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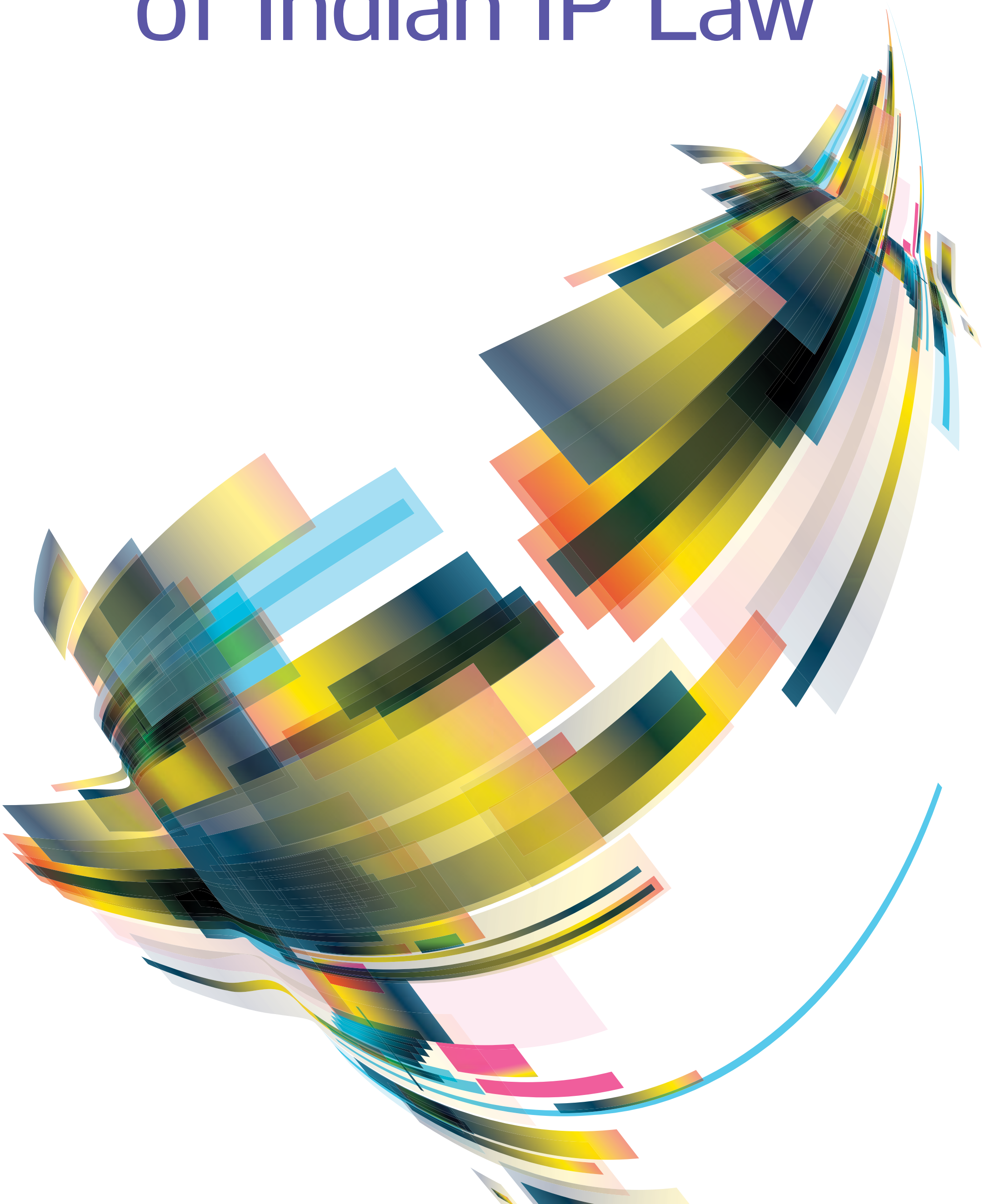

Is new hardware required for patenting computer implemented inventions in India?[1]

INTRODUCTION

Interpretation of Section 3(k) of the Patents Act, 1970 (the Act) that imposes an absolute bar on patentability of business methods, mathematical methods, algorithms and computer programs *per se* continues to remain a contentious issue for applicants and IP professionals in India.

The Manual of Patent Office Practice and Procedure (MPPP)[2] provides that computer programs stored in a computer readable medium are computer programs *per se* and are not patentable subject matter. Thus, while the MPPP establishes that hardware requirement for patenting software is beyond that of being stored on a computer readable medium, it fails to provide any additional guidelines as to what, if any, are the hardware requirements for patenting a novel software.

Further, the draft Guidelines for Examination of Computer Related Inventions (CRI)[3], published by the Indian Patent Office in June 2013, provides that a computer program loaded on a general purpose known computer or related devices, would be considered as "computer programme *per se*." Further, the draft guidelines also stipulate a computer program claimed in conjunction with hardware will be allowed only if the claimed hardware is new or novel. In this respect, the CRI guidelines direct the Examiners to carefully consider how the novel hardware is integrated with the computer program.

The draft CRI guidelines do not have the force of law, however, the strict requirement for a novel hardware it prescribes, has added to the apprehension that software inventions may not be patentable as per the Indian law. Although uncertainty relating to patentability of software inventions persists due to lack of jurisprudence in this regard, the following decision from the Intellectual Property Appellate Board (IPAB) highlights that the law does not mandate that, for software to be patentable, the software must execute on a novel hardware or even a specifically adapted hardware.

[1] By Jaya Pandeya – Article published in IPR Amicus – June 2014
[2] Section 08.03.05.10 of the MPPP
[3] Section 5.4.5- 5.4.7 of the CRI Guidelines

Accenture Global Service Gmbh v. The Asst. Controller of Patents & Designs & Others[4]

Accenture Global Service GmbH (Accenture), Applicant, filed patent application No. 01398/DELNP/2003 on 1 September 2003 for a system for developing Internet-Hosted business applications. In the first examination report (FER), dated 29 January 2008, in addition to other grounds, the Patent office objected to the claims under Section 3(k) of the Act. Further to the FER, the Applicant was given an opportunity to be heard by the Controller. During the hearing with the Controller, the Applicant submitted revised claims.

Upon exanimation of said claims, the Controller issued an order rejecting the grant of the application.

The standard of examination of the claims used by the Controller was as follows:

1. *"A hardware implementation performing a novel function is not patentable if that particular hardware is known or is obvious irrespective of the function performed.*
2. *If the novel features of the invention resides in a set of instructions (programme) designed to cause the hardware to perform the desired operations without special adoption of the hardware or modification of the hardware, then the matter claimed either alone or in combination is not patentable."*

The appellant challenged the decision of the Controller in the IPAB alleging that the above mentioned standard, applied for examining the claims, were neither specified in the Act nor the MPPP. Further, no Indian court had laid down such guidelines in any case. Agreeing with the Applicant, the IPAB observed that the standards applied by the Controller to refuse the application were nowhere prescribed in Act, MPPP or in any guidelines from the courts and held the order to be based on *"ill founded premises and was far from being logical and reasonable"*. The IPAB remanded the application back to the Controller for reconsidering the patentability of the claims.

[4] IPAB Order 283 of 2012 dated 28 December 2012

Upon reconsideration, the claims, without any significant amendments, were held to be not relating to software (computer program) *per se*. Rather the claims were found to relate to a system having an improvement in web services and software, and were allowed.

CONCLUSION

The decision of the IPAB reinforces that the law does not mandate the requirement of a novel hardware or a special modification or adaptation of an existing hardware for patentability. A hardware or computing system performing a novel function need not be novel and non-obvious in itself or need not be a special adaptation of an existing system for the software to be patentable subject matter in India.

Scope of ENV under PVP Act *vis-a-vis* the Seeds Act[5]

The Registrar, Plant Varieties Authority at New Delhi, *vide* its recent order of October 28, 2013 has held that parental lines of extant varieties [Extant (Notified) Variety - ENV] notified under Section 5 of the Seeds Act, 1966 (ENV) cannot *ipso facto* be considered as ENV under Section 2(j)(i) of the Protection of Plant Varieties and Farmers' Rights Act, 2001 (the PPV & FR Act), but can be considered under other eligible categories for registration, subject to fulfilling the criteria as provided therein.

On an earlier occasion also, the Registrar vide its order dated September 30, 2009 had returned the same finding on an application filed by one Nuziveedu Seeds Pvt. Ltd (Nuziveedu). The Registrar has revisited the said order as the same was challenged by Nuziveedu before the Andhra Pradesh High Court (APHC). While the matters were pending adjudication before the APHC, the Ministry of Agriculture (Ministry), on issues raised by the State Seed Certification Agencies, issued an Office Memorandum dated June 04, 2013 clarifying that the parental lines of hybrids are deemed to be notified along with the hybrids for multiplication as foundation seed for producing the certified hybrids seeds and no separate notification is required for the parental lines if the hybrid is notified as per the provisions of Seeds Act, 1966 (the Seeds Act) and its corresponding rules. APHC, taking the same into consideration, directed the Registrar to reconsider its earlier order (of 2009) in light of this memorandum and disposed the petitions filed by Nuziveedu as infructuous.

Relevance of memorandum issued by the Ministry

Nuziveedu argued that the Registrar is bound by the Office Memorandum issued by the Ministry and therefore even for the purposes of the Act the parental lines of notified hybrid varieties shall be deemed as notified and therefore should come under ENV category.

The contra submission put forth was that the Office Memorandum issued by the Ministry was applicable only for the purposes of the Seeds Act and not for the purpose of registration under the PPV

[5] By Vindhya S. Mani & Sudarshan Singh Shekhawat – Article published in IPR Amicus – Dec. 2013

& FR Act. It was stated that hybrids undergo trials and evaluation, especially a Value for Cultivation and Use Test prior to the notification under the Seeds Act and since the above test records several characters of the hybrid, such extant notified varieties are exempted from testing (as per guidelines) under Regulation 6 of the Protection of Plant Varieties and Farmers' Rights Regulations, 2006 (hereinafter referred to as the Regulations). The procedure as per the above Regulation 6 with regard to extant varieties notified under the Seeds Act is that, such notified varieties instead of undergoing testing for Distinctiveness, Uniformity and Stability (DUS) like other varieties under the PPV & FR Act, are directly placed before the Extant Variety Recommendation Committee which recommends such varieties for registration under the Act. With regard to parental lines of the hybrids, it was submitted that, the parental lines do not undergo VCU testing (Value for Cultivation and Use) as the hybrids do prior to the notification under the Seeds Act and if the parental lines of a notified hybrid under the Seeds Act are deemed to be *ipso facto* notified under the PPV & FR Act, the parental lines would be entitled for registration without undergoing any testing as stipulated under the Regulations. Thus, this would create a situation where certain distinct varieties (parental lines of notified hybrids) would be registered without any trials/testing (either VCU or DUS testing). Thus, deeming the parental lines of notified hybrids to be extant variety notified for the purpose of plant variety registration under the Act would run contrary to the very object of the Act.

Reasoning of the Registrar

The Registrar held that the Office Memorandum issued by the Ministry applies only with regard to certification of parental lines as foundation seeds for hybrid production and cannot be automatically applied to grant registration to parental lines under the Act. He observed that the Seeds Act is of regulatory nature while and PPV & FR Act is for granting of an IPR. The settled principle of law is that a concept in one enactment cannot be given the same meaning in another enactment. The Office Memorandum was merely clarificatory in nature and reiterated what was implicit in the Seeds

Act and rules. The Registrar concurred with the submissions of the opposing party that if the Office Memorandum is applied to the plant varieties registration, the parental lines of the extant varieties notified under Section 5 of the Seeds Act would by-pass the DUS testing, which would be contrary to the object contemplated by the law.

Relationship between parental lines and hybrids vis-a -vis propagation and stability

Nuziveedu argued that since a hybrid cannot be produced without the parental lines, a hybrid per se includes its parental lines and are thus subject to the same notification process. Also under Section 2(za) of the PPV & FR Act, the definition of 'variety' includes a plant grouping considered as a 'unit' with regard to its suitability for being propagated which remains unchanged after such propagation, and such 'unit' includes both the parental line and the hybrid for the purposes of propagation and stability, as the parental lines are the propagating material for the hybrid.

Section 2(za) explained

The Registrar rejected the above interpretation and observed that Section 2(za) (ii) of the Act which defines 'variety' is both exhaustive and inclusive as it comprises the words 'means' and 'includes'. He clarified that the term 'variety' must be distinguished from any other plant grouping by expression of at least one characteristics of that plant grouping and held that the word 'variety' applies separately to the parental lines and their hybrids and each are independently eligible for registration under the Act provided they satisfy the DUS criteria. In order to be eligible for registration, the hybrid must be distinct from its parents and each of the parents must also be distinct inter se. With respect to 'propagating material', the Registrar held that merely because the parental lines can be said to be the propagating material of the hybrid, it does not by itself entitle them for registration under the Act, if the hybrid is registered. The parental lines also need to independently satisfy the DUS criteria and thus cannot be considered as a 'unit' along with the hybrid.

Under Section 15(3)(d) of the Act, which defines stability, the parental lines form the first part of the definition, that is, the essential characteristics remain unchanged after repeated propagation, whereas the hybrid forms the second part of the definition, that is, in the case of a particular cycle of propagation, the essential characteristics remain unchanged at the end of each such cycle. The Registrar interpreted the provision such that, the stability character of hybrids must be determined with reference to the hybrids and not with reference to parental lines, as the provision mandates that the hybrids must be stable at the end of a particular cycle of propagation and not for the subsequent generation.

CONCLUSION

The holding that parental lines of extant varieties notified under Section 5 of the Seeds Act, cannot be automatically considered under the ENV category under Section 2(j)(i) of the Act, instead they can be considered for registration under other categories paves the way for greater clarity regarding the relationship between parental lines and hybrids and their conditions for registration under the Act. Since the law on Plant Variety Protection is at a nascent stage, such reasoned orders assist potential applicants to understand the statute and also demystify issues pertaining to classification of varieties. The importance of the order also stems from the fact that it will prevent, to a great extent, unauthorized users of parental material from getting said parental line registered without a trial. This is because the industry apprehends instances where unauthorized users, in the garb of notified hybrids (under the Seeds Act), could attempt to get the parental material of the said hybrid registered under the provision of the Act. This order would prevent such unauthorized users from diluting and by-passing the mandatory trials required under the Act for registration of the parental lines of notified hybrids.

Hot news doctrine - Inapplicable in India[6]

Deciding an appeal[7], the Division Bench of the Delhi High Court has set aside the Single Judge's decision[8], which recognized the popular "Hot News" doctrine and quasi-proprietary rights in the information emanating from cricketing events and held that the publication of scores and ball-by-ball update through SMS by the defendants amounted to misappropriation of the quasi-proprietary rights and unfair competition. The Division Bench held that the Copyright Act, 1957 does not contemplate quasi-proprietary rights as claimed by the plaintiff and upholding such rights on the basis of the "hot news" doctrine or unfair-competition doctrine would conflict with the provisions of the Act.

Note on the case before the Single Judge

The plaintiff was granted exclusive broadcasting rights by the Board of Control for Cricket in India (BCCI) to disseminate all information emanating from cricket matches and other rights under the Act, that arise from recording of live sporting events. The defendants initiated messaging services on mobile phones that provided instantaneous update of the scores of the live cricket matches. The plaintiff instituted the suit de hors copyright, seeking permanent injunction and damages against the alleged misappropriation of its quasi-proprietary rights in the information emanating from a cricketing event based on the "hot news" doctrine and the tort of unfair competition/unjust enrichment. The Single Judge heavily relied upon the judgment in the case of *INS v. Associated Press*[9] and granted relief to the plaintiff. Being aggrieved by the said decision of the learned Single Judge, the appellants/defendants preferred an appeal on the ground that no statute creates a property right in scores and other match information and also on the ground that factual information cannot be owned by anybody either under statute or under common law.

[6] By Vindhya S. Mani & Subhash Bhutoria – Article published in IPR Amicus – Sep., 2013
[7] FAO (OS) 153,160 & 161 of 2013
[8] *Star India Pvt. Ltd. v. Piyush Agarwal & Ors.*, MIPR 2013 (1) 201
[9] 248 US 215

Reasoning by the Division Bench of the Delhi High Court

A. Regarding Section 16 of the Copyright Act, 1957

The Division Bench negatived the contention that factual information is not a copyrightable subject matter and hence a claim can subsist de hors Copyright act, 1957. It observed that Chapter VIII of the Act which refers to the rights of broadcasting organization and performers, was introduced to give limited protection to broadcast rights as compared to copyright and had the Parliament intended to give protection to time sensitive information such as in the instant case, there would have been provisions drafted that expressly mandate the same. Therefore, the Bench concluded that the factual information claim of the plaintiff/respondent shall be subjected to the limitations under Section 16 of the Copyright Act, 1957 i.e. "there shall be no copyright, except as provided by the Act." Thus the Court held that the rights claimed by the plaintiffs, over and above the broadcasting rights, are precluded by Section 16 of the Act; they are also precluded because of the exhaustive provisions of Chapter VIII of the Act.

B. Applicability of the "Hot News" Doctrine

The Division Bench upheld that the INS case branded "Hot News" doctrine was bad law and hence was not applicable under Indian copyright laws. Concurring with the decision of the US Supreme Court in the *NBA* case[10], the Bench held that the doctrine leads to injunction of time sensitive news only where both parties are "direct competitors". The Court held that this critical aspect of 'Hot News' was absent in the present case, as neither Star, nor BCCI engaged themselves primarily in match news dissemination through SMS. Thus, the Court held that the plaintiffs could not claim any exclusive property or other such rights to prevent the publication of match information, irrespective of whether the object of such third party was to publish such information for commercial gain or without any such motive.

[10] National Basketball Association v. Motorola Inc. 105 F.3d 841 approved in The Flyonthewall.com Inc v Barclays Capital Inc 2011 WL 2437554 (2d Cir. June 20, 2011) by the Second Federal (Appellate) Circuit Court

C. Applicability of unfair competition or unjust enrichment doctrines

The Court held that in the instant case, the creation of copyright like rights that protect match information, which is otherwise available freely, transgresses the limits of the Copyright Act and thus, the tort of unfair competition cannot be relied upon by the plaintiff to seek equitable relief by way of injunction. Further, the Court held that the claims of unjust enrichment are precluded by Section 16 of the Act.

CONCLUSION

In the light of the *NBA* case, the Division Bench analyzed the preemption u nder Section 16 of the Copyright Act, 1957. Interestingly, the whole claim of the respondent was de hors the Copyright Act and that the subject matter of the dispute was admittedly not a copyrightable subject matter. However, the Bench observed that legislative intent is not to grant any right similar to copyright which includes rights as claimed by the respondent in the factual information. In view of the decision of the Division Bench, the law does not recognize any right over factual information, which essentially highlights the basic tenet of the Copyright Act, that the statute only grants protection to the expression of ideas and not to the underlying ideas or facts.

Trademark - Prosecution under PMLA for alleged infringement[11]

INTRODUCTION

In a new dimension to enforcement of trademark rights in India, the Enforcement Directorate (ED) of the Government of India has reportedly initiated action against two firms for allegedly infringing the registered trademarks of the public sector enterprise, Steel Authority of India Ltd. (SAIL).

As per news reports, the alleged infringers were conversion agents of SAIL and were authorized to use SAIL's trademarks on certain products but according to SAIL, these agents had gone beyond their mandate and had applied the SAIL trademark to a number of products that were not covered by the agreement between the parties. On coming to know of the unauthorized use of its trademark, SAIL reportedly initiated civil and criminal action under trademark law. At the same time, the ED also moved under the Prevention of Money Laundering Act, 2002 (PMLA) to seize office space, flats and luxury cars belonging to the alleged infringers.[12]

Civil & Criminal Remedies under the Trade Marks Act, 1999

Traditionally, trademark law has always provided for criminal punishment for infringing a trademark. The punishment under the Trade Marks Act, 1999 for infringing a trademark extends to imprisonment for a period ranging from 6 months to 3 years along with a fine that can extend from Rs. 50,000 to Rs. 2,00,000. Additionally, the Act also provides for forfeiture of the infringing goods on conviction for trademark infringement. The Act also provides for civil remedies where the registered owner of the trademark can claim damages from the alleged infringer. In recent years, Indian courts have also started awarding punitive damages for trademark infringement.

[11] By Prashant Reddy – Article published in IPR Amicus – April 2014
[12] News report in www.newindianexpress.com, dated 28-3-2014

The addition of trademark infringement to the list of offences under the PMLA provides for far more serious consequences since the Government can now move to attach property and bank accounts of infringers.

Scheme of the Prevention of Money Laundering Act, 2002

The PMLA was enacted as Act 15 of 2003 with the aim of preventing money laundering and to provide for confiscation of property derived from money laundering. The offence of 'money laundering' is defined as *'Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money laundering.'*

The Act empowers the Enforcement Directorate to attach properties that it determines to be the 'proceeds of a crime', pending investigation and also confiscate the attached property if an 'adjudicating authority' finds such property to be involved in money laundering. The expression 'proceeds of a crime' is defined in the Act as *'any property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to a scheduled offence or the value of any such property'*. In addition a person found guilty of such a crime can also be jailed for at least 3 years and which period may be extended to 7 years. Section 24 of the Act also puts the 'burden of proof' on the accused.

Originally, the list of offences covered in the Schedule to the Act was limited to certain offences under the Indian Penal Code (IPC), the Narcotic Drugs & Psychotropic Substances Act, 1985; Arms Act, 1959; Wild-Life (Protection) Act, 1972; Immoral Traffic (Prevention) Act, 1956 and the Prevention of Corruption Act, 1988. This Schedule was later amended to include, amongst others, offences under the following legislations which have an IP component: Trade Marks Act, 1999; Copyright Act, 1957; Information Technology Act, 2000; Biological Diversity Act, 2002 and Protection of Plant Varieties and Farmers' Rights Act, 2001.

Inclusion of these offences under the PMLA drastically increases the scope of punishment since most IP violations are punishable by a maximum sentence of 3 years, while the PMLA provides for a maximum prison term of up to 7 years in addition to confiscation of the 'proceeds of the crime'.

While the property suspected to be 'proceeds of a crime' can be attached pending trial for trademark infringement, any order to confiscate the property will have to await a conviction by the court trying the case of trademark infringement.

CONCLUSION

The inclusion of 'trademark infringement' under the PMLA is likely to prove a severe deterrent to possible infringers but businesses should also be aware that the provisions of PMLA can be abused leading to severe hardship.

Patents (Amendment) Rules, 2014 – Certain issues with the definition of small entities[13]

INTRODUCTION

On February 28, 2014 the Indian Patent Office (IPO) notified the Patents (Amendment) Rules, 2014 ("Rules"). These Rules are based on the earlier draft Patents (Amendment) Rules, 2013 which were published on May 6, 2013. The amended rules have come into effect from February 28, 2014.

When the draft rules had proposed a substantial fee hike across the board, the IPO received negative feedback, warning about the adverse impact such fee hike would have on small and medium entities. It appears that acting in response to this criticism, the IPO has now created a new class of entities, called "small entities", for the purposes of fee-discrimination. Earlier, the IPO recognized only two categories of applicants: "natural persons" and "other than natural persons". After the notification of these Rules, there will be three categories of applicants: "natural persons" and "other than natural persons" which will now be divided into "small entity" and "others except small entity". A "small entity" would now enjoy a lower fee than "others except small entity" and the reduced fee is indicated item-by-item in the schedule.

Definition of "small entities"

(i) For Indian citizens and companies:

The Patent (Amendment) Rules, 2014 define small entity in the terms of Micro, Small and Medium Enterprises Development Act, 2006 (MSMEDA). The main criterion to define "small entity" is the size of the investment made by the enterprise (whether micro, small or medium) in plant and machinery (in case of manufacturing) or equipment (in case of services), minus the cost of pollution control, research and development, industrial safety devices and such other things as may be specified by notification under the MSMEDA. The value

[13] By Prashant Reddy & Adarsh Ramanujan – Article published in IPR Amicus – March 2014

of investment as specified in Section 7(a)(1) & Section 7(b)(1) of the MSMEDA is detailed below:

For enterprises engaged in manufacture and production of goods:

- A micro-enterprise, where the investment in plant and machinery or investment in equipment does not exceed INR 25 lakh;
- A small-enterprise, where the investment in plant and machinery or investment in equipment is more than INR 25 lakh but does not exceed INR 5 crore;
- A medium enterprise, where the investment in plant and machinery is more than INR 5 crore but does not exceed INR 10 crore.

All three categories of enterprises qualify as "small entities" for the purposes of the Patent (Amendment) Rules, 2014.

For enterprises engaged in providing or rendering services:

- A micro-enterprise, where the investment in equipment does not exceed INR 10 lakh;
- A small-enterprise, where the investment in equipment is more INR 10 lakh but does not exceed INR 2 crore;
- A medium enterprise, where the investment in equipment is more than INR 2 crore but does not exceed INR 5 crore.

All three categories of enterprises qualify as "small entities" for the purposes of the Patent (Amendment) Rules, 2014.

The secondary criterion to qualify as a micro, small and medium enterprise under the MSMDE Act is the nature of goods being manufactured. As per "Explanation 1" to the new Clause 2(fa) of the Rules, the "small entity" will have to be involved in the manufacture or production of goods in any manner, pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 or engaged in providing or rendering of any service or services in such an industry. While the First Schedule is quite extensive and covers 37 specific industries plus miscellaneous industries, there is, however, the possibility that some industries may have been missed in this list. The IPO may need to appreciate that the Industries (Development and Regulation) Act, 1951 was passed with the limited object of "development and regulation of *certain* industries" and the list in the first schedule to this law cannot be taken as exhaustive, especially keeping in mind the purpose behind prescribing a reduced fee for "small entities" under patent law. Failing to recognize this may have wider ramifications on the international front.

The Rules are surprisingly silent on the nature of evidence needed to be submitted by "small entities" demonstrating that they meet the qualifying criteria. Instead, this requirement is mentioned in the new corresponding Form 28 which small entities are required to file in order to benefit from the lower filing fee. In particular, Form 28 requires the Indian entities availing "small entity" status to submit evidence of registration under the Micro, Small and Medium Enterprises Development Act, 2006. This evidence of registration is basically a memorandum which has to be submitted to the District Industries Centre within whose jurisdiction the enterprise is located. It is relevant to note that most states provide for online registration facilities.

(ii) For foreigners:

The criteria for foreign applicants in terms of monetary investment in "plant and machinery" or "equipment" will be the same as applicable to Indian entities, i.e., as defined above. However, the documentary evidence that needs to be furnished along with Form 28 by the foreign applicant in respect of such claim has not been expressly defined by the Patent Office. The Form 28 notified by the Patent Office merely states "any other document (in case of foreign entities)" which is vague. Foreign applicants are, therefore, advised to check on this grey area including on the requirements of the law of their country and the government authorities responsible for issuing such a documentary evidence to them.

Can Universities & Research Institutions classify themselves as "small entities"?

Universities & research institutions are increasingly becoming large patent filers in today's world. Going by a simple reading of the definition of the term 'enterprise' in Explanation 1 to the newly inserted clause 2(fa), it would appear that universities and research institutes may be covered under the rules since they provide research services to the industries in the First Schedule to the Industries (Development and Regulation) Act, 1951. Nonetheless, universities & research institutions providing research services in industries not listed in the said schedule risk losing out on the reduced fee. A grey area would be universities doing basic research, not as sponsored research for industries. Further, it is not clear whether any of the District Industries Centre have been registering Universities as MSMEs and hence, they may face difficulties in providing the requisite evidence to the IPO. The IPO would do well to clarify the position of universities and research institutes vis-à-vis small entities both in India and abroad.

One issue going forward is the valuation of the plant and machinery since a laboratory conducting the scientific research is not a legal entity which is separate from the University and if the entire value of the university's plant and machinery is taken into account, it will most likely, always cross INR 5 crores (which is the upper limit for the definition of small entity).

When small entities change their status during prosecution

Another problematic area going forward is about entities that may change status during the course of the prosecution, such as where the application is assigned to a large entity. The newly inserted Rule 7(3A) suggests that the difference in fee will have to be submitted along with the request for transfer. Logically, for subsequent activities requiring fee, the payment would be made based on the status of the new applicant. However, the Rules do not seem to cover situations where a "small entity" loses its status as a "small entity" after the filing of the application. Since the schedule to the Rules prescribe fee on an item-by-item basis, the fee requirement will have to be decided at each stage when such fee is being paid. However, the Rules do not seem to provide for detailed evidentiary requirements in such cases and it is not clear how the IPO will deal with such realistic scenarios.

Registration of license/assignment deed under the Patents Act - Mandatory or not?[14]

A license agreement or an assignment deed is an agreement between a right holder and the licensee and/or assignee wherein the right holder permits the licensee and/or assignee to use rights owned by the right holder in exchange for a consideration, whether in the form of a one-time settlement or a periodic royalty. Generally an agreement may be in writing or oral but Section 68 the Patents Act, 1970 (the Act) mandates that the license/assignment agreement shall not be valid unless the same is in writing embodying all the terms and conditions governing the rights and obligations of the parties and are duly executed. Further Section 69 of the Act embodies the procedure for registration of an assignment or license agreement. The questions that arise for discussion are - what is the importance of the registration of a document under Section 69 of the Act and what are the consequences that follow if such registration is not obtained. This issue was adjudicated by the Delhi High Court by order dated 16th April, 2014 in *Sergi Transformer Explosion Prevention Technologies Pvt. Ltd. v. Kumar Pratap Anil & Ors.* [I.A. No. 16042/2010 in CS (OS) No. 1610/2010].

Factual background

The plaintiff, Sergi Transformer Technologies Pvt. Ltd. (Sergi Transformer) filed a suit seeking permanent injunction against the defendants and Mr. Phillipe Magnier (proforma defendant-the patentee) from infringing the Indian Patent No. 189089 (the suit patent) in respect of a "Method and Device for Preventing / Protecting Electrical Transformer against Explosion and Fire". Sergi Transformer claimed to be the exclusive licensee of the above-mentioned patent by virtue of a license agreement dated 1st August, 2006. Further, it was also averred in the plaint that Sergi Transformer had initiated the process of registration of the license agreement with the Patent Office in Kolkata on 15th March, 2010.

[14] By Vindhya S. Mani – Article published in IPR Amicus – July 2014

During the pendency of said suit, the defendants filed an application under Order VII Rule 11 read with Section 151 of the Civil Procedure Code, 1908 (CPC) to dismiss the above-mentioned suit on the ground that the suit was not maintainable as the license agreement forming the basis of the said suit was not registered with the Patent office. The primary ground raised by the defendants was that the license agreement relied upon by the plaintiff was not a valid legal document as it has not been duly executed and it was a back-dated document that had been created to file the said suit. More importantly it was argued that although the license agreement was signed on 1st August, 2006, with effect from 1st January, 2006; it was not until 15th March 2010, that Sergi Transformer took steps to register the license as required under the Act.

Sergi Transformer argued that the non-registration of a license deed does not render it void and it had written to the Controller of Patents under Section 69 of the Act to have the same registered. It was further argued that there is no bar under the provisions of Sections 109 and 69 of the Act to bring the suit against infringement and that post-amendment of the Act there is no time stipulation for filing the application before the patent office for registration of the license deed.

Delhi High Court on the application under Order 7 Rule 11 CPC

The Delhi High Court, relying on judgment of Supreme Court in *Liverpool & London S.P. & I Assn Ltd. v. M.V. Sea Success* [(2004) 9 SCC 512], observed that at the stage of considering an application under Order 7 Rule 11 of the CPC, the court has to only examine the plaint averments and the list of documents filed along with the suit. The Court thus held that other pleas advanced by parties including pleadings in the written statement have no relevancy in deciding such an application.

Delhi High Court on registration of licenses under the Act

On perusing Sections 68 and 69 of the Act prior to and after the amendment in 2005, the Court observed that the un-amended Section 68 states that, a license or assignment agreement shall have effect from the date of execution, only on registration and an application for such registration has to be filed with the Controller within six months from the date of execution of document. In contrast, post-amendment under Section 69(5) of the Act, the validity of the license or assignment agreement as evidence is to be considered only after the document is registered in the office of the Controller, unless the Controller or the Court direct otherwise with reasons recorded in writing. Further under Section 69 of the Act there is no time prescribed for filing such an application for registration.

The Court emphasized on a conjoint reading of Sections 68, 69, 109 and 110 of the Act. Although there exists no bar to file a suit for infringement by the exclusive licensee even if the license agreement is not registered under the Act, in light of the wordings *"unless the Controller or the Court….directs otherwise"* under Section 69(5) of the Act, the Court clarified that the only case where an un-registered license or assignment agreement shall be admitted in evidence of the title of any person to a patent is if the Controller or the Court specifically directs in this regard in writing. In the instant case, though the plaintiff had filed the license agreement before the patent office for registration, the Controller had not passed any specific order. Hence, the Court held that unless the agreement is registered or the court passes any such order, the license agreement is not to be considered in evidence by the Court.

With respect to the averments on the illegality of the license agreement of Sergi Transformer, the Court held that these issues would be considered by the Patent Office when it decides on Sergi

Transformer's application to register the agreement.
Although the Court declined to dismiss the suit on the basis of lack of registration of Sergi Transformer's license agreement, the Court directed the Patent Office to decide on the registration of Sergi Transformer's license agreement within 6 months from the date of the order. Further, the Court also directed that all pending applications and suit proceedings in relation to the instant subject matter stand adjourned till the Patent Office passes an order on the registration of Sergi Transformer's agreement.

CONCLUSION

In the light of the above judgment, it seems that the courts are hesitant to grant any relief whether interim or final, pending registration of the patent license or assignment agreement under the Act. Thus, while it is mandatory to register the license or assignment agreement with the Patent Office, given the huge backlog of applications pending in the patent office for registration of licenses, the practice of staying proceedings pending the determination of registration of the license agreement is a matter of concern for a patentee/licensee.

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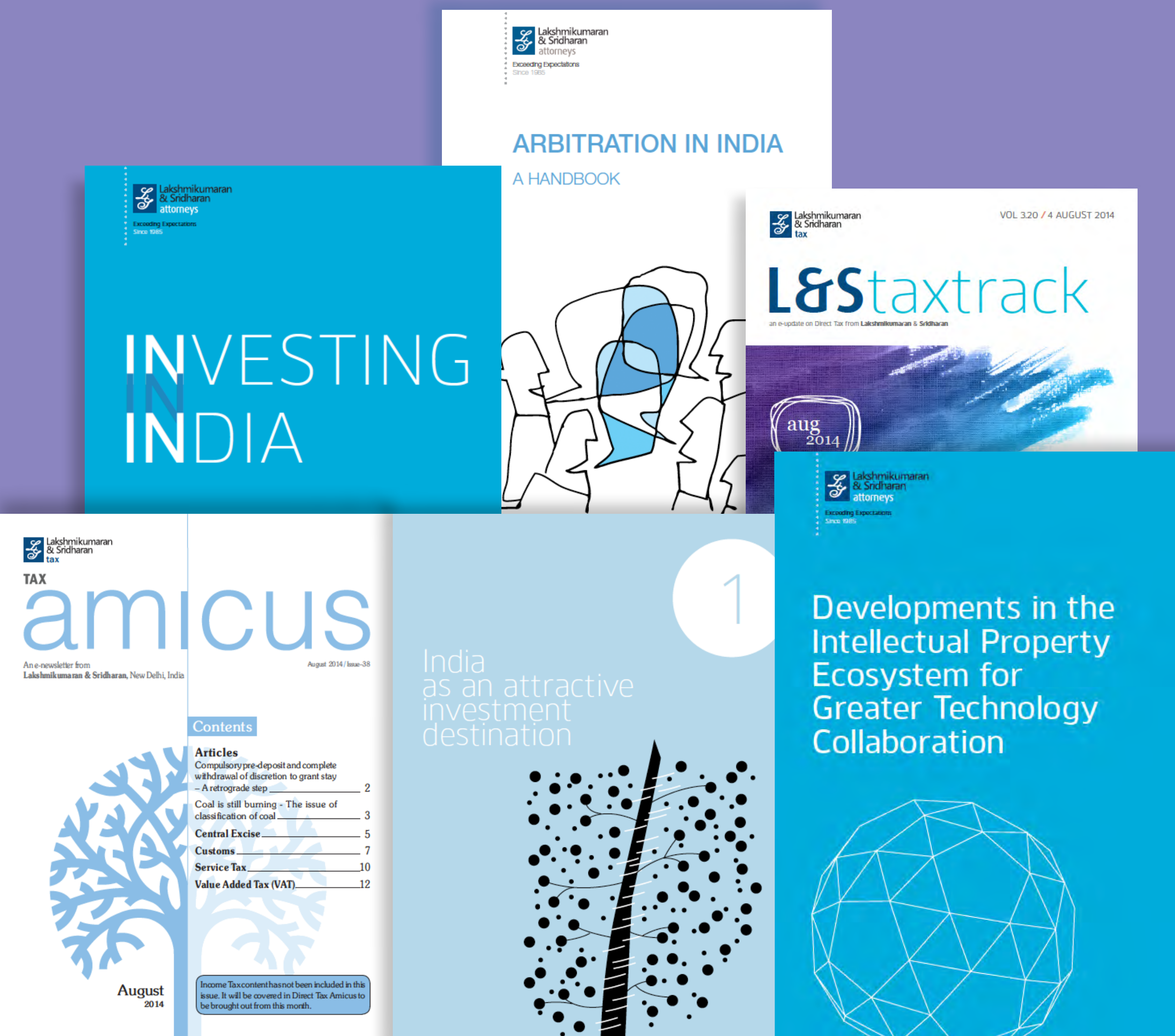

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