 7 countries negotiating the RCEP are also involved in the TPP gives us an indication of the way the talks might end up proceeding.

The US also hopes to extend the reach of the TPP to include all the members of Asia Pacific Economic Cooperation forum (APEC) which comprises of 40 per cent of world's population.[73] What is also interesting is that India has requested (repeatedly) to become a member of APEC.[74] It becomes increasingly clear that it is important to situate the debate surrounding multi party agreements in a much broader setting rather than limiting the 'cost-benefit' analysis to the parties to the agreement because these agreements that on the face of it seem to be affecting only one part of the world or the parties 'concerned' actually extend their reach (or propose to) to much beyond their mandate.

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71 Ministry of Economy, Trade and Industry (Japan), Joint Declaration on the Launch of Negotiations for the Regional Comprehensive Economic Partnership, http://www.meti.go.jp/press/2012/11/20121120003/20121120003-2.pdf.

72 Department of Foreign Affairs and Trade (Australia) (9th March 2014), https://www.dfat.gov.au/fta/rcep.

73 Carolina Rossini, *US push on intellectual property conflicts with international norms*, ALJAZEERA, 9th March 2014, http://america.aljazeera.com/opinions/2013/12/tpp-intellectualpropertywikileaks.html.

74 IANS, *Is India eyeing Asia-Pacific Economic Cooperation membership?,* DNA, 25th February 2014http://www.dnaindia.com/india/report-is-india-eyeing-asia-pacific-economic-cooperation-membership-1898348. Also see *APEC to decide whether to let India jo*in, THE AGE, 25th February 2014, http://www.theage.com.au/news/National/APEC-to-decide-whether-to-let-India-join/2007/01/11/1168105110986.html.

V. CONCLUSION

What we see then is a clear paradigm shift that is being adopted by the developed countries from a bare protection of IP rights towards policies of aggressive protectionism. But this shift can be better be stated in terms of movement from 'hidden' lobbying to 'explicit' inclusion of provisions favouring developed countries in treaties and the like. This can be noted from a contrast of the earlier strategies of countries like the US and France which lobbied strongly against the threat of grant of compulsory licenses[75] to the present situation where in it would seem that to prevent the need for lobbying from arising, protective measures have been included in the text of treaties like TPP itself!

Pressure tactics are not only limited to lobbying but also extend to strategies of countries like the US of placing countries under the 'Priority Foreign Country' list for IPR's in the USTR's special 301 report[76]. These measures which have been described as being opposed to the ministerial Doha declaration and consequently undermining the rights of the developing countries to use the

75 Carlos M. Correa, *Pharmaceutical Innovation, Incremental Patenting and Compulsory Licensing*, Research Paper 41 20 (September 2011), South Centre,

http://www.southcentre.int/wpcontent/uploads/2013/05/RP41_Pharmaceutical-Innovation_EN.pdf

76 As of 5th March 2014 the Pharmaceutical Research and Manufacturers of America (PhRMA) in its Special 301 submission for 2014 has put in a request to designate India as a priority foreign country. See Pharmaceutical Research and Manufacturers of America (PhRMA) Special 301 submission for 2014 (7th March 2014)http://keionline.org/sites/default/files/PhRMA_2014_Special_301_Submission.pdf (7th March 2014)

flexibilities in TRIPS[77] would lead to there being immense pressure with the developing countries to align their IP regimes with the TRIPS plus measures that are increasingly being adopted.

What is also hard to understand is the hush-hush approach that is being adopted by countries including India, in concluding these extremely important agreements. India for instance, without so much as having a parliamentary debate or even releasing drafts of the agreement at a regular interval to call for public comments seems to be in an inexplicable secretive mode.

It is also important to note is that the India-EU IPR text is a testament to the new vigour that developing countries have found while negotiating with well-established economic powers. India's hard negotiation tactics have forced the EU to drop the controversial data exclusivity measures from the agreement.[78] The agreement also affirms the commitments of the parties to the Doha declaration and on a cursory comparison of the two agreements it seems that the approach adopted by the EU is much less aggressive than the stance of the US. The importance of measures like the TRIPS flexibilities cannot be highlighted enough. Be it for India that is often touted as being the "pharmacy of the world" or for underdeveloped countries that are dire need of cheap and accessible public health care facilities.

77 South Centre press release, Geneva (4th March 2014), http://www.southcentre.int/wp-content/uploads/2014/03/PRESS-RELEASE_20140304_EN.pdf (Last accessed on 7th March 2014)

78 Vidya Krishnan, *No patent extension clause in free trade deal: EU*, LIVE MINT, 8th March 2014 http://www.livemint.com/Companies/1HPI3KkupVmmdHEtK7P1UN/No-patent-extension-clause-in-FTA-EU.html

Accepting TRIPS plus measures also puts a burden on countries that are generally regarded as technology importing countries. Opposition must then be mounted to resist these trade agreements.

This resistance can come in the form of increased trade and investment between developing countries. Currently developing countries are trading with each more than at any other time in history and are moulding the next phase of world economy.[79] This spike in cooperation may lead to the creation of a new developmental and trade paradigm that can effectively resist pressure by the developed world. To create a balance in trading capacities capitalising on the recent successes of this dynamism of south-south cooperation is essential.[80] The formation of new age south-south trade blocs can effectively counter act the pressure that is being out by the developing world.

Mobilisation of people is a strategy that has been often used by the opponents of these agreements.[81] Latest economic crises has also given fresh impetus to these social movements to question the benefits of free market, almost no holds barred capitalism. The

79 Uche Ewelukwa Ofodile, *Africa-China Bilateral Investment Treaties: A Critique*, 35 MICHIGAN JOURNAL OF INTERNATIONAL LAW 150

80 Hardeep S Puri, *Rise of the Global South and Its Impact on South-South Cooperation World Bank*, (Special Report) (10th April 2014) https://openknowledge.worldbank.org/bitstream/handle/10986/6076/deor_12_2_7.pdf?sequence=1

81 Aziz Choudary, *Struggles against Bilateral FTAs: Challenges for Transnational Global JusticeActivism*7 STUDIES IN SOCIAL JUSTICE7-25(2013)

Korean workers struggle against the US-Korea FTA[82] provides a good illustration of people's mobilisation to resist FTA's and BIT's. There is a need to increase resistance via what Choudary calls the "Global justice network".[83] This indicates the coming together of popular mobilisations in the developing world and the launch of a sustained joint activism[84] to ward off economic imbalance inducing trade pacts.

What becomes clear then is that free trade is not always beneficial for developing economies. This trade may end up harming the flexibilities provided for under TRIPS and might even result in the concentration of powers in the hands of the right holders of the developed world. Attempts to pressurise economically weak countries into accepting these measures, as hard it may seem, must be resisted and the developed countries must realise their responsibilities for the creation of an equitable world order.

82 (11th April 2014) Bilaterals.org Fighting FTAs: The Growing Resistance to Bilateral Free Trade and Investment Agreements, http://www.bilaterals.org/fightingFTA-en-Hi.pdf, at 49

83 *Supra n* 82 Choudary.

84 *Id.*

6 IJIPL 112-135 (2013)

COMPULSORY LICENSE FOR PHARMACEUTICALS IN INDIA: BALANCING THE CONFLICT OF INTEREST

*Namrata Dawar and Pooja Kumari**

The purpose of this study is to explore the scope of Patentability of Pharmaceutical drugs and compulsory licensing in India; study the theoretical concepts and practical applicability of the law relating to compulsory licensing in India. This article makes an attempt to discuss the various aspect of compulsory licensing particularly in field of pharmaceuticals, related legislation and related precedents. Through this article the various implications of the system of compulsory licensing has been seen and it can be safely concluded that the compulsory licensing has a relatively modest effect on the availability of medicines in the developing world. Also the studies referred to in this article suggests that compulsory licensing is not discouraging innovation as claimed by the patent holders. Through the article it can be adduced that the conflicting interest of public health and protection of patent holders' rights need to be balanced without deterring interest of either party. And introduction of compulsory licensing through TRIPS tries to ensure the same. The cases with respect to compulsory license in India have been summarily analyzed and contrasted to study the implementation of the provisions of compulsory licensing in India in its letter and spirit.

I. INTRODUCTION

> "*Idea of a better world is one in which medical discoveries would be free from patent and there will be no profiteering from life and death.*"
>
> - Indira Gandhi on May 6, 1981[1]

Late 1990s saw increased concern from developing country and civil-society groups about the impact of intellectual property rules,

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1 Tara Kant Jha , *Impact Of WTO On Indian Pharmaceutical Industry*, WTO AND INTELLECTUAL PROPERTY RIGHTS , 260 (Talwar Sabanna Serials Publication, 2007).

introduced through the TRIPS (Trade Related Aspects of Intellectual Property Rights) Agreement, on access to medicines.[2] Intellectual property rules create monopolies for medicines sold by multinational pharmaceutical companies, keeping inexpensive, generic medicines at bay from the market which can reduce the cost of medicine in a sustainable way.[3] A country's economic growth and development greatly depends on good health of its citizens. Every year 14 million people in developing countries like India die of poverty-related and infectious diseases,[4] such as malaria, diarrhoea, tuberculosis and HIV/AIDS and around 10 million children die due to vaccine-preventable diseases.[5] In such alarming rates there were almost 5.56 lakh cancer deaths in India in 2010.[6] There was no dearth of treatment available but the problem pertains to the limited access to the deplorably priced medicines. In a country like India, where about

2 Cullet, *Patents Bill, TRIPS And Right To Health*, ECONOMIC AND POLITICAL WEEKLY, October 27- Nov. 2, 2001 at 36(43).

3 Gopakumar K. M, *Product Patents And Access To Medicines In India: A Critical Review Of The Implementation Of Trips Patent Regime*, 3THE LAW AND DEVELOPMENT REVIEW : SPECIAL ISSUE (2010), NEW VOICES FROM EMERGING POWERS –BRAZIL AND INDIA, 326 (2010) .

4 Public Health Innovation And Intellectual Property Rights Report Of The Commission On Intellectual Property Rights, Innovation And Public Health, Geneva : World Health Organisation (April 2006), available at: http://www.who.int/intellectualproperty/documents/thereport/CIPIH23032006.pdf.

5 Satyanarayan K, Srivastava S. , *Poverty, Health & Intellectual Property Rights With Special Reference To India*, 126 INDIAN J MED RES 390-406 (2006) ,available at: http://Icmr.Nic.In/Ijmr/2007/October/1016.pdf

6 Tata Memorial Hospital, Lancet, Centre for Global Health Research And University Of Toronto Jointly Released Study Findings On Cancer Mortality In India In 2010, available at: http://articles.timesofindia.indiatimes.com/2012-03-28/india/31249111_1_cervical-cancer-cancer-deaths-cancer-mortality .

77% of population (836 million) earns less than Rs. 20 a day,[7] the thought that the expensive patented pharmaceutical life saving drugs can even be affordable to such people, is inconceivable. The patenting of pharmaceutical drugs has made the majority of the world's population out of reach of major life saving drugs. Indian generic drug addresses the needs of patients in poor countries across the globe and therefore amidst the protests over an Indian legislation the Director General of WHO wrote to our then Health Minister requesting that amendments to the Indian Law take into account the concerns of millions of poor patients. [8]

To what extent should developing countries beset by these diseases be able to obtain these drugs at low prices- prices far below the selling prices in developed countries, yet often still far above what most of their people can afford in developing countries? The answer involves balancing considerations related to public health against the integrity of an emerging global intellectual property (IP) system- a system intended to meet the business needs of companies in developed countries but also to encourage innovation in developing as well as developed countries. It involves balancing immediate humanitarian concerns against the long term concerns related to incentives to develop drugs to meet the needs of developing countries.

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7 Satyanarayan *Supra n* 6; Report On The Conditions Of Work And Promotion Of Livelihoods In The Unorganized Labour, New Delhi : National Commission For Enterprises In The Unorganized Sector, Nceus, Govt. Of India; 2007.

8 TARA, *Supra n* 1.

II. PATENT, COMPULSORY LICENSING AND DRUGS

The development of a new drug is a time -consuming and expensive process and the process to develop superior versions of existing drugs further adds on to the overall R & D expenditure.[9] Thus, to combat it one can apply for intellectual property rights (a patent) protection of their intangible creations. An exclusive right provided by a patent[10] protects the investments made by companies during drug development by preventing other companies from making the new drug for a fixed period of time[11] and by providing incentives to the creators of new drugs in the form of payments and royalties from other companies for the use of their creation.[12]

Patents provide a legal means for pharmaceutical manufacturers and other patent holders to prevent unauthorized duplication of their products, therefore, patent protection is critically important to pharmaceutical manufacturers who can charge prices that are much higher than their basic manufacturing costs to recoup their R&D

9 Dr. Shuchi Midha & Aditi Midha,*Compulsory License: Its Impact On Innovation In Pharmaceutical Sector*, 2 INTERNATIONAL JOURNAL OF APPLICATION OR INNOVATION IN ENGINEERING & MANAGEMENT 2319 -4847 (2013).

10 According to BLACK'S LAW DICTIONARY, 4th Ed. Rev. , at 1281-82, "Patent Is A Grant Made By The Government To An Inventor, Conveying And Securing To Him The Exclusive Right To Make And Sell His Invention For A Term Of Years".

11 Patent protection is provided for 20 years from date of filing of the application, after which the protection ends and invention enters the market available for commercial exploitation. This period was introduced in second amendment of Indian Patents Act, 1970, in 2002 to update the patent law in accordance with trips mandates.

12 Dr. Shuchi Midha, *Supra n* 9.

costs and earn profits that may be utilized for further investment in new drug discovery and development.[13]

The Indian Patents Act 1970 and the Patent Rules 2003, amended in accordance with TRIPS Agreement in 2005 and 2006 respectively, regulate the grant, revocation and other matters with regards to patents.[14] The three basic conditions for a product to be patentable are:[15]

a) Novelty;

b) Inventive and non-obvious and

c) Industrial application.

The patentee can enjoy his right with respect to his patent in terms of its exploitation or licensing, assigning or selling it for some commercial consideration,[16] thus encouraging scientific research, new technology and industrial progress.[17] When India first enacted its Patent Act in 1970, it did not include patenting of food and health products.[18] In fact, the 1970 Act granted only 'process patent'[19] for

13 Ruchika Ghosh ,*Trips & Pharmaceuticals - Impact On The Developing Countries Post Doha Vis-A-Vis Developed Nations,* 78 SCL 19 (2007).

14 Sudip Chaudhuri, Trips And Changes In Pharmaceutical Patent Regime In India, 535, at 12, Indian Institute Of Management Calcutta (January, 2005), available at http://cdrwww.who.int/hiv/amds/IDA_India-Patent-amendments-Sudip.pdf.

15 P. NARAYANAN, INTELLECTUAL PROPERTY LAW 17 (Ed 3rd, Eastern Law House ,2002).

16 The pharma industries generally change their patented drug slightly by converting it to a salt, adding ester or ether, making an isomer that does not in any way alter the efficacy of the drug, which gets patented. The process is called evergreening and is used by pharma companies to hold exclusive rights to manufacture drugs several years after the original patent expires. Available at: http://www.indiabioscience.org/articles/compulsory-licensing-%e2%80%93-does-it-affect-pharma-companies.

17 *Bishwanath Prasad Radhey Shyam* v *Hindustan Metal Industries* AIR 1982 SC 1444.

18 As per The Patent Act Of 1970.

drugs,[20] enabling even small and medium Indian Companies to produce indigenous versions of drugs produced in developed countries. Therefore none of the pharmaceutical patents were valid in India, allowing Indian companies to manufacture generic medicines without licensing as long as the process used for manufacturing was different from that used by the original company and thereby Indian pharmaceuticals became experts in reverse engineering.[21] This allowed Indian generics to compete in the world market most importantly by providing medicines at an affordable prize globally. The best example for this is the antiviral drugs manufactured by Cipla. The availability of these generics at an affordable prize no doubt had a great effect on curtailing the spread of the HIV epidemic.

In 1994 India became a part of the World Trade Organization (WTO) and signed the agreement on trade-related aspects of intellectual property rights (TRIPS) and as part of that, it was required to recognize all international patents including those within the food and health.[22] The adoption of patent system in such countries has harmed poorer people who cannot afford to buy

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19 Process patents are patents that protect the method of making something, rather than the object or substance itself.

20 According To Indian Patents Act, 1970, Sec-5(A),(B) While The Medicines And Drugs May Not Be Patented, "Process Claims Covering Methods Of Their Manufacture Are Patentable".

21 William Greene, *The Emergence Of India's Pharmaceutical Industry And Implications For The U.S. Generic Drug Market*, OFFICE OF ECONOMICS WORKING PAPER U.S. INTERNATIONAL TRADE COMMISSION,2007-05-A, (May 2007),available at: http://www.usitc.gov/publications/332/working_papers/ec200705a.pdf.

22 TRIPS Agreement, Art. 28, (Apr. 15, 1994), Marrakesh Agreement Establishing The World Trade Organization, Annex 1c, 1869 U.N.T.S. 299 .

medicine.[23] The Joint Program of the United Nations on AIDS believed that unequal access to treatment at acceptable prices is one of the main reasons for the low levels of survival in poor nations.[24] The Law and policy makers in India during the time of the amendment were confronted with two major concerns viz. the future of the Indian pharmaceutical industry and access to affordable medicines in India and other developing countries.[25] TRIPS henceforth attempted to balance the private and public interest at the same time through compulsory licensing.[26]

The origin of the concept of compulsory licenses lies in the UK Statute of Monopolies Act, 1623 and was granted to make patented invention work locally.[27] This concept of compulsory working system was also seen in the French Law of 1791 practically adopted by all the patent systems except that of United States at present.[28] Section 22 of the UK Patent Act of 1883 provided for grant of Compulsory

23 Dr. Ajay Kumar *Indian Patent Regime And Its Impact On Life Saving Drugs,* 35, INDIAN BAR REVIEW, (2008).

24 UN Millennium Development Goals, available at: http://www.un.org/millenniumgoals/ (Last visited on February, 8, 2014).

25 Gopakumar K. M., *Supra n* 3.

26 Article 31 of the TRIPS agreement provides for certain conditions to be taken into account where the law permits certain kinds of uses without authorization of the right holder, which includes the grant of compulsory licenses. Article 40 of the trips agreement allows member countries to take measures on those acts of the right holder which may restrain competition. The member countries may specify in their legislation such licensing practices or conditions pertaining to intellectual property rights which may have adverse effect on trade, and impede the transfer and dissemination of technology.

27 STATUTE OF MONOPOLIES, 1623, 21 Jam. 1, C. 3 (Eng.).

28 *Novartis AG* v *Union of India & Others* Civil Appeal No. 2728 OF 2013 (Arising out of SLP(C) No. 32706 of 2009), i.e, Natco Pharma Ltd v Union of India & Others) available at http://judis.nic.in/supremecourt/imgs1.aspx?filename=40212 (Last visited on February 24, 2014).

license in cases in which the patent was not being worked in the UK, the reasonable requirements of the public were not satisfied, or any person was prevented from working or using an invention. This is the key provision that has influenced the development and growth of Compulsory license in other countries as well as for making inroads in Paris Convention.[29] The Paris convention recognized and stipulated compulsory license in its Hague 1925 revision.[30] Despite stiff opposition from the US, Paris Convention accepted the "working obligation". At The Hague in 1925 compulsory licensing was adopted as the main means to ensure the exploitation of a patent.[31]

Compulsory license[32] is an authorization given by the national government or its agency to a person without or against the consent of the title-holder, for the exploitation of a subject matter protected by a patent or other intellectual property rights.[33] In this article we shall limit ourselves to compulsory license in Patents, particularly pharmaceutical patents.

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29 Dr Charu Mathur ,*Compulsory Licensing: A Study With Reference To India's First Pharmaceutical Compulsory License Case Of Natco V/S Bayer*, (September 14, 2012) available at: http://ssrn.com/abstract=214682.

30 *Id.*

31 Deepika Sekar &Aishwarya H., *Are-Look Into Compulsory Licensing: After Natco V. Bayer*, INDIAN JOURNAL INTELLECTUAL PROPERTY LAW, 69, available at: http://www.commonlii.org/in/journals/injliplaw/2012/6.pdf.

32 A "compulsory license" is termed as "Other use without the authorization of the right holder" under TRIPS Agreement, Article 31.

33 Sumana Chatterjee , *Flexibilities Under Trips [Compulsory Licensing]: The Pharmaceutical Industry In India And Canada*, (June 14, 2007) available at SSRN: http://ssrn.com/abstract=1025386 or http://dx.doi.org/10.2139/ssrn.1025386.

The compulsory license in a sense is seen as a threat to greedy patent holders to work their productions at reasonable prices.[34] The Compulsory license thus provides a safeguard against lack of use of a patent or misuse of the patent holder's monopoly rights in order to protect the public interest. It alters the balance between the competing interests in the patent system. The provisions with respect to compulsory licensing endeavor to secure that the articles manufactured under the patent shall be available to public at the lowest possible prices consistent with the patentees deriving a reasonable advantage from patent.[35] Compulsory licensing has opened a gateway for the life saving drugs which are patented in India but are placed out of reach to be manufactured by generic companies at a fraction of price, in cases where such pharmaceuticals don't even agree to provide license to the generic companies. Thus, Indian compulsory licensing system is a clear evidence of the protection philosophy underlying its patent system.

III. LEGAL SANCTION FOR COMPULSORY LICENSE

A. TRIPS AGREEMENT

TRIPS Agreement, which entered into force on January 1, 1995,[36] ought to establish uniform global standards for international trade

34 Dr Charu Mathur, *Supra n* 29.

35 FEROZ ALIKHADER, COMPULSORY LICENSES IN THE LAW OF PATENTS-WITH SPECIAL FOCUS ON PHARMACEUTICALS IN INDIA, 717(2009).

36 TRIPS Agreement, available at: http://www.wto.org/english/tratop_e/trips_e/intel2b_e.htm, (Last visited on January 28, 2014).

and protection of intellectual property rights.[37] It focuses on the establishment of new rules and disciplines for the minimum standards for the protection of intellectual property rights,[38] procedures and remedies for their enforcement, which should be adopted by all the member countries of WTO in their national laws governing intellectual property rights.[39] The countries were given transition time until January 1, 2005 if developing[40] and January 1, 2006 if least-developed,[41] to implement such provisions.[42] Under TRIPS, it is mandatory for all member countries of WTO to provide patent protection for all products including pharmaceuticals[43] TRIPS honors the right of a country to protect the health of its people, by

37 *Id.*

38 Yolanda Taylor (ed.), *Battling HIV/AIDS: A Decision-Maker's Guide to the Procurement of Medicines and Related Supplies*, 110 (The World Bank, Washington, D.C. 2004), available at http://siteresources.worldbank.org/ INTPROCUREMENT/ Resources/Technical- Guide-Procure-HIV-AIDS-Meds.pdf

39 TRIPS Agreement.

40 On December 26th 2004, to comply with the terms of the TRIPS Agreement, the President of India issued the
Patents (Amendment) Ordinance, which requires patents to be granted on new medicines as from January 1st 2005, and on medicines for which companies filed a patent application after 1995 : *Will the lifeline of affordable medicines for poor countries be cut? Consequences of medicines patenting in India*, (External Briefing Document) MÉDECINS SANS FRONTIÈRES, February 2005, available at: http://www.who.int/hiv/amds/MSFopinion.pdf.

41 There is no obligation on least-developed countries to grant patents on pharmaceuticals until 2016:Doha Declaration on TRIPS and Public Health, paragraph 7, available at: www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_trips_e.htm.

42 Developing Countries' Transition Periods, *available at*: http://www.wto.org/english/tratop_e/trips_e/factsheet_pharm04_e.htm (Last visited on February 04, 2014)

43 TRIPS Agreement Article 70(8). This article makes explicit reference to "patent protection for pharmaceutical products."

incorporating certain flexibilities that can be used to conquer patenting related obstacles to acquire low-cost generic medicines.[44]

The TRIPS Agreement undertakes to tackle with the issue of high prices of patented drugs by allowing for their compulsory licensing, under Article 31, which covers "Other Use without Authorization of the Right Holder". Under the provisions of TRIPS, a member country can force patent holders to issue compulsory license under certain circumstances, including "national emergency."[45] Hence, the compulsory license allows the generic version of the patented drug to be manufactured and sold by the third parties or governments, in competition with the patented versions.[46] The interested user must first make efforts to obtain a voluntary license from the patentee on "reasonable terms and conditions." But in case of "national emergency or under circumstances of extreme emergency or in case of public non- commercial use", the aforementioned condition can be parted with after informing the circumstances to the patentee.[47]

TRIPS provisions affect access to affordable medicines, a crucial part of the right to health.[48] This happens in the situation where patent is

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44 Yolanda *Supra n* 38.

45 TRIPS Agreement Article 31(b).

46 Angela J. Anderson, *Global Pharmaceutical Patent Law in Developing Countries-Amending TRIPS to Promote Access for All*, BEPRESS LEGAL SERIES 1109 (2006), available at http://infojustice.org/download/gcongress/amending_trips/anderson%20article.pdf.

47 TRIPS Agreement Article 31(b).

48 World Health Organization, Programme- Meadicines, *Access To Essential Medicines As Part Of The Right To Health*, available at http://www.who.int/medicines/areas/human_rights/en/ (Last visited on February 20, 2014).

not being used or is being inadequately used in a country by the patent holder.[49] Although compulsory license is explicitly included, it is subject to certain conditions, in order to safeguard the legitimate interest of the patent holders.[50] The Agreement mandates that the patent holder is to be paid royalty corresponding to the product and the economic value of the license, in case his product is compulsory licensed.[51]

TRIPS Agreement encourages competition in order to get the best outcomes in forms of new products, consonance the wider aspect of social well being. Hence, TRIPS Agreement allows member countries to take measures on those acts of the right holders which may restrain competition.[52] The member countries are free to specify such practices and also the other conditions pertaining to intellectual property rights, in their home legislations.[53] The Agreement has provided measures for the growth of Indian pharmaceutical industry[54] and to invest heavily in Research & Development[55] to

49 The Paris Convention allows compulsory licensing under Article 5.A.2, which states as: " Each Country of the Union shall have the right to take legislative measures providing for the grant of compulsory licenses to prevent the abuses which might result from the exercise of the exclusive rights conferred by the patent

50 TRIPS Agreement Article 31 (g).

51 Article 31(h) of TRIPS Agreement requires that the right holder shall be paid adequate remuneration, but does not provide a standard by which "adequate" remuneration can be measured.

52 TRIPS Agreement Article 40.

53 TRIPS Agreement Article 40,41

54 Prashant B. Kalaskar and P.N.Sagar , *Product Patent Regime Posed Indian Pharma Companies to Change Their Marketing Strategies : A Systematic Review*, 2 VSRD – IJBMR 254-264(2012), available at http://www.vsrdjournals.com/MBA/Issue/2012_06_June/Web/4_Prashant_B_Kalaskar_701_Review_Article_MBA_June_2012.pdf.

55 Angela J. Anderson, *Supra n* 46.

create new drugs in expanding market and are assured for their investment in the manufacture of the product.[56]

B. DOHA DECLARATION - A HEALTH PERSPECTIVE

The 4th Round of the WTO Ministerial Conference, met at Doha in 2001 to resolve the uncertainties in TRIPS Agreement, more particularly the compulsory licensing issue while considering public health.[57] It was recommended by the WHO that the TRIPS Agreement of the WTO "*can and should be interpreted in a manner supportive of WTO members right to protect public health, and particularly, to promote access to medicines for all and enable access to existing medicines and research and development into new medicines.*"[58] Doha Declaration emphasizes the right of every member to grant compulsory license and freedom to determine the grounds upon which such licenses are granted. This provision in a sense implies that none of the limitations on compulsory license, as enumerated under Article 31 of TRIPS shall apply. But the Declaration did not intend so, and also clarified "national emergency"[59] condition. All it meant was that member

56 Dr. Bidyadhar Majhi and Maitreyi Das, *Impact Of Trips Agreement On Competition In Pharmaceutical Sector In India*, COMPETITION COMMISSION OF INDIA ,Government of India, available at http://www.cci.gov.in/images/media/ResearchReports/Impact%20of%20TRIPS%20Agreement%20on%20Competition%20in%20Pharmaceutical%20Sector%20in%20India..pdf.

57 Saurabh Chandra, *Impact Of Trips Over Indian Patent Regime Vis A Vis Indian Pharmaceutical Industry*, 1GALGOTIAS JOURNAL OF LEGAL STUDIES 1997 (2013).

58 Declaration on the TRIPS Agreement and Public Health, WTO Ministerial Conference, 4th Sess., WT/MIN(0)/DEC/2(Nov.20,2001), at http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm

59 Regarding clarification of "national emergency", the Doha Declaration stated that each member had the right to determine what will constitute national

countries could determine their own grounds for granting license. The Doha Declaration pointed out the fact that it would be difficult for WTO member countries which do not have manufacturing capacities in the pharmaceutical sector could face difficulties in making use of compulsory licensing. And therefore, it instructed the Council for TRIPS to resolve this issue. Hence, the Doha Declaration gave the best chance to developing and under developed nations to protect the health of its citizens despite TRIPS obligation.

1. Indian Law on Compulsory Licensing post TRIPS Agreement

The provisions with respect to compulsory license are incorporated in Chapter XVI of the Patents Act 1970, consequent to the 1999,[60] 2002[61] and 2005[62] amendments following Ayyangar Committee Report,[63] in order to comply with the requirements of TRIPS agreement[64]. The committee observed:[65]

> "*India is not unique in having to face this problem of patents for vital inventions being owned by foreigners who evince no desire to work them within the country. The problem is common to all under-developed countries which have adopted the patent system of*

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emergency or other circumstances of urgency in that nation. It being understood that public health crises, like HIV/AIDS, T.B, malaria, etc can be circumstances of national emergency/ extreme urgency.

60 The Patents (Amendment) Act 1999 (India). This Act was given retrospective effect from 1 January 1995.

61 The Patents (Amendment) Act 2002 (India) came into force on 20 May 2003 and has effected consequential amendments to the Patents Act 1970.

62 The Patents (Amendment) Act 2005 (India) came into force retrospectively from 1 January 2005.

63 R AYYANGAR, REPORT ON THE REVISION OF THE PATENT LAW, 60 (1959).

64 TRIPS Agreement.

65 AYYANGAR*Supra n* 63 at 50, Para 125.

> *rewarding inventors. Two means for reducing this handicap have generally been adopted, namely:*
> *(1) compulsory working, with revocation of the patent in the event of non-working, and*
> *(2) compulsory licensing on terms of royalty settled by an outside authority where the parties do not agree."*

The compulsory license in India can be granted for abuse of patent rights,[66] in public interest[67] and also under some grounds introduced by 2005 amendment. Under section 84(1), an application for the grant of compulsory license can be made to the Controller General of Patents, Designs and Trademarks if either the "reasonable requirements of the public" with respect to the patented invention have not been satisfied, or the patented invention is not available to the public at a "reasonably affordable price", or the "patented invention is not worked" in the territory of India. Such application can be made only after expiry of 3 years from the grant of the patent. Any person can make an application under section 84(1), notwithstanding the fact that he already holds a license from the rightful license holder.[68] In India generic medicine companies can themselves apply for pharmaceuticals compulsory licensing compared to some other countries where only government can grant such licenses on its own accord. The section 84(7) enlists the circumstances under which 'reasonable requirements of the public' are not deemed to be met. The section also casts a duty on the patent

66 Patents Act,1970 (India), Section 84.
67 Patents Act, 1970 (India) Section 92.
68 Patents Act, 1970 (India) Section 84(2).

holders to protect their patented products. The reasonable affordable price for a patented invention is decided taking into consideration the circumstances involved in each case. The undue price charged for an invention may also lead to an 'abuse of a dominant position' under the Competition Act, 2002.[69] The term working of patent under section 84 of the Act refers to the commercial working of the patented invention or working it to the fullest extent reasonably possible. Under section 83of the Act, importation of the patented product in India may amount to non-working of the patent in the territory of India. This suggests that the patented product must necessarily be manufactured in India. Under Paris Convention also, importing of patented invention by patentee may lead to its compulsory licensing.[70]

Compulsory license can be granted under section 92 in cases of national emergency, extreme urgency, and public non-commercial use. Under this section, the compulsory license is granted by the government by way of a notification in the Official Gazette. The pre-condition as to elapse of certain time from the date of grant of patent till the application for grant of compulsory license is not included under this section. This provision is in nexus with Article 31 of the TRIPS Agreement. In compliance with the TRIPS agreement, the Indian Patents Act inserted section 11A under which a mailbox was

69 Shamnad Basheer & Mrinalini Kochupillai ,*The 'Compulsory License' Regime In India: Past, Present And Future*, A REPORT FOR THE JPO (2005), available at: SSRN: http://ssrn.com/abstract=1685129.

70 Paris Convention for the Protection of Industrial Property (Amendment)1967, Article 5(A).

maintained. The applications for pharmaceutical patenting were accepted and put away in the mailbox until 2005. Such applications were commonly called 'mailbox applications', which were to be scrutinized together in 2005. The applications which got the patent assent were followed with a compulsory license being granted to generic version of the same invention, provided that the generic company made a significant investment in the product and was producing and marketing the said drug prior to 2005.[71] The generic company is made to pay a reasonable royalty even in such cases.

Under section 92A, if a country has insufficient or no manufacturing capacity in the pharmaceutical sector for the concerned product and a patent has been granted by such country, then a compulsory license shall be available for manufacture and export of patented pharmaceutical product, in order to address the public health problems in such country.

IV. JUDICIAL PRONOUNCEMENT ON COMPULSORY LICENSING IN INDIA

The Indian Judiciary espouses the proposition of sparing grant of compulsory licenses to the generic manufacturers. This is done to uphold equilibrium of the conflicting interest of the parties involved. The first ever compulsory license in India was issued on March 3,

71 Patents Act 1970, s 11A, Proviso, amended by Patents (Amendment) Act 2005.

2008[72] by the Controller of Patents, Designs and Trademarks in India to an Indian generic manufacturer – Natco, for the manufacture and sale of the anti-cancer drug Sorafenib Tosylate (sold under the name 'Nexavar'), by Bayer Corporation ("Bayer").[73] The case arose out of the concern with respected to the price that was being charged by Bayer, approximately Rs 2, 80,000 for a month's dosage, whereas, Natco proposed to sell the drug at Rs 8,800 per month (approximately).

Natco argued that the Bayer satisfied all the three requirements under section 84, for the grant of compulsory license. The controller ruled in favor of Natco on all three requirements. The Bayer could not be said to satisfy the 'reasonable requirement of the public', as at such an inflated price, Bayer could supply the medicines only to about 2% of the patients. The 'reasonability of the price' of the drug in India could not be explained even through the high research and development prices that were incurred in the invention of the drug. As far as 'working requirement' is concerned, under Patents Act, 1970, patentees are "obliged to contribute towards the transfer and dissemination of technology" through "either manufacturing the product in India or by granting a license." A patent cannot be granted for the import of the patented product in India and not manufacturing it in India.

72 *Natco Pharma Ltd.* v. *Bayer Corporation*, Compulsory License Application No. 1/2011 (Controller of Patents, Mumbai), available at http://www.ipindia.nic.in/iponew/compulsory_license_12032012.pdf.

73 Dr. Charu Mathur, *Supra n* 29.

By, ruling out all the three requirements against Bayer, the Controller granted the compulsory license to Natco at 6% annual royalty of net sales. In addition to the Indian Patents Act, the controller granted the compulsory license under the new WTO rules, the TRIPS Agreement, Article 31 and the also under the Paris Convention of 1883.

Bayer appealed against the ruling of the Controller to the Intellectual Property Appellate Board of India, which upheld the decision of the Controller in grant of the compulsory license.[74] This first ever grant of compulsory licensing aroused several issues amongst pharmaceutical industries and the public health groups. The precedent in India was seen as a sign of serious concern as it could jeopardize the interest of pharmaceutical industries in research and also abate the international patent systems. On the other hand, it was looked upon optimistically by public for access to health care drugs. The judgment also served as a warning to pharmaceutical companies for their price gouging initiatives. And consequently, few days after this judgment Roche Holding AG declared its collaboration with Indian pharmaceutical industry in order to sell its cancer drug at cheap and reasonable prices.[75] Thus, this case explicitly offered an

74 Rupali Mukherjee, *Bayer Loses Cancer Drug Patent Appeal,* THE TIMES OF INDIA, March 5, 2013, available at http://timesofindia.indiatimes.com/business/india-business/Bayer-loses-cancer-drug-patent-appeal/articleshow/18805475.cms (Last visited on February 25,2014).

75 Betsy Vinolia Rajasingh, *India's First Compulsory License Over Bayer's Patent*, JOURNAL OF INTELLECTUAL PROPERTY LAW AND PRACTICE, May 10, 2012, available at http://jiplp.blogspot.in/2012/05/indias-first-compulsory-license-over.html (Last visited on February 24, 2014).

opportunity to the pharmaceutical companies to lower their prices, despite the fact that they can charge any price from the customers, as a part of their monopolistic character. This helped companies, look at the market more practically and accessible to the masses.

Another major anticipated impact of the case involved larger number of compulsory licensing applications.[76] This would have had two-fold effects. In such a situation the public at large would be benefited as grant of compulsory license would increase competition in the pharmaceutical industry leading to a reduction in prices. Thus, people would benefit from the access to cheaper medicines as a result.[77] But where a pharmaceutical company spends almost $1 Billion in the development of a drug, in such situations it will be a great loss for such company to give away its drug in compulsory licensing in return for a meager royalty. Thus, if these companies are unable to recover their costs of development of drugs, they will certainly limit their further investments in research and development.[78] This may also

76 *Sparring Over Sorafenib: How Will Natco's Move against Bayer Affect Pharma Licensing?,* April 19, 2012, available at http://knowledge.wharton.upenn.edu/india/article.cfm?articleid=4681 (Last visited on February 12, 2014).

77 Alberto do Amaral, *Compulsory Licensing and Access to Medicine in Developing Countries*, SELA (Seminario en Latinoamérica de Teoría Constitucionaly Política), *Yale Law School*, 47 (2005), available at http://digitalcommons.law.yale.edu/yls_sela/47/ (Last visited on May 23, 2014).

78 Mansi Sood, *Natco Pharma Ltd. V. Bayer Corporation And The Compulsory Licensing Regime In India,* 6 NUJS L.REV. 99 (2013), available at http://www.nujslawreview.org/pdf/articles/2013_1/mansi.pdf.

result in losing FDI in pharmaceutical sector and may discourage such industries in deploying their products in Indian markets.[79]

The unending altercation between the Indian Patent regime and pharmaceutical patent holders, for the moment is put at bay by the decision rendered in BDR Pharma. The rejection of compulsory licensing application filed by BDR Pharma for *Dasatinib*, an anti-cancer drug, by Indian Patent Office was seen as a revival of hope for the pharmaceutical companies who now and then raised concerns over Indian practices especially after grant of India's first compulsory license. BDR filed for compulsory licensing of *Dasatinib*, which is patented by Bristol-Myers Squibb, and proposed to offer the drug at Rs 8,100 approximately for a month's therapy as against Rs 1.65 lakhs a month by patentee.[80]

In the instant case BDR when contacted the patentee for voluntary license, the patentee replied where it put forth further queries and BDR took this reply of the patentee as 'clearly indicative of the rejection of the application for voluntary license and did not pursue

79 Amiti Sen, *US Protests Patent Issuance to Natco to Sell Copied Versions of Nexaver*, THE ECONOMIC TIMES, March 27, 2012, available at http://articles.economictimes.indiatimes.com/2012-03-27/news/31245102_1_compulsory-license-patent-owner-indian-patent-office (Last visited on May 12, 2013).

80 Rupali Mukherjee, *BDR's Compulsory License Bid For MNC Cancer Drug Rejected,* THE TIMES OF INDIA, Oct 31, 2013, available at http://timesofindia.indiatimes.com/business/india-business/BDRs-compulsory-license-bid-for-MNC-cancer-drug-rejected/articleshow/24953307.cms (Last visited on February 26, 2014).

the matter.'[81] And filed for Compulsory licensing application pursuant to which the Controller on May 4, 2013 issued a notice stating that the *prima facie* case was not being made for the making of an order under section 84 of the Act as 'the applicant has not acquitted the ability to work the invention to the public advantage', 'in the absence of the requisite approval from the DCGI', and 'the applicant has also not made efforts to obtain a license from the patentee on reasonable terms and conditions.'[82] The Controller in accordance with explanation to section 84 (6) of the Patents Act, 1970, rejected the contention of the applicant that the patentee can by repeatedly asking queries intends to adapt a strategy for delaying grant of license as the section states that a patentee cannot prevent a prospective applicant form seeking compulsory license indefinitely, at the most it can be done for six months.

Moreover the act of the applicant in not at all responding to the reply of the patentee corresponding to its previous letter seeking voluntary license was not suggestive of an exhaustive 'effort' being made. In the light of interpretation perceived by the Controller the term 'efforts' was observed to be of 'absolute and inflexible' nature and not subjected to reasonability and exceptions.[83]

Both the BDR and Natco pronouncements help in illustrating that granting of compulsory license is not a colored provision in Indian

81 *BDR Pharmaceuticals International Pvt. Ltd v. Bristrol Myers Squibb Company* , Compulsory License Application No.1/2013 (Controller of Patents, Mumbai), available at :http://www.ipindia.nic.in/iponew/Order_30October2013.pdf.

82 *Id.*

83 *Id.*

Patent regime. The legislative intent and judiciary vindication have clearly reiterated that compulsory licensing merely strikes to achieve balance between public health and interests of pharmaceutical companies and is not prejudicial to either party.[84] The concern over compulsory licensing by pharmaceutical industry is misplaced which was a result of India's first compulsory license as the license is granted only in valid and legitimate case and not to superficial claims as in BDR pharma case where applicant did not satisfy the basic mandates of law.

The government should encourage and assist pharma companies in inventing new products and such companies must also forgo a part of their profits[85] in order to commercially work the patent in a particular country. The primary purpose of a drug, that is to cure patients rather than making huge profits should be observed. The right to health must be given utmost priority in such cases.

V. BALANCING CONFLICT OF INTERESTS

Grant of Compulsory license holds major challenges. On one had compulsory licenses ensure the affordability by masses in developing countries but long- term benefits from issuing compulsory license may be a distant dream.[86] It stems from the fact that licenses should strike a proper balance between the government (authorizer),

84 Samira Guennif, *TRIPS Plus Agreements And Issues In Access To Medicines In Developing Countries",* 12JOURNAL OF INTELLECTUAL PROPERTY RIGHTS 472 (September,2007).

85 Amiti Sen, *Supra n* 79.

86 Dr. Shuchi Midha *Supra n* 9.

compulsory licensee (government, firm's private public), and IP owner (unwilling licensor). The debate currently revolves around the issue that the grant dampens the spirits of owners against further innovative activity, and/or hurt the motivation of innovation leaders.

Patents undoubtedly play a major role in the health sector. Patents were an incentive for Pharma companies to invest in drug development. Drug development is an expensive venture that requires millions of dollars being spent without returns.[87] When a miracle drug is finally produced, patenting and exclusive manufacturing rights allow these companies to make sufficient profits to justify their previous investments, as well as to invest in future innovations. The companies selling patented drugs have an important say in determining their prices and from the point of view of the individual patients is that patented drugs are usually significantly more expensive than generic drugs. Given that in developing countries most people are poor and the patent protection can increase prices, it is necessary to examine with particular care the arguments put forward by some that patents in developing countries are not likely significantly to affect access to pharmaceuticals subject to patent protection.

The studies have suggest that compulsory licensing is not discouraging innovation as claimed by patent holders. A survey of 70 firms subject to compulsory license showed a significant increase in

87 Basheer, Shamnad , Prashant Reddy, *The 'Efficacy' of Indian Patent Law: Ironing out the Creases in Section 3(d)*, 5(2) (August, 2008), available at SSRN: http://ssrn.com/abstract=1086254.

R&D expenditure in comparison to the firms under no influence of compulsory licensing.[88] This was explained through the fact that the firms were under intense pressure to innovate so that they are ahead of their competitors.

In a country like ours, where prices have direct implications for access to medicines, and where a patented pharmaceutical may cost a person as much as 95% more than a generic drug,[89] issuing compulsory license to the generic drug manufacturer proves to be in favor of public rather than investing in R&D for the manufacture of pharmaceutical drugs, which adds to the cost of drugs. Moreover, there can be no use of life saving drugs if only a handful of population can afford it. And there can be no wealthy nation without a healthy population.

The impact of IP rules and practices on the health of poor people in developing countries has generated substantial controversy in recent years.[90] A major concern was how the adoption of IP regimes would affect public health and economic and technological development, more generally if the effect of introducing patent protection was to increase the price and decrease the choice of sources of pharmaceuticals. While developed countries see the pharmaceutical

88 *Id.*

89 Natco Pharma (headquartered In Hyderabad) was granted India's first compulsory license by the Controller Of Patents, vide order dated March 09, 2012, to manufacture an anti-cancer drug , which made it available at a cost 97 % lower(at Rs 8,800 P.M.) than the German pharmaceutical corporation Bayer (under the brand name Nexavar), which offered it for Rs 2,80,000 P.M.

90 USTR launched investigation (Under Section 30 I Of The Trade Act) Into The Failure Of Countries To Provide Adequate IP Protection To Pharmaceutical Products In Brazil(1987), Argentina(1988) And Thailand (1991).

industry as one of the main lobbyists for the global extension of IP rights.[91]

Another most important issue concerns the fundamental question of patentability in the health sector but only specific approaches that can be used to make sure that patents are implemented in a broadly more equitable manner are only been examined.[92] Efforts have rather been directed towards limiting the negative impacts of existing patents in terms of access to medicines, for instance, in the case of HIV/AIDS drugs.[93] The pharmaceuticals industry in developed countries is more strongly dependent on the patent system than the most other industrial sectors to recoup its past R&D costs, to generate profits and to fund R&D for future products. How can conflicts between the two objectives i.e. recovering R&D costs and minimizing cost for poor customer be resolved?

The role that IPRs could play in helping to address these dilemmas should be considered. The recent report of the WHO Commission on Macroeconomics and Health (CMH)[94] concluded that a large injection of additional public funds into health services, infrastructure and research was required to address the health needs of developing

91 RAMESH CHANDRA, ISSUE OF INTELLECTUAL PROPERTY RIGHTS, 2004.

92 http://www.who.int/hiv/amds/msfopinion.pdf .

93 Dipika Jain & Jonathan J. Darrow, *An Exploration Of Compulsory Licensing As An Effective Policy Tool For Antiretroviral Drugs In India*, 23 HEALTH MATRIX: JOURNAL OF LAW-MEDICINE (2013), available at: SSRN: http://ssrn.com/abstract=2385764.

94 Michael Bailey, *Priced Out Of Reach : How WTO Patent Policies Will Reduce Access To Medicines In The Developing World,* Oxfam Briefing Papers, OXFAM INTERNATIONAL (01 Oct 2001), available at http://policy-practice.oxfam.org.uk/publications/priced-out-of-reach-how-wto-patent-policies-will-reduce-access-to-medicines-in-114571.

countries. As regards access to medicines, it favored coordinated action to establish a system of differential pricing in favor of developing countries backed up, if necessary, by the more extensive use of compulsory licensing.[95]

By licensing to generic producing companies the pharmaceuticals can not only increase the reach of their drug but can also make sufficient profits (through royalties). Secondly, in cases of epidemics and life threatening situations availability of a drug is solely humanitarian and it should be implemented as such.

VI. CONCLUSION & SUGGESTIONS

As we have seen above how TRIPS by introducing pharmaceutical patents increased the drug prices, making it unaffordable for the population of least-developed and developing nations. There on other hand, it provide for the provisions of compulsory licensing, making it possible for the government to grant license to a company to manufacture and sale the drug, in cases of emergency, and in circumstances where, such company proposes to sell the drug at cheaper prices compared to the high prices charged by the patentee for the same drug. The right to health has been the heart of sanction of compulsory license of pharmaceutical products. A healthy population is a nation's asset which contributes in its development.[96] Thus, it becomes the responsibility of the government to ensure the

95 *Id.*

96 Aviral Saxena and Shantanu Sahay, *Harmonising Patent Regime With Right To Health*, 4 CLC/X/200 520.

health of its people and provide with necessary drugs and medication at affordable prices to its citizens. In India, where majority of the population cannot afford even two meals of food a day, and there is not enough investment in research and development of local pharmaceutical companies, the patented drugs of multinational pharmaceutical companies are a luxury and are accessible only to a handful of population. Hence, in our country compulsory license is seen as a solution. But compulsory license conflicts with the interests of companies which invest a lot in the R&D of these drugs and are forced to give away the licenses of their products in return for an insufficient royalty. Thus a balance of interest must be ensured for healthy working of patents and availability of drugs. The government should take the initiative to provide adequate capital and infrastructure to set up a plant base in India for the development of new drugs. This would help promote our interests without jeopardizing the interests of international pharmaceutical companies. India truly holds the potential to be a leading manufacturer and seller of drugs if is provided with basic medicinal plant base.

6 IJIPL 164-185 (2013)

AN INTELLECTUAL PROPERTY RIGHTS APPROACH TO PRIVACY

*Samyak Sibasish and Yogini Oke**

Some economists and privacy advocates have proposed giving individuals property rights in their personal data to promote information privacy, be it personal or in cyberspace. A property rights approach would allow individuals to negotiate with firms about the uses to which they are willing to have personal data put and would force businesses to internalize a higher proportion of the societal costs of personal data processing. However, on the contrary, granting a torts-based righteous approach to protection of personal data to individual in personal information is unlikely to achieve information privacy goals in part because as a key mechanism of law, it denies an individual his right to decide what he should do with his own privacy, i.e., whether he should keep it private or whether he should treat it as a commodity. Drawing upon certain concepts from the unfair competition-based law of trade secrecy, this article suggests that information privacy law needs to impose minimum standards of intellectual property law in the processing of personal data and proposes that certain default licensing rules of trade secrecy law may be adapted to protect personal information.

I. INTRODUCTION

The first decade of the 21st century has seen the transformation of human life and society through the information revolution. The advent of the Internet and social networking has enforced that human being is indeed a social being.[1] We can access a variety of services at one click on the Internet and enterprising advertisements

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1 See, e.g., FRED H. CATE, PRIVACY IN THE INFORMATION AGE 14-15 (1997) (documenting the ease of collecting data); Jerry Kang, Information Privacy in Cyberspace Transactions, 50 STAN. L. REV. 11 93, 1198-99 (1998) (providing a concrete example of data collection).

tell us that the shop can walk home instead of us walking to the shop. However, we often do not realise that this convenience and quality of life comes at a cost that is not often tangible to a common man. We are often asked for our information (Name, Address etc) in order to avail these services. More often than that, the companies that use our information create databases which are transferred to other agencies. That is precisely the reason why people often get phone calls from companies they have never given their contact information to. In short, our information goes to places we might not ever imagine it can reach. This information becomes the lifeblood of many a businesses, without the consent of the person about whom it is. This is indeed an infringement of our privacy.[2] Scholars and privacy advocates have tried to find out ways to curb this infringement of privacy and one of the ways is to look at privacy and information as if it were intellectual property. This paper will try to discuss this property right approach to privacy and how it may pan out in a developing society like India.

The way in which the issue of information and privacy is monitored is very diverse. For the ones who view protection of personal data as a matter of civil liberty, such protection is necessary for guarding their individual autonomy and freedom.[3] There are others who

2 See, e.g., Joel R. Reidenberg, Setting Standards for Fair Information Practice in the U.S. Private Sector, 80 IOWA L. REV. 497, 516-18 (1995) (discussing uses of personal data, including profiling).

3 See, e.g., John Hagel III & Jeffrey F. Rayport, The Coming Battle for Customer Information, HARV. BUS. REV. Jan.-Feb. 1997, at 53, 53 (discussing reasons companies want to collect personal information); Rohan Samarajiva, Interactivity As Though Privacy Mattered, in TECHNOLOGY &

advocate protection of personal data to shield themselves from theft, robbery or other such crimes due to free access to their data. However, one cannot ignore the fact that there is a huge chunk of Indian population which is completely unaware of the concerns that one can face due to invasion of privacy. Economic and non-economic concerns, both, show us that it is in the general interest of citizen that their privacy should not be invaded upon.[4] In this electronic age, it is very difficult to guard one's data once it has started to flow from you. Information privacy is indeed a very scarce commodity in cyberspace.[5] The manner in which personal data protection can be achieved is a matter of great importance, and that of intense debate and discussion. One of the approaches propagated by many American commentators is the property-rights approach towards privacy.[6] The Indian position to privacy has more proximity to the U.S. position than the EU position, as well-defined data

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PRIVACY, at 277-79 (arguing that mass customization of the new economy requires more surveillance and knowledge about customer).

4 See, e.g., NATIONAL TELECOMM. & INFO. ADMIN., U.S. DEP'T. OF COMM., PRIVACY AND THE NII: SAFEGUARDING TELECOMMUNICATIONS-RELATED PERSONAL INFORMATION 18-22 app. A (1995) <http://www.ntia.doc.gov/ntiahome/privwhitepaper.htm> (discussing the business of marketing profiles); see also Robert Pitofsky, Opening Remarks at Public Workshop on Online Profiling (Nov. 8, 1999) <http://www.ftc.gov/opa/1999/9911/onlinepitofsky.htm> (discussing on-line profiling).

5 See PRIVACY WORKING GROUP, INFORMATION INFRASTRUCTURE TASK FORCE, PRIVAcY AND THE NATIONAL INFORMATION INFRASTRUCTURE: PRINCIPLES FOR PROVIDING AND USING PERSONAL INFORMATION 1-3 (1995) <http://www.iitf.nist.gov/ipc/ipc/ipc-pubs/niiprivprin_final.htm.

6 See, e.g., 1 WORKING GROUP ON ELEC. COMM. ANN. REP. 16-18 (1998) (discussing the Administration's efforts to promote information privacy as part of its electronic commerce initiative)

protection rights are absent in both, U.S.A and India.[7] In this paper, the authors will try to explore the various counts on which an intellectual property rights approach to personal data scores over a torts based approach, at least as far as the concept of privacy is concerned..

II. PRIVACY AND DEFAMATION: WHY NOT A TORT-BASED APPROACH?

The interest in privacy, i.e., informational privacy arises from people's sensitivity to other people's sensitivity to other people's opinions and judgements about them. It is concerned, in a broad sense, with reputation, although there is no requirement for the claimant actually to show that his reputation has been adversely affected in anyone's eyes: it is safe to say that the right to privacy is based on a legitimate concern about reputation. There is an obvious question of the relationship of privacy to defamation.[8] Consider the famous case of Yousoupuff vs. MGM. The claimant succeeded in a claim for defamation in respect of a false statement by the defendant that she had been a victim of a rape. It had been argued that such a case involves artificially stretching the law of defamation, because the reputation of the claimant is not lowered in the eyes of 'right-thinking people' as the conventional test for defamation requires, and that it might be better regarded as a case of invasion of privacy. Indeed, it

7 See, e.g., Steven A. Bibas, A Contractual Approach to Data Privacy, 17 HARV. J.L. & PUB. POL'Y 591, 592 (1994).

8 See EU Directive, Supra note 14, art. 28 See, e.g., SWIRE & LITAN, supra note 10, at 17-18; see also INFO. POL'Y COMM., NAT'L. INFO. INFRASTRUCTURE TASK FORCE, OPTIONS FOR PROMOTING PRIVACY ON THE INFORMATION SUPERHIGHWAY 24-28 (April 1997).

has been argued that this reveals the basic distinction between defamation and privacy, namely that the former is concerned with reputation in the eyes of the right-thinking people and the latter with the reputation in the eys of what might be called 'wrong-thinking people', which would include people who are liable to be prejudiced against someone who has been raped.[9] The implication is that defamation and privacy should operate in parallel to deal with protection of reputation, the distinction between the two turning on whether reputation in the eyes of 'right-thinking' or 'wrong-thinking' people is in issue, and this would avoid the need to stretch the law of defamation in this artificial way.[10]

It is no doubt fair to say that the right of privacy is often concerned with protecting against the prejudice of 'wrong-thinking' people. Private matters are particularly prone to the subject of prejudice. But this is surely not the basis for the distinction between defamation and privacy. The problem of damage to reputation amongst 'wrong-thinking people' can also arise in respect of matters that are not private at all – an example might be the statement that the claimant at one time had an official position in a certain political party. The development of the law of privacy will leave unresolved the question of the proper scope of this aspect of the law of defamation. In any

9 See, e.g., Clean Air Act Amendment of 1990, 42 U.S.C. ?? 7401, 7651-7651n (1994); Carol M. Rose, The Several Futures of Property: Of Cyberspace and Folk Tales, Emission Trades and Ecosystems, 83 MINN. L. REv. 129, 164-80 (1998).

10 See, e.g., Rochelle Cooper Dreyfuss, Warren & Brandeis Redux: Finding (More) Privacy Protection in Intellectual Property Lore, 1999 STAN. TECH. L. REv. VS.8, ?? 5, 8, 32 <http:// stlr.stanford.edu/STLR/Symposia/Privacy/99 VS_8/> .

case, as one view the 'right-thinking people' test is not an accurate statement of the current law of defamation, and a statement of the current law of defamation, and a statement can indeed be defamatory if it is liable to harm the claimant's reputation in any significant section of the community.

More generally, this approach ignores a basic feature of privacy. By contrast with defamation, privacy is not concerned with the falsity of statements. It is concerned with protecting against loss of reputation (in a broad sense) resulting from the disclosure of true private information, for example the true information that the claimant has been raped, or rather statements about private matters irrespective of their truth or falsity.[11] It cannot be relevant whether the information is true or false, because otherwise the claimant would have to show the truth of the statement, or the defendant would escape liability by showing its falsity, and yet if the claimant has a right of privacy in respect of the information he can prevent its disclosure without having to bring its truth into consideration at all. Thus the point in *Yousoupoff* is not that claimant had a grievance that was strictly a matter of privacy rather than defamation; it was that the claimant had two distinct grievances, one on the publication of falsehood, and the other an invasion of privacy, namely the statement about private matters, whether true or false. Although it might seem that subsuming privacy under an expanded notion of defamation would be a compact way to bring together two forms of protection for

11 As with the other property rights considered thus far, alienability of rights is a common feature of intellectual property rights systems. See, e.g., 17 U.S.C. ? 201(d) (1994) (transfer of Copyright ownership rules

reputation, broadly understood, to the contrary it is surely preferable for the two categories to be kept distinct, even if both are relevant in some circumstances, because they have distinct rationales and raise distinct issues. The essence of the law of defamation is to protect reputation against inaccuracy, whereas the essence of law of privacy is to protect reputation from being influenced by private information that disclosure might be unfairly prejudicial, even if true.[12]

III. WHY PROPERTY RIGHT APPROACH?

The perks of a property rights approach to data protect lie in the control and the decision-making capacity that citizens will obtain over their own personal data. A property rights approach will help them in capturing at least a part of the commercial value their personal data has in the market. The cons of information being looked at are generally, a result of the conflict that arises in the assumptions and goals in traditional property rights regime and the proposed property rights regime.[13] The differences are very deep seated. For instance, commercial success is often one of the most important goals of a traditional intellectual property regime. In this case, protection of data from infringement will be the goal of the regime. Thus, it is proposed that a new intellectual property right be created for electronic and personal information. The authors will

12 Some commentators have recognized the need for limitations on resale rights. See, e.g., Hal R. Varian, Economic Aspects of Personal Privacy, in U.S. DEPT. OF COM., PRIVACY AND SELF- REGULATION IN THE INFORMATION AGE 35-37 (1997).

13 See Council Directive 95/46/EC, art. 1, 1995 O.J. (L 281) (See, e.g., SWIRE & LITAN, supra note 10, at 22-49 for a discussion of the main features of the EU Directive.).

elaborate upon the pros and cons of property rights regime, so that we are in a stead to think of a solution

The electronic age has made the dissemination of data extremely simple. However, the data-protection laws have not been developed at the same pace at which the technology has developed. Due to these reasons, there are many cases of violation of privacy, while the law still does not have provisions to guide the courts.[14] There are cases where the courts pick up cudgels against invasion of privacy, but the traditional law which guides them is not grounded in the principles of data protection. It is a well-accepted proposition in the U.S.A that information cannot be owned by any one.[15] In India, the Indian courts have read[16] the 'Right to Privacy' into the Freedom of speech under Article 19 (1) (a) and Right to Life and Liberty under Article 21 of the Constitution of India. The Right to Privacy India is often said to be one of the un-enumerated rights.[17] The Right to privacy granted to an individual is often not grounded in the principles of data protection. This can be observed in a judgement of the Supreme Court where the Supreme Court ruled in the favour of aggrieved individual, but the rational that the court followed was the mental trauma and harassment that the individual underwent due to

14 See UNIF. COMPUTER INFO. TRANSACTIONS ACT ? 207 (1999) <http://www.law.upenn. edu:80/library/ulc/ucita/citalOst.htm> [hereinafter UCITA]. See note 196 infra and accompanying text for a discussion of the implications of this law.

15 See *Pamela Samuelson*, Privacy as an Intellectual Property, available at http://www.jstor.org/discover/10.2307/1229511?uid=3738256&uid=2&uid=4&sid=21104180838183, Last accessed on 18th May 2014.

16 *R Rajagopal v. State of Tamil Nadu,* 1995 AIR 264, 1994 SCC (6) 632

17 Intellectual property and the internet, Lexis Nexis Butterworths, Rodney D Ryder, 2002, New Delhi.

incessant phone calls from financial institutions, and not how the data was accessed by financial institutions.[18]

Many illustrations exemplify that the law does not recognise right of an individual over personal data. In April 2011, rules made under the Information Technology Act 2000 directed that every user of a cyber cafe should provide information including name, address and identification particulars. This, along with the photograph of the person as also a list of sites the person visited, should be preserved for at least one year.[19] Another set of rules, also dated April 11, 2011, gives the government the power to demand and get any data including "sensitive" data from anybody corporate. This may include information about mental, physical and physiological health, sexual orientation. Thus, personal data moves from database to database, and the myth of privacy crumbles.[20] Post-liberalisation, many private corporations started entering various businesses in India. With globalisation and development of technology, we stay in an almost seamless electronic economy. An individual has hardly any control over his/ her personal data. Under such circumstances, it is

18 *Nivedita Sharma v. Cellular Operators Assn. of India and Ors*, MANU/SC/1538/2011.

19 See, e.g., Frederick Schauer, Internet Privacy and the Public-Private Distinction, 38 JURIMETRICS J. 555, 560-61 (1998) (criticizing of this perspective).

20 See Kenneth C. Laudon, Markets and Privacy, COMM. ACM Sept. 1996, at 92 ("Why not let individuals own the information about themselves and decide how the information is used?"); see also Catherine M. Valerio Barrad, Genetic Information and Property Theory, 87 Nw. U. L. REv. 1037, 1062-63 (1993).

important that we consider an intellectual property approach to data protection, as privacy laws might not assure us data protection.[21]

The author will now elucidate upon the benefits. Most of our transactions today have a social cost which we seem to not register at the time of the transaction. Any internet transaction requires certain personal information. Many of the services we avail of take our information from us. Social media and various websites also expose a lot of our personal data. In fact, our Google search history can clearly show our preferences. This data has an immense value to many private corporations in ways we cannot imagine and one third party sells information databases to other parties.[22] Thus, there exists a 'lively market' in personal data. However, an individual does not really play a decision-making role in this global market, even if he/ she is the most important stakeholder of all such transactions. The companies and the private sector are able to do this as they do not feel the need to internalise the social cost of such processing of personal data. A property right to data will let the individuals decide the cost of their personal data while making transactions with private firms.[23] The firms will become more vigilant and will make wiser decisions regarding which data to invest. Such transactions will result

21 See, e.g., Samuel D. Warren & Louis D. Brandeis, The Right to Privacy, 4 HARV. L. REV. 193, 198-99 (1890).

22 See, e.g., United States v. Miller, 425 U.S. 435, 441-45 (1976) (considering arguments about the privacy expectations of individuals as to bank records).

23 See, e.g., Right to Financial Privacy Act, 12 U.S.C. ? 3410 (1994); Home v. Patton, 287 So. 2d 824, 829-30 (1973) (holding that doctor's disclosure of medical information to prospective employer was wrongful). But see, e.g., Paul M. Schwartz, Privacy and the Economics of Personal Health Care Information, 76 TEX. L. REV. 1, 3 (1997) (indicating that little legal protection is available for medical information).

into fewer wasteful investments and a better thriving data economy. The data market is a thriving market and such autonomy over the decision making in transfer of data to the third party will be beneficial for protection of information.

IV. PRIVACY AS THE OWNERSHIP OF TRADE SECRETS

In many cases where confidential information is protected, the information is clearly not private at all, but commercial. In other words, it is a trade secret, or know-how concerning industrial or commercial activities.[24] Clearly, protection for trade secrets cannot be explained in terms of a right of informational privacy. It is termed as the law of industrial confidentiality. One might object that the law of confidentiality cannot therefore be regarded as to be based on privacy as it is more for a commercial purpose rather than the conventional notion of privacy. However, the point here is that there is a fundamental divide between the law of confidentiality and the law of privacy that has not been previously recognised in English law.[25] Only part of what is traditionally described as the law of confidentiality is based on a right to informational privacy. In Douglas vs Hello! Lord Nicholls said that the law of breach of

24 See, e.g., Polin v. Dun & Bradstreet, Inc., 768 F.2d 1204, 1207 (1Oth Cir. 1985) (rejecting privacy claim based on unauthorized release of credit report information); Moore v. Regents of the Univ. of Cal., 793 P.2d 479, 487 (Cal. 1990), cert. denied, 499 U.S. 936 (1991) (rejecting individual's claim of property right in his genetic information).

25 See, e.g., Developments in the Law-The Law of Cyberspace, 112 HARV. L. REV. 1574, 1634-49 (1999) [hereinafter Harvard Developments]; Laudon, supra note 22, at 92; Lawrence Lessig, The Architecture of Privacy, 1 VAND. J. ENT. L. & PRAC. 56, 63-65 (1999).

confidence 'now covers two distinct causes of action, protecting two different interests: privacy, and secret confidential information.

But what is indicated is that confidentiality is not itself a basis for a claim, unless this is taken to refer to the original case where someone has explicitly or implicitly undertaken to keep a confidence and a claim arises against that person or an accessory who has assisted in or procured a breach of the understanding. In this type of case the basis of the claim is in essence contractual, though not conventionally so treated. In some other cases, the basis is the right of privacy. But neither of these explains the law of trade secrets.

The justification for protecting a trade secret is that it is the property of the claimant. Property rights are capable of binding 'all the world' and that is why a third party is bound by a duty of confidentiality and is not complicit in a breach of such an understanding by anybody else.. The rationale behind giving the claimant the ownership of the confidential information is that ownership of a trade secret is justified as a means of providing an incentive or reward for the creation of value. A right of ownership achieves this by securing to the owner the power to exploit the property by exclusive use, licensing or sale.[26] On this understanding the right to a trade secret is a form of intellectual property, in terms of both its proprietary nature and its

26 See Privacy as Property in the Electronic Wilderness, 11 BERKELEY TECH. L.J. 1, 26-41 (1996); Richard S. Murphy, Property Rights in Personal Information. An Economic Defense of Privacy, 84 GEO. L.J. 2381, 2383 (1996); Carl Shapiro & Hal R. Varian, U.S. Government Information Policy 45 (July 30, 1997) <http:// www.sims.berkeley.edu/-hal/Papers/policy .

rationale, and of course the law of trade secrets or know-how is commonly associated with patent law and treated in this way.

V. TRADE MARKS: THE INFORMATION FUNCTION

The principal function of a trade mark has always been said to be the 'origin function'. This should be understood in the following sense. A trade mark tells a consumer that the quality and attributes of the product bearing the mark are under the control of the same person (whoever it may be) who uses or authorizes the use of the mark to signify this fact. For this reason the consumer can infer that a product bearing a certain trade mark will have the quality and attributes that he has come to associate with products he has previously encountered bearing the trade mark. Thus the trade mark is a simple and powerful tool for communicating information, albeit information that is vague and impressionalistic and not entirely reliable. The use of a trade mark to communicate information allows a producer to build up and exploit a reputation in his products, viz. goodwill. This goodwill is valuable to the trader because it attracts custom. It represents the fruits of his efforts in providing products that have the quality and attributes to satisfy customers. The law of trade mark infringement prohibits the deceptive use of the claimant's trade mark. It is only because the trade mark conveys information that its unauthorized use can be deceptive. The law of trade mark infringement thus reflects the information-related function of trade marks. It might seem that the law of trade marks is the counterpart of the law of defamation, protecting commercial reputation or goodwill as opposed to personal reputation. In fact a closer commercial

equivalent to defamation is injurious or malicious falsehood, which concerns false statements that damage the claimant's business and products, including his goodwill. The law of trade mark infringement has a different function: it is characteristically concerned not with actions that cause damage to the claimant's goodwill, but with deceptive use of the claimant's trade mark by which the defendant exploits the claimant's goodwill for his own benefit, typically by diverting custom to himself. There is no equivalent in defamation. It reflects the fact that the law of the trade marks protects goodwill as a form of property to the claimant, whereas personal reputation is not property in this sense under the law of defamation.

VI. INTELLECTUAL PROPERTY AND THE OWNERSHIP OF INTANGIBLES

The law of intellectual property is concerned with the ownership of ideas or information or certain other types of valuable intangible. An intellectual property right is a right of ownership. It is designed to secure to the owner the commercial value of the intangible created, as a reward for the work and effort involved in creating it and the contribution it makes to the society, rather than to provide protection from harm or to compensate for harm to an antecedent interest.[27] Thus, an intellectual property right-holder can make a use claim as explained above as well as simple claim for compensation for harm, and he can license and sell his heart. In English law, it seems that

27 See, e.g., Peter A. Jaszi, Goodbye To All That--A Reluctant (and Perhaps Premature) Adieu To A Constitutionally-Grounded Discourse of Public Interest in Copyright Law, 29 VAND. J. TRANSNAT'L L. 595, 596 (1996).

generally intellectual property rights have not been recognized by the common law, only through a statutory regime.[28]

There appear to be certain exceptions to this, however. First, in the law of confidentiality, although the right of privacy is a right against harm, not a right of ownership of private information, the right to a trade secret seems to be a right of ownership, and it is recognized at common law.[29] This may well be justified, though it has emerged from the development of a law of confidentiality that did not identify clearly the principles beyond its operation or the interests that it protected. Employers can clearly impose binding obligations of confidentiality on their workers, but this does not necessarily imply that it is justified to have a right of ownership of the information developed in the business. Furthermore, if the trade secret concerns an invention, one might argue that it should be required to be patented and regulated by the statutory patent regime, which is designed to secure an appropriate return to the inventor, and accordingly limits the term of protection.[30]

Second, in the law of trademarks, goodwill is a form of intangible property (by contrast with personal reputation), and it is protected at common law through the law of passing off. This is justifiable, it

28 See, e.g., Rosemont Enters., Inc. v. Random House, Inc., 366 F.2d 303, 311 (2d Cir. 1966).

29 See, e.g., Bd. of Regents of State Colleges v. Roth, 408 U.S. 564, 577 (1972) (holding that property interests are not created by U.S. Constitution, but by state law); Pruneyard Shopping Ctr. v. Robins, 447 U.S. 74, 84 (1980) (questioning the residual authority of the federal government to create property rights).

30 See, e.g., Midler v. Ford Motor Co., 849 F.2d 460, 463 (9th Cir. 1988) (describing publicity rights as property rights).

seems, because goodwill is distinct from other forms of intellectual property is an important respect alluded to above. Normally recognising an intellectual property right has the drawback of imposing a significant cost on consumers. For example, a patent or a copyright allows the right-holder to exclude competitors from selling a product incorporating the protected matter and the effect is to raise prices to the consumer in order to confer a return to the right-holder in excess of what he would otherwise get through the market. It is a complex situation involving the empirical issues to determine what sort of regime is justified, arguably a question that the courts are not qualified to answer, and this may be why it is appropriate for the recognition of intellectual property rights to be left to the legislature. But the protection of goodwill does not impose any such cost on consumers, to the contrary, the protection of goodwill also benefits by facilitating the supply of information to them. Thirdly, in recent years, there has been a tendency towards recognising merchandising rights – rights of ownership of images whose appeal to consumers can promote the sale of products.

Third, in recent years, there has been a tendency towards recognising merchandising rights – rights of ownership of images whose appeal to consumers can promote the sale of products. One argument for this in connection with the celebrities is the argument for right to publicity recognised in US law as an aspect of law of privacy. The distinction has often been missed here between a right against harm to an interest of the celebrity caused by the commercial use of his image and the celebrity's right of ownership of his image. Neither is

plausibly based on a right of informational privacy, and this is particularly clear in the case of the latter. Another argument for merchandising rights has come from the law of trade marks, though the attempt to characterise the image or a celebrity or other object of fame as a trade mark. This is also misconceived, because an image does not communicate information about the product, so it use is not deceptive and does not fall within the scope of trade mark infringement, at least as it is conventionally understood.[31] Although image and goodwill are always confused, they are not same in principle and ownership of image cannot be justified in the same way as ownership of goodwill. The effect of these two lines of argument, if they were to succeed in establishing a merchandising right or a right to publicity, would be to circumvent the traditional aversion to the judicial recognition of intellectual property rights in the common law, without addressing or overcoming the objections.

VII. LANDMARK CASE OF *DOUGLAS V. HELLO!*

The case of *Douglas v. Hello!*[32] provides an interesting set of facts to illustrate some of these issues. The issue from that case was whether the claimants Douglas and Zeta-Jones had a claim against the defendant magazine arising from the publication by the defendant of unauthorized photographs of their wedding. When the case eventually reached the House of Lords, the House was concerned only with the claim of the other claimant, OK magazine, which had

31 See, e.g., Whalen v. Roe, 429 U.S. 589, 599-600 (1977) (recognizing a constitutionally protected interest in information privacy, while upholding a statute requiring the release of personal data in prescription drug records).

32 EWCA Civ 595, [2006] QB 125.

contracted with Douglas and Zeta-Jones to publish exclusive pictures of the wedding, pursuant to which Douglas and Zeta-Jones had taken measures to exclude unauthorized photographers.

There are a number of possible types of claim that might arise in these circumstances. The claim by Douglas and Zeta-Jones for breach of confidence based on invasion of privacy succeeded and the couple were awarded a modest sum of damages for compensation. For these claimants, there was also the possibility of a claim for breach of contract against an authorised photographer or invited guest who breached an undertaking not to divulge photographs without permission, or a claim against a third party for procuring a breach of contract, but the defendant Hello had only taken advantage of unauthorized photographs and had not procured a breach of contract. Neither had Hello acted unlawfully with a view to causing harm to OK, so as to have committed the tort of causing harm by unlawful means. The possibility of a right of ownership of image, (that is, a right of publicity or merchandising right), not dependant on confidentiality or the privacy of the occasion, which, as Lord Nicholls pointed out might be available in the US, was adverted to and rejected. As argued, there is no basis for developing such a right by analogy with the right of informational privacy, or by extension of law of trade marks.

Also, there is possibility of a right to the photographs as a trade secret. This was not relevant to Douglas and Zeta Jones, who had been paid to transfer the commercial benefit of the photographs to OK, but the majority concluded that, because Douglas and Zeta-

Jones had taken the undertakings of confidentiality from their guests on behalf of OK as well as themselves, OK had the benefit of the right to the trade secret which they could enforce against Hello. It was argued above that the law of trade secrets should be understood in terms of ownership of confidential information as property, but the claim was characterised simply as a traditional claim for breach of confidence and there was opposition to a property analysis.

Lord Nicholls, who would have denied OK's claim, took the view that when OK brought forward its own publication of the authorized photographs, knowing that Hello was about to publish unauthorized photographs, it thereby put the trade secret into the public domain, so that when Hello's unauthorized photographs appeared there could be no breach of confidence: 'the unapproved pictures contained nothing not included in the approved pictures'. Lord Hoffmann, for the majority, insisted that each photograph was a separate piece of information, and its value, as a photograph, was not lost as a result of similar photograph having been published. Lord Walker made another objection to the claim. He thought that Douglas and Zeta-Jones could not 'invest the wedding reception with the quality of confidentiality, if it did not otherwise attract it', just by taking stringent security arrangements. But Lord Hoffman's straightforward view was that any commercially valuable information was capable of being the subject matter of a trade secret, like any other industrial or commercial information. Lord Walker was also concerned that, by recognising what was in effect a right to confidentiality in respect of any aspect of the occasion that might be captured by a photograph,

the court was verging on recognising 'property in a spectacle'. He referred to Victoria Park Racing v. Taylor, in which the claimant organised a sporting event, and he defendant commentated on it from a vantage point outside the stadium. The mere fact that the claimant had generated an object of commercial value was not taken to establish that he had an exclusive right on it, and was entitled to prevent the defendant commentating on it or exact a license fee from him. In the light of his discussion of the idea of 'property in a spectacle' it is difficult to see why Lord Walker should want to deny that the right to a trade secret is a form of property ownership. But Lord Walker's concern points to something that does appear anomalous: if it is practicable to make arrangements that will secure the confidentiality of an occasion or spectacle then (if the organisers fail) the organisers will be able to protect it through the law of trade secrets, whereas if such arrangements are impracticable, as in Victoria Park racing case, anyone is entitled to exploit the occasion without having to pay anything to the organisers. Similarly, in Sports & General Press Agency v. Our Dogs Publishing Co[33], the claimant sought to prevent the defendant from publishing photographs of a sporting event put on by the claimant, who controlled entry but had not imposed any condition of confidentiality or restriction on taking photographs. It was held that he had no right to prevent the publication of photographs or demand payment.

33 [1916] 2 K. B. 880, available at https://bulk.resource.org/courts.gov/c/US/248/248.US.215.221.html

If the claimant does not have the exclusive right to profit from an event by publishing photographs of it, just by virtue of being the person who organised and managed it, why should he acquire this right through the imposition of confidentiality conditions on the people who attend this event? Why should so much turn, vis a vis third parties, on whether it is possible to control access and thereby impose confidentiality conditions on visitors? In fact, this argument applies to trade secrets in general. A manufacturer who discovers a new method of manufacture that can be put into use without being revealed can rely on the law of trade secrets, but a manufacturer who discovers a new method of manufacture that is inevitably revealed when the product is released onto the market has no protection unless he can get a patent.

VIII. CONCLUSION

While utilitarian considerations weigh heavily in the minds of many Americans who have written on information privacy issues, noneconomic considerations provide an equally or more compelling rationale for legal protection of personal data , according to other commentators. Those who conceive of personal data protection as a fundamental civil liberty interest, essential to individual autonomy, dignity, and freedom in a democratic civil society, often view information privacy legislation as necessary to ensure protection of this interest. Others regard cognitive limitations on the ability of individuals to comprehend and accurately assess the risks of revealing personal data to others as a reason for the law to provide corrective measures. Still others argue for information privacy protection to guard against identity theft, harassment, and other wrongful uses of

personal information. Achieving consensus on the rationale for information privacy protection, however, may be unnecessary if both economic and noneconomic considerations favour greater protection for personal data.

6 IJIPL 186-205 (2013)

INTELLECTUAL PROPERTY MONETISATION

Leo Paul Johnson[*]

Intellectual property assets are effective sources of income. Recent years have seen the advent of several new methods of intellectual property monetisation, especially in the field of patents. This paper attempts to list out the various IP monetisation models in existence. Further, this paper gathers data from a sample set of patents related to intellectual property monetisation. This paper provides an insight into the existing systems for monetising intellectual property right in today's economy. Moreover, the paper attempts at finding patterns and making conclusions from the sample set of patents. The paper attempts to throw light on the rapid increase in the field of intellectual property law in the past decade.

I. INTRODUCTION

The ability to invent has set human beings apart from the vast majority of his primatial cousins. Inventions are the building blocks on which the modern human society has been built. Encouraging individuals gifted with the ability to invent is vital for sustainability and prosperity of the society. Encouraging enterprises that fund these individuals are even more important. Inventions result from investments of considerable amount of time, energy and money. Patents provide a channel for the inventors and the enterprises backing them to obtain high returns for the time, energy and money invested on their part.

A patent is a set of exclusive rights granted by a sovereign state to an inventor or their assignee for a limited period of time, in exchange for the public disclosure of the invention. Patent laws render third

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parties incapable of taking unfair advantage of the work, and ideas of the inventors. Patents provide exclusive rights which allow enterprises backing the inventors to prevent the competition from commercially using the invention, thereby enabling it to position itself as a pre-eminent player. The patent system is incredibly important because it stimulates invention and innovation. It encourages people to come up with new ideas by ensuring that their rights will be protected. Since patents have limited terms and they require that the patented idea is made public, they can also help to encourage development by ensuring that ideas for processes and products will be available for use at the end of the patent term.

Patents provide a myriad of advantages for an enterprise. The value of an enterprise is often a direct result ofthe value of its patents. Business partners, investors, and shareholders perceive the patents as a demonstration of a high level of expertise and specialization within the company. As a result, possession of good quality patents enhances the enterprises' chances of raising funds, finding business partners and raising the market value of the enterprise.

Patents also enhance the bargaining power of the enterprise, especially in the process of acquiring rights to use the patents of another enterprise. The patents of the enterprise may be of interest to the other enterprise, and both could enter into a cross licensing arrangement. It is noteworthy the enterprise does not have to exploit the invention by itself. It can always sell the patent or license the right to a third party and still make a respectable income from the patents.

A patent portfolio is a collection of patents owned by a single entity, such as an individual or an enterprise. The patents may be related or unrelated. The patent portfolio of an enterprise is a resource to be developed, protected and used for the maximum benefit of the enterprise.

In the case of intellectual property, the value of a patent portfolio is far greater than sum of its parts, that is, the total value of individual patents forming the patent portfolio. The value of the patent portfolio depends greatly on the diversity, quality and industrial applicability of the patents that form the patent portfolio. However, the above mentioned features of a patent is largely time variable. Technology, markets, and business opportunity, all change very rapidly and so does the potential value and effectiveness of a patent. As a result, enterprises engage in an ever continuing cycle of procuring and selling IP rights to maintain their patent portfolios as effective and valuable as possible.

The continued buying and selling of patents have effectively led to the rise an ever growing market for IP rights, and the market has spawned a number of new ways to make money from intellectual property. Money involved in the IP licensing market is enormous. Moreover, the numbers of IP merchants have grown significantly in the past decade, both in size and diversity, thus greatly enhancing the IP rights market space and possibilities of IP monetisation.

Another factor for the increase in the IP trading market is that number of patents that go into a single product has skyrocketed. In

fact, it has been estimated that no semiconductor company has filed more than 30% of patents required for them to gain freedom to operate in their space. The rest of the patents have to be licensed or bought from IP merchants.

Moreover, there has been an increase in the cases of litigation. There has been an increase in the number of companies which has lost significant amount of revenue due to patent litigation. As a result, having the necessary IP to operate is of utmost importance in this era. Realizing this fact, companies have been acquiring IP at a steady rate, thus resulting in expansion of the IP trading market.

Entities that are in the forefront of monetising IP via licensing include corporate licensing spinoffs, university tech transfer agents, independent licensing agents, brokers, IP auction houses, litigation financers, and patent analytics tool makers.

Inventors and enterprises have a wide array of options for converting IP rights into cash. This paper will enlist some of the known options for converting IP rights into cash. The paper shall attempt at providing the reader with the current trends in filing of patents related to patent trading. This paper also enlists the types of institutions involved in maintaining the IP market. Further, this paper attempts to gather data from a sample set of patent filings obtained as results of a search done using a subscribed database.

II. BILATERAL NEGOTIATIONS

The oldest and most widely practiced form of IP rights trading is in the form of private transactions of IP between enterprises. Non-disclosure agreements are common to protect both the buyers and sellers and IP transfers do not occur unless a great deal of time and energy are spent by both parties on patent analysis and bilateral negotiations. Sometimes, patent brokerages act as middle men and connect the buyers and sellers of IP assets. The seller wishes to find a financially sound buyer, while the buyer often wishes to ensure that the patent it is purchasing will deliver its value.

However, this method of patent transfer, though widely practiced, has its own set of drawbacks. To begin with, private transactions are cost-intensive and resource intensive processes. Negotiations take anywhere between a few months to a year to complete. In addition, the transactional costs incurred by the buyers and sellers may actually outweigh the license value. Moreover, it is difficult for sellers to find appropriate buyers without widely advertising the availability of their patents. This system, though effective at the micro level, has not resulted in the monetization or commoditization of patents on a broad scale.

There are several practical hindrances to the efficient monetisation of IP via bilateral negotiations. Open innovation model[1], where

1 Open innovation model is opposite to the closed innovation model. In closed innovation model, IP was viewed as a competitive advantage to be kept within the walls of the enterprise. As a result, licensing IP to competitors was taboo. In closed innovation model, ideas were filtered and only a handful of ideas,

licensing of IP is encouraged, is fairly a new trend in the market and as a result, the market as of yet hasn't evolved efficient and cost-effective methods to carry out bilateral negotiations. This is detrimental to both the buyer side as it effects the time taken for the buyer to market the invention.

Ordeals associated with IP monetisation like evaluation of the saleable IP, generation of market oriented information, and displaying information regarding the IP in a standardized format, all require experienced professional talent. With exception to a few licensing spinoffs like AT&T IP and Philips IPS, most corporations that possess saleable IP do not dabble in the intellectual property field and hence are reluctant to spend revenue to hire talent and workforce to carry out the ordeals associated with IP monetisation. Further, there is no standard method for performing IP rights transfer. The entities who wish to perform IP rights transfer are forced to waste time and money to perform negotiations.

One of the biggest hindrances to IP licensing via bilateral negotiations is that IP relevant for a particular field is sometimes owned by entities operating in an entirely different field. The lack of a

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that fit into the company's business strategy were implemented. The rest were shelved. In open innovation model, shelved ideas are exploited through commercialization. Open innovation model depends on opportunistic, proactive and strategic commercialization of ideas.

common marketplace makes it impossible for an entity operating in one field to find IP owned by an entity operating in another field. [2]

Moreover, majority of the patents are held by fortune 1000 companies. Trust issues are bound to arise when the negotiations have to be made between a small company and a large corporate.

All of the above aspects resulted in a highly inefficient market for IP monetisation through licensing. To put matters in perspective, on average, only 10% of saleable patents of a company were monetised. There was a necessity of a platform to trade intellectual property rights.[3]

Over the years, several online platforms have sprung up to cater to this requirement. Some of the online portals have either shut down or renamed or redirected to other fields.[4]

One another example of a IP rights trading platform is IP Zone. Launched in 2011, IP Zone introduced the Virtual Intellectual Property Exchange (VIPEX), to facilitate IP rights transfer between entities. IP zone provides an online marketplace for IP rights accessible by potential buyers and sellers of IP. IP zone collaborates

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2 Intellectual Property Zone, *An Open Innovation*, (2010) White Paper; available at http://www.fluidinnovation.com/cms-assets/documents/141840-510381.evolving-innovation-market-white-paper

3 J. Hutter,*"The IP Zone: A New Concept for Introducing Needed Information and Efficiencies into the Patent Monetization Market",* 2009 IP Asset Maximizer Blog, available at: http://ipassetmaximizerblog.com/?p=72

4 A. Hagiu & D. Yoffie, *"Intermediaries for the IP Market"* (2011) WP 12-023 HBS; available at :http://www.hbs.edu/faculty/Publication%20Files/12-023_0e95cdce-abbf-46ea-b8cb-15a3ebb054ed.pdf.

IP transactors, IP service providers, educational institutions and funded incubators.

The US patent application US20090024534A1"Online marketplace for intellectual property" discloses the innovative method employed by IP Zone to enhance IP monetisation through IP trading. According to the patent application, potential sellers are enabled to post IP for sale in an online marketplace. The marketplace lists out published patent applications, design patents, utility patents, copyrights, trademarks, as well as confidential IP rights like unpublished utility patents, invention disclosures and trade secrets, maintaining high degree of confidentiality.

The IP rights for sale are provided with market information that includes strength and scope of the underlying IP Assets, benefits of the IP asset, differences of the IP asset from prior art, examples of potential applications of the IP asset, and indication whether the IP covers a product or process. IP zone provides rapid dissemination of commercially available patentable subject matter in one convenient location scrutinized by potential buyers.

Moreover, IP Zone guides the buyers and sellers of IP through all steps of IP rights acquisition through a step by step approach. IP Zone performs functions ranging from determining the patents suitable for sale, cataloguing of IP assets, engagement of sellers with potential buyers, performing transactions to post transactional reporting and monitoring of royalties. IP Zone helps companies that seek to monetize their IP but lacks experience and expertise for the

same. Further, IP Zone enables large corporates to speed up monetisation of IP.

III. AUCTIONS

During scenarios ranging from bilateral negotiations of patents to private transactions of IP, the buyer decides the quantity to be bought and the seller sets the price. In case of auctions, the role of the buyer and the seller are reversed. In auctions, the seller decides the quantity to be sold and the prices are decided by the auction process which accepts bids from the buyers. Moreover, the burden of purchase lies with the owner.[5]

The benefits provided by an auction to the buyers and sellers are numerous. Auction systems enable to set a pre-set terms and conditions including a minimum price. The main advantage to the buyers is that unlike private transactions, auctions provide an open, informed access and an equal opportunity to buy.

Some auctions can be structured to facilitate discovery of private information among bidders. A bidder may update his or her beliefs and reinterpret information upon observing bidding behaviour of others, provided the number of bidders is large enough, and the structure of auctions allows effective information discovery. Auction may be of open outcry type or sealed bidding type. In open outcry auctions, bidding is oral and conducted with prices bid competitively

5 J. Jarosz & et al., *Patent auctions: How Far have we come?*, (2011) les Nouvelles 17; available at: http://www.analysisgroup.com/uploadedFiles/Publishing/Articles/Jarosz_Patent_Auctions_How_Far_Have_We_Come.pdf.

in ascending (English auctions) or in descending (Dutch auctions) order.

In a sealed-bid auction, bidders can only submit one bid and therefore cannot adjust their bids based on competing bids. This sets it apart from the more common English auction, also known as the open ascending price auction, where participants can make multiple bids and bid against each other. A sealed-bid auction process may also not be as transparent as an English auction. Ocean tomo LLC. has been by far the most innovative and sophisticated company operating in this space. It conducted the first auction of IP in the year 2006.

In the Ocean Tomo auctions, an auctioneer took bids for different lots, each lot comprising single or multiple IP assets. The lots were sold to the highest bidder. Ocean tomo collected fees from sellers in the form of listing fees, and from the buyer in the form of registration fees.

Though the ten Ocean Tomo auctions conducted did create a lot of buzz in the industry, a close examination of the auction reveals a bleak picture of the future. The average sales-to-listing ratio was around 38% and spring 2009 only sold 6 lots out of the 85 listed. The live IP auctions have been revived in March 2010 under the joint brand ICAP-Ocean Tomo. The spring 2010 auction was reported to have generated $14.3 million in transaction value.[6]

6 *Id.*

Despite the highly innovative attempts to create a platform for IP monetisation, the end results have been largely disappointing. According to a 2010 Harvard Business School study, the reason is largely attributed to the fact that sellers are too reluctant to perform IP transactions online. Though online platforms like Tynax and Yet2 engaged the sellers with the buyers online, the actual transactions were performed offline, with a real person involved. This restricted the scalability of online platforms beyond a certain level. Moreover, offline transactions kept the final transaction prices private information and did not foster the transparency that was supposed to be a USP for the online platform model.[7]

IV. SECURITIZATION

Ocean Tomo LLC. offers two ways of monetizing IP: via a public auction or using an IP stock exchange, which "securitizes" IP assets. Intellectual Property Exchange International (IPXI) is the world's first financial exchange with intellectual property focus. IPXI treats the IP assets like annuities for purposes of investment and trading. The right to royalties and other sources of income that result from investments are provided to investors and hedge funds who invest in a particular IP asset. IPXI essentially provides the IP owners a new method to monetize their IP assets.

As of now, IPXI hosts a product known as Unit licence right (ULR) contracts. ULR contracts transform private licensing of technology

7 *Supra* 4.

into consumable and tradable products. According to IPXI's official website,

> *"A ULR contract is a non-exclusive license right. A ULR is priced and sold according to a unit basis, the unit-base determined by IPXI and a sponsor. Each purchaser of a ULR contract is granted the right to use the underlying technology for a pre-established number of instances. As soon as one instance of use occurs and is reported to IPXI, the ULR contract is consumed and retired from the purchaser's registry account. If a ULR contract is not consumed, a purchaser can alternatively trade the ULR contract on the electronic trading platform maintained by IPXI."*[8]

ULR contract removes the resource and time intensiveness from the bilateral negotiations. Moreover, the ULR contract system introduces transparency as well as efficiency into the IP rights market[9].IPXI provides a platform for the licensors as well as the licensee to transfer technology on standardized terms. Efficiency of the IP rights market is further improved by IPXI as it provides technologies to consumers of all types. This means that players like small companies and research organizations have same access to ULR contracts as fortune 100 companies. Probably the most important improvement IPXI provides is that IPXI evaluates markets and audits IP licensing transactions via the ULR model. As a result, IPXI can provide a rule-

8 Intellectual Property Exchange Inc, *Definition : ULR,* available at: http://www.ipxi.com/offerings/ulr-contracts.html]

9 *Id.* These attribute arise because of the fact that IPXI provides a common online patent for IP securitization. The common online platform is standardized, and as a result of this, is transparent and efficient.

based approach to IP rights enforcement. The transactional costs for IP licensing are outsourced to IPXI.

IPXI's approach provides solutions to several problems faced in the realm of IP rights trading. Where IP marketplaces suffered from having insufficient market information, IPXI provided published pricing and detailed prospectus resulting in transparency. IPXI model also integrates advantages of Ocean Tomo auctions by enabling price discovery, a level playing field for all market participants, and enhanced efficiency for transactions. Further, IPXI model provides an alternative for small time enterprises and universities from spending extravagant amounts on research. IPXI model enhances licensing efficiency by increasing transparency regarding patents in a URL and bypassing bilateral negotiations. By being transparent about the pricing of URL, licensees have more control over their IP budgets and can plan more efficiently for the research and development budget that reduce the overall cost.[10]

However, several questions arise regarding profitability of this IP monetizing model as well accessibility to smaller companies because of the costs to participate. Most companies will wait for time to decide how the various market forces play out. Success of this model

10 I. McClure, Presentation: FLC National Meeting, (2012) Trading Innovation; available at: http://globals.federallabs.org/pdf/2012/WED03-McClure-PRES.pdf.

will result in availability of a new IP monetizing pathway. A wide array of technologies will be accessible to licensees.[11]

V. INTELLECTUAL PROPERTY ASSET RELATED PATENTS

Until about 15 years ago, bilateral negotiation was the only method to monetize IP assets.[12] The prime reason behind the lack of alternatives was the lack of demand for new innovative methods. However, today, a rapid increase in the demand for licensing patents has introduced several new methods of monetising IP like auctions and securitization. Moreover, even bilateral negotiations have been made efficient with the advent of online platforms. The emergence of innovative methods of monetizing patents has resulted in several IP Asset related patents. IP intermediaries have vociferously filed several patents in this field, a few examples being US 8661148 (System and method for enabling industry based channels in an IP marketplace), US 20080140557 (On-line auction system and method) and US 8180711 (Intellectual property trading exchange).

Enterprises innovate and improve upon existing methods to create more revenue from intellectual property assets. The last decade saw a rise in the number of patent applications relating to intellectual property assets and this is indicative of the surge of creativity directed in innovating in this direction. This trend is quite obvious; with the

11 J. Boger & K. Zeigler, *The IPXI: An Alternative to the License Agreement? Maybe!,* (2010) BONEZONE 60 .

12 *Supra n.* 4.

rapid expansion of the IP rights trading market, it is unaffordable to be inefficient in the process of converting market value into cash.

IP asset related patents not only deals with IP monetisation, but also deal with methods that support IP monetisation, methods to insure IP Assets, methods of IP risk management, methods for securitisation of IP, and even methods to find prior art via crowdsourcing. In fact, IP monetisation by itself requires several complementary steps such as evaluation of market potential, cataloguing of IP assets, standardization of IP asset related data, generation of market oriented data, and maintenance of confidentiality of IP asset data.[13] Innovation directed towards IP monetisation, is multipronged and results in innovation in the fields of evaluation of IP Assets, cataloguing of IP assets, generation of market oriented data and many other directions.

For example, US 8566251 (Method and system for automatic scoring of the intellectual properties) deals with setting up and managing an IP pool to facilitate licensing of IP. Application US 20070073561 (Intellectual property umbrella captive insurer) deals with insuring IP assets, US 20110153508 (Estimating values of assets) is about evaluating IP assets, US 20110289016 (Method of determining orderly liquidation value of patents) deals with evaluation of patents. Entities involved in IP monetisation continuously file patents related to IP assets to support their operation in the IP trading market space. This result in a surge in IP Asset related patent filing. Enhanced IP

13 *Supra n.* 1.

monetisation activity is marked by an increase in IP asset related patent filing.[14]

Thus, by studying the distributive trends of IP Asset related patent filings, we can study the distributive trend of innovation directed in the direction of IP Asset monetization.

A simple internet search for patents related to intellectual property assets gives valuable insights into the current scenario. It is to be noted that the results of the internet search only looks into a fraction of the total number of patents filed and does not provide the accurate number of intellectual property related patents filed. .Further, Intellectual property assets include not just patents, but trademarks, and copyrights as well. Nevertheless, the result of the internet search provides us with a set of figures that is indicative of the Intellectual property transactions and patent transactions.

The internet search was conducted using the following keywords: Intellectual property; Intellectual property assets; Intellectual property transactions and Patent trading.

The internet search provided us with 636 unique patent results in total. As a result, this paper focuses on finding patterns in a sample set of 636 unique patents.

14 These are the result of a google patent search conducted by the researcher using the keywords "intellectual property asset monetisation".

A. GEOGRAPHICAL DISTRIBUTION

Fig. 1 provides us with information regarding the geographical distribution of the 636 patents.

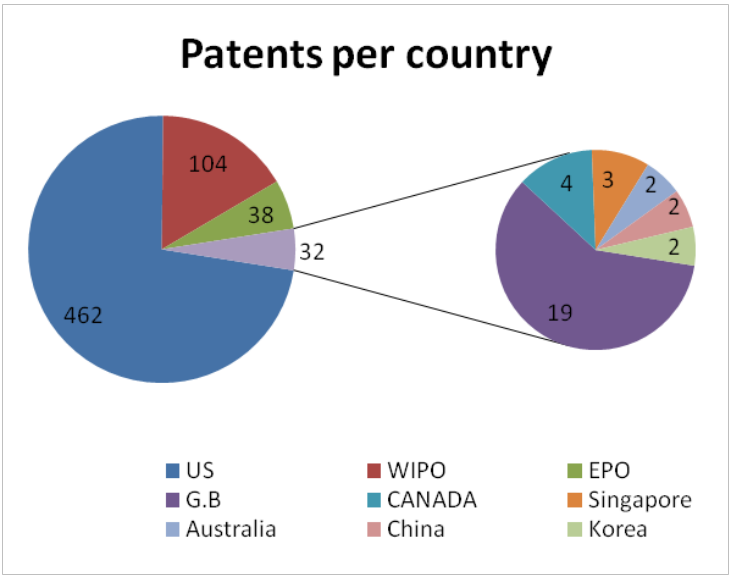

Fig 1. Patents filed per country

It is evident from the Fig. 1 that the United States of America leads in the total number of patent filings. Out of 636 patents, 462 patents were filed in USA. Hence, it is inferred that USA is the global hub for Intellectual property asset monetisation. A total of 32 patents were filed in countries other than USA. The United Kingdom leads the list with 19 patents.

1. Patents Filed Per Year

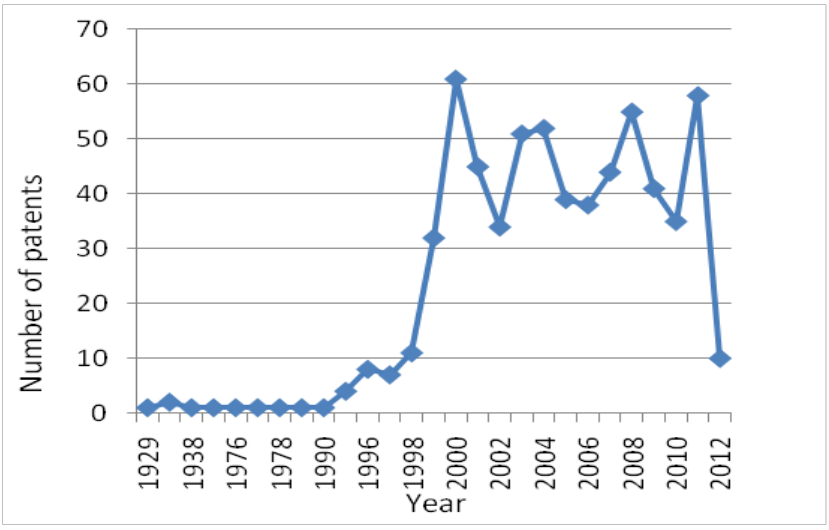

Fig 2. Patents filed per year

The Fig.2 illustrates that the maximum number of patents were filed in the year 2001. 61 patents out of the 636 patents were filed in 2001. This data is indicative of the fact that in the past decade there was a surge in the number of methods to monetise IP. Where the sole methods to monetise IP was through private transactions, the past decade saw the entry of a number of new methods to monetise patents like auctions and securitization. Prior to 2001, the number of patents filed per year was less than 10. However, the number of patents filed per year has not gone below 32 since 2000. The amount of investments into innovating or improving upon known methods of IP monetisation is evidently very large.

2. Top original assignees

Fig. 3 illustrates the contributors to the patents in the sample set of 636 patents. It is noted that duplicates arising from multiple national phase entries have been omitted while making the graph. As a result, only 156 original patents in the sample set of 636 patents have been used to make this graph. These figures are not the result of an exhaustive search of patent related to intellectual property monetisation. Nevertheless, the figure gives an approximate idea of the distribution of the patents.

It can be observed from the figure that within the sample set of patents, the independent inventors lead the race with the most number of patents filed. Among the corporates, IBM and American express travel related services has the most number of patents filed.

It is significant that IBM leads in the number of IP Asset patents filed. The technology giant generates more than $1 billion as licensing revenue per year. American Express Travel related services have accumulated many patents, which it uses in the implementation of online IP trading platforms like IP Zone.

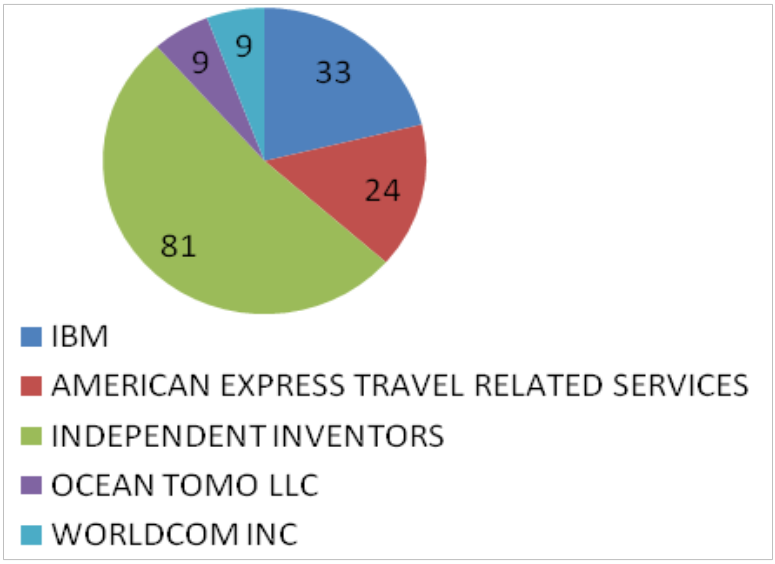

Fig 3. Top contributors to patents

VI. CONCLUSION

The possibilities of monetising intellectual property are numerous and can be further increased by focused research. Intellectual property assets are by products of Man's creative mind and can be used for the betterment of the society as a whole. Intellectual property assets, especially patents provide psychological as well as monetary incentives for inventors to invest time and energy to innovate and carry on the legacy of the human kind.

PATENT AGENT: ANALYSIS OF STATUTORY PROVISIONS RELATING TO PATENT AGENT IN INDIA

*Narahari Kulkarni**

'*Patent agent*' *is well discussed, documented and comprehensively explained in the various sections [i.e. 123, 126 (1)(c), 127), 129 (c), 130, 132 and rules 114 & 116] of The Patent Act 1970 (39 of 1970). The present article deals with sections which were amended in The Patent (Amendment) Act 2002 (Act 38 of 2002) and 2005 (Act 15 of 2005); in particular the introduction of a requirement of degree in science, engineering or technical for registration as patent agent over any degree, omission of 'Advocate' and restricting patent agent's activity to administrative level among other issues. Additionally, the article touches up on the accountability and liability of registered patent agent for any professional negligence or misconduct and ultimately its effect on patentee/assignee.*

I. ANALYSIS OF STATUTES

A. GUIDELINES FOR REGISTRATION AS PATENT AGENT (SECTION 126)

Section 126 of The Patent Act 1970[1] (The Act) provides guidelines for registration as a patent agent. One of the criteria for registration is that a person intending to qualify and enter in the registry should obtain a degree in science, engineering or technology from any university in India.

"Section 126: Qualifications for registration as patent agents.—;

* Registered Patent Agent, Emcure Pharmaceuticals, Ltd., Pune. *Email: narahari.kulkarni@rediffmail.com. The views expressed in this article are the author's personal views and not of any organization/firm with which he is affiliated.* I thank Dr. Sunil Bhat and Mr. Nishid Gangwal for their willing support and constant encouragements.

1 The Patent Act 1970 (39 of 1970).

(1) A person shall be qualified to have his name entered in the register of patent agents if he fulfills the following conditions, namely:—

(a) he is citizen of India

(b) he has completed the age of 21 years

(c) he has obtained a ***degree in science, engineering or technology*** *from a university established under law for the time being in force in the territory of India or possesses such other equivalent qualifications as the Central Government may specify in this behalf, and, in addition,—*

(i) [Omitted]

(ii) has passed the qualifying examination prescribed for the purpose;"

The requirement of a 'degree in science, engineering or technology' was introduced in The Patent (Amendment) Act, 2002 (Act 38 of 2002)[2] with effect from May 20, 2003. Prior to the amendment section 126 (1) (c) read as;

"(a) he is citizen of India

(b) he has completed the age of 21 years

(c) he has obtained a ***degree from any University in the territory of India*** *or possesses such other equivalent qualifications as the Central Government may specify in this behalf, and, in addition,-*

(i) is ***an advocate*** *within the meaning of the Advocates Act, 1961 ; (25 of 1961) or*

2 The text can be found at: http://ipindia.nic.in/ipr/patent/patentg.pdf.

(ii) has passed the qualifying examination prescribed for the purpose;"

It can be implied that prior to The Patents (Amendment) Act, 2002 (No. 38 of 2002) all the advocates (under the Advocate Act 1961) were inherently qualified for registration as patent agents. Others having any other degree, had to pass the qualifying examination. It is surprising and curious to elicit the motive behind the privileging of a 'degree in science, engineering or technology" (u/s 126(1)(c)) in The Patents (Amendment) Act, 2002 (No. 38 of 2002) over any degree.

At the same time the amendment omitted 'an advocate within the meaning of the Advocates Act, 1961 (25 of 1961)'[3] in the section 126 1(c) (i) [in The Patents (Amendment) Act, 2005 (No. 15 of 2005)[4]]; wherein advocates were inherently eligible for registration as patent agents. This implied that legislators were intended to restrict the patent agent practice to persons proficient in the field of science, engineering or technology. They however ignored the skill and knowledge of legal fraternity (who were well equipped with the system of patenting) in favour of a degree in science, engineering or technical fields(which is essential skill for limiting the boundaries of claims while drafting patent specification).

3 The Advocate Act 1961(25 of 1961).

4 The text can be found athttp://ipindia.nic.in/ipr/patent/patent_2005.pdf.

B. SECTION 123: PRACTICE BY NON-REGISTERED PATENT AGENTS

The section 123 provides a penalty for non-registered patent agent who acts without the qualifications lay down in section 126 of the act.

> *Section 123 Practice by non- registered patent agents.*
> *If any person contravenes the provisions of section 129, he shall be punishable with fine which may extend to one lakh rupees in the case of a first offence and five lakh rupees in the case of a second or subsequent offence.*

Due to the introduction of the requirement of a degree in science, engineering or technology over any other degree, all persons with a degree in other fields and all attorneys with non science degrees that practice patent activity without registration as patent agent after the amendment, were liable to attract penalty set forth in the section 123.

Further, the Patents (Amendment) Act, 2005 No. 15 of 2005 enhanced the penalty for patent agent acting without registration as patent agent from a few thousand rupees to few lakh rupees. These changes affected mainly the advocates who planned to register as patent agents in order to perform patent agent activities, primarily due to omission of advocates under section 126 (1)(c)(i). The introduction of degree in 'science, engineering or technology' and omission of 'advocate' for registration as patent agent is proof of the unreasonable views of legislators.

C. WHAT ARE THE RIGHTS OF PATENT AGENTS? (SECTION 127)

A person qualified and registered as patent agent may practice before the Controller and perform other business transaction like filing patent application, responding to the examiner's queries and other associated activities.

> *127. Rights of patent agents.—Subject to the provisions contained in this Act and in any rules made there under, every patent agent whose name is entered in the register shall be entitled—*
> *(a) to practice before the Controller; and*
> *(b) to prepare all documents, transact all business and discharge such other functions as may be prescribed in connection with any proceeding before the Controller under this Act.*

The introduction of the requirement of a degree in science, engineering or technology for registration as patent agent could be the result of views that scientific skills are required while drafting the specification. Section 127 delineates the scope of activity of patent agent. This includes drafting, filing and prosecution till grant of patent. However, activities surrounding the validity of patent, infringements or any other activity which require legal statutory considerations were kept outside the purview of the patent agent. It was felt that technical knowledge coupled with legal knowledge/skill would greatly help in defending the client before the Controller or any court and would definitely enhance the efficiency of a patent agent as well as advocates.

D. RESTRICTION ON PRACTICES AS PATENT AGENT (SECTION 129)

Section 129 of the Act provides restrictions on the practices of a patent agent; wherein patent agents were not allowed to provide any advice to their clients on any scientific matter.

> *129. Restrictions on practice as patent agents*
>
> *(2) No company or other body corporate shall practice, describe itself or hold itself out as patent agents or permit itself to be so described or held out.*
>
> *Explanation. — for the purposes of this section, practice as a patent agent includes any of the following acts, namely: — (a) applying for or obtaining patents in India or elsewhere;*
>
> *(b) Preparing specifications or other documents for the purposes of this Act or of the patent law of any other country;*
>
> *(c) Giving* ***advice other than of a scientific or technical nature as to the validity of patents or their infringement.***

It is difficult to understand section 129(c), in view of section 126 (c). On one-hand, section 126(c) insists upon a degree in science, engineering or technology for registration as patent agent. At the same time the activity of patent agent is restricted to give advice on non-scientific matters. Apparently, due to the amendment (2002) to section 126 (1)(c) of the act, the legislators felt the need of restricting the activity of patent agents to giving advice other than of a scientific to technical nature, (like the validity of patents or infringement).

Since, these activities requires legal knowledge and expertise, it is limited advocates and their profession.

This indicates that even though the legislator felt the need of a degree in science, engineering or technology for qualification as patent agent, they at the same time, restricted the activity of patent agents to filing and other administrative activities rather than giving opinions on the validity of patent, patentability of the invention and infringement issues. If legislators intended to restrict the activities to administrative tasks then there remains no need to introduce the requirement of a degree in science, engineering or technology; any trained person can perform all the administrative activities required at patent office.
Section 129 (c) of the act restricts the activity of the patent agent to giving advice other than when it pertains to matters of a scientific or technical nature. This covers questions as to the validity of patents or their infringement was prevalent before2002 & 2005 amendment act. The introduction of the requirement of a degree in science, engineering or technology, in the section 126 (1)(c) and restriction on practices as patent agent in section 129 (c) cumulatively restrict dedicate legal activities/opinions like validity or infringement only to the legal profession rather than to a patent agent who is not an expert in legal matters. It also means that the legislator intended to restrict the activity of patent agent only to administrative level tasks in section 129 (2) (c). However, a registered patent agent with legal degree would have opined on the legal activity like validity of patent or infringement. Therefore the intention of the legislator was to

allocate the patent activity to a person specialized in the field, hence the section 129 (c)

E. SAVINGS IN RESPECT OF OTHER PERSONS AUTHORIZED TO ACT AS AGENTS (SECTION 132)

Section 132 of the Act relates to persons authorized to act as agents for drafting of specifications or for appearing or acting before the Controller. It also covers advocates not being a patent agent in taking part in hearings.

> *132. Savings in respect of other persons authorized to act as agents nothing in the Chapter shall be deemed to prohibit—*
> *(a) the applicant for a patent from drafting any specification or appearing or acting before the Controller, or*
> *(b) an advocate, not being a patent agent, from taking part in a hearing before the Controller on behalf of a party who is taking part in any proceeding under this Act.*

It was surprising to know that even though the Section 126 (1)(c)requirement was introduced, and advocates omitted in section 126 1(c)(I), this will not affects the role of advocates while practicing before the Controller of patent, since it is protected under section 132(b) of the act.

Section 132, before the Patent Amendment Act 2002[5] read as:

> *132. Savings in respect of other persons authorized to act as agents nothing in the Chapter shall be deemed to prohibit—*

5 Act No. 38 of 2002; effective from May 20, 2003.

> *(a) the applicant for a patent or any person, not being a patent agent, who is dully authorized by the applicant from drafting any specification or appearing or acting before the Controller, or*
> *(b) an advocate, not being a patent agent, from taking part in any proceedings under this act otherwise than by way of drafting any specification.*

Prior to the amendment Section 132 read that "any person authorized by applicant or applicant not being patent agent are not prohibited in drafting of specification or appearing or acting before the Controller". However, after 2002 amendment, any person authorized by applicant but not registered as patent agents were not allowed to draft patent specifications or act before the Controller. Moreover, this section provides relief to an attorney who has a degree in non-science fields and can, despite that, act before Controller. Even the advocates (registered or non registered as patent agent) are allowed to practice before the Controller of patent u/s 132. Therefore the introduction of the requirement of a degree in 'science, engineering or technology' over any degree will hardly affect the activity of advocate. The abstract of section 132 is that the drafting of specification / prosecution activity requires the scientific skill are meant for patent agent, whereas the validity or infringement require legal knowledge are meant for advocate. Further, as a matter of fact, any person (as patent agent)/advocate authorized by an applicant may act before the Controller, whereas drafting of a specification is restricted to the applicant himself or a patent agent authorized by applicant. Additionally, the section 132 is silent about

drafting of specification by authorized advocates or any other persons.

Moreover, in view of Section 132, none of the advocates were prohibited to practice before the Controller and prepare all the documents (127(b)). Therefore, in the Patent Act nowhere was the activity/responsibility of advocates barred over the introduction of the requirement of a degree in 'science, engineering or technology'. Activities were only segregated based on the necessity.

F. REMOVAL FROM REGISTER OF PATENT AGENTS AND RESTORATION (SECTION 130)

(1) The Controller may remove the name of any person from the register when he is satisfied, after giving that person a reasonable opportunity of being heard and after such further inquiry, if any, as he thinks fit to make—

(i) that his name has been entered in the register by error or on account of misrepresentation or suppression of material fact;

(ii) that he has been convicted of any offence and sentenced to a term of imprisonment or has been guilty of misconduct in his professional capacity which in the opinion of the Controller renders him unfit to be kept in the register.

(2) The Controller may, on application and on sufficient cause being shown, restore to the register the name of any person removed therefrom.

G. DISQUALIFICATIONS FOR REGISTRATION AS A PATENT AGENT (RULE 114)

A person shall not be eligible to be registered as a patent agent, if he—

i. has been adjudged by a competent court to be of unsound mind;

ii. is an undischarged insolvent;

iii. being a discharged insolvent, has not obtained from the court a certificate to the effect that his insolvency was caused by misfortune without any misconduct on his part;

iv. has been convicted by a competent court, whether within or outside India of an offence to undergo a term of imprisonment, unless the offence of which he has been convicted has been pardoned or unless on an application made by him, the Central Government has, by order in this behalf, removed the disability;

v. being a legal practitioner has been guilty of professional misconduct; or

vi. being a chartered accountant, has been guilty of negligence or misconduct.

H. REMOVAL OF A NAME FROM THE REGISTER OF PATENT AGENTS (RULE 116)

The Controller may delete from the register of patent agents, the name of any patent agent —

a) from whom a request has been received to that effect; or

b) when he is dead; or

c) when the Controller has removed the name of a person under sub-section (1) of section 130; or

d) if he has defaulted in the payment of fees specified in rule 115, by more than three months after they are due.

1) The removal of the name of any person from the register of patent agents shall be published and shall be, where relevant forthwith communicated to the person concerned.

Even though rule 114 provides a remedy for disqualification of registered patent agent however under section 130(1)(i)& (ii), the Controller has empowered to remove the name of a patent agent who misrepresentation or suppression of material fact or guilty of misconduct in his professional capacity.

II. HISTORY

In the British era patents were governed by various legislations like Act VI of 1856; Act IX of 1857 (without the consent of British Crown) and 1859 as Act XV of 1859 (as exclusive privileges). The main objective of these legislations was to encourage inventions of new and useful products and to induce inventors to disclose secret of their inventions. The modern Patent Act was based on the Indian Patents and Designs Act, 1911, (Act II of 1911) which replaced all the previous Acts wherein the administrative activity of the Act was brought under the purview of the Controller of Patents. In the mean time, various amendments were made to the Indian Patents and Designs Act, 1911, and offered more power to the Controller with respect to the rectification of the register of patents and an increase

of patent term from 14 to 16 years. Further, an amendment in 1945 introduced aprovision for filing of provisional patent applications and the submission of complete applications within nine months.

In the post independent era of India, due to changes in political and economical conditions, the Indian government constituted a committee under the Chairmanship of Justice (Dr.) Bakshi Tek Chand (of Lahore High Court) in 1949, to review the patent law in India. The committees interim report, suggested various amendment to of the Patents & Designs Act, 1911 to prevention of misuse or abuse of patent laws in India. Further, the committee observed that food, medicine and surgical & curative devices should be available at the cheapest prices possible. In the year 1950, Act 32 was introduced with provisions for 'working of the invention and compulsory license & revocation of patent'. Further based on the recommendations of the Committee, a Bill was introduced in the Parliament (Bill No.59 of 1953) in 1953; however, it lapsed due to the lack of interest from the legislators. Further, during the pre and post independence of India, patent and related activities were handled by the legal fraternity or by persons proficient in patent knowledge. Due to the advancement in the field of science and technology, the legal fraternity felt the need of qualified persons in the field of invention to assist them in understanding the science, engineering or technological invention and while practicing before the Controller or other competent authority during prosecution or litigation stage. Similar views were expressed

by Justice N Rajagopala Ayyangar Committeein his report[6]submitted to the authority on September, 1959, before the Patent Act 1970 came in to force. The Patent Act 1970 (which repealed and replaced the 1911 Act concerning patent law) was based on the Ayyangar report recommendations suggested that the following persons can acts as patent agents;

> *(1) Any Advocate, Solicitor or Attorney on the rolls of any High Court who holds a degree of a recognized University in Physical Science or Engineering or equivalent scientific or technical qualification to the satisfaction of the Controller.*
>
> *(2) Any person who is a degree in Science or Engineering of a recognized University or who possesses equivalent scientific or technical qualification to the satisfaction of the Controller and who has passed the qualifying examination prescribed for registering as a Patent Agent under the Rules.*
>
> *(3) Any person who has a degree in science or engineering of a recognized university or who possesses equivalent scientific and technical qualification to the satisfaction of the Controller and who had worked as Examiner of Patents at the Patent Office for a minimum period of five years provided that no officer of the Patent Office who has held a post involving duties as a hearing officer for more than twelve months shall be qualified to be registered or to practice as a patent agent, and*

6 N. RAJAGOPALA AYYANGAR, AYYANGAR REPORT, (Ministry of Commerce and Industry, 1959), http://www.scribd.com/doc/201678355/Ayyangar-Committee-Report (last visited July 22, 2014).

(4) Any person who has been describing himself and bona fide practicing as a Patent Agent for at least 5 years before the 1st of January 1960

A patent is a techno-legal document which requires the knowledge of technology and the law. Therefore, both technical or scientific and legal skills are required in drafting of specification and claims, prosecution at patent office and reply to the examiners objections and in litigation of patent application at various stages. Therefore, it is collective effort of both professionals, i.e. advocates as well as scientist/technical experts in the field of science, engineering or technology. Therefore, a collective contribution from the different expertise in the field is required at the various stages of patent activity from the drafting of specifications to the grant of patents at the patent office and further litigation in various courts. Even though there is the need of scientific skills for patent activities the Patent Act 1970 has provided opportunities for non advocates and the legal fraternity through the qualifying patent agent examination conducted by the controller of Patents. This means prior to amendment 2005, advocates (registered under the Advocate act 1961) were eligible to be registered as patent agent. However, the Ayyangar Committee report further suggests that the drafting of specifications should be a monopoly of "Registered Patent Agents", subjected to one exception viz., the inventor might draft patent specification by himself or by any person duly authorized by inventor or applicant. This takes into account the availability of only a few qualified Patent Agents in India. Further, the Act did not prohibit the inventor himself or an applicant

for drafting specification and claims. Therefore, there should not be any objection to the authorizing of any person, firm to technical expert who has not registered as Patent Agent to draft patent specification and act on behalf.

I fully agree with the Ayyangar report. While in drafting and prosecution or other activity, where the knowledge of science, engineering or technology will enhance the merits of the patent application, it will also help in responding to the office actions appropriately at various patent offices. With increasing complexity in the field of science and technology more and more fields in science and technology are emerging day by day; for example pharmaceuticals, biotechnology, genetic-engineering, so on and so forth. Similarly in the field of technology fields like mechanical, automobile, telecommunication, electrical, electronic, have grown in importance and many more specialized fields will arise in future.

Therefore, a science degree holder in the field of pharmacy/chemistry requires additional skills to draft a patent specification in the field of engineering and vice versa. Along with the technical skills one also need to have knowledge of the law in dealing with patent activities like deciding claims limitations of the invention during validity of patent and in litigations stages. Additionally, similar provisions are established throughout the world. And the need of experts in the field of science, engineering or technology is supported and substantiated throughout the world. In

particular Section 137 of the Australian Patents Act, 1952 enacts the need of scientific skill for drafting patent specification.

Even though the Patent Act 1970 did not specify any qualification for registration as patent agent, the legislator restricted the patent activity to only degree holders in science, engineering or technology, over others while dealing with patent activity (draft or prosecution or examination stage) in the 2002 and 2005 amendment. However the knowledge in law for patent agents will definitely help in deciding the boundary of inventions and helps in prosecution & litigation.

III. CASES

A. CASE RELATING TO SECTION 126 (1) (C) (I) OF THE PATENT ACT 1970 (39 OF 1970)

S P. Chockalingam V s The Controller of Patents Chennai and Union of India[7]. A writ Petition (W.P.No.8472 of 2006)filed under Article 226 of the Constitution of India was filed by Mr. SP. Chockalingam, (Petitioner) at Madras Hugh Court in 2006, for declaring the amendment to Section 126 (the Act) by Section 67 (a) of the Patent (Amendment) Act, 2005 (Act 15 of 2005) as illegal, unconstitutional, ultra vires and void. The decision of Madras High Court on section 126 1(c) for registration as a patent agent is as follows;

> *"…. this writ petition is allowed, declaring that the impugned amendment introduced to Section 126 of the Patents Act 1970,*

7 *S P. Chockalingam V s The Controller of Patents Chennai*; (Madras High Court, Writ Petition 8472 of 2006)

by Section 67 (a) of the Patents (Amendment) Act, 2005 (Act 15 of 2005) as ***illegal, unconstitutional, ultra vires, void and unenforceable.*** *No order as to costs".*

The High Court declared the omission of 'Advocate' is ultra vires void and unenforceable. This concludes that an advocate is eligible for registration as patent agent. However, the question of whether advocates with non-science degree are eligible to draft patent specifications under the section 132 (a) is yet to be answered.

B. CASE RELATING TO PROFESSIONAL NEGLIGENCE OF PATENT AGENT

Rubicon Research (Essenese Obhan New attorney) Vs The Controller of Patents[8]

The applicant's new patent agent, made an application for condonation for restoration of patent which was lapsed due non-payment of renewal fees. The Controller dismissed this application and held that timelines specifically provided in the Act are mandatory and cannot be evaded, the condonation of delay under the Limitation Act[9] do not apply to the Controller.

The applicant argued that they were not informed by their agent about paying fees within a particular time. Therefore, failure to pay the fees was unintentional and beyond the control of the applicant. However, the Controller cited Rule 135[10] and held that

8 Aparajita Lath, *Professional Negligence and Attorney Liability?,* SPICY IP, (January 23, 2014); *available at*: http://spicyip.com/2014/01/professional-negligence-and-attorney-liability.html

9 The Limitation Act 1963 (36 of 1963)

10 Rules 135, 137 of The Patent Act 1970 (39 of 1970)

communication made to the agent is equivalent to the communication made to the applicant. Further, the controller observed that

> "*The grounds laid down in the Petition under Rule 137*(9) *as submitted by the learned agent, Mr. Essenese Obhan are based on the communication gap between the patentee and it's then authorized attorney and is private matter*".

This incident leads to several questions on professional misconduct on part of patent agent or attorney and are they liable damages caused to the applicant.

Lawrence Karat Vs Fox Mandal India[11]

The London High Court has reportedly entered a default judgment of £100,000 against M/S Fox Mandal in a lawsuit filed by one of its former clients, Lawrence Karat, alleging professional negligence in a patent prosecution being handled by the law firm. Karat claimed that Fox Mandal could not retrieve his case files and a power of attorney was misplaced. A new power of attorney was executed by Karat but was allegedly notarized by Fox in India without Karat physically present, which in his view was illegal. Furthermore, a "proof of right" deadline was missed in the Mumbai patent office, which could lead to a dismissal of the patent. These cases raise the issue of professional standards of patent agents in India. The patent act provides remedies for professional misrepresentation by patent agent, in sections 130 and rule 114 & 116, however still there is no provision for recovery

11 Kian Ganz, *London HC enters £100,000 default judgment v Fox Mandal in professional negligence claim,* LEGALLY INDIA, (26 July, 2013); *available at:* http://www.legallyindia.com/201307263867/Law-firms/london-high-court-enters-default-judgment-v-fox-mandal

of lost time line or revenue for clients due to negligence of patent agent or attorney.

IV. QUESTIONS TO BE ANSWERED

The following questions have to be answered in view of the provisions relating to 'patent agent';

i. Why did legislators introduce the term 'science, engineering or technology' over any other degree in section 126 1(c) of the Act in The Patent (Amendment) act 2002 (38 of 2002)?
ii. If at all there was a need of a degree in 'science, engineering or technology', what then was the need of restricting the activity of patent agent to 'advice other than of a scientific or technical nature' in section 129 (c);
iii. Even though the 'Ayyangar report' suggested the same in 1960, why did the Patent Act originally not include the 'science, engineering or technology' requirement for qualification for registration as a patent agent; further what was need to reintroduce the term degree in 'science, engineering or technology' for qualification for registration as patent agent in 2005 amendment.
iv. What is the current status of section 126 (1) (c) and 129 (c) in view of Madras HC (Writ Petition 8472 of 2006) decision? Are the advocates with non-science degree are eligible to draft patent specification under the section 132 (a)?
v. There are statutory guidelines or rules for professional misrepresentation or misconduct of patent agent in section 130

and rule 114 & 116. However no remedy exists for the client who was affected in order to protect his invention.

V. CONCLUSION

The privileging of scientific/technological skill over any degree is in line with the international standard for patent agent profession. Further it was recommended by the Ayyangar report. Additionally there are several sections which need clarification, for example a person who acts as patent agent in contravention with section 126 of the act, is however protected under the auspices of section 132.

Moreover, while Section 126(1) (c) requires a degree in science for registration as patent agent, Section 129(2) (c) restricts the activity of the qualified patent agent to 'advice other than of a scientific or technical nature". From the instant discussion, patent activity means:

- fling of application and prosecution;
- appearing before controller and
- appearance before court,

The first and second categories were meant for patent agents as well as advocates (because authorized advocates or any other persons, were saved under section 132) and the third for advocates. Therefore, any person who is advocate under the Advocate Acts 1961 is eligible to act before the Controller irrespective of section 126. The only restriction for advocates is the drafting of patent specification. As explained earlier, the specialized skill in the field will enhance the quality of the invention.

6 IJIPL 227-241 (2013)

WHAT'S IN A NAME: THE COPYLEFT CLAUSE OF THE FREE SOFTWARE MOVEMENT

*Varsha Deiveegan**

The difference in philosophies that puts proprietary software and free software at loggerheads with each other has a peculiar manifestation in having triggered a debate within the movement. In what began as a voice against the restrictions on modification, adaptation and redistribution, the free software movement is considered today by the open source movement, as a symbol far restrictive than its ideals. This debate significantly revolves around the copy left clause in free software licenses as being 'viral' in its obligation to license back the software under the banner of free software movement. This paper seeks to argue for the free software movement with a view to throw light in the strong underpinnings of the copy left clause that the open source movement otherwise frowns upon. Would the absence of a copy left clause place free software closer to proprietary software? The arguments suggest that it would.

Microsoft's hostility to the subject that is central to this paper makes it immensely ironical that it has been drafted and saved on 'Microsoft Word 2010'.[1]The reasons for this confrontation between what is called 'free' software and proprietary software are multifarious, significantly igniting the debate in a number of areas such as economics, intellectual property law and competition law.[2] Before delving into the core aspects of the debate, it is important to outline

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1 Equating Linux *to "cancer that attaches itself in an intellectual property sense to everything it touches"*, Microsoft's CEO, Steve Ballmer's comment in 2001 echoed the strong opposition of proprietary software proponents to the free software movement, *see,* Thomas C. Greene, *Ballmer: Linux is Cancer*, *available at:* http://www.theregister.co.uk/2001/06/02/ballmer_linux_is_a_cancer/ (last accessed on 18.10.2013).

2 *See, Eben Moglen, Free Software Matters: Microsoft, Antitrust, and the Movement*, *available at:* http://moglen.law.columbia.edu/publications/lu-03.html (last accessed on 18.10.2013).

the primary facet that sets the two apart, which is best done, for the purposes of this paper, by Richard M. Stallman's, the founder of the free software movement foundation, anecdote. Working with the MIT lab, Stallman altered the code of a laser printer's software program to the effect that the printer indicated to the users the completion of the printing process at their respective locations in the office.[3] Subsequently, he aimed to align other printers in the lab on similar lines, but was denied access to the source code of the printer's software, providing him only the object code of the specific software.[4] The event coupled with the advent of restrictive legal characteristics governing software,[5] led Stallman to advocate for freedom to access the source code, which today defines the foundations of the free software movement.

I. DISTINGUISHING PROPRIETARY AND FREE SOFTWARE: THE OBJECT AND THE SOURCE CODE

The indispensability of the source code in a software lies in the fact that it is in human readable format. The object code that Stallman was allowed to access, on the other hand are instructions to the computer that a programmer cannot understand or modify.[6] Software therefore bifurcates into source code comprising of

3 Brian W. Carver, *Share and Share Alike: Understanding and enforcing Open Source and Free Software Licenses* 20 BERKELEY TECH. L.J. 445 (2005).

4 *Id.*.

5 It was in the year 1980 that Title 17 of the United States Code was amended to include 'computer program' in Section 101 of the Code making it copyrightable.

6 Andrew M. St. Laurent, *Understanding Open Source and Free Software Licensing*, *available at:* http://hugoroy.eu/doc/understanding_fs_licensing-andrewmstlaurent-ccbynd.pdf (last accessed on 18.10.2013).

statements or instructions written by a programmer, which on conversion for its execution, becomes the object code.[7] In order therefore, to modify software, a set of instructions that assign the system a specific task,[8] it is vital that its source code is accessible. However, in proprietary software[9] the terms of the license only extend to the object code,[10] explicitly denying access to view or modify the source code, stating in most cases, copyright as a justification.[11] Free software (*'"free" as in "free speech," not as in "free beer"')*[12] in sharp contradistinction abides by different philosophies, emphasising on the freedom to *'use, copy, modify and redistribute'* the software subject to certain restrictions in the license terms.[13] As a

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7 The source code to object code transformation is described as a chain event where the programmer writes the source code, which on compilation, transforms into an object code. This simple distinction is however contested by many programmers that the source code is only copied into the computer and in other instances that the object code is further compiled and run on the computer. *See further,* Ed Felten, *Source Code and Object Code*, *available at:* https://freedom-to-tinker.com/blog/felten/source-code-and-object-code/(last accessed on 18.10.2013); Carla Michler, *The Procurement Decision-Open or Closed Software*, 10 DEAKIN L. REV. *262* (2005).

8 ASHWIN VAN ROOIJEN, THE SOFTWARE INTERFACE BETWEEN COPYRIGHT AND COMPETITION LAW (2010).

9 The free software movement uses the term proprietary software synonymously with non-free software, that in essence restricts the 'use, redistribution or modification of the program'. *See, Categories of free and non-free software*, *available at:* http://www.gnu.org/philosophy/categories.html(last accessed on 18.10.2013).

10 *Supra n* 6.

11 Christina M. Reger, *Let's Swap Copyright for Code: The Computer Software Disclosure Dichotomy*, 24 LOY. L.A. ENT. L. REV. 215 (2004) (*Refer to footnote 51 of the Article).*

12 The 'free' of free software is used in the sense of freedom and not in terms of the cost of the software, thereby clarifying that the movement does not cut across the profits of the programmers; *see, What is Free Software*, *available at:* http://www.gnu.org/philosophy/free-sw.html(last accessed on 18.10.2013).

13 *'Free software means software that respects users' freedom and community. Roughly, the users have the freedom to run, copy, distribute, study, change and improve the software. With these freedoms, the users (both individually and collectively) control the program and what it*

prerequisite to achieve the same, not just the object code, but access to the source code is crucial in free software.[14] The restrictions or rather the permission that free software attaches to such access forms the primary aspect of this paper, that I seek on defend through the lens of copyright and enforceability, rebutting its popular criticisms.

II. PECULIARITY OF SOFTWARE COPYRIGHT AND THE GPL

Software poses unique problems in terms of its shelf life and the ease at which it can be copied, striking at the economic and competitive basis of the creator.[15] In order to spur innovation and incentivise the author, an effective means to protect software was conceived in copyright, as falling under 'literary work'.[16] It is however interesting to note that copyrighted works do not prohibit access to the expression, rather what is prohibited is the infringement of the author's right over such work.[17] Copyright thereby protects the subject matter in the form available to others. The peculiarity in software however lies in the fact that the person is entitled to see only the functionality in the form of the executed program and not

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does for them", See, "What is free software", *available at:* http://www.gnu.org/philosophy/free-sw.html(last accessed on 18.10.2013).

14 *Id.*.

15 S.K. Verma, *IP Protection of Software and Software Contracts in India: A Legal Quagmire*, *available at:* http://nopr.niscair.res.in/bitstream/123456789/14456/1/JIPR%2017(4)%20284-295.pdf(last accessed on 18.10.2013).

16 In India, Section 2(o) of the Copyright Act, 1957 protects computer programs and does not differentiate between source code and object code, thereby encompassing the two; *See also,* 17 U.S.C. § 101.

17 *Supra n.* 8, at p. 67.

the original expression in the source code.[18] The free software movement vehemently opposes this disparity. The movement's strong moral underpinnings lie in its aspiration that technical information should be available to all, facilitating therefore not just the operation of software but also its modification, adaptation and redistribution.[19] Docking the approach on copyrights, the free software movement issues a license called the GNU General Public license, closely connected to the Linux operating system.[20] The license contains the freedom clauses and the obligation that if a person chooses to redistribute his work,[21] he shall do so under the same scheme of licensing thereby upholding the same rights and responsibilities during its transition.[22] Popularly christened the 'copyleft' clause, it has and continuesto be the most controversial clause in the license, to the extent of triggering strands within the free software movement.

Free software licensed under, say, GNU, are essentially copyrighted and it is this right over such software that confers the power to

18 *Supra n.* 8, at p. 68.

19 Dr.Josd J. Gonzdilez de Alaiza Cardona, *Open Source, Free Software and Contractual Issues*, 15 TEX. INTELL. PROP. L.J. 171 (2006-2007).

20 *See,* GNU General Public License, *available at:* http://www.gnu.org/copyleft/gpl.html (last accessed on 18.10.2013).

21 The redistribution aspect of free software is often confused to imply compulsory redistribution. However, the terms of the license simply state that when one *chooses* to redistribute, it shall be under the terms of the license. The licensee is free to do anything with the software in the private realm. *See,* Christian H. Nadan, "Open Source Licensing: Virus or Virtue?" 10 *Tex. Intell. Prop. L.J.* 358 (2001-2002)

22 PROFESSOR BRIAN FITZGERALD AND GRAHAM BASSETT (EDS.), LEGAL ISSUES RELATING TO FREE AND OPEN SOURCE SOFTWARE 22(2003).

control the manner in which the work is down-streamed.[23] The preamble to the GNU license explains that in order to protect one's right it is important to prohibit any action that would imply denying or surrendering the rights over such work,[24] and also to confirm to the ideals of 'free' software.[25] Copyleft is therefore used as a tool to prevent free software from being bound by restrictive copyrights akin to that in proprietary software.[26] This distinguishing feature is highlighted by the free software movement's classification of other software licenses such as Berkeley Software Distribution[27] as 'open' but not free in the sense used by the movement,[28] though all forms of licenses precondition an accompanying copyright notice on redistribution even in instances where the program is modified.[29]

III. THE 'COPYLEFT' CLAUSE

The most vociferous opposition to this 'viral' aspect of the free software movement finds its genesis in the open source movement started by Eric Raymond and others,[30] which through its own

23 Matthew D. Stein, *Rethinking UCITA: Lessons from the Open Source Movement*,58 ME. L. REV. 194(2006).

24 *"To protect your rights, we need to prevent others from denying you these rights or asking you to surrender the rights. Therefore, you have certain responsibilities if you distribute copies of the software, or if you modify it: responsibilities to respect the freedom of others", see, Supra n* 20.

25 *Supra n* 3, at p. 455.

26 Jonathan Zittrain, *Normative Principles for Evaluating Free and Proprietary Software* 71 U. CHI. L. REV. 269 (2004).

27 *See, The BSD 2-Clause License*, *available at:* http://opensource.org/licenses/BSD-2-Clause(last accessed on 18.10.2013).

28 *See*, *Supra n* 9.

29 *See, How to use GNU licenses for your own software*, *available at:* http://www.gnu.org/licenses/gpl-howto.html(last accessed on 18.10.2013).

30 *History of the OSI*, *available at:* http://opensource.org/history (last accessed on 18.10.2013).

definition lifts the restrictive 'viral' clause of the GPL.[31] The obligation of the copyleft clause to license back the software to the entire GPL community is said to constitute copyright misuse,[32] thereby lacking legal support for enforcing it.[33] If this were the case, the copyright infringement in the free software would have a valid defense in the misuse.[34] Much of this confusion draws into focus, the enforceability of the GPL license.[35] Though seldom called into question in Courts, it is interesting to note the case of *Welte v. Sitecom Deutschland GmbH, LG (Munich)*[36] where the GPL was held to be valid, with specific references to the termination, copyleft and source code clauses.[37] With this as the starting point, the copyleft clause of the free software movement can be justified on grounds that refute the open source movement's arguments.

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31 Stephen M. McJohn, *The Paradoxes of Free Software*9 GEO. MASON L. REV. 32 (2000-2001)

32 Brett Frischmannand Dan Moylan, *The Evolving Common Law Doctrine of Copyright Misuse: A Unified Theory and Its Application to Software*, *available at:* http://www.law.berkeley.edu/journals/btlj/articles/vol15/frischmann.pdf(last accessed on 18.10.2013).

33 *Supra n* 21 (Refer to footnote 80 of the Article)

34 *Supra n* 32.

35 *See Infra 'Is the Coplyleft clause enforceable though?'*

36 No. 21 O 6123/04

37 Jason B. Wacha, *Taking the case: Is GPL enforceable, available at:* http://www.open-bar.org/docs/GPL-enforceability.pdf(last accessed on 18.10.2013).; The case further held that licensing under the free software movement does not imply that the software is in public domain; *see further, Planetary Motion, Inc. v. Techsplosion,* 261 F3d 1188; Jason D. Haislmaier, *Closing the Open Source Compliance Gap*, *available at:* http://www.hro.com/resources/custom/publications/HRO%20Publications/Intellectual%20Property/closingthegap.pdf(last accessed on 18.10.2013).

IV. THE AUTHOR'S CHOICE!

The misuse of copyright contention is negatived by Stallman's argument that the author's choice must be unhindered in choosing how to deal with his work. The moral right to claim proprietorship can be equally transposed to the right to forbid others from claiming proprietorship over his/her work, thereby primarily giving credence to the author's decision.[38] On similar lines, further, copyleft ensures that the freedom that pervades through the distribution of software is not denied to users when the software is propertied. It thereby seeks to create a pool of software that echoes fairness as an integral component to access such software. The idea underlying this fairness is that programmers should not be allowed to misappropriate efforts and devoid the community of valuable resources created by a plethora of programmers.[39] The free software license therefore consists of values and morals, factors shunned by the open source movement to promote a business model,[40] in order to produce more software and to abide by its aims.[41] The framework is still confined to the boundaries set by law since, first, the components of freedom are rights that can be licensed under copyright law and second, the

38 *Supra n* 26, at p. 275.

39 Nicolas Suzar, "What motivates free software developers to choose between copyleft and permissive licences?",*available at:* http://opensource.com/law/13/8/motivation-free-software-licensing(last accessed on 18.10.2013).

40 Though not fundamentally aimed solely for business, there is an increasing adaptation of the open source software in businesses, *see,* Sandeep Krishnamurthy, "An analysis of Open Source Business Models", *available at:* http://faculty.washington.edu/sandeep/d/bazaar.pdf(last accessed on 18.10.2013).

41 David M. Berry, *The politics of Copyleft and Open Source* 12 (Pluto Press, London, 2008).

redistribution condition is reflective of the author's right to choose who he can license his work to.[42]

Succinctly put, free software movement strikes a balance between the interests of the community and the author by demarcating distributive limits for compliance with the terms of the license and on the other hand providing the freedom to '*run, copy, distribute, study, change and improve the software'*.[43] Free-software movement therefore, is not at loggerheads with intellectual property.[44] Copyleft, in fact, as illustrated above, utilises copyright to recoup the freedoms that it curtails, specifically in respect of software,[45] thereby preventing unjust enrichment of just a few under the farce of the object code.[46]

V. IS THE COPLYLEFT CLAUSE ENFORCEABLE THOUGH?

Having explained the theoretical and philosophical bedrocks of the free software movement and its quintessential copyleft clause, the aspect that however strikes at the root of the debate is its enforceability. The legal boundaries of the GPL license are perhaps the hardest for any proponent of free software movement to defend,

42 I say this in the light of the exclusive rights given to the author under copyright law to 'prohibit or authorise the reproduction, distribution', etc, *see,* "Understanding Copyright and Related Rights", *available at:* http://www.wipo.int/freepublications/en/intproperty/909/wipo_pub_909.html(last accessed on 18.10.2013).

43 *Supra n* 41.

44 HuyenDau, "Richard Stallman and the Free Software Movement", *available at:* http://iuccommonsproject.wikispaces.com/file/view/Richard+Stallman+and+the+Free+Software+Movement_Huyen+Dau.pdf(last accessed on 18.10.2013).

45 *Supra, 'Peculiarity of Software Copyright and the GPL'*

46 *Supra n* 41.

given its intrinsic dichotomy between the 'license' and the obligations that it imposes. This peculiar nature of the GPL license triggers two standpoints, first that the GPL is a non-contractual license and second that it is, taking into account its real nature, a contract.[47] Both the scenarios have far reaching impacts for assessing remedies for copyright infringement. Richard Stallman and Eben Moglen, the counsel for the free software movement strongly advocate that GPL is a license, in the truest sense of the terms definition viz., *'a unilateral permission to use someone else's property'*, without any obligation.[48] Moglen states that there are no obligations in GPL, consisting only of freedoms, with the specific copyleft clause, a mere permission to redistribute subject to the conditions in the license.[49] Strong insistence that GPL is a license, largely seems to stem from the fear that if GPL were perceived as a contract, due to lack of consideration and lack of privity, two of the key ingredients in constituting a valid contract, the enforceability of the GPL would be called into question.[50] However, the GPL itself does not speak about the remedies in case the license is revoked or in case the terms of the license are violated. It is stated simply that the license is irrevocable. Moglen identifies that in such circumstances, the GPL ideologically

47 Raymond T. Nimmer, *Legal Issues In Open Source And Free Software Distribution,available at:* http://euro.ecom.cmu.edu/program/law/08-732/Transactions/LegalIssuesNimmer.pdf(last accessed on 18.10.2013).

48 Eben Moglen, *Free Software Matters: Enforcing the GPL, I*, *available at:* http://moglen.law.columbia.edu/publications/lu-12.html(last accessed on 18.10.2013).;Pamela Jones, *The GPL Is a License, not a Contract*, *available at:* http://lwn.net/Articles/61292/(last accessed on 18.10.2013).

49 For nature of damages, *see, GPL Violations Legal FAQ*, *available at:* http://gpl-violations.org/faq/legal-faq.html(last accessed on 18.10.2013).

50 *Id.*

cannot be used to coerce people into adopting the free software and the remedies that he proposes are damages and injunctions.[51]

On the other side of the spectrum is the argument that GPL constitutes a contract; an offer and acceptance is made when the terms of the license are incorporated in one's work and the consideration is the core freedoms espoused by the GPL along with the restrictions. To explain further, the licensor offers to the licensee, in this case, the promisor and the promise, the source code and additionally the freedoms embedded in the GPL, analogous to a shrinkwrap license i.e., the very fact of entering into the contract.[52] The consideration is the source code that the copyleft clause mandates to be redistributed under the GPL and may additionally contain monetary amounts if any.[53] Once the licensee accepts such an offer and includes a GPL source code in his work, there comes into place a legally binding contract. As far as privity of contract is concerned, the transition of GPL to downstream users should be considered as entering into a contract at each stage. For instance, consider X, the original author, Y, the modifier and Z, the end user. In the light of the statements above, there exists a contract between X and Y and Y and Z. Though there is no contract between X and Z

51 Pamela Jones, *The GPL Is a License, not a Contract*, *available at:* http://lwn.net/Articles/61292/(last accessed on 18.10.2013).

52 For a brief account of how shrinkwrap license agreements have been treated, *see,* Aunya Singsangob, *A Validity of Shrinkwrap and Clickwrap License Agreements in the USA : Should we follow UCITA?*, *available at:* http://legalaid.bu.ac.th/pdfFiles/A_VALID_OF_SWL.pdf(last accessed on 18.10.2013).

53 Ira V. Heffan, *Copyleft: Licensing Collaborative Worksin the Digital Age*,49 STAN. L. REV. 1510 (1996-1997).

in this case, the relationship in such a case can be construed as that existing between a licensor and the licensee.[54] When Z breaches the copyleft clause he can thereby be sued both by X as well as Y for copyright infringement and breach of contract respectively.

What will necessarily ensue from perceiving GPL as a contract is that specific performance of the contract can be demanded.[55] Whereas Moglen himself states that a violation of the terms of the license merely results in revocation of the permission, the remedy and damages that exist for such a violation are far from acting as a deterrent. Moglen explains and reasons that a coercion to release the code is not within the boundaries contemplated by the Copyright Act.[56] On the other hand, treating GPL as a contract, with the aid of specific performance, as mentioned above, would help in compelling the alleged licensee in returning the code. It cannot be denied that even if GPL were construed to be a license, the licensee could still be sued for copyright infringement. Construing it as a contract on the other hand i.e., in stating that the copyleft clause is a condition to the contract and thereby obtaining the code in case of violation,[57] will be in consonance with the movement's objective of 'free' distribution of

54 *Supra n* 19, at p .210.

55 Sapna Kumar, *Enforcing The GNU GPL* 2006 U. ILL. J.L. TECH. &POL'Y 35 (2006).

56 *Supra n* 51.

57 Sean Hogle, *Open Source Licensing and the Viability of the Free Software Movement*, *available at:* http://www.americanbar.org/content/dam/aba/publications/landslide/landslide_august_2011/hogle_landslide_julyaug_2011.authcheckdam.pdf(last accessed on 18.10.2013).

software. This is perhaps the only key factor where I disagree with the view of the movement.

VI. DOES COPYLEFT DETER INNOVATION?

Another criticism that free software often hears is that the copyleft clause deters innovation due to the forbiddance of commercialisation thereby resulting in lack of incentives.[58] The movement does not however in any manner forbid commercial usage.[59] The word 'redistribution' is broad enough to encompass commercial distribution as well and MySQL stands as a testimony to this fact.[60] The only factor that the movement emphasises is on the need to pass on the software within the GPL framework. The criticism here primarily stems from equating incentive to monetary benefits. The movement contrary to this popular perception, provides an alternate to the financial notion.[61] The incentives in open software range across different spheres, say for instance, providing technical support to the software so developed[62] that extends into other fields such as

58 Krishna, *How GPL Inhibits Innovation*, *available at:* http://www.thoughtclusters.com/2009/02/how-gpl-inhibits-innovation/(last accessed on 18.10.2013).

59 DAVID M. BERRY, THE POLITICS OF COPYLEFT AND OPEN SOURCE 115 (2008).

60 Nicholas Taylor, *Open Source Dual Licensing As a Business Model: How a Flexible IP Strategy Helped Create The World's Most Popular Open Source Database Company*, 37 AIPLA Q. J. 321 (2009).

61 *See,* Robert W. Gomulkiewicz, *How Copyleft Uses License Rights to Succeed in the Open Source Software Revolution and the Implications for Article 2B*, 36 HOUS. L. REV. 187 (1999).

62 Teresa Hill, *Fragmenting the Copyleft Movement: The Public Will not Prevail* 19 *Utah L. Rev.* 811 (1999).

healthcare![63] Additionally, free software is a community model thereby carrying with it, the benefits of a peer-review mechanism with allied brownie points for recognition and reputation.[64] In addition to this, free software brings to one, the satisfaction of debugging and developing one's own version of the programs, spurs innovation in small firms and counteracts the expensive proprietary software.[65]

VII. CONCLUSION

The free software movement is often seen as the most philanthropic form of behaviour exhibited by those in the movement. What essentially drives the free software programmers are intrinsic motivations that are both individual and community centric.[66] The drive for creativity in the individual level and the communal adherence and identification reflects the immensity of the copyleft paradigm.[67] Distinct to this is the open source movement that parted from the free software movement on ideological differences so as to

63 *See for instance an interesting account of how free software (called 'open software' in the Article) is applied to healthcare,* Michael Gould & Eric Brown, *Open Source Software: A primer for Healthcare*, *available at:* http://www.ghdonline.org/uploads/OpenSourcePrimerForHealthCareLeaders.pdf(last accessed on 18.10.2013).

64 *Supra n* 61.

65 Andrea Bonnacorsi and Cristina Rossi, *Altruistic individuals, selfish firms? The structure of motivation in Open Source software*, *available at:*http://firstmonday.org/ojs/index.php/fm/article/viewArticle/1113/1033(last accessed on 18.10.2013).

66 Karim R. Lakhani and Robert G Wolf, *Why Hackers Do What They Do: Understanding Motivation and Effort in Free/Open Source Software Projects*, *available at:* http://ocw.mit.edu/courses/sloan-school-of-management/15-352-managing-innovation-emerging-trends-spring-2005/readings/lakhaniwolf.pdf(last accessed on 18.10.2013).

67 *Id.*

make 'open' software an attractive business model. The absence of the copyleft clause, the open source believes, will help business add value to the movement and at the same time benefit from the already existing pool of software in the kitty of the open source movement. Such an approach, I believe is rather a strong disincentive for programmers who subsequently maybe denied access to their own work. For instance, if the derivative work entails an addition of merely a line to the already existing source code, the subsequent programmer has done nothing short of misappropriating the original programmer's efforts. The fact that derivative work is not defined anywhere in the terms of the license implies there can be no remedy in copyright infringement since the defense always lies in stating that it was permitted under the license. It is this that the free software movement, specifically copyleft addresses. The absence of the copyleft clause would necessarily mean transcending its own tenets. The free software movement has had a profound impact even in other areas.[68] Copyleft therefore serves the larger goal of promoting a network that does not discriminate at any stage of the work's passage by ensuring that proprietary rights are not asserted by anyone using the basic tenets of copyright law as explained in the preceding paragraphs. Omitting the clause would not place free software too far away from proprietary software!

68 For instance, the National Centre for Super Computing Applications that is modelled on the lines of the GPL but prohibiting commercial use and distribution outside its network, *see, Supra n* 53.

6 IJIPL 242-261 (2013)

GARCIA V. GOOGLE AND THE RISE OF COPYRIGHT CENSORSHIP

*Balaji Subramanian**

The fact that a comment on Cindy Lee Garcia v. Google[1] is being submitted to a journal of intellectual property law is, in itself, a testament to the flaws that are ubiquitous in today's IP jurisprudence around the world. This is because Garcia is not, at its core, an IP case at all, as I attempt to illustrate through the course of this comment. I begin by outlining of the facts and history of the case, followed by an identification of the main thrusts in the majority opinion. Simultaneously, I discuss each issue raised, and confront the majority with both the dissenting opinion, as well as a wide variety of authorities in the field. The present ruling propagates a complex distribution of costs, benefits and risks across the information-sharing spectrum. In the final part of this piece, I propose an alternative course of action in cases such as Garcia, one that is aware of this distribution, and therefore one that is more reasonable and appropriate.

I. INTRODUCTION

Cindy Lee Garcia's sordid tale starts off with her agreeing to be cast in a scene for what she thought was a harmless amateur film titled "Desert Warrior". However, her scene ended up being used in the anti-Islam short film, "The Innocence of Muslims", which was uploaded to YouTube.[2] A five-second clip in the film features Garcia,

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1 Docket Number 12-57302, US 9th Circuit Court of Appeals. Opinion dated 26 Feb 2014, given by Chief Judge Alex Kozinski. *Available at* http://cdn.ca9.uscourts.gov/datastore/general/2014/02/28/12-57302_opinion.pdf (hereinafter "majority opinion").

2 *Id.*

whose voice has been dubbed over to make her appear to be asking, "Is your Mohammed a child molester?"[3]

The film came under fire from large sections of the Muslim population, with protests sometimes escalating into riots taking place globally.[4] Further, Islamic clerics issued fatwas against the film's director, producers and actors,[5]despite many actors, such as Ms. Garcia, asserting that they had been duped into participating in the venture.

After filing numerous unsuccessful requests asking YouTube (and its parent company, Google)to take down the video,[6] Ms. Garcia filed an application for a preliminary injunction to restrain YouTube from hosting the video. The District Court for the Central District of California denied her the injunction, but on appeal to the 9th Circuit, Judge Kozinski reversed the District Court's decision and granted her the relief, ordering YouTube to take down the video with immediate effect.[7]

3 Majority opinion at 4.

4 *Embassies under attack over anti-Islam video*, AL JAZEERA, 15 Sep 2012, *available at* http://www.aljazeera.com/news/middleeast/2012/09/201291482159758224.html (last visited 14 July 2014)

5 *Fatwa issued against 'Innocence of Muslims' film producer*, THE TELEGRAPH, 18 Sep 2012, *available at* http://www.telegraph.co.uk/news/worldnews/middleeast/lebanon/9549664/Fatwa-issued-against-Innocence-of-Muslims-film-producer.html (last visited 14 July 2014).

6 Majority Opinion at 5.

7 Majority Opinion at 19. *Also see* footnote 9 of the Majority Opinion.

II. ANALYSING THE MAJORITY OPINION

In its ruling, the majority makes several interesting points, and this analysis is structured in a manner similar to the opinion itself.

The court starts off with an outline of the scope of its review, identifying the following factors that inform a decision regarding the grant of a preliminary injunction, the plaintiff's likelihood of success on merits; the possibility of irreparable harm resulting from the continuation of *status quo*; the balance of equities; and public interest. I intend to explore these factors in some degree of detail below.

A. LIKELIHOOD OF SUCCESS

Judge Kozinski begins by distinguishing between a joint author and a person who has copyright interest in a work. He acknowledges that the area is "rarely litigated", but otherwise makes no mention of the unprecedented nature of his analysis. After making such a distinction, he goes on to assert that each individual who has made a contribution to a work is entitled to copyright protection, provided his contribution is creative enough. He then refers toacting textbooks[8] to establish that Garcia has crossed this creativity barrier and is therefore entitled to copyright protection. He quotes legends such as Constant in Stanislavski and Sanford Meisner, without making allowances for the inherent tendency of actors and directors, while writing books targeted at students, to romanticise the field in

8 These principles were laid down in Winter v. Natural Res. Def. Council, 555 US 7,20 (2008). Further, in eBay v. MercExchange, LLC, it was held that injunctions do not automatically issue in cases of intellectual property rights infringement, but must be subject to the *Winter* test.

order to capture the attention and imagination of the novice reader. Identifying this line of reasoning as valid, Kozinski concludes that Garcia's claim has a good chance of succeeding on merits.[9]

However, on a slightly deeper reading of the facts and the legal principles in play here, one is hard pressed to agree with the majority.

1. The Copyright Act

First, the existence of the statute itself is an issue at hand. The Copyright Act of 1976 clearly enumerates what is and what is not a "work" worthy of copyright protection.[10] Judge Smith, in his dissenting opinion,[11] identifies this problem, using the doctrine of *noscitur a sociis*, that is,the rule of interpretation under which the meaning of a word is construed from its association with other words.[12] He deduces that that the performance of lines from a given script for a movie does not and cannot fall into any of the categories enumerated in the Act, and therefore must be excluded from its protection.

2. The Lack of Precedent

Second, as Smith notes, "We have never held that an actress's performance could be copyrightable."[13] There is, in fact, no

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9 Majority Opinion at 10.

10 17 USC § 102 states, *inter alia*, "Copyright protection subsists…in original works of authorship" and goes on to list eight categories of works that are so protected.

11 Docket Number 12-57302, US 9th Circuit Court of Appeals. Opinion dated 26 Feb 2014, given by Judge Randy Smith and attached to the majority opinion. (hereinafter "Dissent").

12 Earl T. Crawford, THE CONSTRUCTION OF STATUTES 325 (1998).

13 Dissent at 21.

jurisprudential basis for according copyright protection to actors who haven't fixed their performances, either in the form of case law or through municipal legislation.[14] The absence of legal background for such a decision is evidenced by the fact that the only substantive norm on IP rights for actors was completely ignored by the court. The Beijing Treaty,[15] adopted in 2012 and yet to be ratified by the US, provides for commercial and moral rights for performers in audio-visual works, such as movies. The Treaty only comes into effect if 30 eligible countries ratify it - which hasn't happened as yet. Thus, the only legal provision that could apply in the present case is yet to take effect.

Additionally, it is important to note that even this norm was roundly criticised for introducing rights where there had been none previously. The treaty has been seen as creating an extremely restrictive copyright regime, especially in the context of a perceived one-way trend to strengthen copyright liability in areas where such strengthening is detrimental to the information-sharing ecosystem.[16]

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14 Hannibal Travis, *WIPO and the American Constitution: Thoughts on a New Treaty Relating to Actors and Musicians*, 16 VAND. J. ENT. & TECH. L 44, 50. (Hereinafter "Travis").

15 BEIJING TREATY ON AUDIOVISUAL PERFORMANCES, adopted on 24 Jun 2012. *Available at* http://www.wipo.int/treaties/en/text.jsp?file_id=295837.

16 *See, for example,* Rossini et. al., *Beijing Treaty on Audiovisual Performances: We Need to Read the Fine Print*, ELECTRONIC FRONTIER FOUNDATION, 24 Jul 2012. *Available at* https://www.eff.org/deeplinks/2012/07/beijing-treaty-audiovisual-performances. Also see Mike Masnick, *WIPO Is Quietly Signing an Agreement To Give Hollywood Stars Their Own Special Version of Copyright*, TECHDIRT, 26 Jun 2012. *Available at* https://www.techdirt.com/articles/20120625/20471219474/wipo-is-quietly-signing-agreement-to-give-hollywood-stars-their-own-special-version-copyright.shtml. *Also see* Travis at 57.

3. The Absence of A Creative Contribution

Third, assuming that the majority judgment is favourable, and Garcia's performance somehow constitutes a copyrightable work, Kozinski's "creativity threshold" still poses a problem.[17] Even in a world where actors' performances are copyrightable, they must show some amount of creativity. Garcia, however, does not seem to match this standard. With the lines she delivered being written by a third person and subsequently dubbed over, and a performance that lasted all of five seconds, it's incredibly hard to understand how Garcia "lived [her] part inwardly, and then…give to [her] experience an external embodiment".[18] It follows that the author of a work is the person who exercised creative control over it, and it is thus clear in the present case that Garcia exercised little creative control over her scene as she was not the author. It can be argued that this very lack of control is the source of her problems. Had she possessed some degree of creative control, she would probably have been able to prevent the misuse of her performance, or at least mitigate its extent. Actors who contribute substantially to a film have the capability to exercise enough control over the film to ensure that their message reaches the masses unaltered. It is clear that Garcia had no such control. Further, it is logical to suppose that the author of a work is able to control the end product, as opposed to controlling merely the inputs used in fabricating the product. In the present case, Garcia was merely a source of theatrical input, rather than the architect of the portion of the film in which she appeared. Thus, Garcia's

17 Majority Opinion at 8.
18 *Id.*

performance seems to fall short of the basic creativity threshold required to be copyrightable.

4. Fixation

Fourth, the debate regarding fixation assumes importance. It is a well-known statutory principle that copyright protection extends only to those works that have been fixed to a tangible medium of expression.[19]It is clear, however, that Garcia did not fix her performance to any particular medium. It is also clear that fixation was not done by a third party on her behalf or under her instruction. It's important to note here that fixation done with the performer's consent is not equivalent to fixation on her behalf.[20] It is understood that when the fixator elaborates the idea and creates its expression, he is the author of the resulting work.[21] This principle was further affirmed by Judge Posner of the 7th Circuit in a recent ruling.[22] Widely known as the "*banana lady case*", the case involved a woman who performed a song-and-dance routine while wearing a banana costume, suing members of her audience for taking pictures of her and uploading them to the internet, alleging that such conduct was a

19 17 USC § 102 states that copyright protection subsists "in original works of authorship *fixed in any tangible medium of expression*" (emphasis supplied). *Also see* Stephen M. McJohn, COPYRIGHT: EXAMPLES AND EXPLANATIONS 63 (2006).

20 F Jay Dougherty, *Not a Spike Lee Joint? Issues in the Authorship of Motion Pictures under US Copyright Law*, 49 UCLA L. REV. 225,242 (2001).

21 *Id.*

22 Catherine Conrad v. AM Community Credit Union, Docket Number 13-2899, US 7th Circuit Court of Appeals. Opinion dated 14 Apr 2014, given by Judge Richard Posner. *Available at* http://media.ca7.uscourts.gov/cgi-bin/rssExec.pl?Submit=Display&Path=Y2014/D04-14/C:13-2899:J:Posner:aut:T:fnOp:N:1326031:S:0.

violation of her copyright. Judge Posner rightly dismissed her claim, tersely and crisply:

> *"The performance itself was not copyrighted or even copyrightable, not being "fixed in any tangible medium of expression." To comply with the requirement of fixity she would have had either to have recorded the performance or to have created a written "dance notation" of it. She did neither."*[23]

The disregard for the use of Garcia as a precedent for another decision within the US judiciary, barely a month after the decision, indicates how unfavourably the decision is viewed.

Finally, the text of the opinion seems to suggest that Kozinski has not taken all the relevant facts into account. For example, he likens the present scenario to an anthology of poems, in which the author of a particular poem can single out her contribution and receive copyright protection. .The defining feature of an anthology is the distinct nature of each work, predicated on the watertight separation of one author's contribution from the others, which is completely absent in Garcia's case. The majority has, thus, muddled the distinction between a compilation and a collective work.

B. IRREPARABLE HARM

To successfully obtain the relief she sought, Garcia had to prove that she would be irreparably harmed if the injunction was not issued. The presence of irreparable harm, that is, harm that cannot be financially

23 *Id.* at 4.

compensated after the event,[24] is more than a necessary element when claiming a preliminary injunction – it is a *sine qua non* for injunctive relief.[25] This requirement is especially important in cases such as this, where there is a possibility of considerable harm to the defendant if an injunction issues incorrectly.[26] In the present case, YouTube (and, by extension, Google) can make the contention that the increase in web traffic prompted by the hosting of the trailer is unquantifiable. Thus, any loss or harm suffered due to the wrongful suppression of such hosting would be irreparable in nature.

In the District Court, the irreparable harm question was decided against Garcia, however such a decision was arrived at through incorrect reasoning. In blaming her for the lengthy delay between the alleged infringement and her filing of the suit, the District Court fails to take into account the possibility that the harm may have been a delayed effect of the infringement. While Kozinski notes this omission in the District Court's opinion, he goes on to make a logical leap that is unjustified by the facts of the case. He starts off by establishing that the harm Garcia faced was real and grave, but he then accepts Garcia's claim that such harm could be directly linked to Google's action of hosting the video on YouTube.[27] This is severely problematic because the causal connection that Garcia seems to be asserting and the one that must be established to prove irreparable

24 Dan B. Dobbs, HANDBOOK ON THE LAW OF REMEDIES 349 (1973).
25 Stephen C Norman & Peter J Walsh, Jr., *The Injunction Rollercoaster*, 21 LITIGATION 8 (1995).
26 Jean O Lanjouw & Josh Lerner, *Tilting the Table? The Use of Preliminary Injunctions*, 44 JOURNAL OF LAW AND ECONOMICS 573,574 (2001).
27 Majority opinion at 16.

harm are not the same. The former stems from Google's role in disseminating the movie as a whole, and in informing the public of its existence, while the latter stems from Google's role in infringing her alleged copyright. The distinction here is a fine one that plays a crucial role in informing and shaping judicial decisions.

Furthermore, Garcia had to show that the removal of the video from YouTube would terminate the harm she faced. Her burden is further heightened by the fact that such proof had to be addressed solely towards harms accruing to her copyright, rather than her general person. However, she doesn't seem to have proven this in any substantial sense. Instead, the court seems to have misidentified the nature of the problem. It must be noted that the harm arises from the fact that the public is aware of the existence of "The Innocence of Muslims" as a video that is offensive to a particular group of people, and that the public is aware of Garcia having played a role in the movie.[28] These were the immediate reasons for Garcia facing death threats and other forms of violent reactions,[29] so it is of paramount importance to examine the impact an injunction against YouTube would have on them. Since the video had already been widely

28 Nasser Arrabyee, et. al., *Turmoil Over Contentious Video Spreads*, THE NEW YORK TIMES, Sep. 13 2012. Available at http://www.nytimes.com/2012/09/14/world/middleeast/mideast-turmoil-spreads-to-us-embassy-in-yemen.html?pagewanted=all&_r=0 (last accessed Jul. 20 2014). Also see Barbara Goldberg and Chris Francescani, *Maker of anti-Islam film goes into hiding: report*, REUTERS, Sep. 12 2012. Available at http://www.reuters.com/article/2012/09/12/us-usa-libya-film-hiding-idUSBRE88B0XK20120912.

29 *'Innocence of Muslims' associates get death threats, consultant says*, LOS ANGELES TIMES, Sep. 15 2012. Available at http://latimesblogs.latimes.com/lanow/2012/09/innocence-of-muslim-allies-fearful-after-threats-consultant-says.html (last accessed Jul. 20 2014).

disseminated, the possibility of fresh harm at the hands of viewers who had been hitherto ignorant of the two facts mentioned above is infinitesimal.

C. BALANCE OF EQUITIES AND PUBLIC INTEREST

1. First Amendment Concerns

With free speech being a cornerstone of US constitutional jurisprudence,[30] its analysis in the present case seems extremely problematic. The manner in which Kozinski brushes aside free speech considerations is highly disconcerting – "But the First Amendment doesn't protect copyright infringement", he notes,[31] forgetting for a moment that the case hasn't yet been decided on merits.[32] Whether the speech under consideration is legitimate or not is a separate question of law that must be decided on its own terms. In the absence of such a decision, it is fallacious to operate on a presumption of copyright infringement (and illegitimacy of the speech) in a suit for preliminary injunctive relief. Indeed, several leading scholars have heavily criticised Kozinski's analysis of these concerns, accusing him of fashioning the legal means in order to reach a premeditated end.[33]

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30 The First Amendment reads "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or *abridging the freedom of speech, or of the press*; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances." (Emphasis supplied.)

31 Majority opinion at 18.

32 Dissent at 35.

33 *See, for example,* Corynne McSherry, *Bad Facts, Really Bad Law: Court Orders Google to Censor Controversial Video Based on Spurious Copyright Claim*, ELECTRONIC

2. Impact on the Film Industry

The decision, if allowed to stand, could have disastrous effects on the film industry. From large Hollywood studios to student film-makers, anyone who makes movies featuring human actors could be affected by this ruling. Broadcasting organisations have voiced their concern over the new development in the copyright paradigm that has been brought about by Chief Judge Kozinski – the inclusion of individual performers' contributions within the copyright umbrella.[34] They argue that the ruling places an unreasonably heavy obligation on production companies to ensure that they have obtained licenses, implied or explicit, from nearly every person who makes an on-screen appearance.[35] Time is typically not one of the luxuries that production companies have at their disposal, and in the hectic environment of a movie set, the possibility of overlooking certain individuals is a very real one. This ruling opens the floodgates for

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FRONTIER FOUNDATION, 26 Feb 2014. *Available at*https://www.eff.org/deeplinks/2014/02/bad-facts-really-bad-law-court-orders-google-censor-controversial-video-based. *Also see* Venkat Balasubramani, *In Its "Innocence of Muslims" Ruling, the Ninth Circuit is Guilty of Judicial Activism – Garcia v. Google*, TECHNOLOGY AND MARKETING LAW BLOG, 27 Feb 2014. *Available at*http://blog.ericgoldman.org/archives/2014/02/in-its-innocence-of-muslims-ruling-the-ninth-circuit-is-guilty-of-judicial-activism-garcia-v-google.htm.

34 *See, for example,* AMICUS CURIAE BRIEF IN SUPPORT OF DEFENDANTS-APPELLEES GOOGLE INC. AND YOUTUBE, LLC BY CALIFORNIA BROADCASTERS ASSOCIATION at 7. Available at http://cdn.ca9.uscourts.gov/datastore/general/2014/04/14/12-57302%20Amicus%20by%20California%20Broadcasters.pdf

35 BRIEF OF AMICUS CURIAE INTERNATIONAL DOCUMENTARY ASSOCIATION, FILM INDEPENDENT, FREDRIK GERTTEN AND MORGAN SPURLOCK IN SUPPORT OF GOOGLE INC. AND YOUTUBE, LLC'S PETITION FOR REHEARING EN BANC OR, ALTERNATIVELY, REHEARING at 10. Available at http://cdn.ca9.uscourts.gov/datastore/general/2014/04/14/12-57302%20Amicus%20by%20International%20Documentary%20Assn.pdf.

such persons to bring suits at will, exposing production companies to new areas of costly and time-consuming litigation.[36] Many Hollywood hits have relied on hundreds, even thousands of extras, and in most cases, such extras are not informed of the exact manner in which their performance will be edited and utilised in the finished product. Some movies, such as Sacha Baron Cohen's *Borat*, have even benefited from the performance of such extras after making positively misleading statements to them.[37]

In addition, this ruling will likely add a whole new dimension to the already murky arena of copyright trolls and necessitate needless expenditure for small and large companies in the business of multimedia content creation. It would thus be extremely difficult to construct artistic ventures such as *Borat* because the very nature of the art form requires a certain element of non-consensual participation.[38]

One of the most alarming parts of Kozinski's opinion is his treatment of amateur filmmakers. While examining the relationship between Garcia and the producer, Mark Bassaley Youssef, Kozinski chooses to enter a discussion of the credentials required for a person to be considered as someone in the business of filmmaking. "But if

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36 AMICUS CURIAE BRIEF FILED BY CALIFORNIA BROADCASTERS ASSOCIATION IN SUPPORT OF DEFENDANTS-APPELLEES IN CINDY LEE GARCIA V. GOOGLE INC. *Available at*http://cdn.ca9.uscourts.gov/datastore/general/2014/04/14/12-57302%20Amicus%20by%20California%20Broadcasters.pdf.

37 Daniel Engber, *Borat Tricked Me!*, SLATE, 24 Oct 2006. Available at http://www.slate.com/articles/news_and_politics/explainer/2006/10/borat_tricked_me.single.html

38 *Id.*

shooting a single amateur film amounts to the regular business of filmmaking", Kozinski notes, "every schmuck with a video camera becomes a media mogul."[39]

This casual dismissal of the amateur filmmaking community is especially problematic, considering that the digital media world finds itself in a transition from a creator-consumer content paradigm to a much more amorphous and fluid mode of interaction. Indeed, some analysts have posited a new, still more consumer centric paradigm on the internet, called Web 2.1, which divorces itself from the traditional mode of information-sharing by including the dimension of content curation by the user base.[40] This decentralisation of content creation has resulted in a distributed network of users creating and consuming content over the internet, making the "schmuck with a video camera" arguably the most important player in today's information sharing ecosystem.[41] It's extremely important that courts take notice of this process, and make as much of a conscious effort to cater to the interests of amateur filmmakers as they do to the interests of large Hollywood studios.

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39 Majority opinion at 13.

40 Brandon Brown, *Fortifying the Safe Harbours: Reevaluating the DMCA in a Web 2.0 World*, 23 BERKELEY TECH. L. J. 437 (2008). *Also see* Leslie Nuccio, *Web 2.1: Citizen Editors are the New Influencers*, MELTWATER SOCIAL MEDIA BLOG, Dec. 132013. Available at: http://www.meltwater.com/social-media-blog/influencer-marketing-and-citizen-editors-web-2-1/ (last accessed 20 Jul. 2014).

41 Max Schleser, *Towards Mobile Filmmaking 2.0: Amateur Filmmaking as an Alternative Cultural Practice*, *in* AMATEUR FILMMAKING: THE HOME MOVIE, THE ARCHIVE, THE WEB 315 (Laura Rascarolli, et. al. eds., 2014)

The dismissal of amateur filmmaking isn't limited to the language of the opinion; it carries through to the impact of the decision as well. In the above paragraphs, it has been demonstrated that obtaining a signed license from each person featured on screen is barely within the reach of large production houses. It is thus highly impractical to expect the same from someone who uploads a home video to YouTube. Further, while large studios can afford to negotiate settlements with copyright trolls, millions of YouTube uploaders will simply restrain themselves from sharing their videos on such websites, creating an environment of "copyright censorship".[42]

III. THE AMENDMENT: "A ROSE BY ANY OTHER NAME…"

The original ruling drew immense criticism from Hollywood studios and internet corporations, among other stakeholders, and received ten amici briefs from various interested parties, requesting an *en banc* hearing[43] of the case.[44] In July,[45] Judge Kozinski delivered an

42 Neil Weinstock, COPYRIGHT'S PARADOX 115 (2008).

43 The case was heard in February by a panel comprising of Chief Judge Kozinski and Judges Ronald Gould and Randy Smith. Following the February ruling, Google, along with several amici, requested that the case be reheard by the entire bench of the 9th Circuit. *See* GOOGLE INC. AND YOUTUBE, LLC'S BRIEF IN RESPONSE TO SUGGESTION OF REHEARING EN BANC, 12 Mar. 2014. Available at http://pdfserver.amlaw.com/nlj/usca9-google-response.pdf.

44 Alison Frankel, *Kozinski amends opinion in 9th Circuit 'Innocence' case v. Google*, REUTERS, 15 Jul 2014. Available at http://blogs.reuters.com/alison-frankel/2014/07/15/kozinski-amends-opinion-in-9th- circuit-innocence-case-v-google/ (last accessed 20 Jul. 2014).

45 This comment was written prior to the amended ruling, and largely reflects the original text of the judgement. However, this particular section was appended to it subsequent to the amendment.

amended ruling,[46] adding some paragraphs to the February judgement. Most notably, he concedes that his ruling does not prevent the District Court from holding that Garcia had no copyrightable interest, while simultaneously affirming his own stand that she has a compelling case to establish that her work entitles her to copyright protection.[47]

However, the changes brought up in his amended ruling are cosmetic at worst, and clarificatory at best. Kozinski seems to have responded to the weakest criticisms of his February ruling, but left the strongest ones standing. An analysis of his amended ruling lead one to conclude that it still substantially falls short of the criteria laid down in *Winter v. Natural Res. Def. Council*[48]. The "likelihood of success" metric, in particular, seems as problematic as ever, and has found criticism in the amended dissent that the ruling drew from Judge Smith[49].Smith tears into the majority's refusal to analyse arguments that were available but not raised, such as the question of fixation and the fair use defence. He quotes *United States v. Hoyt*[50] that in exceptional circumstances and in situations where substantial public

46 Order and Amended Opinion, 12-57302. Delivered by Chief Judge Alex Kozinski on 11 Jul. 2014. Available at http://cdn.ca9.uscourts.gov/datastore/general/2014/07/11/1257302%20Amended%20Opinion%207-11.pdf (last accessed 20 Jul. 2014) (Hereinafter "Amended Majority Opinion").

47 Amended Majority Opinion at 11.

48 *Supra n* 8.

49 Dissent attached to Amended Majority Opinion, delivered by Judge Randy Smith on 11 Jul. 2014. (Hereinafter "Amended Dissent").

50 888 F.2d 1257 (9th Cir. 1989).

interest hangs in the balance, the court could have examined these arguments nevertheless.[51]

In summary, the amended opinion represents the compounding of an error, serving no other purpose but to allow the District Court room to provide justice to the parties without the 9th Circuit's views being overturned. Such a course of action is fraught with peril because it generates a jurisprudential vacuum in which the hugely debatable question of copyrightable contributions to audio-visual works remains bound by the precedent set by the 9th Circuit in *Garcia*.

IV. THE ALTERNATIVE: PRIVACY AND THE RIGHT TO BE FORGOTTEN

As fascinating as *Garcia*'s "actor copyright" question is, I submit that the case should never have been contested on copyright grounds, and future attempts to do so in such cases should be thrown out promptly by judges in the manner that Judge Posner disposed of *the Banana Lady* case.[52]

Another important question has to be kept in mind while deciding upon the liability of services such as YouTube. What are the mechanisms through which Google decides to contest certain takedown requests but not others? In this sense, is it possible that Google itself, through a form of aggressive "self-censorship", acts as a preliminary gatekeeper, shutting the door for legitimate speech in

51 Amended Dissent at 33.
52 *Supra n* 22.

some instances?[53] Sure, Google's actions are informed not by overarching, vague and ambiguous concerns such as the 'public interest', but by a mere desire to steer clear of unnecessary and expensive litigation. Even then, it can be argued that Google, if it chooses to always err on the side of caution for takedown requests, will be censoring speech that barely crosses the threshold for legitimacy and protection. Additionally, it can be argued further that this equilibrium that Google maintains is constantly shifting, and decisions such as the one under consideration serve to propel this equilibrium towards the self-censorship end, indirectly censoring speech that would have otherwise been protected.[54]

Garcia's troubles stem from the use, on the internet, of her image in a manner not authorised by her. It is in cases like this when the privacy jurisprudence that has been evolved in the European Union over the past decade finds immense utility.[55] One possible reason for Garcia's

53 Jeffrey Rosen, *Google's Gatekeepers*, THE NEW YORK TIMES, 28 Nov. 2008. Available at http://www.nytimes.com/2008/11/30/magazine/30google-t.html?_r=2&partner=rss&emc=rss&pagewanted=all& (last accessed 20 Jul. 2014). *Also see* Christopher Langdon v. Google, 474 F. Supp. 2d 622, as discussed in Tansy Woan, *Searching for an answer: Can Google Legally Manipulate Search Engine Results?*, 16 U. PA. J. BUS. L. 294, 318 (2013).

54 Eugene Volokh, *First Amendment Protection for Search Engine Search Results*, GOOGLE, Ap. 2012. Available at http://www.volokh.com/wp-content/uploads/2012/05/SearchEngineFirstAmendment.pdf(last accessed 20 Jul. 2014).

55 *See, for example,* Stephanie Bodoni, *Google Ordered by Court to Block 9 Images in Max Mosley Case*, BLOOMBERG, 6 Nov. 2013. Available at http://www.bloomberg.com/news/2013-11-06/google-ordered-by-court-to-block-9-images-in-max-mosley-case.html (last accessed 20 Jul. 2014). *Also see* Fraser Nelson, *Google has become the victim of digital censors*, THE TELEGRAPH, 4 Jul. 2014. Available at http://www.telegraph.co.uk/technology/google/10944111/Google-has-become-the-victim-of-digital-censors.html (last accessed 20 Jul. 2014).

decision to invoke her copyright claim is to ensure that YouTube was enjoined in the suit and could be directed, if she was successful, to take down the video. Since her ultimate aim seems to have been the removal of the video, she has chosen copyright as her battleground. However, she could have achieved the same result through a different mechanism – the right to be forgotten.

The distinction between privacy remedies and remedies through the proposed right to be forgotten is a fine one – privacy remedies are to be utilised in situations where the information has not yet been publicly disseminated, while the right to be forgotten covers cases where information that has been publicly available has, at a recent date, begun to cause harm to the individual, as in Garcia's case.

In the EU, the *Google Spain* case[56] firmly established the right to be forgotten, albeit in the slightly different context of information that has become irrelevant. The principle laid down is as follows: internet intermediaries can be asked to remove links to content in cases where public interest in the dissemination of such content is outweighed by the harm caused by such dissemination to the individual.[57] In the case, Mario Costeja Gonzalez, a Spanish citizen sought to have online news reports of a 1998 property dispute which figured prominently when his name was Googled. The court held,[58] *inter alia*, that processing and publication of data that is inaccurate, inadequate,

56 Google Spain v. AEPD and Mario Costeja Gonzalez, case number C-131/12 in the European Court of Justice. Decided on 13 May 2014.

57 Jeffrey Rosen, *The Right to be Forgotten*, 64 STAN. L. REV. ONLINE 88 (2012).

58 *Supra n* 56 at para 92

irrelevant or excessive or out of date would be incompatible with the EU Data Protection Directive.[59]

Google Spain is relevant to us because in essence, the remedies requested by both Gonzalez and Garcia are the same. In both cases, a party was negatively affected by the non-consensual publication of their personal information on the internet. One party benefitted from an effective data protection regime, while the other did not, resulting in a clumsy copyright claim.

If cases such as *Garcia* can be visualised as a round hole, copyright expansionism is a square peg. Stringent data protection laws are the round peg that solves this conundrum, but they seem to be quite far off in the US.[60]

The reconciliation of such legislation with America's strong First Amendment is a challenge,[61] but a surmountable one. While there must necessarily be a paradigm shift in the manner in which privacy and free speech interests are weighed, the modification of the existing US legal framework on the matter is not an impossible task. Unless such a radical rethink occurs, cases such as *Garcia* will continue to produce ends-oriented rulings, excursions in judicial activism that solve the problem at hand, but at great social cost.

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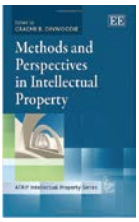
59 EU Directive 95/46/EC

60 Julia M. Fromholz, *The European Union Data Privacy Directive*, 15 BERKELEY TECH. L.J. 471, 472 (2000).

61 James Q Whitman, *The Two Western Cultures of Privacy: Dignity Versus Liberty*, 113 YALE LAW JOURNAL 1151, 1162 (2004).



BOOK REVIEW

'METHODS AND PERSPECTIVES IN INTELLECTUAL PROPERTY'

ATRIP Intellectual Property Series Edited by Graeme B. Dinwoddie
Published By Edward Elgar- 2013- Isbn 978 1 78254 9970

V.C. Vivekanandan[*]

International Association for the Advancement of Teaching and Research in Intellectual Property is a diversified association of IP teachers and researchers, established in 1981 and holds its annual conference in different countries. In the recent years ATRIP has published a series based on the contributions of various scholars edited by eminent Professors of IP. The latest in the series is the title 'Methods and Perspectives in Intellectual Property' by Greame B Dinwoodie, Professor of Intellectual Property and Information Technology Law, University of Oxford, UK based on the conference at Oxford in June 2013.

The Edited work has eight parts of Comparative Law, Law & Economics, Law & Society, Cultural Studies, Development and International Relations, Political Science, Law & History and the Internet.

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This book in a sense breaks the linear perspective of IP discourse to bring in a kaleidoscope perspective. Sample this from the work of David Tan on Transcoding and transformation: 'A cultural studies approach to copyright fair use doctrine'- In the iconic essay 'The Death of the Author'- Roland Barthes argues that 'a text's unity lies not in its origin but in its destination' and that 'the birth of the reader must be at the cost of the death of the Author'. Tan argues that for the purposes of copyright infringement, appropriation art cannot be judged according to the more traditional notions of the transformative use doctrine in the fair use defense, and that copyright law should be more open to a postmodern influence that recognizes transcoding as a transformative use of the original work.

Christophe Geiger in his article - 'The social function of Intellectual Property Rights, or how ethics can influence the shape and use of IP Law' argues the lack of transparency in implementing the IP Rights predominantly by the economic actors in their quest for deterrent effect on competition. He says that IPR acts as a scarecrow- making their acceptance for public opinion more difficult, especially when other competitive values are being somewhat ignored.

Adebambo Adewopo in his paper " The development imperative in the global IP system: Some reflections on developing Africa" articulates the impact of IPR and its global dimensions resulting in the tensions and negative results deterring the development aspirations of developing countries and particularly that of Africa. He opines that the Doha declaration and WIPO Development agenda are challenged by the forum shifting or regime proliferation

phenomenon as well as the subsistence of the norm setting processes that continue to foster heightened global standards of IPR.

Niklas Bruun in his article " Understanding Intellectual Property" critiques the notion of IP lawyers that IP could be understood only from technology stand point and says that Political Science perspective is crucial to understand the regulatory development and evolution of IP Law. He argues that there is a double agenda regarding IP where one agenda focusing on the enforcement and strengthening of rights and other focusing on problems raised by the developing countries and opines that this has resulted in moving away from TRIPS to that of bilateral TRIPS-plus agreements.

Andreas Rahmatian in the article 'A fundamental critique of the law-and-economics analysis of Intellectual Property Rights' places a strong critique on the Law and Economics approach itself and proceeds to apply it to the segments of IP such as Trademarks, Patents and Copyright. One of the highlight of the article is " The law obviously recognizes, enables and protects bargains, or contractual agreements, but as a look into Sturges v. Bridgman shows, the lawyer understands 'bargain' differently from the economist."

For want of space I could not highlight other interesting and thought provoking articles in the book. But the book is a must for all IP students and practioners to understand the critical interface of the subject with traditional subjects. The osmosis and reverse osmosis of such boundaries will shape the jurisprudence and foundations of IP legislations in the future.

ISSN 0975-492X