

NLIU Journal of
Intellectual Property Law

Volume No. 4

August, 2015

National Law Institute University
Kerwa Dam Road, Bhopal, India-462 044

The NLIU Journal of Intellectual Property Law is published by the Cell for Studies in Intellectual Property Rights (CSIPR) of National Law Institute University, Bhopal.

Cell for Studies in Intellectual Property Rights publishes material on subjects of interest to the legal profession. The NLIU Journal of Intellectual Property Law invites unsolicited manuscripts for publications. Such manuscripts should be sent in MS Word (.docx format) to nliu.journalofiplaw@gmail.com. All citations and text conform to *The Bluebook: A Uniform System of Citation (19th Ed.)*

All rights reserved. No article or part thereof published herein may be reproduced without the prior permission of the NLIU Journal of Intellectual Property Law. For all matters concerning rights and permissions, please contact at nliu.journalofiplaw@gmail.com

The views expressed in the articles published in this issue of NLIU Journal of Intellectual Property Law are those of the authors and in no way do they reflect the opinion of the NLIU Journal of Intellectual Property Law, its editors or National Law Institute University, Bhopal.

Recommended Form of Citation

4 NLIU J. of IP Law (2015)

PATRON-IN-CHIEF

Hon'ble Justice Ajay Manikrao Khanwilkar
Chief Justice, Madhya Pradesh High Court

EDITOR-IN-CHIEF

Prof. (Dr.) S. S. Singh
Director, National Law Institute University, Bhopal

EDITOR

Prof. (Dr.) Ghayur Alam
Professor of Business Law & IPR, MHRD Chair of IP Law, NLIU Bhopal

This publication has been published due to the time and effort of the following persons:

Convenor

Ashima Gulati (Current, Session 2015-2016)

Preena Salgia (Ex., Session 2014-2015)

Co-Convenor

Devyani Gupta (Current, Session 2015-2016)

Aditya Vijay Singh (Ex., Session 2014-2015)

Editorial Board

Ankita Sharma

Kanchan Modak

Shruti Nandwana

Ananya Awasthi

Sakshi Upadhyaya

Sanya Panjwani

Haneen Iqbal Siddiqui

Surbhi Sharma

Tweisha Mishra

Aishwarya Srivastava

Manasvi Tewari

Varnika Taya

Management and Technical Board

Shashwat Gupta

Devyani Gupta

Robin Singh Rathore

Udyan Arya Shrivastava

PATRON-IN-CHIEF'S NOTE

Justice A. M. Khanwilkar
CHIEF JUSTICE



191, South Civil Lines,
JABALPUR - 482 001
Tel. (O) 2626443
(R) 2678855
2626746 (Net)
Fax 0761-2678833

Dated :

16.10.2015

MESSAGE

It is heartening that the National Law Institute University Bhopal is publishing its Fourth Issue of the NLIU Journal of Intellectual Property Law which aims at attaining research of the highest caliber in Intellectual Property Laws.

The Journal will comprise of articles, case notes, book reviews and comments from academicians and students from various law universities and legal luminaries.

The purpose of Intellectual Property Laws is to incentivise public to develop creative works for benefit of the society without fear of misappropriation and also facilitating economic growth. The laws create balance of the rights of innovators facilitating creativity and invention for the benefit to the public at large.

I extend my best wishes for the launch of the Fourth Issue of this Journal. This Issue, like all its previous Issues, is bound to be acclaimed by law students, teachers, lawyers, judicial officers and all others associated with the field of law.

A handwritten signature in blue ink, appearing to be 'A.M. Khanwilkar'.

(A.M.KHANWILKAR)

FROM THE DESK OF THE EDITOR-IN-CHIEF



NATIONAL LAW INSTITUTE UNIVERSITY

Ref. No./NLIUB

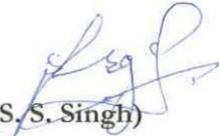
Prof. (Dr.) S.S. Singh
Director

Date :

It gives me great pleasure to present to our readers the Fourth Issue of the NLIU Journal of Intellectual Property Law. This Journal is the hard work of a small group of students with a view to encourage academic excellence in the subject. It intends to provide a platform for people associated with the subject to put forth their views and thoughts on contemporary issues concerning Intellectual Property Rights.

The need and importance of Intellectual Property Rights has increased manifold in the contemporary legal scenario. The Journal aims at providing an effective forum of expression so as to harness the growing interest in the field and provide impetus to further research and scholarship. It is also imperative to cultivate young minds by encouraging debate, discourse and a spirit of questioning. Keeping this in mind, the students have launched the Fourth Issue of the Journal.

As Editor-in-chief, I would like to thank Prof. (Dr.) Ghayur Alam, the Editor, for his constant guidance and support to the students in this endeavour. I would also like to congratulate the student body whose dedication and efforts have led to the fruition of the praiseworthy venture. I wish them luck for the future and hope that this Journal will be a useful addition to the plethora of literature on this subject.


(S. S. Singh)

University established by State Legislature of Madhya Pradesh by Act No. 41 of Year 1997

*Kerwa Dam Road, Bhopal - 462 044, (MP) India
Tel : 0755 - 2696965, 2696970-71 (O), Ext.-109, Fax : 0755 - 2696724
E-mail : director@nliu.ac.in, Visit us at : www.nliu.ac.in*

CONTENTS

EDITORIAL.....	VII
PATENT RIGHT WRONG	1
THE MELTDOWN OF HOT NEWS.....	35
“HIS PRODUCTS ARE NO GOOD”: IS DISPARAGEMENT ALL THAT SIMPLE?..	45
FRAGRANCE TRADEMARKS - DO THEY FIT INTO THE JIGSAW OF PRACTICALITY?.....	55
FACILITATING COMPULSORY LICENSING IN RESPONSE TO HEALTH CRISES IN DEVELOPING COUNTRIES.....	74
PAY FOR DELAY DEALS: INHERENT CONFLICT BETWEEN PATENT LAW AND ANTITRUST?.....	88
COPYLEFT – THE NEW COPYRIGHT.....	100
TRANSFORMATIVE USE: MOVING TOWARDS UTILITARIANISM AND AN INDIAN PERSPECTIVE.....	118

EDITORIAL

It is a matter of great pleasure to announce the publication of Fourth Volume of the NLIU Journal of Intellectual Property Law. This Journal was inaugurated in 2012 with the primary objective of generating meaningful debate and discourse to help build a fair and equitable IP law regime.

Intellectual Property Rights (IPR) are increasingly acquiring new dimensions and are generating new debates. IPR is influencing everyone including authors, musicians, performers, producers of films and sound recording, artistes, innovators, inventors, breeders of plants, creators and the legal fraternity, and common men and women. The articles included in the present Issue of the Journal seek to help rethink the conventional stands, revisit ongoing debates and reassess the roadblocks in the field of IPR.

The articles in this Journal deal with a whole spectrum of issues and ideas. They are wide ranging in their subject matters and, with a discursive ease, they provide new viewpoints and show previously undiscovered dimensions of ongoing debates. We have included eight articles in this Issue. In the article *Patent Right Wrong* an attempt has been made to cull out the propositions relating to determination of (non)infringement of patent in the light of relevant statutory provisions and Indian cases by examining the hypothesis that a claim rather than being only a determiner of patent right is first of all a determined.

In *The Meltdown of Hot News* an attempt has been made to understand if *facts* can be copyrighted. Though this question cannot withstand the scrutiny of the law laid down by the Supreme Court of India in *R. G. Anand v. Delux Films* for the Court categorically declared that “facts cannot be copyrighted.” Let us see if the author of this Article has succeeded in handling the question. Further the Article delves into the questions such as whether a quasi-property right can be created on match scores, whether the modicum of creativity test sufficient for awarding copyright and of the relevance of the hot news doctrine. This article attempts to answer these questions and provide a fresh perspective in light of the NBA Judgment handed down by the US Supreme Court and a case currently pending in appeal in the Supreme Court of India, on the issues at hand. Another article seeks to understand the current position of the law on disparagement. Disparagement cases are difficult to deal with in light of its uncertain effect on the consumer and

the need for ascertainment of the special damage. The paper questions the current position in law to put disparagement under the unfair trade practices. The author seeks to highlight the pertinent need for a legislation to provide adequate remedy while acknowledging the lack of objectivity that exists in such cases. In *Pay for Delay Deals: Inherent Conflict Between Patent Law And Antitrust?*, an attempt has been made to critique Reverse Payment Settlements between drug manufacturing companies and generic drug manufacturing companies, their implications, their validity and most importantly the coherence of the patent regime as a whole specifically in light of its impact on the consumer. The author, through this paper, seeks to understand the evolving positions in the United States of America and the relevance of such agreements in India and analyse the relevant legal provisions in the country. The issue of compulsory licensing and response to health crisis in developing countries has also been visited in one article. In *Fragrance Trademarks- Do They Fit into the Jigsaw of Practicality?*, the author has traced the development of fragrance marks across different jurisdictions and has sought to propose practical solutions to problems with respect to granting such non-conventional trademarks. In *Copyleft – The New Copyright*, the author seeks to describe the evolving copyleft movement, which emerged from open source movement pertaining specifically to software programs, and examine the suitability of copyleft to different forms of creativity. In *Transformative Use: Moving Towards Utilitarianism and an Indian Perspective*, the jurisprudence and evolution of the doctrine of transformative use is traced by examining a catena of judgments. The author makes an attempt to justify the borrowing of the principle of transformative use and its application to cases where there is substantial public or societal interest involved. The author refers to the Delhi University Photocopying case and examines the applicability of the principle to it.

The student body of the Journal has done a tremendous job in screening and evaluating the papers. It would not have been possible for us to bring out this Journal without the support of our students, especially without the efforts put in by Ms. Preena Salgia and Mr. Aditya Vijay Singh, Convenor and Co-convenor of Cell for Studies in Intellectual Property Rights (CSIPR) 2014-2015, and Ashima Gulati and Devyani Gupta, Convenor and Co-convenor of the Cell for the year 2015-2016.

We take this opportunity to thank the Patron-in-Chief, Hon'ble Justice Ajay Manikrao Khanwilkar, Chief Justice of the Madhya Pradesh High Court, for his continuous encouragement.

We are thankful to the Editor-in-Chief, Prof. (Dr.) S.S. Singh, the Director of National Law Institute University, Bhopal for his guidance and support. All the contributors to this Journal deserve special thanks for they made this endeavour a success.

We invite comments and criticism on the Articles and Case Comments published herein. Kindly feel free to make suggestions and comments for improving the quality of this Journal.

Ghayur Alam
Professor in Business Laws & Intellectual Property
(Ministry of HRD Chair on IPR)
The National Law Institute University, Bhopal

PATENT RIGHT WRONG

PROF. (DR.) GHAYUR ALAM * AND ABHINAV PRADHAN **

Patent right is a negative right. It is not a positive right. Because of a patent, the patentee does not get a right to make, use, sell, offer for sale or import the patented invention. The positive right to do any aforementioned five act is either affirmed, recognized, or is conferred by the Constitution of India, or by an Act of Legislature, or by common law. Patent right confers only an exclusive right or a right to prevent others from making, using, selling, offering for sale or importing a patented invention. In other words, patent right is a right of the patentee to go to the Court to seek injunctions and/or damages, or accounts of profit as the alternative to damages. Hence, a patentee cannot claim that her right to make, use, sell, offer for sale or import the patented invention emanates from the patent right and by virtue of the patent these positive rights cannot be denied to her.

Since patent right is an exclusive right, it can be exercised only when it is infringed or is wronged. Patent infringement is only statutory tort¹ and not a common law tort. Further, patent infringement is not an offence unlike some other intellectual property rights.² Furthermore, a patent right wrong is a strict liability wrong under Section 111 (4) of the Patents Act, 1970³ (hereinafter, 'the Act'). However, damages or an account of profits shall not be granted if the defendant proves that at the date of the infringement he was not aware and had no reasonable grounds for believing that the patent existed.⁴ In other words, so far as the question of existence of liability for patent infringement is concerned, the answer is that the defendant is strictly liable irrespective of the fact whether she infringed the patent knowingly or unknowingly. However, so far as the question of extent of liability is concerned, the answer is 'depends' whether the defendant committed the infringement knowingly or unknowingly. By proving lack of knowledge, the defendant can get his liability reduced but cannot escape the liability.

In India, grant of patent is not the grant of a valid patent. Even grant of patent does not create any presumption of validity of the patent.⁵ Hence, a patent right wrong can only occur if the

* Professor in Business and Intellectual Property Laws & Ministry of HRD Chair on Intellectual Property Laws at the National Law Institute University, Bhopal, India.

** Research Associate, Ministry of HRD Chair on Intellectual Property Laws at the National Law Institute University, Bhopal, India.

¹ See, the Patents Act, 1970.

² See, Ghayur Alam, *Intellectual Property Wrongs*, 2 NLIU JOURNAL OF INTELLECTUAL PROPERTY RIGHTS 1, 2 (2014).

³ Act 39 of 1970.

⁴ See, Section 111 (1) of the Act.

⁵ See, Section 13 (4) of the Act.

defendant fails to prove that the patent is invalid. A patent infringement suit generally becomes a patent validity (revocation) suit. Even in cases of applications for grant of injunction without a suit, the validity of patent is generally assailed. In India there has been hardly any patent infringement suit without a counter claim for revocation of patent. So far only two patent infringement suits that have reached to the Supreme Court have been turned upside down on their heads, for, the Court instead of rendering a finding that the right of the patentees-plaintiffs has been wronged, took a step back and decided that the patentees did not have patent rights, they got a false patent and hence the patents stand revoked. If the defendant fails to prove the invalidity of the patent, the second question is whether the product or the process of the defendant infringes the patent right of the plaintiff. The answer to this question primarily necessitate interpretation-construction of specification.

In this paper an attempt has been made to identify and explain the law relating to patent infringement with the help of relevant provisions of the Act and Indian case law. Patent literature is abound with the idea that claims determine the metes and bounds of the patent right. This idea though holding the field for centuries, yet seems to misleading for sticking to this idea is a prescription for missing the tree for the fruit for there may not be a fruit at all. Further, this idea cannot withstand the scrutiny of the provisions of the Act and judicial approach. The scope of the claim is determined by the disclosure of invention made in the specification. The scope of the claim so determined, determines the scope of the patent right. A patent is granted, inter alia, on the fulfillment of two necessary conditions. One, the invention claimed is an invention in the patent law sense. Two, the invention claimed is fully and particularly disclosed in the complete specification. A comparison of disclosure of invention in the complete specification with the claim may produce three different results. One, the claimed invention is equal to the disclosure of invention made in the complete specification. Two, the claimed invention is less than the disclosure of invention made in the complete specification. Three, the claimed invention is more than the disclosure of invention made in the complete specification. The first two results do not create a problem so far as the grant or validity of a patent is concerned. In the second case, what is disclosed but not claimed may be treated to have fallen in the public domain and the same can neither be reclaimed. In case the third result ensues, where a claim is more than the disclosure, a patent cannot be granted and if granted the validity of that claim is liable to be denied in further legal proceedings.

Therefore, the answer to the question: whether a patent right has been (not)infringed is found by interpreting-constructing the claims in the light of whole specification, cannot be found only by interpreting-constructing the claims standing alone separate, discrete and insular of the other parts of specification. Courts may also consider prosecution history to determine the scope of claim. In other words, claims are central but not exclusive for the determination of scope of patent right. The argument that claims determine the metes and bounds of the patent right seems to be misleading. One may miss the tree in the heedless quest for the fruit and also the fruit for there may not be any fruit at all.

A patentee is entitled to fruit only if she has fully and particularly disclosed the knowledge relating to product or process for the first time in the whole world. In other words, the nature of patent right is territorial,⁶ but the threshold of invention is global.⁷ A patentee may have got more than what she disclosed. In such a case under-disclosure will render the claim invalid. Here the invalidation of the claim did not result from interpretation of claim but from the nondisclosure or under-disclosure. In other words, specification and prosecution history determines the scope and (in) validity of the claim. If either through interpretation-construction of specification or prosecution history, the claim is found to be invalid the question of infringement does not arise. The question of infringement only arises when the defendant fails to prove invalidity of the claim. It is only at this juncture the question of interpretation-construction of claim for determination of the scope of patent right and finding of (non)infringement arises.

Recently, it has been announcement that “linguistic indeterminacy” thesis is fundamentally wrong, and it has been argued that “uncertainty in claim application most typically arises because judges have core policy disagreements about the underlying goals of claim construction.”⁸ This Paper argues that both “linguistic indeterminacy thesis” and “policy disagreement thesis” are inadequate in explaining the approach, method, and focus of the Courts in a finding of (non)infringement of patent. It is argued in this Paper that while rendering a finding of (non)infringement of patent the Courts: (i) look to the whole specification, (ii) treat the other parts of the specification (written description, enablement, best mode, drawing where applicable) not merely as an intrinsic aid to interpret the claim but to determine the scope and validity of the claim, i.e., the Courts do not follow the logic of statutory interpretation treating the claims as enacted words (statutory provisions) and everything else written the same document as merely an internal aid, (iii) look to the evidence and testimony of witnesses and experts (including treatises and publication) regarding novelty, inventive step, and/or utility or lack thereof, (iv) may go beyond the letters of claim and apply doctrine of equivalents, and (v) may also focus on the prosecution history, if doctrine of equivalents is pleaded.

To take the argument to a logical conclusion we begin with a hypothesis: a claim rather than being only a determiner of patent right is first of all a determined. To examine the hypothesis, the Paper seeks to cull out the propositions relating to determination of (non)infringement of patent in the light of relevant statutory provisions and Indian cases.

⁶ See, Section 2(1)(m) of the Act.

⁷ See, Section 2 (1) (l) of the Act.

⁸ See, Tun-Jen Chiang & Lawrence B. Solum, *The Interpretation-Construction Distinction in Patent Law*, 123 *THE YALE LAW JOURNAL* 530, 534 (2014).

For sake of convenience, this Paper has been divided into three parts. Part I seeks to analyze the statutory provisions of the Act and under the Rules⁹ relating to specification. Part II seeks to analyze the case law relating to interpretation-construction of specification. Part III concludes.

PART I STATUTORY SCHEME

Section 48 of the Act deals with the rights of patentees and reads as under:

Subject to the other provisions contained in this Act and the conditions specified in Section 47, a patent granted under this Act shall confer upon the patentee

- (a) where the subject matter of the patent is a product, the exclusive right to prevent third parties, who do not have his consent, from the act of making, using, offering for sale, selling or importing for those purposes that product in India;
- (b) where the subject matter of the patent is a process, the exclusive right to prevent third parties, who do not have his consent, from the act of using that process, and from the act of using, offering for sale, selling or importing for those purposes the product obtained directly by that process in India.

Under Section 7(4) of the Act, every patent application shall be accompanied by a provisional or a complete specification. Section 10¹⁰ of the Act and Rule 13¹¹ deal with the contents of

⁹ The Patents Rules, 2003 (hereinafter referred to as 'the Rules').

¹⁰ Section 10 deal with the contents of specifications, as under:

- (1) Every specification, whether provisional or complete, shall describe the invention and shall begin with a title sufficiently indicating the subject-matter to which the invention relates.

...

- (4) Every complete specification shall-

- (a) fully and particularly describe the invention and its operation or use and the method by which it is to be performed;
- (b) disclose the best method of performing the invention which is known to the applicant and for which he is entitled to claim protection; and
- (c) end with a claim or claims defining the scope of the invention for which protection is claimed.
- (d) be accompanied by an abstract to provide technical information on the invention:

Provided that-

- (i) the Controller may amend the abstract for providing better information to third parties; and
- (ii) if the applicant mentions a biological material in the specification which may not be described in such a way as to satisfy clauses (a) and (b), and if such material is not available to the public, the

specifications. According to Section 10 (1) of the Act, every specification shall begin with a title which indicates that the subject-matter of the invention. Section 10 (3) read with Section 10 (2) provides that the drawings and not the model or sample be deemed to form part of the specification. Section 10 (4) provides that every complete specification shall:

- (a) fully and particularly describe the invention and its operation or use and the method by which it is to be performed;
- (b) disclose the best method of performing the invention which is known to the applicant and for which he is entitled to claim protection; and
- (c) end with a claim or claims defining the scope of the invention for which protection is claimed;
- (d) be accompanied by an abstract to provide technical information on the invention.

application shall be completed by depositing the material to an international depository authority under the Budapest Treaty and by fulfilling the following conditions, namely:-

- (A) the deposit of the material shall be made not later than the date of filing the patent application in India and a reference thereof shall be made in the specification within the prescribed period;
 - (B) all the available characteristics of the material required for it to be correctly identified or indicated are included in the specification including the name, address of the depository institution and the date and number of the deposit of the material at the institution;
 - (C) access to the material is available in the depository institution only after the date of the application for patent in India or if a priority is claimed after the date of the priority;
 - (D) disclose the source and geographical origin of the biological material in the specification, when used in an invention.”;
- (4A) In case of an international application designating India, the title, description, drawings, abstract and claims filed with the application shall be taken as the complete specification for the purposes of this Act
- (5) The claim or claims of a complete specification shall relate to a single invention, or to a group of inventions linked so as to form a single inventive concept, shall be clear and succinct and shall be fairly based on the matter disclosed in the specification.

...

- (7) Subject to the foregoing provisions of this section, a complete specification filed after a provisional specification may include claims in respect of developments of, or additions to, the invention which was described in the provisional specification, being developments or additions in respect of which the applicant would be entitled under the provisions of section 6 to make a separate application for a patent.

¹¹ Rule 13 deal with the specifications as under:

...

- (5) Irrelevant or other matter, not necessary, in the opinion of the Controller, for elucidation of the invention, shall be excluded from the title, description, claims and drawings.

The thrust of the provisions of Section 10 is on disclosure of the claimed invention. A claim is a statement of technical facts expressed in legal terms defining the scope of the invention sought to be protected.¹²

Section 10 (5) specifies that the claim(s) of a complete specification must be clear and succinct. It is important to note that it is explicitly mentioned that the claim(s) must be based on the matter disclosed in the specification.

Under Section 25 (1) a patent application and under Section 25 (2) a patent may be opposed on various enumerated grounds.¹³

¹² MANUAL OF PATENT OFFICE PRACTICE AND PROCEDURE 39 (Mumbai: Office of Controller General of Patents, Designs & Trademarks, 2011).

Available on www.ipindia.nic.in/ipr/patent/manual/...%20html/Chapter%205.html. Last visited on 01st June 2015.

¹³ Section 25 deals with the opposition to grant of patent as under:

(1) Where an application for a patent has been published but a patent has not been granted, any person may, in writing, represent by way of opposition to the Controller against the grant of patent on the ground –

- that the applicant for the patent or the person under through whom he claims, wrongfully obtained the invention or any part thereof from him or from a person under or through whom he claims;
- that the invention so far as claimed in any claim of the complete specification has been published before the priority date of the claim-
 - a.in any specification filed in pursuance of an application for a patent made in India on or after the 1st day of January, 1912; or
 - b.in India or elsewhere, in any other document; provided that the ground specified in sub-clause (ii) shall not be available where such publication does not constitute an anticipation of the invention by virtue if sub-section (2) or sub-Section(3) of Section 29;

(1) that the invention so far as claimed in any claim of the complete specification is claimed in a claim of a complete specification published on or after the priority date of the applicant's claim and filed in pursuance of an application for a patent in India, being a claim of which the priority date is earlier than that of the applicant's claim.

(2) That the invention so far as claimed in any claim of the complete specification was publicly known or publicly used in India before the priority date of that claim.

Explanation: For the purposes of this clause, an invention relating to a process for which a patent is claimed shall be deemed to have been publicly known or publicly used in India before the priority date of the claim if a product made by that process had already been imported into India before that date except where such importation has been for the purpose of reasonable trial or experiment only;

(3) that the invention so far as claimed in any claim of the complete specification is obvious and clearly does not involve any inventive step, having regard to the matter published as mentioned in clause (b) or having regard to what was used in India before the priority date of the applicant's claim;

(4) that the subject of any claim of the complete specification is not an invention within the meaning of this Act, or is not patentable under this Act;

(5) that the complete specification does not sufficiently and clearly describe the invention or the method by which it is to be performed;

(6) that the applicant has failed to disclose to the controller the information required by Section 8 or has furnished the information which is any material particular was false to his knowledge;

-
- (7) that in the case of convention application, the application was not made within twelve months from the date of the first application for protection for the invention made in a convention country by the applicant or a person from whom he derives title;
 - (8) that the complete specification does not disclose or wrongly mentions the source or geographical origin of biological material used for the invention;
 - (9) that the invention so far as claimed in any claim of the complete specification is anticipated having regard to the knowledge, oral or otherwise, available within any local or indigenous community in India or elsewhere,

but on no other ground and the Controller shall, if requested by such person for being heard, hear him and dispose of such representation in such manner and within such period as may be prescribed.

- (2) At any time after the grant of patent but before the expiry of a period of one year from the date of publication of grant of patent, any person interested may give notice of opposition to the controller in the prescribed manner on any of the following grounds, namely;-

- (1) that the patentee or the person under or through whom he claims, wrongfully obtained the invention or any part thereof from him or from a person under or through whom he claims;
- (2) that the invention so far as claimed in any claim if the complete specification has been published before the priority date of the claim-

1. in any specification filed in pursuance of an application for a patent made in India on or after the 1st day of January, 1912; or

(b) in India or elsewhere, in any other document:

Provided that the ground specified in sub-clause (ii) shall not be available where such publication does not constitute an anticipation of the invention by virtue of sub-section (2) or sub-section(3) of section 29;

- (3) that the invention so far as claimed in any claim of the complete specification is claimed in a claim of a complete specification published on or after the priority date of the claim of the patentee and filed in pursuance of an application for a patent in India, being a claim of which the priority date is earlier than that of the claim of the patentee;
- (4) that the invention so far as claimed in any claim of the complete specification was publicly known or publicly used in India before the priority date of that claim.
Explanation.—For the purposes of this clause, an invention relating to a process for which a patent is granted shall be deemed to have been publicly known or publicly used in India before the priority date of the claim if a product made by that process had already been imported into India before that date except where such importation has been for the purpose of reasonable trial or experiment only;
- (5) that the invention so far as claimed in any claim of the complete specification is obvious and clearly does not involve any inventive step, having regard to the matter published as mentioned in clause (b) or having regard to what was used in India before the priority date of the claim;
- (6) that the subject of any claim of the complete specification is not an invention within the meaning of this Act, or is not patentable under this Act;
- (7) that the complete specification does not sufficiently and clearly describe the invention or the method by which it is to be performed;
- (8) that the patentee has failed to disclose to the Controller the information required by section 8 or has furnished the information which in any material particular was false to his knowledge;
- (9) that in the case of a patent granted on convention application, the application for patent was not made within twelve months from the date of the first application for protection for the invention made in a convention country or in India by the patentee or a person from whom he derives title;
- (10) that the complete specification does not disclose or wrongly mentions the source and geographical origin of biological material used for the invention;

Sections 57 and 58 of the Act deal with the amendment of application and specification before Controller and the Appellate Board or High Court. Under Section 57 (5) an amendment under this Section of a complete specification may be, or include, an amendment of the priority date of a claim.

A patent may be revoked by the Appellate Board or High Court under Section 64 of the Act.¹⁴

According to Section 113 (1), where the validity of any claim of a specification is contested and that claim is found by the Appellate Board or the High Court to be valid, the Appellate Board or

(11) that the invention so far as claimed in any claim of the complete specification was anticipated having regard to the knowledge, oral or otherwise, available within any local or indigenous community in India or elsewhere, but on no other ground.

¹⁴ Section 64 deals with the revocation of Patents, as under:

- (1) Subject to the provisions contained in this Act, a patent, whether granted before or after the commencement of this Act, may, be revoked on a petition of any person interested or of the Central Government by the Appellate Board or on a counter-claim in a suit for infringement of the patent by the High Court on any of the following grounds, that is to say -
 - (a) that the invention, so far as claimed in any claim of the complete specification, was claimed in a valid claim of earlier priority date contained in the complete specification of another patent granted in India;
 - ...
 - (d) that the subject of any claim of the complete specification is not an invention within the meaning of this Act;
 - (e) that the invention so far as claimed in any claim of the complete specification is not new, having regard to what was publicly known or publicly used in India before the priority date of the claim or to what was published in India or elsewhere in any of the documents referred to in section 13;
 - (f) that the invention so far as claimed in any claim of the complete specification is obvious or does not involve any inventive step, having regard to what was publicly known or publicly used in India or what was published in India or elsewhere before the priority date of the claim;
 - (g) that the invention, so far as claimed in any claim of the complete specification, is not useful;
 - (h) that the complete specification does not sufficiently and fairly describe the invention and the method by which it is to be performed, that is to say, that the description of the method or the instructions for the working of the invention as contained in the complete specification are not by themselves sufficient to enable a person in India possessing average skill in, and average knowledge of, the art to which the invention relates, to work the invention, or that it does not disclose the best method of performing it which was known to the applicant for the patent and for which he was entitled to claim protection;
 - (i) that the scope of any claim of the complete specification is not sufficiently and clearly defined or that any claim of the complete specification is not fairly based on the matter disclosed in the specification;
 - (k) that the subject of any claim of the complete specification is not patentable under this Act;
 - (l) that the invention so far as claimed in any claim of the complete specification was secretly used in India, otherwise than as mentioned in sub-section (3), before the priority date of the claim;
 - (m) that the applicant for the patent has failed to disclose to the Controller the information required by section 8 or has furnished information which in any material particular was false to his knowledge;
 - (o) that leave to amend the complete specification under section 57 or section 58 was obtained by fraud.
 - (q) that the invention so far as claimed in any claim of the complete specification was anticipated having regard to the knowledge, oral or otherwise, available within any local or indigenous community in India or elsewhere.

the High Court may uphold the validity of the claim.¹⁵ The Court has discretionary power under Section 114 to grant the relief for infringement of partially valid specification.¹⁶

The novelty of a claim is dependent on its date of priority. Under Section 11 of the Act, each claim of a complete specification shall have a priority date.¹⁷ Section 13 prescribes the procedure

¹⁵ Section 113 deals with the certificate of validity of specification and costs of subsequent suits for infringement thereof, as under:

- (1) If in any proceedings before the Appellate Board or a High Court for the revocation of a patent under section 64 and section 104, as the case may be, the validity of any claim of a specification is contested and that claim is found by the Appellate Board or the High Court to be valid, the Appellate Board or the High Court may certify that the validity of that claim was contested in those proceedings and was upheld.

¹⁶ Section 114 deals with the relief for infringement of partially valid specification, as under:

- (1) If in proceedings for infringement of a patent it is found that any claim of the specification, being a claim in respect of which infringement is alleged, is valid, but that any other claim is invalid, the Court may grant relief in respect of any valid claim which is infringed.

¹⁷ Section 11 deals with the priority dates of claims of a complete specification. It provides as under:

- (1) There shall be a priority date for each claim of a complete specification.
 - (2) Where a complete specification is filed in pursuance of a single application accompanied by -
 - (a) a provisional specification; or
 - (b) a specification which is treated by virtue of a direction under sub-section (3) of section 9 as a provisional specification, and the claim is fairly based on the matter disclosed in the specification referred to in clause (a) or clause (b), the priority date of that claim shall be the date of the filing of the relevant specification.
 - (3) Where the complete specification is filed or proceeded with in pursuance of two or more applications accompanied by such specifications as are mentioned in sub-section (2) and the claim is fairly based on the matter disclosed -
 - (a) in one of those specifications, the priority date of that claim shall be the date of the filing of the application accompanied by that specification;
 - (b) partly in one and partly in another, the priority date of that claim shall be the date of the filing of the application accompanied by the specification of the later date.
 - (3A) Where a complete specification based on a previously filed application in India has been filed within twelve months from the date of that application and the claim is fairly based on the matter disclosed in the previously filed application, the priority date of that claim shall be the date of the previously filed application in which the matter was first disclosed.
 - (4) Where the complete specification has been filed in pursuance of a further application made by virtue of sub-section (1) of section 16 and the claim is fairly based on the matter disclosed in any of the earlier specifications, provisional or complete, as the case may be, the priority date of that claim shall be the date of the filing of that specification in which the matter was first disclosed.
 - (5) Where, under the foregoing provisions of this section, any claim of a complete specification would, but for the provisions of this sub-section, have two or more priority dates, the priority date of that claim shall be the earlier or earliest of those dates.
 - (6) In any case to which sub-sections (2), (3), (3A), (4) and (5) do not apply, the priority date of a claim shall, subject to the provisions of section 137, be the date of filing of the complete specification.
- ...
- (8) A claim in a complete specification of a patent shall not be invalid by reason only of -
 - (a) the publication or use of the invention so far as claimed in that claim on or after the priority date of such claim; or
 - (b) the grant of another patent which claims the invention, so far as claimed in the first mentioned claim, in a claim of the same or a later priority date.

for the investigation to ascertain the claim of the complete specification.¹⁸ Rule 28 of the Rules deals with the procedure in case of anticipation by prior publication.¹⁹

A reading of the aforementioned statutory provisions makes it abundantly clear that claims, *inter alia*, must be fairly based on the disclosure made in the specification. In other words, if the claims are not

¹⁸ Section 13 deals with the search for Anticipation by previous publication and by prior claim, as under:

- (1) The Examiner to whom an application for a patent is referred under section 12 shall make investigation for the purpose of ascertaining whether the invention so far as claimed in any claim of the complete specification -
 - a. has been anticipated by publication before the date of filing of the applicant's complete specification in any specification filed in pursuance of an application for a patent made in India and dated on or after the 1st day of January, 1912;
 - b. is claimed in any claim of any other complete specification published on or after the date of filing of the applicant's complete specification, being a specification filed in pursuance of an application for a patent made in India and dated before or claiming the priority date earlier than that date.
- (2) The Examiner shall, in addition, make such investigation for the purpose of ascertaining whether the invention, so far as claimed in any claim of the complete specification, has been anticipated by publication in India or elsewhere in any document other than those mentioned in sub-section (1) before the date of filing of the applicant's complete specification.
- (3) Where a complete specification is amended under the provisions of this Act before the grant of a patent, the amended specification shall be examined and investigated in like manner as the original specification.
- (4) The examination and investigations required under section 12 and this section shall not be deemed in any way to warrant the validity of any patent, and no liability shall be incurred by the Central Government or any officer thereof by reason of, or in connection with, any such examination or investigation or any report or other proceedings consequent thereon.

¹⁹ Rule 28 Procedure in case of anticipation by prior publication

- (1) If the Controller is satisfied after investigation under section 13 that the invention so far as claimed in any claim of the complete specification has been published in any specification or other document referred to in clause (a) of sub-section (1) or subsection (2) of the said section, the Controller shall communicate the gist of specific objections and the basis thereof to the applicant and the applicant shall be afforded an opportunity to amend his specification.
- (2) If the applicant contests any of the objections communicated to him by the Controller under sub-rule (1), or if he refiles his specification along with his observations as to whether or not the specification is to be amended, he shall be given an opportunity to be heard in the matter if he so requests:

Provided that such request shall be made on a date earlier than ten days of the final date of the period preferred to under sub-section (1) of section 21:

Provided further that a request for hearing may be allowed to be filed within such shorter period as the Controller may deem fit in the circumstances of the case.
- (3) If the applicant requests for a hearing under sub-rule (2) within a period of one month from the date of communication of the gist of objections, or, the Controller, considers it desirable to do so, whether or not the applicant has refiled his application, he shall forthwith fix a date and time for hearing having regard to the period remaining for putting the application in order or to the other circumstances of the case.
- (4) The applicant shall be given ten days' notice of any such hearing or such shorter notice as appears to the Controller to be reasonable in the circumstances of the case and the applicant shall, as soon as possible, notify the Controller whether he will attend the hearing.
- (5) After hearing the applicant, or without a hearing if the applicant has not attended or has notified that he does not desire to be heard, the Controller may specify or permit such amendment of the specification as he thinks fit to be made and may refuse to grant the patent unless the amendment so specified or permitted is made within such period as may be fixed.

fairly based on the disclosure, the patent will not be granted, or if granted shall be liable to be revoked, for, a claim not fairly based on the disclosure made in the specification is *non est*. It is not a claim at all. The proposition that “claim determines the metes and bounds of the patent right” therefore need be reformulated as “*valid claim* determines the metes and bounds of the patent right.” In other words, determination of validity of the claim is prior to the determination of scope of patent right. The hypothesis “a claim rather than being only a determiner of patent right is first of all a determined” stands verified in the light of the statutory provisions.

Now we will move to examine the hypothesis in the light of case law.

PART II JUDICIAL APPROACH

In *Lallubhai Chakubhai Jarivala v. Chimanlal Chunilal*,²⁰ the question before the Court was whether the process as described in the specification was an invention within the meaning of the Act. The question was answered in the negative by the Court. The Court relying on the decisions²¹ of foreign Courts observed as under:

²⁰ AIR 1936 Bom 99 (SB) Bombay High Court. Justice B.J. Wadia delivered the judgment.

²¹ In *Clark v. Adie* (1877) 2 App. Cas. 315, 321, the first claim was “an invention which is a subordinate integer in the larger invention”. It is incumbent on the patentee to particularly describe and ascertain the nature of his invention in the specification, as the ambit of his invention is circumscribed by the claims. The construction of a specification is a matter of law and is for the Court. It must be construed as a whole. The claiming clauses are an important part of the specification and they must be fairly construed in reference not only to the specification but also to the title. The proper way to read specification is, as was pointed out in *Arnold v. Bradbury* (1871) L.R. 6 Ch. App. 706, not to read the claims first and then see what the full description of the invention is, but first to read the description of the invention, in order that the mind may be prepared for what it is that the invention is to be claimed, for the patentee cannot claim more than he desires; to patent. Plaintiff’s counsel in his closing address argued that the plaintiff claimed patent not only for the combination but for the first claim as a separate invention by itself. He did not, however, say so in his opening, and that is not the case made out in the plaint, nor does it appear from the plaintiff’s evidence. It has been pointed out by Lord Esher, M.R., in *Parkinson v. Simon* (1894) 11 R.P.C 493 that as far as possible the claims must be so construed as to give an effective meaning to each of them, but the specification and the claims must be looked at and construed together in order to see whether there is a real and substantial difference between the-claims, or whether one is practically a repetition of the other. The specification itself describes one invention only in its separate parts, and the manner in which, it is to be performed. The invention is not described in a way which upon the ordinary rules of construction makes it clear that the plaintiff as the patentee: has had in his mind and intended to claim protection for the subordinate integers also, as being in themselves matters which ought properly to form the subject of a patent of invention.. If that was his intention., he must, as pointed out by the Lord Chief Justice in *Harrison Patents Company Ltd. v. W. N. Nicholson & Sons, Ltd.* (1908) 25 R.P.C. 393, tell the word so on the face of his specification. A specification must be construed impartially, and the Court is generally slow to construe it against the patentee. But the construction must not only be a ‘benevolent’ but a reasonable one.

The Court has in each case to consider whether or not the infringement comes within the fair meaning of the claims. . . . *The plaintiff's rights are, according to his specification,*²² in the whole combination for which alone he has made a claim . . .

The Court observed that the specification particularly describes and ascertains the nature of the plaintiff's invention and the manner in which the same is to be performed. The observation of the Court that "*The plaintiff's rights are, according to his specification*" supports the proposition that specification cannot be overlooked while interpreting the claims. The Court highlighted the role of the title of the specification and observed that it particularly describes and ascertains the nature of the plaintiff's invention and the manner in which the same is to be performed.

While describing the nature of the clauses of the claims in the specification, the Court observed that "The monopoly is thus defined by the claims, and the monopoly is the consideration which the inventor seeks and secures."

In *Farbwerke Hoechst Aktiengesellschaft Vormals Meister Lucius & Bruning a Corporation v. Unichem Laboratories*,²³ the validity of patent was challenged on the grounds of insufficiency of description; want of novelty; no inventive step and want of utility. The Court upheld the validity of the patent. While explaining the specification in general and claims in particular, the Court referred the Halsbury, (3rd edn.) Vol. 29 and observed as under:

[A] complete specification customarily begins, after the title, with a general preamble stating the subject to which the invention relates, followed by a detailed description of one or more embodiments of the inventions. The whole of that is known as the body of the specification. It is further stated in the said paragraph of Halsbury that the specification ends with the claims, delimiting the monopoly granted by the patent, and since they define the monopoly, they must, in the event of legal proceedings, be scrutinized with as much care as any other document defining a legal right, and require to be as carefully Halsbury ((3rd edn.) Vol. 29 p. 10 paras 16 & 17) that the specification is to be read as a whole, and that the body of the specification, or changing their meaning by reference to the language used in the body of the specification, though the body of the specification should be referred to for the purpose of resolving difficulties of construction occasioned by the claims when read by themselves. It is, therefore, clear that, in an infringement action, the main function of the Court is to construe the claims which are alleged to have been infringed, *without reference to the body of the specification, and to refer to the*

²² Emphasis added.

²³ AIR 1969 Bom 255 (SB) Bombay High Court. Justice Vimadlal delivered the judgment.

*body of the specification only if there is any ambiguity or difficulty in the construction of claims in question.*²⁴ (Emphasis added).

The above given quotation negates the hypothesis of this Paper. For, according to this observation, reference to the body of the specification can only be made if there is any ambiguity or difficulty in the construction of the claims. It is humbly submitted that where the challenge is on the grounds of insufficiency of description; want of novelty; no inventive step and want of utility, even the strictest scrutiny of the claims with all the care and caution will not determine the questions for claims are required to be fairly based on the specification. Hence, the emphasized observation of the Court in the above given quotation cannot withstand the scrutiny of the provisions of the Patents Act, 1970. Further in *Natural Remedies Private Limited*²⁵ the Court held to the contrary, i.e. *Natural Remedies Private Limited.*, specification first, claims later.

While dealing the validity of the patent on the ground of insufficiency of description, the Court relied upon the *Halsbury*, (3rd edn.) Vol. 29 and observed as under:

[T]he claim need only be as clear as the subject admits, and that a patentee need not so simplify his claim as to make it easy for infringers to evade it. It is further stated in that passage in *Halsbury* that the patentee's duty is not to prevent all possible argument as to whether there is or is not infringement in particular cases, but to enable the Court to formulate the questions of fact to be answered. It is further stated in the same Volume of *Halsbury* (p. 66 para 138) that insufficiency of description has two branches, (1) the complete specification must describe "an embodiment" of the invention claimed in each of the claims and that the description must be sufficient to enable those in the industry concerned to carry it into effect "without their making further inventions"; and (2) that the description must be fair i.e. it must not be unnecessarily difficult to follow.²⁶

Applying the these principles in this case, the Court reiterated that it is permissible to refer to the body of the specification only when there is any ambiguity or difficulty in the construction of a claim as it stands. While declaring the validity of the patent on the ground of sufficiency of description, the Court described the nature of claims and specification as under:

[T]he specification and claims are addressed to those with a high degree of knowledge of the field of science to which they relate, particularly when they relate to chemistry and allied subjects. It is not necessary to describe processes

²⁴ Id. Para 8, Page 261-262. Cf. *Natural Remedies Private Limited v. Indian Herbs Research & Supply Co. Ltd.* at f. n. 75.

²⁵ *Infra n. 75.*

²⁶ Id. Para 14, Page 266.

on the claims to a specification when they are part of the common knowledge available to those skilled in the science who can, after reading them, refer to the technical literature on the subject for the purpose of carrying them into effect. “An embodiment” of the invention is, therefore, in my opinion, sufficiently described in the plaintiff’s patent and that description is not unnecessarily difficult to follow, it being sufficient to enable the invention to be carried into effect “without making further inventions”.²⁷

When the Court observed that “[T]he specification and claims are addressed to those with a high degree of knowledge of the field of science to which they relate” it missed the opportunity of distinguishing the purpose of written description from the purpose of enablement. It is trite in patent law that the purpose of written description is to transfer the knowledge of the invention to the public and the purpose of enablement is to enable the “person skilled in the art” and not the enable “person knowledgeable in the art” or the person with a high degree of knowledge of the field of science.” The Court also missed the opportunity to distinguish between “specification” and “constituents of specification.” In other words, even if the specification enables those with a high degree of knowledge of the field of science but does not either transfer the knowledge of the invention to the public or does not enable “person skilled in the art”, the disclosure will remain insufficient for the simple reason that the applicant did not disclose enough to entitle him a patent.

In *Raytheon Company v. The Controller of Patents and Designs*,²⁸ the patent application was referred by the Deputy Controller of Patents and Designs to the Central Government for its opinion as to whether the patent in any way related to inventions relating to atomic energy operations. The specification with the patent application was examined and the Central Government has expressed an opinion that the invention which was the subject-matter of the application related to an invention which was useful for or related to the production of, control, use or disposal, of atomic energy and therefore patent could not be granted. Therefore, a patent is granted only if the subject matter is a patentable invention. In such cases the question of the validity of the claim does not arise and therefore cannot be the measure of the patent right for there is no patent at all.

In *Ram Narayan Kher v. Ambassador Industries*,²⁹ the issue before the Court was that whether the subject of any claim of the complete specification was an invention within the meaning of the Indian Patents and Designs Act, 1911. The question was answered in the negative by the Court. The Court explained certain characteristic of the claim as the novelty or the invention has to be succinctly stated in the claim; the function of the claim is “to define the scope of the invention

²⁷ Id. Para 14, Page 266.

²⁸ AIR 1974 Cal 336 (Calcutta High Court). Justice Sabyasachi Mukharji delivered the judgment.

²⁹ AIR 1976 Delhi 87 (Delhi High Court). Justice Prithvi Raj delivered the judgment.

claimed”; claim must be clear and the applicant must describe the advantage sought to be achieved by his invention in the claim.

The Court further observed as under:

It is no doubt true that the claim made is addressed to the skilled persons in the art or trade and not to a common man yet there can be no escape from the fact that the novelty of the claim or the advantage derived by the invention has to be succinctly stated in the claim and must not be left to an inference raised on a general review of the specification.³⁰

It is equally true that even when the invention “was not itself new” but “the particular use of it for the purpose described in combination with the other elements of the system, and producing the advantageous results”, would be a sufficient element of novelty to support the patent. It may be only a small step but that may be a step forward and that is all that is necessary so far as the subject-matter is concerned (Canadian General Electric Co. Ltd. v. Fada Radio Ltd., AIR 1930 PC 1 but the advantages produced by the particular use of the invention and the step resulting in the said advantages has to be claimed in the claim filed with the patent authority. The claim in the instant case is descriptive and “left to an inference raised on a general review of the specification” before one is able to ascertain the meritorious idea resulting in the 25% additional advantage of added cooled air as sought to be explained during the course of arguments that by putting the fan on the top more space is gained to throw more cooled air.³¹

It is incumbent under Section 10(4) of the Act to fully and particularly describe the invention and its operation or use and the method by which it is to be performed and disclose the best method of performing the invention which is known to the applicant and for which he is entitled to claim protection ending with a claim or claims defining the scope of the invention for which protection is claimed.³²

The above given observation of the Court supports the hypothesis of this Paper.

In *Imperial Chemical Industries Ltd. v. Controller General of Patents*,³³ it was contended by the appellant that the patent basically resided in the product in respect of which the patent was claimed, and the patent could not be deemed to have been endorsed with the word “Licenses of right” under

³⁰ Id. Para 16, page 89.

³¹ Id. Para 17, page 89.

³² Id. Para 18, page 89.

³³ AIR 1978 Cal 77 (SB) Calcutta High Court. Justice Sabyasachi Mukharji delivered the judgment.

the provisions of Section 87 and Section 88 of the Act would not apply. The question was answered in the negative by the Court. After going through the relevant provisions of the Sections of both 1911 Act and the 1970 Act and with the help of various decisions, the Court formulated the following propositions:

- (1) The patent must be in respect of an invention and not a discovery.
- (2) In respect of one single invention there must be one single patent.
- (3) A patent may be in respect of a substance or in respect of a process.
- (4) But it is not possible to bifurcate a patent and state that one relates to the substance and the other to the process.
- (5) In order to have a complete patent, the specifications and the claims must be clearly and distinctly mentioned.
- (6) It is the claims, and claims alone which constitute the patent.³⁴

The Court despite noting that the questions involved in the foreign case were not the same with which the High Court concerned in this case³⁵ relied upon the judgments of the foreign Courts. It seems to be a judicial trend in India that foreign judgments must be cited and must be relied irrespective of the fact whether the questions involved in the instant case and the foreign judgments are similar or different, also, irrespective of the fact whether the provisions of the relevant Indian legislation and those of the foreign legislation are same or different.

In *Raj Parkash v. Mangat Ram Chowdhry*,³⁶ the question before the Delhi High Court was whether the scope of the patent was rightly construed or not. The question was answered in the affirmative by the Court. The Court observed as under:

Whether a patent sets out an invention is to be determined by a true and fair construction of the specifications on the basis of which an inventor claims that he is the first inventor of an invention which is to be patented. In order to properly construe the specifications, one should give ordinary meaning to the words but where necessary the words must be construed in the sense in

³⁴ Id. Para 12, page 82.

³⁵ The Court relied upon the decision of the High Court of Australia in the case *Amp Inc Utilux Pty. Ltd. (1973 RPC 175)*. In this case the learned Judge referred to the observations of Lord Russel of Killowen in *E. M. I. Limited v. Lissen Ltd., (1939) 56 RPC 23* at p. 41 to the following effect :--

“A claim is a portion of the specification which fulfils a separate and distinct function. It and it alone, defines the monopoly; and the patentee is under a statutory obligation to state in the claims clearly and distinctly what is the invention which he desires to protect.”

³⁶ AIR 1978 Delhi 1(DB) Delhi High Court. Justice Prakash Narain delivered the judgment.

which they are used at a particular trade or sphere in which the invention is sought to have been made.³⁷

...

We have, therefore, to read the specifications and the claims from the point of view of the persons in the trade manufacturing film strip viewers. It is the pith and marrow of the invention claimed that has to be looked into and not get bogged down or involved in the detailed specifications and claims made by the parties who claim to be patentee or alleged violaters. (See Birmingham Sound Reproducers Ltd. v. Collaro Ltd. and Collaro Ltd. v. Birmingham Sound Reproducers Ltd.. 1956 R.P.C. 232. It is not necessary that the invention should be anything complicated. The essential thing is that the inventor was the first one to adopt it. The principle, therefore, is that every simple invention that is claimed, so long as it is something which is novel or new, it would be an invention and the claims and specifications have to be read in that light, as, was observed in the famous hair-pin case, reported as Hinde v. Osberne, 1885 R.P.C. 65. To quote from another well-known decision of the Court of Appeal in R.C.A. Photo- phone Ltd. v. Gaumont-British Picture Corporation Ltd. and British Acoustic Films Ltd., 1936 R.P.C. 167. “The specification must be construed in the first instance as a written instrument and without regard to the alleged infringement: . . .”³⁸

[I]t is settled law that the title of the specifications of an invention claimed does not control the actual claim. A misleading title similarly is of little consequence. It is on a proper construction of the specifications and the claims that the true nature of the invention claimed is to be determined and the patent granted has to be construed. Rule 33 of the Indian Patents and Designs Rules, 1933, *inter alia*, lays down that the title should give a fair indication of the art or industry to which the invention relates. It should be brief, free from fancy expression free from ambiguity and as precise and definite as possible but it need not go into the details of the invention itself. Thus, the rule itself indicates that the title of the specifications does not govern the specifications or the claims.³⁹

In the above given observation the Court emphasized the point that “It is on *a proper construction of the specifications and the claims* that the true nature of the invention claimed is to be determined and

³⁷ Id. Para 10, page 7.

³⁸ Id. Para 12, page 7.

³⁹ Id. Para 13, page 89.

the patent granted has to be construed.” It is not sufficient to construe the claim for determining the true nature of the invention.

In *Aluminium Company of America v. Joint Controller of Patents & Designs*,⁴⁰ the question before the Court was whether the claims of the complete specification are allowed under Section 5(b) of the Patents Act or not?. The Court held that the applicants were claiming patent regarding invention to a substance prepared by chemical process. The Court observed that the applicants were claiming patent regarding invention to a substance prepared by chemical process and held as under:

The appellant is simply eliminating the stages in the manufacturing process of the said substance which involves chemical process but only relying on the portion of desublimation in converting the gaseous effluent into solid lobular Aluminium Chloride of particular shape. . . . The appellant cannot eliminate the portion of the chemical process involved and rely only on the stage of the physical process of final conversion from the gaseous state to the solid state, but the entire process has to be looked into, and admittedly that involves chemical process as indicated in the complete specification and the examples set out therein.⁴¹

It may be noted that in the above quoted observation the Court emphasized that what cannot be patented directly cannot be patented indirectly. It was the reading of the specification as a whole and the reading of the claims alone which enabled the Court to reach the conclusion that it reached.

In *Bishwanath Prasad Radhey Shyam v. Hindustan Metal Industries*,⁴² the Supreme Court described the procedure for obtaining an exclusive privilege under the 1911 Act (before the Amending Act 39 of 1970), as below:

The true and first inventor or his legal representative or assignee submits an application in the prescribed form and manner to the Patent Office. The application must contain a declaration to the effect that the application is in possession of an invention, for which he desires to obtain a patent. Such an application must be accompanied, *inter alia*, by either a provisional or complete specification. A provisional specification must prescribe the nature of the invention. A complete specification must particularly describe and ascertain the nature of the invention and the manner in which the same is to be performed. A specification whether provisional or complete, must commence with the title,

⁴⁰ AIR 1979 Cal 210 (SB) Calcutta High Court. Justice Salil K. Choudhury delivered the judgment.

⁴¹ Id. Para 41, page 155.

⁴² [1979] 2 SCR 757 (FB) Supreme Court. Justice R.S. Sarkaria delivered the judgment.

and in case of a complete specification must and with a distinct statement of the invention claimed. (Section 4)

The Controller then considers that application and may require the applicant to supply suitable drawings and such drawings shall be deemed to form part of the complete specification. If a complete specification is not left with the application, the applicant may leave it at any subsequent time within 9 months from the date of the application. The application is then examined by the Controller of Patents for the patentability of the invention. The Controller then makes a thorough search among his records for novelty. The Controller is bound to refer to an Examiner an application, in respect of which a complete specification has been filed. The Examiner then, after careful and elaborate examination, submits his report to the Controller, *inter alia*, as to whether or not-

- (a) the nature of the invention or the manner in which it is to be performed is particularly described and ascertained in the complete specification;
- (b) the application, specification and drawings have been prepared in the prescribed manner;
- (c) the title of the specification sufficiently indicates the subject-matter of the invention;
- (d) the statement of claim sufficiently defines the invention;
- (dd) the invention particularly described in the complete specification is substantially the same as that which is described in the provisional specification;
- (e) the invention as described and claimed is *prima facie* a manner of new manufacture or improvement;
- (f) the specification relates to more than one invention;
- (g)
- (h)

If, on perusing the report, the Controller is not satisfied with regard to any of the matters enumerated in Clauses (a) to (h) of Section 5(1), he may refuse to

accept the application or require that the application, specification or drawings be amended before he proceeds with the application.

The Supreme Court examined the title of the patent mentioned in the provisional and complete specification. The Supreme Court approved the method of construction of specification followed by the Trial Court. As the Trial Court first construed and considered the description of the invention in the provisional and complete specification, and then dealt with each of the claims, individually. The Supreme Court concluded that the Trial Court considered the claims and specification as a whole, in the light of the evidence on record.⁴³ The law declared by the Supreme Court under Article 141 of the Constitution of India can be formulated as: first construe the written description, enablement and best mode given in the specification and then construe the claims of the specification. The hypothesis of this Paper, therefore, has the support of Bishwanath Prasad Radhey Shyam.

In *Surendra Lal Mahendra v. Jain Glazers*,⁴⁴ it was alleged that the plaintiff has not disclosed in the specification as to what the laminating apparatus already available was and what was the modification and distinct improvement made and utility imparted by the plaintiff to the existing apparatus when he applied for the patent. In support of the validity of patent, the plaintiff argued that the Controller before accepting the patent must have satisfied himself that the claim and the specification etc. involved inventive step and that the invention claimed was patentable under the Act. While rejecting the argument, the Court observed as under:

[T]his argument, although specious on its face, is not tenable as it runs counter to the specific provisions contained in Sub-Section 4 of Section 13 of the Act which clearly lays down that the examination and investigation required under Sections 12 and 13 shall not be deemed in any way to warrant the validity of any patent. Thus despite all the safeguards and circumspection contemplated in various provisions of the Act against grant of patent in respect of a spurious, purloined or fake invention, the legislature minced no words in clarifying its intendment that no presumption of validity would attach to a patent granted by the Controller under the Act, notwithstanding examination and investigation made under Sections 12 and 13 thereof.⁴⁵

⁴³ The principle is followed in *F. Hoffmann-La Roche Ltd. v. Cipla Limited* 2008(37) PTC 71(Del) (SB) (Delhi High Court). Justice S. Ravindra Bhat delivered the judgment.

⁴⁴ ILR 1981 Delhi 257 (SB) Delhi High Court. Justice J.D. Jain delivered the judgment.

⁴⁵ The Court also analysed the provisions of the Act relating to for examination of the application for grant of patent and investigation of the claim, as under:

Chapter IV of the Act lays down an elaborate and comprehensive procedure for examination of the application for grant of patent and investigation of the claim. It inter alia envisages a search for anticipation by previous publication or by prior claim among the documents envisaged in Section 13 of the Act. These documents comprise specifications whether published in India or abroad and the text books and periodicals published any where relating

The Court, therefore, observed where a patent is challenged on the ground of insufficiency of disclosure and disclosure is found to be insufficient, the question of claim construction does not arise.

In *Bayer Aktiengesellschaft v. Controller of Patents*,⁴⁶ the petitioner submitted a complete specification for the patenting of compound “Chlorothio-N-Phthalimide” as a new intermediate product which by virtue of its reactive group is suitable for producing various end products such as herbicidal compound or auxiliary agents for rubbers. The petitioner filed an application for rectification of the entry in the register of the respondent by distinguishing between the words ‘herbicidal’ used in the complete specification and ‘weedicide’ mentioned in Section 2(1)(1)(iv) of this Act. While taking the help of the Webster's New World Dictionary, where the meaning of the word ‘herbicide’ is given as “any chemical substance used to destroy plants especially weeds”, the Court observed that a ‘herbicide’ is also a ‘weedicide’ and the respondent had correctly classified the product and had fixed the term of the patent in accordance with the provisions of Section 53(1)(a) of the Act. Such a finding of the Court was based on the construction of the whole specification and not only on the construction of claims.

In *Press Metal Corporation Limited v. Noshir Sorabji Pochkhanawalla*,⁴⁷ the question before the Court was that whether the invention is described in an obscure and ambiguous language, and the complete specification suffers from insufficiency. The question was answered in the affirmative by the Court. The Court observed as under:

It is the duty of a patentee to state clearly and distinctly the nature and limits of what he claims. If the language used by the patentee is obscure and ambiguous, no patent can be granted and it is immaterial whether the obscurity in the language is due to design or carelessness or want of skill. It is undoubtedly true that the language used in describing an invention would depend upon the class of persons versed in the art and who intend to act upon the specification.⁴⁸

to the art in question, the only limitation being that they should have been published before the date of filing of the applicant's complete specification. It is only after the examination and investigation as contemplated in Sections 12 & 13 of the Act is over that on consideration of the report of the examiner etc. the Controller is supposed to accept the complete specification and give notice thereof, to the applicant and advertise the same in the Official Gazette.

⁴⁶ AIR 1982 Cal 30 (SB) Calcutta High Court. Justice Pratibha Bonnerjea delivered the judgment.

⁴⁷ AIR1983 Bom 144 (SB) Bombay High Court. Justice B.J. Rele delivered the judgment.

⁴⁸ Id. Para 16, page 89.

Language used by the patentee in the specification must not be obscure and ambiguous. In other words, even if the language of claims is unambiguous and unequivocal no patent can be granted if the language of the rest of the specification is obscure and ambiguous.

In *Ajay Industrial Corporation v. Shiro Kanao of Ibaraki City*,⁴⁹ the Court dismissed the application of revocation of patent on the flexible plastic hose and observed that in the absence of any technical or expert evidence either indicating that statements of respondent are wrong or that the article produced incorporates no new devices to get over these defects, it cannot be held that the patent embodies no new discovery or invention. The Court reiterated that the specification and claims have all to be read together and reasonably and benevolently construed.

In *Monsanto Company v. Coramandal Indag Products (P) Ltd.*,⁵⁰ the question before the Supreme Court was that whether the ingredients, the active ingredient, the solvent and the emulsifier of the Herbicide 'Butachlor' were new or not? The question was answered in the negative by the Court, and it was observed that there is no patent for or any secrecy attached to Butachlor, the solvent or the emulsifying agent and the further fact that the process of emulsification is no new discovery, the present suit based on the secrecy claimed in respect of the active agent Butachlor and the claim for the process of emulsification must necessarily fail.

While referring Section 64(1) of the Act, the Court observed as under:

[U]nder Section 61(l)(d), a patent may be revoked on the ground that the subject of any claim of the complete specification is not an invention within the meaning of the Act. Under Section 64(e), a patent may be revoked if the invention so far as claimed in any claim of the complete specification is not new, having regard to what was publicly known or publicly used in India before the date of the claim, etc. Under Section 64(l)(f), a patent may be revoked if the invention so far as claimed in any claim of the complete specification is obvious or does not involve any inventive step having regard to what was publicly known or publicly used in India or what was published in India before the priority date of the claim (the words "or elsewhere" are omitted by us as the patents in the present case were granted under the Indian Patents and Designs Act, 1911, i.e., before the Patents Act 1970).

The Court concluded that the plaintiffs were merely camouflaging a substance whose discovery was known throughout the world and trying to enfold it in their specification relating to patent.⁵¹

⁴⁹ 1983(3)PTC245 (Del) (DB) (Delhi High Court). Justice S. Ranganathan delivered the judgment.

⁵⁰ [1986]1SCR120 (DB) Supreme Court. Justice O. Chinnappa Reddy delivered the judgment.

⁵¹ The principle observed in this case is followed in *Venkatraman Das v. V.N.S. Innovations Pvt. Limited* [http://judis.nic.in/Judis_Chennai/content.asp]. Delivered (SB) (Madras High Court). Justice Aruna Jagadeesan delivered the judgment. It was contended that there was nothing new in the plaintiffs patent. The Court

The patent was revoked for lack of novelty. Novelty is not described in the claims but is described in the other parts of the specification.

In *Standipack Private Limited v. Oswal Trading Co. Ltd.*,⁵² the injunction application was filed for restraining the defendant from manufacturing or using the patented pouch for storage and dispensing of a liquid such as lubricating oil. The issue before the Court was whether the patent in question was prior published? The Court observed that the patent was pre-published, publicly known and used in India before the priority date of claim. On the basis of the documentary evidence in the nature of invoices and advertisement in magazines, the Court concluded that the claim made by the plaintiff was already known in the trade and the patent was pre-published. The court determined the scope and validity of the claims in the light of the specification and other evidence.

In *Bilcare Limited v. Amartara Private Limited*,⁵³ the issue before the Court was whether the patent was granted for the two-layered films or multi-layered films. The Court observed that the plaintiff failed to obtain the patent in terms of the original application for a two layered film and thus the patent was really granted for a multi-layered film. The specifications referred to showed that it was really a patent for a multi layered film and not for two-layered film. The Court observed as under:

The plea . . . that the third layer was optional does not find sustenance from the patent application itself as there is no mention of this fact in the specifications of the patent or the claims. Thus *prima facie* the patent was granted for a multi layered film while the defendant is really using two layered film.

According to the Court, it was the disclosure in the specification which determined the scope and validity of the claims.

In *ALA Engineering Ltd. v. Controller of Patents*,⁵⁴ the Assistant Controller of Patents allowed the request of the patentee to carry out certain corrections/clerical errors in the claims of the patent. It was contended that the amendments made to the claims substantially changes the scope and subject of the patent and reflects the fraud and misrepresentation made by the patentee to the Controller of Patents. On the issue that the amendments were carried out after the original application was published in the Patent Journal, the Court set aside the order of the Assistant Controller and observed as under:

observed that the Plaintiff was merely camouflaging a product (Disposable Armpit Perspiration Pad) whose discovery was known throughout the world and trying to enfold it in their specification.

⁵² AIR2000Delhi23 (SB) Delhi High Court. Justice Dr. M.K. Sharma delivered the judgment.

⁵³ 2007(34)PTC419(Del) (SB) (Delhi High Court. Justice Sanjay Kishan Kaul delivered the judgment.

⁵⁴ 2007(34) PTC 457(Del) (SB) (Delhi High Court. Justice Sanjay Kishan Kaul delivered the judgment.

[W]hile purporting to exercise powers under Section 78 of the said Act, there cannot be any amendment of the application as in that eventuality the procedure of Section 57 read with Section 59 of the said Act must be followed. There appears to be also absence of any power of the Controller to make any amendment *suo motu*. The scrutiny has to take place whether really speaking the plea of respondent No. 2 that it was a mistake in translation can be accepted by finding out the correct translation as compared to the original.

In other words, the Court said that if the applicant has not disclosed any feature of the invention before publication of the application he cannot be allowed to claim that feature by way of amendment.

In *Garware-Wall Ropes Ltd. v. Techfab India*,⁵⁵ the plaintiff claimed patent in respect of a pre-fabricated collapsible gabion product in flexible form made from ropes. The Controller had no occasion to examine the claim made by the plaintiff as an improvement over the existing art and upheld the claim for patent made by the plaintiff. The Court observed as under:

[T]his aspect will be considered for the first time in the revocation proceedings. There is, therefore, a serious triable issue on decision of which legality and validity of the patent depends namely whether the features claimed to be a novelty or a technical advance as compared to the known prior art, not obvious to the persons skilled in the art.⁵⁶

On the proposition that the grant of patent is not a *prima facie* proof of validity, the Court observed as under:

Section 13(4) of the Act states that examination and investigation required under Section 12 and this Section shall not be deemed in any way to warrant the validity of any patent, and no liability shall be incurred by the Central Government or any officers thereof by reason of, or in connection with, any such examination or investigation or any report or other proceedings consequent thereon. Therefore, the Legislators have very clearly and unambiguously stated that grant of a patent does not warrant any validity and, therefore, a separate provision has been provided in Section 113(1) authorizing the High Court in such proceedings as the present matter to provide a certificate of validity to a claim in a patent. Therefore, if the High Court finds that in such a matter, the claim is not valid, the patent should be

⁵⁵ 2009(39) PTC 297(Guj) (DB) (Gujarat High Court). Justice K.A.Puj delivered the judgment

⁵⁶ Id. Para 49, page 320.

revoked. Section 13(2) states that the examiner shall, in addition, make such investigation for the purpose of ascertaining whether the invention, so far as claimed in any claim of the complete specification, has been anticipated by publication in India or elsewhere in any document other than those mentioned in Sub-Section (1) before the date of filing of the plaintiff's complete specification. Thus, it is humanly impossible for any examiner to check for prior art in all the databases not only of patents granted or pending in all languages all over the world, but also all other documents or publications including prior knowledge in any language anywhere in the world. Therefore, Section 13(4) examination and investigation leading to grant of patent shall not be deemed in any way to warrant the validity of any patent.⁵⁷

In *S. Ram Kumar v. Micromax Informatics Limited*,⁵⁸ the issue before the Court was whether the product of the respondent was the exact specification of the product patented by the appellant. The question was answered in the negative by the Court. The Court observed that a perusal of the Section 105(3) shows that while granting a refusal and injunction under the Act, any observation made with respect to the patent and specifications of a patent, the same will not “imply” that the patent is valid or invalid. In any case, it is necessary for the grant or refusal of the relief under Section 106, a record of findings as to whether the product of the respondent is different from the product patented by the appellant or not. A reading of Section 106 shows that a respondent is rather called upon to prove that his act would not amount to an infringement in respect of a claim of the specifications not shown by the appellant to be invalid.

In *B. Barun Melsungen AG v. Mobinder Paul*,⁵⁹ it was submitted that the entire claim made by the plaintiffs regarding invention was false as a safety catheter was a well-known product in the market. While considering the various patents filed in US and other countries, the Court dismissed the suit for permanent injunction against defendants and observed as under:

[I]t is apparent from the above description of prior inventions and similar many more inventions that increasing the diameter or slightly widening a portion of the needle tip was not a new invention. Hence the inventive step, as claimed by plaintiffs, was not in fact a new step. Similarly, providing of a safety guard to cover the needle tip was also not an inventive step but it was a prior known step. Thus, the so called invention of plaintiff is in fact a prior art

⁵⁷ Id. Para 51, page 320-321.

⁵⁸ http://phhc.gov.in/pdf/fo_lobis/FAO_2757_2009_13_08_2009_FINAL_ORDER.pdf (SB) (Punjab & Haryana High Court). Justice Nirmaljit Kaur delivered the judgment. Last visited on 01st March 2015.

⁵⁹ 2009(40)PTC593 (Del) (SB) (Delhi High Court). Justice Shiv Narayan Dhingra delivered the judgment.

and was well known to the players of the field. It cannot be said that there was a real inventive step or invention made by plaintiff.⁶⁰

In *TVS Motor Company Limited v. Bajaj Auto Limited*,⁶¹ the appellant pointed out that what was claimed in the complete specification varies with what is claimed in the application filed in support of the injunction and that the respondent cannot be permitted to improve the functions as mentioned in the complete specification by making any statement in the affidavit filed in Court. The Court noted that the patent specification should be read by a person skilled in the relevant art.⁶² While referring various decisions, the Court formulated the following principles, inter alia relating to specifications:

- i. Irrespective of the examination and investigation made under Sections 12 and 13 of the Patents Act, no presumption can be drawn as to the validity of the patent and whether the application for revocation of patent is pending and when serious controversy exist as regards the existence of an invention based on prior art, the Court should be slow in granting the injunction.⁶³
- ii. The general rule in regard to the construction of the validity of a patent is that construction which makes it valid should be preferred rather than the construction which rendered it invalid.
- iii. Patent specification should intend to be read by a person skilled in the relevant art but their construction is for the Court and to do so it is necessary for the Court to be informed as to the meaning of the technical words and phrases and what was the common general knowledge i.e., the knowledge that the notional skilled man would have.
- iv. In construing an allegation of infringement, what is to be seen is whether the alleged infringement has taken the substance of the invention ignoring the fact as to omission of certain parts or addition of certain parts.⁶⁴

The Court held that while the acclaimed novel feature of the respondent's product is twin plug operation resulting in improved internal combustion, the acclaimed novel feature in the

⁶⁰ Id. Para 16, page 599.

⁶¹ 2009(40)PTC689(Mad) (SB) (Madras High Court). Justice F.M. Ibrahim Kalifulla delivered the judgment.

⁶² For the same idea also see *Ten XC Wireless Inc. v. Mobi Antenna Technologies* 2011(48)PTC 426(Del) (SB) (Delhi High Court). Justice J.R. Midha delivered the judgment.

⁶³ Id. Para 69, page 716.

⁶⁴ Id. Page 717.

appellant's product is in the operation of two intake valves with one exhaust valve providing a combination of swirl and tumble operation of lean and rich air fuel mixture in its internal combustion process of course with the aid of twin plugs. On the basis of above finding the Court concluded as under:

As far as the application of the concept of pith and marrow of the claim, what is stated is that novel feature which is claimed to be essential would constitute the pith and marrow. . . . If the pith and marrow of the respondent and the appellant are distinctively identifiable there is absolutely no scope for grant of injunction.⁶⁵

In *Chemtura Corporation v. Union of India*,⁶⁶ it was contended by the defendant that plaintiff obtained the patent on a false representation and failed to disclose to the Controller of Patents the information in terms of Section 8 of the Act, therefore the patent was liable to be revoked on the grounds mentioned in Section 64(1)(j) and (m) of the Act. The question before the Court was whether the defendants have put forth a substantial question of invalidity to show that the claims at issue are vulnerable? While dealing with the provisions of Section 8, the Court observed as under:

As far as Section 8(2) is concerned, the Controller on his own may also require the applicant to furnish details relating to the processing of the application in a country outside India, and in that event the applicant shall furnish to the Controller information available to him within such period as may be prescribed. That requirement is mandatory as has been further emphasized by the wording of Section 64(1)(j) [that the applicant has failed to disclose to the Controller the information required by Section 8 or has furnished information which in any manner was false to his knowledge] which indicates the non-compliance with such directive of the Controller as a ground for the revocation of the patent. The obtaining of a patent, on a false suggestion or representation is a further ground of revocation under Section 64(1)(m).⁶⁷

On the issue relating to the omission to furnish particulars and its affect on the grant of the patent, the Court observed as under:

It is not possible to accept the submission, made by referring to the Halsbury's Laws of England, that since the omission to furnish particulars is not serious enough to affect the grant of the patent; it did not impinge on its

⁶⁵ Id. Para 82, page 722.

⁶⁶ 2009(41)PTC260(Del) (SB) (Delhi High Court). Justice S. Murlidhar delivered the judgment.

⁶⁷ Id. Para 40, page 277.

validity. Section 64(1)(j) and (m) indicate to the contrary. Further under Section 43(1)(b) a patent can be granted only when the application has been found not to be contrary to any provision of the Act. It cannot be said that the omission to comply with the requirement of Section 8(2) was not serious enough to affect the decision of the Controller to grant the patent to the plaintiff. The information, if provided, would have enlightened the Controller of the objections raised by the US patent office and the extent to which the plaintiff had to limit its claims to the torus shape of the compression spring, which was a key feature of the subject device. Had the Controller been informed of the Plaintiff's own patent No. 3932005 dated 13th January 1976, he would have been called upon to examine if that patent taught the use of a toroidal shape of a compression member and whether therefore the subject device was an inventive step within the meaning of the Act.⁶⁸

In *Bayer Corporation v. Cipla*,⁶⁹ it was contended by the plaintiff that the information provided by the defendant in the subject patent specification, is the same as the drug for which subject patent has been granted to plaintiff. The Court concluded that the unpatented drugs were not “spurious drugs”, and highlighted the role of specification as under:

An inventor or applicant seeking patent has to apply with specifications which conform to what is prescribed under Section 10 (of the Patents Act). Specification for patents have to fully and particularly describe the invention, its operation or use and the method by which it is to be performed. It should also disclose the best method of performing the invention, which is known to the applicant and for which the applicant is entitled to claim protection; and they have to end with claim(s) defining the scope of the invention for which protection is claimed.⁷⁰

In *Glaverbel S.A. v. Dave Rosel*,⁷¹ the alleged invention of the plaintiff relating to a mirror without a copper layer was challenged on the grounds of lack of novelty, inventive step and non disclosure of the similar patent claim. The Court observed as under:

The another thing which requires discussion at this juncture is that novelty, inventive step and industrial application are the three trinity tests of patentability and the same are to be satisfied independently of each other although it is separate issue that they may be interdependent upon each other

⁶⁸ Id. Para 45, page 280.

⁶⁹ 2009(41)PTC634(Del) (SB) (Delhi High Court). Justice S. Ravindra Bhat delivered the judgment.

⁷⁰ Id. Para 33, page 649.

⁷¹ <http://lobis.nic.in/ddir/dhc/MAN/judgement/30-01-2010/MAN27012010IA37562007.pdf> (SB) (Delhi High Court). Justice Manmohan Singh delivered the judgment. Last visited on 04st June 2015.

as novelty promotes invention which enhances its applicability in the industry. Thus, the challenge which in the present case is raised has to be looked into from the perspective of novelty or newness as well as inventive step or obviousness wherein the criterion is that the same invention cannot be known to the person skilled in the art.⁷²

On the parameters of the examination of the patents, the Court observed as under:

There is no *res integra* to the question that the grounds of challenge of the patent which are available to the defendant in revocation of the patent are also available to the defendant by way of challenging the validity of the same in an infringement suit.⁷³

In *Low Heat Driers (P) Ltd. v. Biju Goyal*,⁷⁴ validity of the claims of the specification was contested as the claims were publicly known. The Court found that the claims in complete specification have a definite tendency of defining the scope of the invention⁷⁵ for which protection has been claimed and upheld as valid. The Court observed that an invention is confined only to a claim.

In *Glochem Industries Ltd. v. Cadila Healthcare Ltd.*,⁷⁶ the question before the Court was that whether the disclosure of a new form of known substance in respect of which Patent is applied results in the enhancement of the known therapeutic efficacy or not? The question was answered in the negative by the Court. While considering the provisions of the Act and precedents on these issues, the Court observed that considering the exposition in *Novartis AG v. Union of India* (2007) of the Madras High Court, the Assistant Controller of Patents ought to have examined whether the factors noted in the impugned order had the effect of enhancement of known efficacy of stated substance in the context of better therapeutic effect which is the legislative intent behind the amendment of Section 3(d) and not recognize the alleged invention merely because of its new form or some other advantages or is better in some respect.

In *Natural Remedies Private Limited v. Indian Herbs Research & Supply Co. Ltd.*,⁷⁷ the question before the Court was that whether the alleged specification does sufficiently and fairly describe

⁷² Id. Para 67, page 46.

⁷³ Id. Para 64, page 45.

⁷⁴ http://judis.nic.in/judis_kerala/chejudis.aspx (SB) (Kerala High Court). Justice V. Ramkumar delivered the judgment on 17th May 2010.

⁷⁵ Emphasis added.

⁷⁶ AIR 2010 Bom76 (DB) (Bombay High Court). Justice A.M. Khanwilkar delivered the judgment.

⁷⁷ <http://judgmenthck.kar.nic.in/judgments/bitstream/123456789/693751/1/OS1-04-09-12-2011.PDF> (SB) (Karnataka High Court). Justice N. Kumar delivered the judgment. Last visited on 01st May 2015. Cf. *Farbwerke Hoechst Aktiengesellschaft Vormals Meister Lucius & Bruning a Corporation v. Unichem Laboratories at f. n. 23.*

the invention or not. The question was answered in the negative by the Court. While analyzing the provisions of Section 10 of the Act, the Court observed as under:

Section 10(4)(a) contemplates three steps.

- (1) Fully and particularly describe the invention.
- (2) Its operation or use.
- (3) The method by which it is performed.

It has to be read conjunctively. All the three characteristics have to be specified.

The Court also analyzed the way of construction of a specification as under:

The proper way to construe a specification is not to read the claims first and then see what the full description of the invention is but first to read the description of the invention,⁷⁸ in order that the mind may be prepared for what it is, that the invention is to be claimed, for the patentee cannot claim more than he desires to patent. As far as possible the claims must be so construed as to given an effective meaning to each of them, but the specification and the claims must be looked at and construed together.⁷⁹

In *Novartis AG v. Union of India*,⁸⁰ it was argued by the Appellant that the coverage or the claim, and the disclosure or the teaching, has different parameters in a patent. That is to say, for the purpose of prior art, it is the disclosure in the specification supporting the claim and not the written description or the claims themselves, which must be assessed. The Supreme Court rejected this argument, on the basis of the provisions of Section 10(4) and (5) of the Patents Act, 1970; Section 14 (2), (3), and (5) of the UK Patents Act, 1977; and Section 112(a) of the Title 35 of US Code. While referring the peculiar characteristic of Indian patent law, the Court observed as under:

[I]n this country the law of patent, after the introduction of product patent for all kinds of substances in the patent regime, is in its infancy. We certainly do not wish the law of patent in this country to develop on lines where there may be a vast gap between the coverage and the disclosure under the patent; where the scope of the patent is determined not on the intrinsic worth of the

⁷⁸ Emphasis added.

⁷⁹ Id. Para 47, page 63-64.

⁸⁰ <http://dspace.judis.nic.in/bitstream/123456789/67510/1/40212.pdf> (Supreme Court) (DB). Justice Aftab Alam delivered the judgment. Last visited on 01st June 2015.

invention but by the artful drafting of its claims by skillful lawyers, and where patents are traded as a commodity not for production and marketing of the patented products but to search for someone who may be sued for infringement of the patent.⁸¹

In *M.C. Jayasingh v. Mishra Dhatu Nigam Limited*,⁸² the question before the Court was that whether the defendant is engaged in the manufacturing, making or use of a prosthesis identical to the registered patent of the plaintiff or not? The question was answered in the negative by the Court. The Court observed that the claims as the teachings and specifications that a patentee makes, stand on a different footing than the claims made by another competitor in defense to an action for infringement. The Court observed as under:

In so far as the patent rights are concerned, the facts pleaded are especially within the knowledge of the person staking a claim. Though the Controller of Patents examines the patentability of a product or process, with reference to the Teachings, Claims and Specifications and also makes an investigation about anticipation by previous publication, he does not guarantee the validity of the patent. This is due to the fact that a patent specification is actually a unilateral statement made by the patentee in words of his own choosing. This principle referred as the 'doctrine of pith and marrow of the claim'.⁸³

⁸¹ Id. Page 81, para 156.

⁸² http://judis.nic.in/judis_chennai/Judge_Result_Dispatch.asp?MyChk=44895 (SB) (Madras High Court). Justice V. Ramasubramanian delivered the judgment.

⁸³ Id. Para 98, page 52.

The Court has referred the two foreign decisions to elaborate this finding. Lord Diplock in *Catnic Components Ltd. v. Hill & Smith Ltd.* (1982 RPC 183) as follows:

[A] patent specification is a unilateral statement by the patentee, in words of his own choosing, addressed to those likely to have a practical interest in the subject matter of his invention (i.e. 'skilled in the art'), by which he informs them what he claims to be the essential features of the new product or process for which the letters patent grant him a monopoly. It is those novel features only that he claims to be essential that constitute the so called 'pith and marrow' of the claim. A patent specification should be given a purposive construction rather than a purely literal one derived from applying to it the kind of meticulous verbal analysis in which lawyers are too often tempted by their training to indulge. The question in each case is: whether persons with practical knowledge and experience of the kind of work in which the invention was intended to be used, would understand that strict compliance with a particular descriptive word or phrase appearing in a claim was intended by the patentee to be an essential requirement of the invention so that any variant would fall outside the monopoly claimed, even though it could have no material effect upon the way the invention worked....The question, of course, does not arise where the variant would in fact have a material effect upon the way the invention worked. Nor does it arise unless at the date of publication of the specification it would be obvious to the informed reader that this was so. Where it is not obvious, in the light of the then existing knowledge, the reader is entitled to assume that the patentee thought at the time of the specification that he had good reason for limiting his monopoly so strictly and

While elaborating the concept of specification under the statutory scheme of the Patents Act 1970, the Court observed as under:

When an application for registration of a patent is filed, the Controller of Patents examines the application on the basis of (i) teachings; (ii) specifications; and (iii) claims with reference to certain parameters including anticipation. The expressions “teachings”, “claims” and “specifications” are not defined in the Act. But, under Section 7(4) of the Act, every application for the grant of a patent should be accompanied by a provisional or a complete specification. The procedure for filing such specifications is prescribed in Section 9. Section 10, which lists out the contents of specifications, requires under Sub-Section (4) that every complete specification should (i) describe the invention, its operation/use and the method by which it is to be performed; (ii) disclose the best method of performing the invention; (iii) end up with a claim or claims defining the scope of invention, for which, protection is claimed; and (iv) be accompanied by an abstract to provide technical information on the invention. The requirements of Sections 7(4) read with 10(4) are what are known in simple terms as (i) teachings; (ii) specifications; and (iii) claims.⁸⁴

Rule 13 of the Patent Rules, 2003 requires every application for the grant of a patent submitted in Form-1 to be accompanied by a provisional/complete specification in Form-2. As part of Form-2, the applicant should submit his

had intended to do so, even though subsequent work by him or others in the field of the invention might show the limitation to have been unnecessary. It is to be answered in the negative only when it would be apparent to any reader skilled in the art that a particular descriptive word or phrase used in a claim cannot have been intended by a patentee, who was also skilled in the art, to exclude minor variants which, to the knowledge of both him and the readers to whom the patent was addressed, could have no material effect upon the way in which the invention worked.

[I]n *Glaverbel SA vs. British Coal Corporation* [1994 (13) R.P.C. 443], the Patent Court of U.K., elicited the following principles on the question of construction of the patent.

The principles laid down are (i) the complete specification, a unilateral document, must be read as a whole in the light of the surrounding circumstances, as at the date of the publication of the specification and with regard to the alleged subsequent infringement; (ii) in reading the specification as a whole the different functions of the claim and the rest of the specification should be observed, although the claims are construed in the context of a specification as a whole, it is not permissible to restrict, expand or amend the clear language of a claim by reference to a limitation or gloss in the language used in the earlier part of the specification; (iii) the Court should read and construe the specification objectively through the eyes of the person to whom it is addressed and to whom common general knowledge is imputed; (iv) the specification should be given a purposive construction and not a purely literal one; (v) it is for the Court and not for any witness, however expert to decide the question of construction in accordance with the meaning of the language used.

⁸⁴ Id. Para 104, page 56.

“claims” regarding the invention. Once an application for the grant of a patent, containing complete specifications incorporating the claims and technical information is submitted and it is found to be complete in all respects, the application is examined by the Examiner in terms of Section 13, for finding out whether the invention, as claimed in the claim of the complete specification has been anticipated by publication. Though Section 13(1) statutorily obliges the Examiner to make an investigation into the question of anticipation by publication, Sub-Section (4) makes it clear that the examination and investigation will not be deemed in any way to warrant the validity of any patent.⁸⁵

On analysis of various judgments of Supreme Court and different High Courts, it seems that the judicial approach of the Courts in India is not uniform and consistent. In *Imperial Chemical Industries Ltd. v. Controller General of Patents*⁸⁶ the Calcutta High Court observed that “*It is the claims, and claims alone which constitute the patent*” which was neither supported by statutory provisions of the Act nor any precedent. Similarly on issue of the proper way to construction of the specification in *Farbwerke Hoechst Aktiengesellschaft Vormals Meister Lucius & Bruning a Corporation v. Unichem Laboratories*,⁸⁷ the Bombay High Court observed that it is permissible to refer to the body of the specification only when there is any ambiguity or difficulty in the construction of a claim as it stands. On the other hand, in *Natural Remedies Private Limited v. Indian Herbs Research & Supply Co. Ltd.*,⁸⁸ the Karnataka High Court observed that the proper way to construe a specification is not to read the claims first and then see what the full description of the invention is but first to read the description of the invention, in order that the mind may be prepared for what it is, that the invention is to be claimed, for the patentee cannot claim more than he desires to patent.

PART III CONCLUSIONS

Judicial approaches as to interpretation-construction of written description-claim seem to oscillate between the two competing and converse methods: (i) claim first, written description later, and (ii) written description first, claims later. The first method seems to be contrary to the approach of statutory scheme. The second method seems to be in consonance with scheme of the provisions of the Patents Act. The recourse to the first method seems to be influenced by the approach described in Halsbury’s Laws of England. This generally happens in India, when the

⁸⁵ Id. Para 105, page 56-57.

⁸⁶ AIR 1978 Cal 77 (SB) Calcutta High Court. Justice Sabyasachi Mukharji delivered the judgment.

⁸⁷ AIR 1969 Bom 255 (SB) Bombay High Court. Justice Vimadalal delivered the judgment.

⁸⁸ <http://judgmenthck.kar.nic.in/judgments/bitstream/123456789/693751/1/OS1-04-09-12-2011.PDF> (SB) (Karnataka High Court). Justice N. Kumar delivered the judgment. Last visited on 01st May 2015.

Courts look forward to the foreign authorities and ignore the applicable statutory provisions. The provisions of the Patents Act are patently explicit and clear in saying that the claims must be fairly based on the written description. Recourse to foreign authorities is uncalled for where the language of the statutory provisions is unambiguous, unequivocal, clear and certain. The best course for determining the (in)validity of claim is enunciated in by the Supreme Court in Bishwanath Prasad Radhey Shyam when it concluded that the Trial Court considered the claims and specification as a whole, in the light of the evidence on record.

In view of the above, it is concluded that the hypothesis of the paper that the claim rather than being only a determiner of patent right is first of all a determined stands verified in the light of the provisions of the Patents Act and judicial decisions. Though there are few cases emphasizing that claims first, written description later. However, these few cases cannot withstand the scrutiny of provisions of the Patents Act.

THE MELTDOWN OF HOT NEWS

PRATYUSH PANDEY

Can 'facts' be copyrighted? Can a quasi-property right be created on match scores? Is the 'hot news' doctrine relevant today? Is the 'modicum of creativity' test sufficient for awarding copyright? This article attempts to answer these questions with the help of a case currently pending in appeal in the Supreme Court of India. This judgment holds value, for the Delhi High Court has passed a judgment against one of world's richest sports organization BCCI. However, the Supreme Court on appeal passed an interim injunction requiring status quo before the High Court judgment was passed. The Delhi High Court used the 'modicum of creativity' test to decide whether the 'scores', which are the main contention here, can be copyrighted. The court also rejected the 'hot news' doctrine citing various common law judgments which held that it was inadequate. The judgment is detailed and well-justified. The court also applied the NBA case (which had facts similar to the instant case) to reach its conclusion. This judgment, though praiseworthy, went largely unreported. The article brings in a fresh perspective to the issue in hand. The article is appreciative of the judgment and it tries to weigh in the need and the effects of such a decision. The article discusses the court's valuable foresight and reasonableness in doing away with an age old test and adjusting with the current times. It also helps in clarifying the notion that 'facts cannot be copyrighted' and puts light on what constitute 'facts' in terms of intellectual property.

THE JUDICIAL JOURNEY SO FAR

The present case¹ is an appeal to the Delhi High Court against the judgment of a single-judge bench. The learned single judge by an order dated 08.11.2012² rejected the three suits and held that they were barred. The division bench set aside the learned single judge's order and directed that the application for ad-interim injunction in the manner prescribed earlier.³ Thereafter, the case was heard by Justice M. L. Mehta who imposed a limited interim injunction on restraining the defendants from disseminating contemporaneous match information in the form of ball-by-

¹ Star India Pvt. Ltd. v. Piyush Agarwal & Ors., (2013) 3 MIPR 1.

² Star India Pvt. Ltd. v. Piyush Agarwal & Ors., (2014) 58 PTC (Del) 169.

³ Star India Pvt. Ltd. v. Piyush Agarwal & Ors. dated 3rd December, 2012.

ball or minute-by-minute score updates/match alerts for a premium, without obtaining a license from the plaintiff.⁴ The court further held that no license shall be required if the defendants do it gratuitously or after a time lag of 15 minutes.⁵ The defendants Piyush Agarwal (the owner of Cricbuzz), Idea Cellular Pvt. Ltd. (hereinafter referred to as 'Idea') and Onmobile Global Limited (hereinafter referred to as 'Onmobile') challenged the judgment on the grounds that the single-judge bench was erroneous in creating new property rights with respect to 'scores' when no such property rights existed in the statute. Piyush Agarwal appealed through Akuate Internet Services Pvt. Ltd. (hereinafter referred to as 'Aquate'), the parent company of Cricbuzz.

The Division Bench of the High Court reversed the impugned judgment and held that 'facts' (in this case being scores of cricket matches) cannot be copyrighted. The court held that the legislature had no intention to create property rights with respect to scores while framing the legislation and hence, the single bench was wrong in creating such rights. The single judge bench based its decision on the 'hot news' doctrine as laid down in *International News Service v. Associated Press*⁶ (hereinafter referred to as 'INS case'). The court cited decisions of various courts of United States of America, United Kingdom and Australia to hold that the 'hot news' doctrine as laid down in no more holds good. The court upheld the 'modicum of creativity' test as was laid down by the Supreme Court of India in *Eastern India Company v. D. B. Modak*⁷. On the basis of the reasoning provided in the issues discussed above the court also held that the appellants in the present case, by disseminating match information through live scorecards, match updates and score alerts through Short Messaging Service (SMS) or Mobile Value Added Service (MVAS), did not take part in unfair competition and were not unjustly enriched.

The case is currently pending in the Supreme Court which ordered a status quo in the matter as on 13.03.2013 when the single-Judge bench of the Delhi High Court had passed the partial injunction order against the live score updates.⁸

The primary contention in this case was whether facts are copyrightable under the Indian Copyright Act, 1957. The original appellants relied heavily on the 'hot news' doctrine which shall be discussed in detail in this paper along with its relevance in India. The division bench of the Hon'ble High Court of Delhi applied the 'modicum of creativity' test in the case to decide in favour of the defendants here. The learned single judge had identified some issues for consideration in this case which also included the question whether the defendants were free-riding on the efforts of the plaintiff. The Division Bench in their judgment had sub-divided the

⁴ Star India Pvt. Ltd. v. Piyush Agarwal & Ors., (2013) 3 MIPR 1 ¶58.

⁵ *Ibid.*

⁶ *International News Service v. Associated Press* 248 U.S. 215: 39 S.Ct. 68 (1918).

⁷ *Eastern India Company v. D. B. Modak* 2008 (1) SCC 1.

⁸ Star India Pvt. Ltd. v. Piyush Agarwal & Ors., (2013) 3 MIPR 1 ¶58.

case into three distinct parts: ‘Hot news’ doctrine and its application in India, unfair competition, and unjust enrichment.

FACTS AND ISSUES

Board for Control of Cricket in India (hereinafter referred to as ‘BCCI’) is a non-profit making organization registered under the Tamil Nadu Societies Registration Act, 1975, which officially controls the organized game of cricket in India.⁹ Star India Pvt. Ltd. (hereinafter referred to as ‘Star’) claimed that they had spent Rs. 3581 Crores to successfully bid for the Media Rights Agreement dated 10.08.2012.¹⁰ According to the terms of the agreement, BCCI gave Star the television broadcasting rights, as well as ‘Mobile Rights’ and ‘Mobile Activation Rights’.¹¹ BCCI was arrayed as the defendant in these cases but has supported Star claiming paramount rights over all information emanating from cricketing events as the organizer and promoter of that sport in India.¹²

The defendants Aukate, Onmobile and Idea provide various services to their customers with respect to cricket matches. These include primarily disseminating live score updates to the subscribers either through SMS or MVAS. The customers pay a premium subscription fee for access to these services. Star’s contention was that the defendants were infringing upon the ‘Mobile Rights’ and ‘Mobile Activation Rights’ they had bought for a price from BCCI. Further, they also claimed that the defendants were free-riding on the broadcast services provided by Star by using these services to provide match updates. They were providing these services without getting a license for the same from Star. The appellants had the right to provide licenses for all the media rights it had received by the agreement between Star and BCCI.

The appellants in this case successfully argued that facts cannot be ‘owned’ by anybody either under statute or common law.¹³ They claimed that match information of the kind which is the subject matter of the suit is not protectable under copyright protection. The appellants asserted that once an event occurs, it becomes a fact which cannot be monopolized. The defendants relied on the ‘hot news’ doctrine and asserted that the appellants were getting unjustly enriched.

⁹ Secretary, Ministry of Information and Broadcasting, Govt. of India &Ors. v. Cricket Association of Bengal &Ors., (1995) 2 SCC 161.

¹⁰ Star India Pvt. Ltd. v. Piyush Agarwal & Ors., (2013) 3 MIPR 1 ¶2.

¹¹ *Id* ¶1.

¹² *Ibid*.

¹³ Star India Pvt. Ltd. v. Piyush Agarwal & Ors., (2013) 3(1) MIPR 1 ¶14.

The most fundamental axiom of copyright law is that ‘no author may copyright his ideas or the facts he narrates.’¹⁴ Copyright can be given in respect of expression of ideas and not the underlying facts or thoughts themselves.¹⁵ In *Feist Publications, Inc. v. Rural Telephone Service Co.*¹⁶, the court clearly held that there can be no valid copyright in facts. It was also held that for a work to be copyrighted, it must be the result of the creativity of a person and not mere facts. The exercise of the skill and judgment required to produce the work is trivial and is on account of the labour and the capital invested and could be characterized as purely a work which has been brought about by putting some amount of labour.¹⁷

The Feist case¹⁸ was relied on by the Supreme Court in the case of *Eastern Book Company v. D. B. Modak*¹⁹. It was held that mere copy-edited portions of judgments (which contained the basic facts) did not entitle the publisher copyright protection as they did not amount to "minimum requirement of creativity"²⁰.

Chapter VIII of the Copyright Act was amended in 1994 to insert Section 38 which recognised the rights of the performer through Performers’ Rights. Similarly, broadcast rights were not given statutory protection under the Act and were introduced through the 1994 amendment. Section 39A of the Act has extended the rights created for copyright protection to broadcast rights. This, however, does not exclude those provisions which are not expressly mentioned therein. Section 16 of the Act a ‘copyright or any similar right’ apart from what is created by the Act.

The INS case,²¹ which propounded the ‘hot news’ doctrine, was filed in the backdrop of the First World War. Certain news organizations in United States consented to form editorial consortiums for comprehensive news coverage and minimizing costs. The two parties in this case were parties to such an agreement. Associated Press alleged that International News Service copied news from bulletin boards and from early editions of Associated Press members’ newspapers and passed the news off as its own to its customers. The respondents had invested resources in reporting world affairs from across the Atlantic Ocean during the First World War and alleged misappropriation on part of INS. The court was faced with a two-fold question, firstly, whether a property rights in news existed to prohibit this misappropriation, and if so, whether such a property should be limited in time to balance the competing interests. The majority was of the opinion that the news

¹⁴ *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 556 (1985).

¹⁵ *Star India Pvt. Ltd. v. Piyush Agarwal & Ors.*, (2013) 3(1) MIPR 1 ¶14.

¹⁶ *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340 (1991).

¹⁷ *University of London Press, Ltd. v. University Tutorial Press, Ltd.*, (1916) 2 Ch. 601.

¹⁸ *Id* ¶15.

¹⁹ *Eastern India Company v. D. B. Modak* 2008 (1) SCC 1.

²⁰ *Ibid*.

²¹ *International News Service v. Associated Press* 248 U.S. 215: 39 S.Ct. 68 (1918).

in question was not copyrightable as ‘it was not the creation of a writer but is a report of matters that ordinarily are public juris; it is the history of the day.’²² Nevertheless, Justice Pitney went on to propound the ‘hot news’ doctrine in the latter part of his judgment. The defendant in his opinion was ‘endeavouring to reap where it has not sown’²³ and is ‘appropriating to itself the harvest of those who have sown.’²⁴ The court held it as unfair competition in business as the defendants were not burdened ‘with any part of the expense except gathering the news’.²⁵

The INS judgment was however not unanimous and one of the dissenting judges stated the necessity of prescribing limitations and rules for the enjoyment of the new private right and also to provide administrative machinery for the same. The ‘hot news’ doctrine was criticized in the same court where it was propounded. This doctrine was not accepted from its very inception. The doctrine was lacking in certain respects which was clearly put forth in the court where it was born. The US Supreme Court had had that there was no copyright in the facts (which a news is typically), however due to tremendous efforts put in by either a certain individual or company, it must get certain advantage, particularly commercially, vis-à-vis its competitors, and that advantage can be in the terms of a little bit of time which can be stipulated before which the others are free to use the same facts.²⁶

*National Basketball Association and NBA Properties Inc. v. Sports Team Analysis and Tracking Systems*²⁷ (hereinafter referred to as the NBA-1 case) was decided on the lines of INS²⁸ and held that the right of providing scores, alerts and updates was only saleable by the organisers as it was a result of expenditure of skill, labour and money by them. The defendants had interfered with the organisers’ business by providing score updates via SMS.

In *Cheney Brothers v. Doris Silk Corporation*²⁹, the Second (Appellate) Circuit Court did not follow the precedent set by the INS case³⁰. The Learned Chief Judge said that the INS judgment was one such instance where the law laid down could not be applied generally. It was a one-time justification for the INS case and could not be applied elsewhere. The judge remarked that it is reasonable to exclude someone from the enjoyment of a chattel but to prevent its imitation or to

²² *Ibid.*

²³ *Ibid.*

²⁴ *Ibid.*

²⁵ *Ibid.*

²⁶ Anurag K. Agarwal, *Hot news doctrine losing relevance*, www.dnaindia.com/analysis/column-hot-news-doctrine-losing-relevance-1954125, accessed on 29th July, 2014.

²⁷ *National Basketball Association and NBA Properties Inc. v. Sports Team Analysis and Tracking Systems*, 939 F. Supp. 1071.

²⁸ *International News Service v. Associated Press* 248 U.S. 215: 39 S.Ct. 68 (1918).

²⁹ *Cheney Brothers v. Doris Silk Corporation*, 35 F.2d 279, 281 U.S. 728 (1930).

³⁰ *International News Service v. Associated Press* 248 U.S. 215: 39 S.Ct. 68 (1918).

monopolise the plan of its structure is unreasonable. It provides the creator a power which only the legislature can create.

J. Brandeis, one of the dissenting judges in INS case³¹, took the opportunity in *Errie Railroad v. Tompkins*³² to uphold his view in INS case³³. He criticized the judiciary for acting beyond its powers by interpreting statutes in a manner not intended by the Legislature. He overruled all the previous rulings which upheld the federal common law principle 'hot news' doctrine thereby, discrediting the doctrine. He held that the federal courts are only required to apply the given statute and an independent judgment cannot be given on matters of general law.

The Australian High Court in Victoria Park Racing case³⁴ noticed that English courts had not recognised any such quasi-property rights. Rather, the legislature has dealt with certain protected interests in trademark, patent exclusively and the wings of protected interests must not be spread more than what the legislature had intended. In *Entertainment Network India Ltd. v. Super Cassettes Industries Ltd.*³⁵, the Supreme Court held that statute monopoly was not encouraged in our constitutional scheme and information must be allowed to be disseminated.

These two judgments clarified the powers of common law courts. The courts must restrict themselves to interpretation of the statute only to the extent intended by the Legislature and nothing beyond. They must not create doctrines or pronounce judgments by giving their own interpretation to statutes.

The facts of a 1998 case are similar to the case in discussion. National Basketball Association alleged misappropriation on Motorola which manufactured and sold SportsTrax paging devices.³⁶ The game information which was transmitted to the pages was provided by STATS. The pager had four basic modes including the current one. In the current mode, information on the NBA games in progress like teams playing, scores, team in possession of the ball, quarter, time remaining in quarter inter alia were displayed. The information was updated every two to three minutes with more frequent updates near the end of the first half and the end of the game. There was a time lag of 2-3 minutes between the game events and when information appeared on SportsTrax. Most importantly, match information was provided by STATS reporters who were watched the games on television or listened to them on the radio. The information was keyed into a personal computer, which was then relayed by modem to STAT's host computer which compiled, analysed and formatted data for retransmission. The information was then uploaded

³¹ *Ibid.*

³² *Errie Railroad v. Tompkins* 304 US 64 (1938).

³³ *International News Service v. Associated Press* 248 U.S. 215: 39 S.Ct. 68 (1918).

³⁴ *Victoria Park Racing and Recreation Grounds Co. Ltd. v. Taylor*, (1937) 58 CLR 479.

³⁵ *Entertainment Network India Ltd. v. Super Cassettes Industries Ltd.*, 2008 (13) SCC 30.

³⁶ *National Basketball Association and NBA Properties Inc. v. Motorola Inc.*, 105 F. 3d. 841 (1997).

via satellites onto various FM radio networks which then emitted signals to individuals SportsTrax pagers. The court decided in favour of Motorola rejecting the contention that there could be any copyright in sporting events. The court explained that sports events are not ‘authored’ per se. Unlike television and films, athletic events are competitive and the events do not unfold according to a script. If techniques or tactics in Basketball could be copyrighted, then the sport would have never prospered as much.

DECISION

The court held that for a ‘hot news’ claim to stand some features in addition to copyright infringement were required. These are: (i) time-sensitive value of factual information, (ii) the free-riding by the defendant, and (iii) the threat to the very existence of the product or service provided by the plaintiff.³⁷ Since these features were absent in NBA’s claim for ‘hot news’, the court held that Motorola and STATS did not engage in unlawful misappropriation.

Further, the court also looked into the three primary informational products of NBA: (i) generation of information by playing the games, (ii) live transmission of the games, and (iii) collection and transmission of factual information about the games. SportsTrax did not have any competing products for NBA’s first and second product and hence, was not in direct competition with it in the same activity. NBA had even failed to prove that the defendants were free-riding on their third product. Since Motorola invested its own resources in getting access to match information and thereafter transmitting it to pagers, it cannot be said that they were free-riding on NBA’s efforts.

The unfair result theory was put to rest recently in *Barclays Capital Inc. v. Theflyonthewall.com Inc.*³⁸ which approved the NBA judgment. The court held that ‘unfairness alone is immaterial to determine whether a cause of action for misappropriation has been pre-empted by the Copyright Act’³⁹. The court held that since the Act itself had provided a remedy for wrongful copying, the Copyright Act pre-empted any claim under tort.

³⁷ *Ibid.*

³⁸ *Barclays Capital Inc. v. Theflyonthewall.com Inc.*, 2011 WL 2437554 (2d Cir. June 20, 2011).

³⁹ *Ibid.*

HAS HOT NEWS COOLED DOWN?

The 35-page judgment is quite detailed and deserves praises. Not only have the judges adequately explained the reasoning for their judgment but also given convincing reasons why, in their opinion, the single judge was wrong in upholding the quasi property rights of Star. The Indian Copyright Act was enacted in 1957 to give rights over a product to the creator of the product. Copyright is defined in the Copyright Act as the exclusive right subject to the provisions of the Act, to do or authorize the doing of any of the given acts provided in Section 14 in respect of a work or any substantial portion thereof.⁴⁰

In layman terms, it is the right of an author or his assignee, under statute, to print and publish his literary or artistic work, exclusively of all other persons. Any person other than the creator is barred from using the product in any manner without obtaining the permission of the copyright owner. If the right of a person is infringed, the Act also provides remedies to the copyright owners.

Section 13 of the Act lists the works in which copyright subsists. This includes original literary, dramatic, musical and artistic works; cinematograph films; and sound recordings.⁴¹ Sub-section (2) restricts the copyright from being given for any work other than listed above and those listed in Section 40 & Section 41. These sections deal with extension of copyright to foreign works⁴² and works of certain international organisations⁴³ respectively. Copyright is also available in some published and unpublished works other than those listed above.⁴⁴

Section 16 of the Act states that no person shall be entitled to any copyright, or any similar right in any work, whether published or unpublished, otherwise than under or in accordance with any provisions of this Act. Copyright Act is the only Indian statute under which a copyright can be given. However, the proviso to the section does not restrain right against breach of any trust or confidence.⁴⁵

The aforementioned section makes it clear that there shall not be any copyright except in accordance with the statute.⁴⁶ Copyright is a creation of the statute.⁴⁷ The Act is clear on the point

⁴⁰ The Copyright Act, 1957 §14

⁴¹ The Copyright Act, 1957 §13(1).

⁴² The Copyright Act, 1957 §40.

⁴³ The Copyright Act, 1957 §41.

⁴⁴ The Copyright Act, 1957 §13(2).

⁴⁵ The Copyright Act, 1957 §16.

⁴⁶ Eastern Book Company and Others v. Navin J. Desai and Anr., (2001) 57 PTC (Del) 154 ¶39.

⁴⁷ Manjeh Cine Productions v. A. Sundaresan and Anr., (1975) 22 AIR (Mad).

that copyright subsists only for ‘original literary, dramatic, musical and artistic works.’⁴⁸ It bars copyright for any work other than those listed in the Act. However, the right of the one who invests resources into attaining factual information was upheld in the INS case⁴⁹. The right was primarily upheld because Associated Press invested resources across the Atlantic Ocean to get firsthand information the First World War. Newspapers being the primary medium of news dissemination in those days, it was considered essential that if sufficient resources are invested by one party in attaining the news, it should have exclusive right over it for the small duration the news is fresh. Stale news is no news.⁵⁰

However, in today’s technologically advanced society, news spreads faster through social network than through any other medium. This news cannot be copyrighted as it can factually be known by anyone else who can share it in their own way. It is a fact in the public domain over which no individual can have a right. Section 16 of the Act precludes even the right to copyright such facts. The quasi-property right being contended in the present case is not covered under broadcast rights. Since, no such rights exist in the statute, it cannot be created by the courts. Creation of rights is a prerogative of the legislature. The powers of the judiciary are separated from that of the legislature. It is not the function of the judiciary to create a right or a law. This was seen in Vishakha case⁵¹ where the court only laid down guidelines for the legislature to frame a law.

NBA case⁵² had facts similar to the case at hand. The court had recognised the right of a non-organiser to disseminate contemporaneous match information. The court reasoned that since Motorola is investing its own resources in attaining and transmitting information, it is not unjustly enriching itself. In the present case, Akuate and others invest their own resources in attaining and transmitting match information. The court even applied the rather rigorous ‘but-for’ test to conclude that even if Star did not have the license to broadcast matches, Akuate and others would still have provided the service to their subscribers. The reliance on the ‘modicum of creativity’ test by the court was justified. A copyright is limited to the author who creates the product. Since neither the organiser nor the licensee are creating these facts, for the simple reason that they are only organising it, the court held that there is no creativity here. The expenditure of labour and resources are not enough for attaining a copyright of a product. Certain skill must also be used in creating the product which is lacking in the present case.

The Delhi High Court has continued its trend of progressive judgments after the much lauded NAZ⁵³ judgment. It deserves much applause for upholding the rights of the bourgeoisie and

⁴⁸ The Copyright Act, 1957 §13.

⁴⁹ International News Service v. Associated Press 248 U.S. 215: 39 S.Ct. 68 (1918).

⁵⁰ Star India Pvt. Ltd. v. Piyush Agarwal & Ors., (2013) 3 MIPR 1.

⁵¹ Vishaka & Ors v. State of Rajasthan & Ors., (1997) 6 SCC 241.

⁵² Narmada Bachao Andolan v. Union of India, (2000) AIR SC 3751.

⁵³ Naz Foundation v. Govt. of NCT of Delhi, (2009) 160 DLT 277 (Del).

looking into the advantages and needs of the service to the proletariat. Cricket is considered a religion in India. The common people want to know the live score of a match even if they are working far off in the fields or in their offices. The court was right in deciding that there can be no ownership of a fact when it is already in public domain with respect to certain people, in this case those people being the spectators at the stadium who have paid for the tickets.

CONCLUSION

This judgment comes in the light of the recent United Kingdom's Dow Jones judgment which upheld the rights of the secondary reporter. Dow Jones sued a British service called Ransquawk for misappropriating its headlines within seconds of being broadcast on different media. Dow Jones alleged that it puts in a lot of time, effort and money in gathering those financial numbers critical for financial traders and time is of importance to get that edge over others. The court held that for a good number of people it does not matter if they get the same information after a few seconds for free, as one has to pay a subscription fee to different news agencies including Dow Jones to access the data first.⁵⁴

The case is currently pending in the Supreme Court of India. The court has ordered status quo in the case and put an ad interim injunction like the single judge of the Delhi High Court. The decision is pending before the appellate court for over a year now. One can only hope Supreme Court acknowledges a good judgment and the general public is not disappointed again, like the NAZ⁵⁵ judgment.

The 'hot news' doctrine has certainly lost its relevance today. It was propounded for a specific purpose, in that specific incident and cannot be applied in general to all cases. Today, due to globalisation and development of social network, getting access to news is no more an issue. Therefore, the 'hot news' is not hot enough today as the sources of its dissemination are varied and anyone can have access to any news piece or a fact.

⁵⁴ Anurag K. Agarwal, *Hot news doctrine losing relevance*, www.dnaindia.com/analysis/column-hot-news-doctrine-losing-relevance-1954125, accessed on 29th July, 2014.

⁵⁵ *Ibid.*

“HIS PRODUCTS ARE NO GOOD”: IS DISPARAGEMENT ALL THAT SIMPLE?

SHWETA SINGH

The paper is divided in five parts with first and last dealing with the ‘Introduction’ and ‘Conclusion’ respectively. The other three parts talk about the current position of the law in ‘disparagement’. Disparagement cases are difficult to deal with because of its uncertain effect on the consumer and ascertaining the ‘special damage’. This sets disparagement apart from defamation. However, often courts try to draw an analogy between the two when deciding the case. The other way disparagement can be regulated seems to be hampering competition and the process of parting information; courts then have a tougher task of balancing between the two. This paper does not propose any solution as such but it does contribute a pertinent question as to why there is a need for legislation. It has also been discussed how it is no way similar to the defamation tort law or an unfair trade practice, no matter how unfair it seems to the suffering party. The difficulty of defining comparative advertisement is the biggest challenge faced. The Courts have allowed for traders to claim their goods are the best and the problem of implied meaning arises. However, stating a fact in an advertisement has become apprehensible as it might put the competitor in disadvantageous position or inadvertently portray them in a negative light. The paper questions whether the position in law has been correctly decided and how far it is correct to put disparagement under the unfair trade practices. The lack of objectivity makes it difficult to legislate on disparagement and a lack of legislation means lack of adequate remedy.

INTRODUCTION

Comparative advertising is legally permissible up to the point it does not go on to be an unjust classing or discredits the product it is compared with, i.e., it does not amount to disparagement. A trader has the right to say that his product is the best, provided it is not misleading. The loss caused to the plaintiff is compensated for under this common law relief- disparagement. Disparagement has been often termed as “trade libel”, “slander of goods” and “injurious falsehood”.¹ The tort of disparagement of goods or services, in the case of *De Beers v. International General Electric*² has been defined as “a false and disparaging statement of the quality of the

¹ JOHN G. FLEMING, LAW OF TORTS, 208 (Sydney: Law Book Co, 1992).

² *De Beers v. International General Electric*, (1975) 2 All ER 599.

plaintiffs' goods or services". The companies often choose subtle ways to claim that their product is the best and should be preferred over that of the competitors' The claim of disparagement is wider than that of merely 'puffing' or eulogizing one's own product. There are many challenges for the plaintiff to prove a case of disparagement and over that, we also see the practice of 'generic disparagement'. Carving out guidelines which differentiate along that thin line of 'claim of superiority' and 'disparagement' is a difficult task; the consumer has become too sophisticated to be swayed so easily. Advertisements that compare without identifying any of the competitors belong somewhat closer to the non-comparative end of the advertising trend. The familiar ad-campaigns which compare the product as 'Brand X' illustrate this mode of comparative advertising. The characteristics of such an advertisement can also amount to explicit comparative advertising when there are relatively few competitors in the market. Although, resistance and a broad definition of 'puffery' are, in most instances, salutary, comparisons that involve readily measurable characteristics should be actionable under the law of disparagement.³ Therefore, the pertinent question still remains, if 'puffery' remains a vague and potentially indefinable term, could the term disparagement be conveniently labelled as an 'unfair trade practice'. That is not to suggest that disparagement is permissible. By all means, it is a matter of conflict of interest and is unfair, but the question arises that is it correct to study disparagement as an extension of unfair trade practice when it involves a wide variety of practices? To proceed with a suit in a court of law one must be sure of what the main issues involved are, but if we include disparagement under unfair trade practices, this purpose is defeated.

This paper aims to question a few things revolving around this common law doctrine of 'disparagement'. The paper briefly touches upon the developments in disparagement in this section followed by a comparison between defamation and disparagement. The section dealing with comparison puts forth the view of the author that the two are not similar in any way and drawing out an analogy from the two, a legal framework for disparagement cannot be drawn from that of defamation. The third part of this paper deals with the judgment given under the Monopolies of Restrictive Trade Practices Act, 1984 and Trade Marks Act, 1999. None of the Acts mention 'disparagement' in such clear terms, but it is still treated as an unfair trade practice, which the author feels is too broad a term to define. Including disparagement within such a broad term will only increase the ambiguity and vagueness of an already ill-defined term. The other components which are referred to in the paper are questions regarding definition of 'comparative advertising'. The last part of the paper deals with the pertinent question of whether or not there must be a separate legislation for disparagement. That section is then followed by the conclusion. However, it is to be noted that this paper is a short commentary on 'disparagement' where the author puts forward various questions, all of which are not necessarily answered. These questions are of such nature that they answer either a previously existing question or question an existing

³ Stewart E. Sterk, *The Law of Comparative Advertising: How much worse is better than great*, 76 COLUM. L. REV. 80 (1976).

trend or judgment. The author hopes that the arguments presented are relevant and precise, and try to ask the right questions which will eventually lead us to the right answers.

THE PROTECTION PROVIDED BY TORT LAW

Why Defamation and Disparagement Cannot Fit in One Equation

The English Courts have continued to expand this common law doctrine as a tort of ‘slander of title’, whereas the American Courts have very conveniently drawn bits from commercial tort law and the law of defamation. The conjoining of these two bodies of law by American courts has impeded the development of a coherent system of relief for successful disparagement claims.⁴ The court suggested that injunctive relief in disparagement actions may be unconstitutional and hence, the position of law is unsettled. In order to be defamatory, however, the statement must be of such nature as to bring the plaintiff into hatred, contempt, ridicule, or disrepute.⁵ Often ‘trade libel’ has been interchangeably used in the place of disparagement but in theory, the distinction is quite clear; when the quality of the product of the plaintiff is attacked, his probable cause of action will lie under the disparagement, however, an insult to the plaintiff’s goods is so phrased that it really impugns his honesty or integrity as a businessman, or charges him with base, immoral or illegal business methods⁶, in which case it will be defamation rather than disparagement. In other words, when one of the competitors says that the other uses cheap, short cut methods and unsuitable ingredients to produce his products, which are unsafe for consumption, it will amount to defamation, but when the competitor’s claim is only limited to the extent that his product is better than the others, it would only amount to disparagement. In *Dabur India Ltd. v. Wipro Limited, Bangalore*⁷ the judiciary added a new dimension to the existing tests to determine disparagement. The court stated that in comparative advertising, the degree of disparagement should be such that it would be tantamount to, or almost tantamount to defamation.⁸

Special Damage

Another question which arises is whether carving out the academic distinctions, which are viable in theory, but do not really matter when ultimately, the parties proceed with a suit, makes any

⁴ *System Operations, Inc. v. Scientific Games Dev. Corp.*, 555 F.2d 1131 (3d Cir. 1977); *Dairy Stores, Inc. v. Sentinel Publishing Co.*, 191 N.J. Super. 202, 465 A.2d 953 (1983).

⁵ *Badrinath v. Government of Tamil Nadu*, (2000) AIR SC 3243.

⁶ *The Law of Commercial Disparagement: Business Defamation's Impotent Ally*, 63 YALE L.J. 65, 75 (1953).

⁷ *Dabur India Ltd. v. Wipro Limited, Bangalore* (2006) 32 PTC 677.

⁸ *Ibid.*

difference. There is no denying that they both are common law actions for damage and such distinction seems very old fashioned. The advertisement scenario has undergone a huge change but that one substantial element of proving “special damage” still upholds the practice of maintaining the distinction. In disparagement, the plaintiff must prove the disparaging character of the statements, their communication to third persons, their falsity, and *special damage* in all cases.⁹ The requirement of *special damage* here means that in pleadings and proof the plaintiff must identify the particular purchasers who have refrained from dealing with him, and specify the transactions of which he claims to have been deprived of.¹⁰ This is criticized on the ground that proving such damage is almost impossible, where the customers are numerous and unknown. Yet, this is what appears to be the requirement. However, inroads indeed had been made upon the arbitrary requirements of special damage; *Ratcliffe v. Evans*¹¹, Bowen, L. J., treated the concept sensibly when he said:

“As much certainty and particularity must be insisted on both in pleading and proof of damage, as is reasonable, having regard to the circumstances and to the nature of the acts themselves by which the damage is done. To insist upon less would be to relax old and intelligible principles. To insist upon more would be the vainest pedantry.”

In the same case, the court held that allegation and proof of loss of business following the disparagement was sufficient, where the customers were *numerous and unknown*. Most of the above judgment was unheeded by the American courts¹².

Burden of Proof

In a case of defamation, the burden is on the defendant to show the truth of the statement as a defense. In a disparagement action, the plaintiff must prove that it is untrue. Since, the line between truth and falsity is not always clear in these cases, the burden of proof may be an important factor.¹³

Hereby, the author believes that drawing a separate legislative framework from the defamation model is not only not permissible under the principles of common law but is against the equity principles, which have played a major role in shaping and distinguishing disparagement from other forms of unfair trade practices.

⁹ Smith, *Disparagement of Property*, 13 COL. L. REV. 13, 129-31 (1913); SALMOND, LAW OF TORTS 555 (9th ed., 1936).

¹⁰ *Ibid.*

¹¹ *Ratcliffe v. Evans* (1892) 2 Q.B. 524, 532-33.

¹² *Trade Disparagement and the “Special Damage” Quagmire*, 18 U. CHI. L. REV. 114 1950-1951.

¹³ *Western Counties Manure Co. v. Lawes Chem. Manure Co.*, (1874). L.R. 9 Ex. 218.

LEGISLATIVE FRAMEWORK IN INDIA

Whether ‘Disparagement’ Can Be Conveniently Included In Section 36A Of MRTP Act And Trade Marks Act 1999 As Under The Heading Of ‘Unfair Trade Practice’ Or Not

The legislative framework regarding competitive and/or comparative advertisement is either seen in the light of Monopolies of Restrictive Trade Practices Act, 1984 or the Trade Marks Act, 1999. Neither of them mention the term ‘disparagement’ but conveniently tuck it under the heading of *unfair trade practice* or make it permissible comparative advertisement provided it is in accordance with- (a) honest practices in industrial or commercial matters and (b) without due cause take unfair advantage of, or be detrimental to, the distinctive character or repute of the mark.¹⁴ It is a tough task to describe comprehensively the variety of subjects which are clubbed together under ‘unfair trade practice’ without destroying the utility of the definition of any one of them. In addition, it is apprehended that any attempt at generalizing and broadening the ambit of the definition of the term might leave numerous loopholes which would permit a clever schemer to evade the spirit of the legal protection. Still, the elements of proof and remedies available in an unfair competition action are almost always determined by precedent or legislation dealing with the particular type of unfair conduct.¹⁵

A number of cases have been decided under the MRTP regime which laid down the ground work for a legal framework for disparagement. We cannot discuss disparagement scenario in India and not discuss the leading case of *Rickett and Coleman v. Kiwi TTK*¹⁶, the court in its decision pronounced that mere puffing up of product is permissible, however, any statements that portrays competitors’ similar goods in bad light while simultaneously promoting the manufacturers own goods is not permitted and will be tantamount to disparagement.¹⁷ In this case the defendants, to save themselves from any trademark infringement or violation (perhaps), represented the competitor’s product as “Brand X”; the plaintiff claimed that ‘Brand X’ bore a striking resemblance in design to their own product namely, ‘Cherry Blossom’ and that the advertisement disparaged its product. The plaintiffs were granted injunctive relief in that case. It was Calcutta High Court in the case of *Reckitt & Coleman v. MP Ramachandra and Anr.*,¹⁸ which laid down some guidelines to decide whether or not the court must grant injunction in such cases:

¹⁴ Navpreet Panjra and Kanwardeep Singh, *Comparative Advertising- A Brief Overview*, 1 MANUPATRA INTELLECTUAL PROPERTY REPORT A-200, A-203 (2007).

¹⁵ Lawrence D. Gaughan, *Advertisements which identify “Brand X”: A Trialogue on the Law and Policy*, 35 FORDHAM L. REV. 445, (1966-1967).

¹⁶ *Rickett and Coleman v. Kiwi TTK*, (1996) 193 PTC 399.

¹⁷ *Ibid.*

¹⁸ *Reckitt & Coleman v. MP Ramachandra and Anr.*, (1999) 19 PTC 741.

1. A tradesman can declare his good to be the best there is and that even better than his competitor, *even though such a statement is untrue*.
2. In order to make such statements, one can seek to achieve it by means of comparative advertising;
3. Such comparative advertisement must be limited to the declaration that his goods are the best and must not state that the competitors' goods are bad, in other words, it is not permissible to defame the competitors and their goods;
4. If there is such defamation, an action lies and if an action lies for recovery of damages for defamation, then the Court is also competent to grant an order of injunction restraining the repetition of such defamation.

The Calcutta High Court, seems to have had the same framework in mind as that of the American system i.e., to conjoin the two bodies of commercial tort law and law of defamation, to measure up commonalities between commercial speech and free speech. It is astonishing why the Hon'ble judge would use the phrase "*even though such statement is untrue*", his apparent design of the guidelines given, is similar to the defamation model where truth is the ultimate defence. The statement seems contradictory to the model presented, which is beyond reason and speculation.

Whether Disparagement Really Has A Settled Position in Law or Not

Is Fact An Ultimate Defence In Disparagement?

The above mentioned judgment however, gave rise to another issue- that if a company is to design the promotional speech for its product in such a way that it does not declare the competitor's goods to be bad or to portray them in bad light, can it implicate the same? In the Delhi High Court judgment of the *Reckitt Coleman*, case the defendants did not expressly disparage the plaintiff's product but they used 'Brand X' to represent the same. However, it was very obvious that it was plaintiff's product that was being targeted. In such a situation, where the tradesmen can indulge in comparative advertisement until it shows the competitors in bad light, does the court expect a nihilistic approach by the ad-agencies in promoting their products is a question that arises. While deciding a case of disparagement, it is essential to have a fixed meaning of 'comparative advertisement' and the point beyond which it will amount to disparagement. The assignment of a fixed meaning to it is a difficult task.

The decision in *Godrej Sara Lee Ltd. v. Reckitt Benckiser (I) Ltd*¹⁹ was reflective of what the courts thought honest comparative advertising meant. The court in its judgment stated, “The advertiser has a right to boast of its technological superiority in comparison to the product of the competitor.” As per the facts, advertising that they could use one single product to kill two different species of insects without undermining the plaintiff’s products, by no stretch of imagination amounted to disparaging the product of the plaintiff. The Court has obviously opted for the interpretation which arises from the other precedents which allows the advertiser to claim his product is better.

Stating a fact while advertising a product is in no way against any law nor does it denote any sort of “unfair trade practice”. If such a fact itself puts the competitor in a disadvantageous position, will he have any right to seek remedy? This argument can be substantiated in the light of a pending matter in the High Court of Delhi, *Eureka Forbes v. Luminous Purifier Ltd.* The facts of case are as follows: Luminous purifiers have brought a new line of product for purifying water and in a pamphlet; they had made a tabular representation to facilitate comparison between the available products (namely Eureka Forbes’ product ‘AquaSure’) in the market to that of their own. The same rookie mistake was made either deliberately or in fact a mistake but the comparison was done by naming the plaintiff’s product as ‘Brand X’ and yet their ‘AquaSure’ logo was visible on the product, proving that the competitors were not so discreet. A comparison was made to the extent that it was stated that ‘AquaSure’ is not apt to deal with “poor quality Indian water”. The plaintiffs have sought relief stating that such comparison amounts to disparagement and will cause them heavy losses.

The fact remains that the ultimate defence in such cases is a fact in itself, but the judgment patterns in such cases make it evident that courts often commit a manifest error in law in creating an illusory and cosmetic difference between technology being adopted and the product that is being marketed. It is pertinent to note that it is the same technology that is being adopted which ultimately, leads to the product being marketed. Therefore, disparagement of technology present in a product cannot be sustained. This is what the central issue of the present case seems to be: disparagement of technology. When it comes to technology, and especially in this case, Eureka Forbes’ initial product ‘Aquaguard’ was the first of the purifier to introduce the technology and has goodwill and a huge chunk of market under its control because of it. Once this very technology is targeted and consequently discredited it will lead to loss. Their product ‘Aquaguard’ has acquired a secondary meaning in the market and is equated with the generic term “water purifier”, Aquaguard had replaced the word water purifier and such is its good will. It is to be noted that when the defendants compare their product with “AquaSure Expert” and question the technology used or rather claim that is ineffective, they are attacking and targeting the very thing for which the Eureka Forbes’ is known for and is therefore detrimental.

¹⁹ *Godrej Sara Lee Ltd. v. Reckitt Benckiser (I) Ltd.*, (2006) 32 PTC 307.

The argument of the defendant is that they have just presented accurately a fact about the product which the consumers ought to know. But the use of words as “their product is apt in dealing with the poor Indian quality water” reflects poorly on AquaSure, implying that the AquaSure is not capable of carrying out the same function to make the water safe for consumption and is hence, technologically redundant. It is material and important to note that the negative and positive are always *read in conjunction*. A word is read in its positive aspect and completely understood in its opposite or negative aspect and used in a different context. Another question that may arise here is that; the Courts have already laid down as a well settled position in law that a trader can claim that his own products are the best. However, applying the logic given in the above submission it suggests that if read conjointly with its negative and positive aspect, this very statement implies that he is discrediting all the other competitive products in general, which often leads to generic disparagement.

Now, coming back to the same question that was asked before the pending matter in High Court of Delhi which was cited above, while deciding a case of disparagement, it is essential to have a fixed meaning to ‘comparative advertisement’, and beyond which point will it amount to disparagement? In this case, there is a comparative advertisement involved, but at the cost of demeaning the technology of the product itself. As was mentioned in the II part of the paper that what makes proving disparagement a difficult task is showing that there has been a ‘special damage’ which has a direct or indirect but causal link to the disparaging advertisement, this is the practical aspect of it. Academically speaking, if the Courts were to look into this aspect as to whether ‘disparagement of technology’ should be made permissible or not or whether comparative advertisement is not to be extended to such an extent that the fact stated destroys the very thing that the goodwill of a producer is based on.

This is a classic example of how a disparaging act cannot be labelled as an *unfair trade practice*. Another feature of disparagement which is more complex than that of defamation is that truth or a fact cannot be an ultimate defence.

A REQUIREMENT FOR SPECIAL LEGISLATION

Generally, the protection which already exists under common law is strengthened by statutory protection. The common law system works on ratio of the case law and the precedents but more importantly each case is assessed on its own merits and facts and circumstances and such is the case with disparagement. There are enough reasons enumerated in the previous sections of this paper as to why, disparagement is difficult to be codified and yet cannot be clubbed with other commercial tort laws. It is even tougher to ensure a uniform formulation of objective criteria to judge the matter. The test is generally is the totality of impression that the Trademark produces and whether the impression so produced is such as would cause confusion or deception. As laid

down in the case of *Barclay Bank v. Advanta*²⁰, the court went on to say that the “statutory or industry agreed codes of conduct or guideline are not a helpful guide as to whether an advertisement is honest or not. Honesty has to be gauged against what is reasonably to be expected by the relevant public of the advertisement for the goods and services. The ambiguity in judgment pattern is another reason as to why it is difficult to follow the precedential rule. In the case of *Dabur India Ltd. v. Emami Ltd.*,²¹ the court ruled that if there is no direct reference to the product of a competitor and only a reference is made, to the whole of the competitive lot in a generic sense, then it will be a case of disparagement; the factors involving generic disparagement and disparagement are relatively different and obviously very different when it comes to proving damage.

The Need of Objectivity in Legislation

The argument goes on to be that if the reasonable man’s perspective which is taken to decide whether the comparative advertisement is honest or not, there can never be objectivity. Lack of objectivity renders it ineffective. Therefore, the court must not encourage a microscopic approach to the construction of comparative advertisement on a motion for interlocutory relief. It becomes difficult to take into consideration this reasonable man perspective when it comes to ‘generic disparagement’. Since, such form of disparagement is not focused on one rival product the ‘reasonable man’ may not be able to point at which it is discrediting all such products in competition at once. Hence, there is always this lack of objectivity when we see it from reasonable man’s perspective.

Adopting the French Method

There is a general principle in continental law that you cannot refer in advertising to your competitor or to his products, services, or business methods when you are doing so for a competitive purpose.²² The French consider a reference to be anything which is reasonably likely to indicate the identity of the competitive firm or product. It is not at all necessary that the subject of the reference actually be named in the advertisement. This gives rise to the question as to whether the French authorities assume a statement made to be untrue in the absence of any such contrary proof or not. The answer to this is rather interesting; they do not bother to inquire into the falsity or truthfulness of the statement of the defendant’s statement. If the Indian law were to seek any sort of objectivity, inspired from French law it might be outrageously criticized. It may seem to be constricting and hampering competition but it sure may be able to curb all the disparagement law suits. Definitely, the idea is to regulate and formulate the matter and not to get

²⁰ *Barclay Bank v. Advanta*, (1996) RPC 307.

²¹ *Dabur India Ltd. v. Emami Ltd* (2004) 29 PTC 1.

²² Wolff, *Unfair Competition by Truthful Disparagement*, 47 YALE L.J. 1304 (1938). The classical study of the attitude of French, German and Swiss law towards “truthful disparagement”.

rid of it and may be that is why this idea will not be approved in India, which is still a developing country and has just started to attract investment. The potential investors always repel from complex project which are packed by regulations and hence, that could be a cause as to why there has been no formulation and application of any strict rules in this area. Although, it is safe to say that the continental perspective is way more conservative than the common law system. This principle is attractive because it is so easy to administer. Despite its attractiveness, this will not be even the last resort taken by common law system because, even though the advertisement is no more just information but commercial speech, the court will still view it as an important source of information.

CONCLUSION

This paper does not question whether the position of law, with regard to comparative advertisement, is settled or not but the real issue is whether it has been done correctly or not? The main idea behind promoting comparing advertisement may be imparting information, enhancing competition, and consumer awareness but in reality, these have a little space in advertising sphere. The tricky part also lies where it is difficult to compartmentalize disparagement under the umbrella of unfair trade practice. Disparagement in itself is a torn between truthfulness, falsity, competition, fairness, special damage and subjectivity etc. If at all there is a regulatory mechanism is created, who should be entrusted with responsibility to enforce it. This area of law presents a unique legal problem in the field and legal system needs to scheme a patch work to provide some vague standard policy instead of this haphazard grapevine growth of sorts of comparative advertisement issues. There is no denying that the law has evolved but the market has sprinted to growth much faster and the policy makers have the advantage of this old assumption of “consumer believes everything they advertise” dead. The importance to act swiftly is because of the nature of damage- there is a reason why they are called “special damages” because they are caused swiftly and devastatingly with a little or no hint of its presence visible to the court.

FRAGRANCE TRADEMARKS - DO THEY FIT INTO THE JIGSAW OF PRACTICALITY?

RICHA VATSA AND RUCHI CHOUDHARY

Development of non-conventional trademarks has given rise to a new, exciting area of fragrance marks. Today they still remain more of a novelty than serving any practical purpose. This article traces the development of fragrance marks across different jurisdictions and seeks to propose practical solutions to problems with respect to granting such trademarks. Fragrance marks have provided a dynamic way of adding value and utility to the products, making brands eager to explore this new dimension. The current problem with these registrations is that the rules across different States are widely varying; some like the United States of America and Australia follow very liberal procedures, while some like the European Union have become so strict that it seems impossible that they'll ever permit a mark to proceed to registration. This stark variation, not to mention the complete lack of any decided rule in some countries, including India, might have pushed away interested proprietors. We have proceeded to analyze this shortcoming and the reasons behind it. The primary reasons seem to be the lack of scientific methods to preserve samples of fragrance marks in the Registries, and the related issue of finding ways to enable an individual to sniff and test the marks for himself in case he wishes to file an application for a mark that might be in conflict with earlier registrations. The conclusion arrived at provides for a method of reconciling the two main approaches, with particular regard to the average intelligence of the Indian diaspora. An internationally accepted database with well-defined categories of smells and their samples will go a long way to solve this. It is a great chance to make products friendly for the differently abled that can't see or smell as well. India must not be left behind on this exciting new journey.

INTRODUCTION

“The opportunity of brand building by leveraging the five senses is wide open. Brands are hovering in the wings, as an audience of our highly receptive senses sits in a darkened theatre, anticipating a marketing show that hasn’t yet begun.”¹

Brand building is important business. To be distinct today requires ingenuity enough to maintain visibility amongst an ever increasing competitive trade environment. Maintaining this visibility requires extensive research, curating, market analysis and often includes warding off rival interests.

Proprietors are always looking for ways to distinguish themselves favourably from their rivals. The most effective way to do this is to trademark one’s goods. Trademarks are source identifiers which function by distinguishing the goods and services of one person or company from those of another.

The World Intellectual Property Organisation (henceforth, WIPO) defines a trademark as “A word or a combination of words, letters, and numerals can perfectly constitute a trademark. But trademarks may also consist of drawings, symbols, three-dimensional features such as the shape and packaging of goods, non-visible signs such as sounds or fragrances, or colour shades used as distinguishing features – the possibilities are almost limitless.”²

The above description is fairly similar to the way the word ‘trademark’ has been defined in Indian legislation. According to the Indian Trade Marks Act³, it means “a mark capable of being represented graphically and which is capable of distinguishing the goods or services of one person from those of others and may include shape of goods, their packaging and combination of colours.”⁴

Most world organisations and States usually define trademarks on similar lines, and more often than not try to follow WIPO guidelines in relation to their trademark laws and regulations. “In principle, a trademark registration will confer an exclusive right to the use of the registered trademark. This implies that the trademark can be exclusively used by its owner, or licensed to another party for use in return for payment. Registration provides legal certainty and reinforces the position of the right holder, for example, in case of future litigation.”⁵ A trademark is also

¹ Martin Lindstrom, *Sensory Brand Management: It Makes (Five) Senses*, <http://www.clickz.com/clickz/column/1695460/sensory-brand-management-it-makes-five-senses>, accessed on 23rd January, 2015.

² WIPO, *Trademarks*, <http://www.wipo.int/trademarks/en/>, accessed on 24th January, 2015.

³ The Trade Marks Act, No. 47 of 1999.

⁴ *Ibid.*

⁵ *Supra* note 2.

economically efficient because it allows the consumer to identify the service or good that he prefers and to buy that to the exclusion of others in the future.⁶ Consequently, the maker of the preferred goods is encouraged to maintain the production of quality goods.⁷

Trademarks have historically been represented by and registered for words, letters, numerals, or a combination of those, but due to the results of international treaties dealing with Intellectual Property and social and economic changes, non-conventional marks have been coming to the forefront in the past few years.⁸ These are marks like sound marks or fragrance marks that cannot be applied for in the same simple manner that regular trademarks can. Trademarks are registered territorially, and different territories may have widely varying rules on what they consider as the pre-requisites for allowing them registration. Certain standardized rules do exist for this, such as the Madrid System, the Paris Protocol, etc., but they're usually not rigid or even sufficiently comprehensive when it comes to non-traditional or nonconventional marks. Thus, a mark that might be allowed in the United States of America might just be refused in the jurisdictions of Sweden. The disparities exist even after registration has been successful, with the level of protection given to them varying with the jurisdictions they have been registered in.

A lack of uniformity does not mean there is an absolute lack of systematic analysis of these marks. The two most important criteria for determining whether a mark should be registered are distinctiveness and graphical representation. These apply to most registration proceedings, whether conventional or non-conventional.

The distinctiveness of a mark can be understood to mean a measure of how strong it is, relative to other competing marks. The hierarchy of distinctiveness ranges from fanciful marks to generic words, with fanciful marks being the strongest contenders for a registration. The spectrum actually ranges across fanciful marks (also called coined marks), arbitrary marks, suggestive marks, descriptive marks and generic words. To take an example, Apple, for computing systems, is an arbitrary choice. It is an existing word, so cannot be a coined word like Kodak, but as it is completely unrelated to the subject, it makes for a strong mark. The first three categories may be allowed registration, and the last two are usually rejected unless specific exceptional circumstances exist. For non-conventional marks, it gets even more difficult to prove distinctiveness due to a lack of methods of displaying them concisely.

Graphical representation is the second important criterion. It is essential for trademark applications that representations must clearly demonstrate the nature of the mark and show each

⁶ I.J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION 2-3 (4th ed. 2000).

⁷ *Zippo Mfg. Co. v. Rogers Imports, Inc.*, 216 F. Supp. 670, 137 U.S.P.Q. 413 (S.D.N.Y. 1963).

⁸ International Trademark Association Report, *Non-traditional Trademarks*, <http://www.inta.org/TrademarkBasics/FactSheets/Pages/NontraditionalTrademarksFactSheet.aspx>, accessed on 23rd January, 2015.

feature clearly enough to permit proper examination.⁹ The non-traditional trademarks face certain difficulties in representation as there can't be a concise and accurate description of the trade mark. This difficulty is further aggravated by the different guidelines that different jurisdictions follow.

NON-TRADITIONAL TRADEMARKS

Traditionally, trademarks convey source and quality information to consumers through the use of brand names, logos, or symbols adorning goods and services.¹⁰ Today, however, trademarks appear in new and innovative contexts. Companies employ new branding techniques that utilize “non-traditional methods” such as colour, sound, and even scents to distinguish their products from competitors’ products and entice consumers.¹¹ These marks used by different companies and brands qualify as non-traditional or non-conventional marks, because of their unusual nature.

Businesses use these mark as a way to increase the demand of their products and to establish the certainty of its source and also the quality and reliability of the product. Therefore it is very important to identify these marks and have them registered, in order to protect the interest of the makers of such marks. There is no watertight definition of non-conventional marks provided but it is construed to mean a mark that does not belong to the pre-existing, conventional category of trademarks.¹² The common feature of all these marks is that none of them are visually perceptible, and hence the label of ‘non-conventional’ has been conferred on them.¹³

‘Non-traditional marks, such as holograms and scent marks, trademark opposition procedures, and questions relating to the registration of industrial designs topped the agenda of the 19th session of the World Intellectual Property Organization (WIPO) Standing Committee as well. The Committee identified a number of areas of convergence for the representation and description of “non-traditional marks” such as three-dimensional marks, colour marks, sound marks, scent marks, movement marks, hologram marks, slogans or position marks.’¹⁴ Non-

⁹ WIPO, *Existing Methods of Representation and Description of New Types of Marks or Non-Traditional Marks* http://www.wipo.int/export/sites/www/sct/en/comments/pdf/sct17/au_2.pdf, accessed on 23rd January, 2015.

¹⁰ I J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION 2-3 (4th ed. 2000).

¹¹ A. Michael Froomkin, *When We Say US, We Mean It!*, 41 HOUS. L. REV. 839, 840 (2004).

¹² International Trademark Association Report (2004-05), *Non-Traditional Trademarks in Europe – Shape and Colour Trademarks – Common Issues with Obtaining, Exploiting and Enforcing Rights*, <http://www.inta.org/Advocacy/Documents/INTAShapeColourEurope2005.pdf>, accessed on 23rd January, 2015.

¹³ Vatsala Sahay, *Conventionalizing Non-Conventional Trademarks of Sounds and Scents: A Cross-jurisdictional Study*, NALSAR STUDENT LAW REVIEW. 128 (2011).

¹⁴ WIPO, *SCT Examines Non-Traditional Marks, Trademark Opposition Procedures and Industrial Designs*, http://www.wipo.int/pressroom/en/articles/2008/article_0041.html, accessed on 23rd January, 2015.

conventional marks or Non Traditional marks have not been defined in the Trademark Act, 1999, but the definition of trademark is considered wide enough to include smells, sounds, tastes and holograms.

Among the identified types of non-conventional marks it is in the field of sound marks, fragrance marks, shape marks and colour marks that the jurisdiction has expanded exponentially and is now widely accepted. These unconventional trademarks also form part of the IP litigation in India and the Indian trademark registry has granted such trademarks. In *Colgate Palmolive Company v Anchor Health and Beauty Care Pvt. Ltd*¹⁵ the court observed that a colour combination is a ‘trademark’ within the definition of the act, as there is no exclusion in the definition and even a single colour is entitled to protection under the law of passing off.

The Indian trademark registry recently granted a sound trademark to Yahoo¹⁶, followed by another to Allianz Aktiengesellschaft¹⁷. The Delhi High Court also recognized a shape trademark for Zippo Lighters.¹⁸ However, there is no recognition of fragrance marks by the Indian courts till now, but in other jurisdictions, especially the US, they have been widely recognized.

Issues with Non-traditional Trademarks

It is believed that the registration of non-conventional trademarks is a desirable phenomenon because it serves a vital commercial, economic and legal purpose. However the concept of non-traditional trademarks raises more questions than it answers. The first concern in registering these types of trademarks lies in the fact that they are not visually perceptible and may differ with people’s perceptions. The other concern is whether these trademarks deplete the existing Intellectual Property by monopolizing little details. This concept is known as the Depletion Theory. Finally are these trademarks capable of fulfilling the purpose of Intellectual Property Rights?

The problem with unconventional trademarks not being visually perceptible imposes a major hurdle in their recognition and registry. As mentioned above it is very important for a mark that is registered to be graphically represented. The form in which trademark is registered is important for various reasons.

¹⁵ *Colgate Palmolive Company v. Anchor Health and Beauty Care Pvt. Ltd.*, (2003) 108 DLT 51.

¹⁶ International Trademark Association 63 (15th September 2008) *The Voice of the International Trademark Association*, <http://www.inta.org/INTABulletin/Documents/INTABulletinVol63no17.pdf>, accessed on 23rd January, 2015.

¹⁷ European Business and Technology Centre, *Landmark Cases- Trademark Law*, <http://ebtc.eu/index.php/services/184-ipr/ipr-landmark-cases/186-landmark-cases-trademark>., accessed on 23rd January, 2015.

¹⁸ *Zippo Manufacturing Company v. Anil Moolchandani & Ors.*, (2011) IXAD Delhi 661.

“The trademark that is registered, is a fixed point of reference by which infringement is to be judged. The registered mark must be considered in the precise form in which it was registered.¹⁹ The Draft Manual, regulated by the Indian Trademark Registry, therefore devotes several pages to the Graphical Representation requirement for colour, shape, scent, sound and taste trademarks.²⁰ The graphical representation of these marks is a very difficult task. For sounds marks, for example, the musical notes of the sounds are used to represent it on the piece of paper, for shape marks one is supposed to depict the shape of the mark on the paper, but in the case of a fragrance mark, taste mark or 3D mark the work becomes much more difficult. As these are not only difficult to represent on paper but may also differ from person to person. Different jurisdictions have different approaches in this regard which have been analyzed later in this article.

It is also required that the representation should be precise and accessible, and not just be able to be done performed on paper. According to the *Libertel case*²¹, the graphic representation of a colour mark must be clear, precise, self-contained, easily accessible, intelligible, durable, and objective. Merely reproducing the colour in question on paper does not satisfy these requirements, whereas using an internationally recognized colour code does. Also for sound marks, it is important that the sound is highly distinctive and intelligible before it is represented for registration. These requirements make the registration of unconventional trademarks a hard and cumbersome process.

However, just because they are perceived by some to be little details and not important features, and have trouble in being graphically represented does not mean such trademarks should not be encouraged as in an economy innovation is only achieved if it is backed by rewards. Trademark law safeguards a mark owner from having the “fruit of his labour misappropriated” by infringers, creating incentives for the production of high-quality goods and for preserving the mark’s goodwill.²² Trademark law protects against consumer confusion about the source of products sold under a trademark, instilling confidence in consumer purchases and reducing information and transaction costs in the marketplace.²³ If these marks distinguish one’s products in the market so much so that it makes a distinctive mark for the consumers to rely upon, it should be encouraged and registered.

¹⁹ L’Oreal SA v. Bellure, NV, (2006) E.W.H.C. 2355.

²⁰ A draft of Manual of Trade Marks: Practice and Procedure, Chapter II §5.2.

²¹ *Libertel v. Benelux Merkenbureau*, (2003) ETMR 63.

²² *Zippo Mfg. Co. v. Rogers Imports, Inc.*, 216 F. Supp. 670, 694-95 (S.D.N.Y. 1963).

²³ *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383, 1395 (3d Cir. 1985).

FRAGRANCE

“*Smell sells. Good smell sells better.*”²⁴

Different scents have different effects on us. They may make us relax; they may cause us to become more focussed. There is an intimate relationship between our feelings, memories and fragrances. Given the intimate and direct interaction between aroma and memory, understandably consumers have long used odours to identify and distinguish products from one another. Soap is a prime example. Thus, fragrance does function and is functioning as a trademark in today's market place.

Efforts to protect fragrances indirectly, as a form of trademark dilution or of false advertising have proven ineffectual. Fragrances should be protected as trademarks, for they can and do serve very definite product identifying functions.²⁵

The idea of granting registrations to fragrance marks is to protect the ability of consumers to distinguish among competing producers. Registration has been granted to containers²⁶, product configurations²⁷, packaging²⁸, sounds²⁹, colours³⁰, and even to goods which take the form of the mark itself.³¹ For we all may from time to time forget a product's brand name, yet remember some other distinctive feature about it, the shape of its container, or specifics about its package for example and use that feature to locate what we want. Just as often, manufacturers know, we the members of the purchasing public recall the product's fragrance. We may recall a shampoo's bubble gum smell, or the “fresh” smell the facial tissues had, or decide among competing pillows because one smells “softer.”³²

²⁴ James E Hawes, *Fragrances as Trademarks* 79 TRADEMARK REP. 134 (1989).

²⁵ *Ibid.*

²⁶ Ex parte Haig and Haig, Ltd. 118 USPQ 229 (Comr 1958).

²⁷ In re Minnesota Mining and Mfg. Co., 335 F2d 836, 142 USPQ 366 (CCPA 1964).

²⁸ In re World's Finest Chocolate, Inc. 474 F2d 1012, 177 USPQ 205 (CCPQA 1973).

²⁹ INTA Bulletin, *First Sound Mark Registered in India*, <http://www.inta.org/INTABulletin/Documents/INTABulletinVol63no17.pdf>, accessed on 23rd January, 2015.

³⁰ Qualitex Co. v. Jacobson Prods. Co., 514 USSC 159, 162, 165 (1995).

³¹ In re Penthouse International Ltd., 565 F2d 679, 195 USPQ 698 (CCPA 1977).

³² *Supra* note 24.

Distinctiveness

“The olfactory memory is probably the most reliable memory that humans possess and that, consequently, economic operators have a clear interest in using olfactory signs to identify their goods.”³³

Trade marking a fragrance shall probably serve the proprietors well, as scents are a subtle way of underlining their distinctiveness, with the added benefit of appealing the customers due to the inherent aesthetic value. The first requirement to register a trademark is that it must be distinctive.

The distinctiveness of a mark is judged on the spectrum of distinctiveness. ‘In assessing their suitability as trademarks, words can be divided into five categories. These categories range from fanciful, invented words, which are typically strong trademarks, to generic terms, which are not protectable at all. The stronger the mark, the more protection it will be given against other marks.

The categories, ranked in decreasing order in terms of strength, are:

- a) Fanciful Marks—coined (made-up) words that have no relation to the goods being described (e.g., EXXON for petroleum products).
- b) Arbitrary Marks—existing words that contribute no meaning to the goods being described (e.g., APPLE for computers).
- c) Suggestive Marks—words that suggest meaning or relation but that do not describe the goods themselves (e.g., COPPERTONE for suntan lotion).
- d) Descriptive Marks—marks that describe either the goods or a characteristic of the goods. Often it is very difficult to enforce trademark rights for descriptive marks unless the mark has acquired a secondary meaning (e.g., SHOELAND for a shoe store).
- e) Generic Terms—words that are the accepted and recognized description of a class of goods or services (e.g., computer software, facial tissue).³⁴

For a fragrance to be distinctive, it should preferably fall within one of the first three types. The distinctiveness of a scent mark, as with any trademark, must also not result from the nature of the goods themselves. As an illustration, let us consider the application to register the scent of Chanel

³³ Eden Sarl v. OHIM, (2005) T-305/04.

³⁴ INTA Factsheet, *Trademarks vs. generic terms*, <http://www.inta.org/TrademarkBasics/FactSheets/Pages/TrademarksvsGenericTermsFactSheet.aspx>, accessed on 23rd January, 2015.

No. 5 perfume in the United Kingdom, which was refused registration as it was the essence of the product. It was irrelevant how iconic or famous the brand and the scent were³⁵.

The distinctiveness of a scent does not depend on whether it is a special scent that is not found in nature, or is particularly pungent. Natural scents should be capable of registration in certain circumstances even if, on their own, they lack sufficient distinctiveness for registration. Common scents that have been accepted by OHIM include the written descriptions of “the smell of fresh cut grass” for tennis balls.³⁶

Yet, Courts have ruled that not all natural scents can be called distinctive. In the recent case of *Eden Sarl v OHIM*³⁷, registration was refused to the applicant for an application for the smell of red strawberries to be used for cosmetics, etc. The Court held that strawberries might have up to five different scents, depending on ripeness or place. The scent was not capable of being strictly defined, and was thus labeled non-distinctive.

In the opinion of the writers, there is considerable scope for criticising this stand taken by the Court. They claimed that since there were five different scents, a registration could not be granted to the smell due to lack of distinctiveness. Yet, the idea of registration of a trademark is that a person of average intelligence and imperfect recollection should be able to associate the scent with the product.

Considering the scientific basis of how the human body perceives scents, let us see how a basic perfume works. Let us assume that a hypothetical application for the perfume of soap is being applied for. When the perfume is applied to the skin, what we smell is the molecules of the perfume leaving the skin. So initially, what we inhale is the lighter molecules. Slowly, the heavier molecules start leaving too. Thus, most scents have a top note, which is generally lighter, and then a main chord, a heavier, possibly fruity fragrance, finally followed by an end note. To top it, the human body itself produces odours. So scents interact with these and change. The consumer himself does not go into such detailed analysis. The product is judged by its “first whiff” or maybe by its “lingering fragrance”. That a consumer is not consciously aware of all the undertones, cannot be used to prove that he may not use it to distinguish it from a rival product. Unconscious association is sometimes enough for the purpose. The final judge is still the human nose.

³⁵ Chanel’s Application dated 31st October 1994, cited from Nathan K G Lau, *Registration of Olfactory Marks as Trademarks: Insurmountable Problems?*, 16 SINGAPORE ACADEMY L. J. 264, 265 (2004).

³⁶ Vennootschaponder Firma Senta Aromatic Marketing, CTM Application No. 428870, filed 11th December, 1996, registered 11th October 2000.

³⁷ *Eden Sarl v OHIM*, (2005) T-305/04.

In light of this, the emphasis on proving complete distinctiveness by providing a watertight graphical representation seems like an unnecessary restricting requirement. Maybe the world can take note of Australia's wonderfully liberated laws. They maintain that a simple description of the scent will be sufficient to meet the requirements for graphic representation. E.g. "The scent of apple blossoms applied to plastic storage boxes".

Australian jurisprudence also suggests that references to chromatographic techniques or other highly specialized methods of identifying scents are not acceptable as these are unlikely to be comprehensible to the ordinary person.³⁸ The focus is as it should be: on the common person, as they are the target consumer group. More discussion on graphical representation follows.

Graphical Representation

'In order to be the subject of a valid application of registration, a sign must be graphically represented, as required by section 2(1)(zb) of the Act. The words 'capable of being represented graphically' would mean that the mark should be such as to be capable of being put in a register in a physical form and also being published in a journal.'³⁹

In *Swizzels Matlow Ltd's Application (No 2)*⁴⁰; the Court explained two chief reasons for the requirement of the graphical representation criterion:

- (a) To enable traders to identify, with clarity, what other traders (carrying on the same business or otherwise) have applied for registration as a trademark, and for which product.
- (b) To enable the public to determine, with precision, the sign that forms the subject of the trademark registration.

The ability of being graphically represented is not an objective criterion because the degree of precision, which will render it identifiable, is not spelt out anywhere. However, a cursory reading of the provisions of the Act makes it clear that such representation must be sufficient to permit full and effective implementation of the same. For instance, clear and unambiguous representation of a trademark provides an evidentiary benefit for maintaining a case for trademark infringement under Section 29 of the Act.⁴¹ Section 29 of the Act requires the mark allegedly infringing an earlier trademark to be deceptively similar to or identical with the latter.

³⁸ WIPO, *Existing Methods of Representation and Description of New Types of Marks or Non-Traditional Marks*, http://www.wipo.int/export/sites/www/sct/en/comments/pdf/sct17/au_2.pdf, accessed on 24th January, 2015.

³⁹ KC KAILASAM & RAMU VEDARAMAN, *LAW OF TRADEMARKS AND GEOGRAPHICAL INDICATIONS* 132 (Wadhwa & Company, Nagpur 2005).

⁴⁰ *Swizzels Matlow Ltd. Application (No. 2)*, (2000) ETMR 58.

⁴¹ The Trade Marks Act, 1999 §29.

Therefore, the scheme of rights and liabilities established under the Act can be effectively realized only if the graphical representation discloses the identity of the sign it purports to represent, unmistakably.⁴²

However, in fragrance marks graphical representation imposes a major obstacle as it is very hard to represent it on a piece of paper. Until now fragrance marks had been represented by means of a chemical formula, which represented the fragrance by presenting it empirically. In case of *Ralf Sieckmann v. Deutsches Patent und Markenamt*⁴³, the Court noted that few people could ascertain the scent by reading a chemical formula; further, the formula actually denoted the substance and not the scent. A mere written description, though graphical, was not precise or clear. An odour sample was not graphical, nor stable or durable. Therefore, the Court ruled that none of these methods, individually, or in combination, constituted valid representation. Thus, the application was rejected.

One of the major issues in representing fragrance is also that a fragrance can differ from places to places, thereby making it non universal in nature. Also fragrance changes with temperature and altitude which makes it variable in nature and if a mark is not constant it cannot be used as a benchmark by the company to flourish their trade on, and therefore cannot be registered.

In India, there has been no fragrance trademark registered till date and it seriously lags behind other jurisdictions in this regard. If it were not for the strict graphical representation requirement, fragrance marks in India also would have received a boost and would have been frequently encountered. The US does not comply with this requirement of necessary graphical representation, and it has been the most liberal and frequent jurisdiction in granting fragrance marks.

The first case where registration of a smell mark was allowed in the US was *In Re Celia Clarke*⁴⁴; though this case did not deal directly with graphical representation, because of the relaxed law. The applicant filed for a trademark protection of a scent with the description, 'a high impact, fresh, floral fragrance reminiscent of Plumeria blossoms' for use with sewing thread and embroidery yarn. Though initially the registration was refused, it was allowed on appeal because the appellate board felt that if the applicant's scent did function to indicate origin; potential consumers might readily be able to distinguish among the vast array of scents in identifying the completing source of goods. The case is a classic example of how easy it becomes to register a trademark when the requirement of graphical representation is relaxed.

⁴² *Supra* note 39.

⁴³ *Ralf Sieckmann v. Deutsches Patent und Markenamt*, (2002) ECR I-11737.

⁴⁴ *In Re Clarke*, 17 U.S.P.Q.2d 1238 (T.T.A.B. 1990).

The graphical representation of scents thus far has solely been verbal, but a verbal description of smell can be subjective and cannot really provide a fail-safe method of identifying and distinguishing one smell or scent from another. Other commonly used forms of graphical representation of a scent include describing the smell as a chemical formula but as the ECJ has stated a chemical formula does not represent the smell of the chemical itself and that few people would be able to get a sense of the smell based on its chemical formula, this method also does not provide a viable answer with regard to the common man. Further, a sample of the scent provided as evidence of the scent in question may degenerate over a period of time, as the chemical composition may deteriorate. Therefore there are very few scent trademarks registered till date.

RECENT DEVELOPMENTS

One major issue while applying for non-conventional marks faced by the proprietors is that there cannot be any exactness or precision which we have come to expect of word marks. The U.S. registration system makes a “drawing” of the mark a prerequisite of its registration-except for sound, scent, and “other completely non visual” marks, for which a “detailed description of the mark” is all that is required.

In contrast, the European Union defines marks as signs “capable of being represented graphically” for purposes of its registration system, and requires submission of a “graphic representation” for all marks submitted for registration, including sound and scent marks.⁴⁵ Let us examine both systems in greater detail.

European Union

The European law of trademarks is based on a collectivisation of the national laws of all its participating countries. These laws themselves are set down in line with European Directives, along with the decisions of the European Court of Justice (ECJ). Another major source of their rules is the Madrid Protocol. The EU has provisions for registration of trademarks at both national level, and community level. Those at the community level are called, as would be expected, Community Trademark throughout EU or through registration at the Office for Harmonisation in the Internal Market (OHIM).

The EU directives and cases regarding fragrance marks have played an important role in evolving jurisprudence even on the global level. Many nations, including India, have based their national

⁴⁵ Megan Bartkowski, *New Technologies, New Trademarks: A Review Essay*; 19 J. CONTEMP. LEGAL ISSUES 433 (2010).

laws on the EU model. Lately, the trend has been moving towards stricter rules for registration, as the pre-requisites for applicability have been tightened by precedents. The questions of distinctiveness of such trademarks, and whether it is necessary that the mark must be capable of being graphically represented have been discussed in most of these cases. It is to be noted that the cases are mostly in the context of Article 2 of the First Council Directive of 21st December 1988 (Article 2), which provides for the graphical representation requirement. It states that-

“[s]igns of which a trade mark may consist: A trade mark may consist of any sign capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings.”

The first undertaking which sought to register a scent under the 1994 Act was Chanel for the scent of its fragrance Chanel No. 5. The application was rejected on the grounds of being functional; the fragrance was the product itself.⁴⁶ On the same day, Sumitomo Rubber Co. sought the registration of “a floral fragrance/smell reminiscent of roses as applied to tyres”⁴⁷ and Unicorn Products sought to register “the strong smell of bitter beer applied to flight darts”.⁴⁸ Both these applications were successful.

Another relevant case which came before the OHIM is the case of ‘Freshly Cut Grass’, Second Board of Appeal, and European Court of Justice⁴⁹. An application was sought to register the “smell of freshly cut grass” for tennis balls, in the European Community. The OHIM held that the smell was distinctive, and the description was in compliance with Article 4 of the Community Trade Mark Regulations.

A landmark case determined by the ECJ is the case of *Ralf Sieckmann v. Deutsches Patent und Markenamt*.⁵⁰ In this case, Mr. Sieckmann sought trademark protection in respect of his conglomeration of businesses. He represented the mark by denoting its chemical composition, giving the chemical formula, and specifying that samples could be found in local laboratories listed in the Dutch Yellow Pages. He also submitted a sample, stating that the scent was usually described as “balsamically fruity with a slight hint of cinnamon”.

⁴⁶ Nathan K G Lau, *Registration of Olfactory Marks as Trademarks: Insurmountable Problems?*, 16 SINGAPORE ACADEMY LJ 264, 265 (2004).

⁴⁷ Sumitomo Rubber Co. Application No. 2001416 dated 31st October 1994.

⁴⁸ Unicorn Products Application No 2000234 dated 31st October 1994.

⁴⁹ Vennootschaponder Firma Senta Aromatic Marketing, CTM Application No. 428870, filed 11th December, 1996, registered 11th October, 2000.

⁵⁰ *Ralf Sieckmann v. Deutsches Patent und Markenamt*, (2002) ECR I-11737.

The application was rejected at various levels on the ground that it did not fulfil the requirement of Article 2. The preliminary ruling was essentially on whether smells were capable of being registered and whether the stated methods of graphical representation were adequate.

Noting that the signs mentioned in Article 2 did not constitute an exhaustive list, the Court ruled that a scent could receive trademark protection provided it is graphically represented. Such representation “must enable the sign to be represented visually, particularly by means of images, lines or characters...”⁵¹ it should be clear, intelligible and self-contained. The purpose of the graphic representation was to enable the competent authorities, tradesman/ competitors and the general public to ascertain the precise sign for which protection was being sought for, by checking the public registry. An odour sample was not graphical, nor stable or durable. Therefore, the Court ruled that the application did not constitute valid representation and was rejected.⁵²

It is interesting to note that the Court did not lay down what constituted a valid graphical representation for the purposes of Article 2. In not doing so, and in striking down the aforementioned methods, the ECJ has severely restricted the scope of registration of scents. In fact, various academics have commented that registration of scent is now impossible.⁵³

Despondently, India also follows the EU approach on trademarks; Indian law also prescribes a strict graphical representation requirement, making the process extremely hard and for all purposes, unattainable. However, its decision to not grant trademark-ability status to olfactory marks is also based on practical impediments that exist today. The same may be subject to change, considering the growing commercial and advertising trends that exist, coupled with technological advancement in this field.

United States

The Lanham Act⁵⁴ is the principal US law governing the protection and registration of trademarks at the federal level and the U.S. Patent and Trademark Office (U.S.P.T.O.) is the primary body that oversees and administers the registration.

Section 2(f) of the Lanham Act states: “nothing in this chapter shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant’s goods in

⁵¹ *Ibid.*

⁵² *Ibid.*

⁵³ Paul Leo Carl Torremans, *Trademark Law: Is Europe Moving Towards an Unduly Wide Approach for Anyone to Follow?*, 10 J. INTELL PROP. RIGHTS 127, 131 (2005); David Vaver, *Unconventional and Well-Known Trademarks*, SING. J. LEGAL STUD. 1, 7 (2005); Susanna HS Leong, *Conditions for Registration and Scope of Protection of Non-Conventional Trademarks in Singapore*, 16 SINGAPORE ACADEMY LJ 423, 441(2004).

⁵⁴ United States Lanham (Trademark) Act 15 U.S.C. § 1051 – 1127.

commerce.”⁵⁵ Thus, according to this provision once the mark has acquired secondary meaning with the consuming public and assuming other requirements have been fulfilled, the mark must be granted registration on the principal register.

The first part of this section is fairly negative in its wording, it prescribes what can and cannot be trademarked by excluding obscene, scandalous and immoral marks out of the purview of the Act. The positive part of requirements is that apart from being non-functional, the mark should be distinctive, or have acquired distinctiveness, enabling consumers to distinguish the goods of the holder from that of others.⁵⁶

Trademark itself is defined in 15 U.S.C. § 1127. It says- “The term “trademark” includes any word, name, symbol, or device, or any combination thereof— (1) used by a person, or (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter, to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.”

When we examine the provision, we see that it includes ‘symbols’ and ‘devices’ as well. The US Congress included these terms to not preclude registration⁵⁷ of sounds, scents and shapes as trademarks.⁵⁸ In fact, the entire jurisprudence of the US has stood out to be progressive as compared to EU laws. The best example of this is probably the decision of the U.S. Supreme Court in *Qualitex Co v. Jacobson Products Co.*⁵⁹, wherein it held that a trademark can be “almost anything at all that is capable of carrying meaning.”⁶⁰

In 1990, the first and only case on the principal register⁶¹, the Trademark Trial and Appeal Board held that a scent reminiscent of Plumeria blossoms could be registered for “sewing thread and embroidery yarn.”⁶² This scent mark had acquired distinctiveness through use, and this case led to the U.S. Patent and Trademark Office’s accepting that scents can function as trademarks. In

⁵⁵ United States Lanham (Trademark) Act 15 U.S.C. § 1052(f) (2006).

⁵⁶ United States Lanham (Trademark) Act, 15 U.S.C. § 1052.

⁵⁷ Lyndra Zadra-Symes, *Sounds, Smells, Shapes and Colours: Protection of Nontraditional Trademarks in the U.S.*, http://www.kmob.com/pdf/Sounds_Smells_Shapes_and_Colours.pdf, accessed on 25th January, 2015.

⁵⁸ UNITED STATES STATUTES AT LARGE, 100TH CONGRESS 2ND SESSION 44 (1988), <http://www.gpo.gov/fdsys/pkg/STATUTE-102/content-detail.html>, accessed on 25th January, 2015.

⁵⁹ *Qualitex Co v. Jacobson Products Co.*, 514 US 159 (1995)

⁶⁰ Brinks Hofer Gilson &Lione, *The Sound of Unconventional Marks in the United States*, WORLD TRADEMARK REV. 94 (July / August 2007).

⁶¹ Jay M. Burgett, *Hmm...What’s That Smell? Scent Trademarks—A United States Perspective*, INTA BULLETIN, (Vol. 64, No. 5, March 1, 2009)

⁶² *In re Clarke*, 17 U.S.P.Q.2d 1238 (T.T.A.B. 1990).

*Clarke*⁶³, the issue of whether a scent mark is distinctive because it is unique in nature or unique to the market was addressed; the USPTO's standard is that "[t]he amount of evidence required to establish that a scent or fragrance functions as a mark is substantial."⁶⁴

The case laid down restrictions for determining what can be trademarked. The scent had to be distinctive of the product and it could not be utilitarian or functional. Therefore the fragrance of a perfume could not be registered, which is where Chanel failed in the EU⁶⁵. Moreover, in terms of graphical representation, the court stated that while drawings were not required, description of the scent was required.⁶⁶

Successful scent registrations are more common on the Supplemental Register, with marks such as lavender (Reg. No. 3140693) and vanilla (Reg. No. 3143735), each for office supplies in Class 16.⁶⁷

The Lanham Act of the US is supposed to be amongst the most lenient trademark legislations; the Act is not only extensive enough to be construed in a wide manner but also prescribes lenient and clear procedures for the registration of a trademark. The only two requirements the Act essentially prescribes are that of distinctiveness and having a commercial market for the product which relies on the characteristic being trademarked.

CONCLUSION

Today, the United States and the European Union confer legal protection for non-traditional marks such as sounds and colours. This provides good evidence of the continued evolution in our thinking about trademarks and trademark law. The struggle of current mark-registration systems over how best to accomplish the registration of nontraditional marks and how best to determine the quality and scope of legal protection for them will be most benefited by a unification of ideologies over like-minded jurisdictions.⁶⁸

⁶³ *Ibid.*

⁶⁴ United States Patent and Trademark Office. Trademark Manual of Examining Procedure § 1202.13

⁶⁵ Nathan K G Lau, *Registration of Olfactory Marks as Trademarks: Insurmountable Problems?*, 16 SINGAPORE ACADEMY L. J. 264, 265 (2004).

⁶⁶ *In re Clarke*, 17 U.S.P.Q.2d 1238 (T.T.A.B. 1990).

⁶⁷ Jay M. Burgett, *Hmm...What's That Smell? Scent Trademarks—A United States Perspective*, INTA BULLETIN, (Vol. 64, No. 5, March 1, 2009), accessed on 20th January, 2015.

⁶⁸ *Supra* note 45.

The trend of non-conventional marks, having begun in the early 1990s, has now reached even smaller countries. More and more jurisdictions are adopting related laws and procedures, with the result that they'll probably be ubiquitous soon. However, a contrasting effect is to be seen with the corporations and proprietors. It seems like most companies are viewing them as novelty marks, and are not following this line of registration very strongly. The numbers show that in the EU, after the registration of the now lapsed smell of freshly cut grass, only seven more applications had even proceeded for filing. The reasons for this are manifold. The major reason is probably that there is no easily referenced database where an aspiring proprietor can go and examine marks. Secondly, proprietors are unaware of the effects that scent might have on their consumers; or maybe that they do not want to incur the excess cost involved with what they might consider a frivolous addition. They might also be unaware of the procedures involved, as many countries themselves are in the middle of laying down these procedures. Hence, they might be playing safe and waiting for a properly delineated method to emerge worldwide before they begin to apply for fragrance marks. Once these challenges are addressed, we shall probably see an upsurge in the number of such registrations.

The principal obstacle placed in way of fragrance trademarks is that of maintaining a durable record for the public which could be accessed by a common man. Different jurisdictions have evolved different approaches in this short span of time. Where the US assumes "use in commerce" and distinctive requirements, the EU appears to be more fixated on the graphical representation rule.

In India the trademark law chiefly agrees with the EU approach. The Indian Trademark Act subscribes to a strict graphical representation requirement. However, unlike EU, in India we have not witnessed any fragrance mark being registered or an application being presented for the same to date. Litigation with regard to fragrance marks remains non-existent in the country. Furthermore, there is no procedure in place for registration of these marks. There are no guidelines or rules which govern precisely what an application for such mark should entail and whether it is required to be accompanied by a sample of the fragrance or not.

It is presumed that since we rely vastly on the EU model, the requirement for graphical representation of the chemical depiction of the fragrance being applied for must be entered into the trademark application. However, as illustrated in the *Seickman's case*, the chemical formula of the smell is not considered sufficient for the benefit of the common man and is not a viable solution of the problem. If the fragrance trademark has to gain sufficient acceptance, there is a dire need of a more feasible and easily understandable form of representation or preservation of these records.

In fact, it would not be wrong to state that as long as it is possible to obtain a durable and stable sample that could be easily and objectively perceived by the public through the consultation of the public database, there would be no reason to deny the registration. In this regard, it is worth

noting that there are already several patents relating to the electronic smell emission and storage of samples, therefore it is likely that the registration of fragrance trademarks will also be welcomed.

To realize this durability and stability of scent sample, it is important that some more thought into this area is applied. Adoption of an international classification with well-defined categories of smells with durable and stable samples that may be accessed online will be one method to accomplish it. Technological advancements in this field like creation and wide adoption of computers with built-in smell emitting devices, or scratch sticks available in the registrar's offices could also go a long way to solve this problem.

Unlike the United States' verbal approach for the fragrance marks or European Union's strict graphical representation requirement, India should not restrict itself to these widely applied techniques but should tread the waters for itself. Fragrance marks represent a special characteristic of a product, a smell distinctive in nature which distinguishes an otherwise regular product in the market. Registration should be allowed to the trademark if the product is widely recognized by way of this characteristic by the users.

Fragrance marks are not only a fanciful idea but could be the practicality of a new future. One may question the need of these marks as the litigation on this ground is so thin across the world, but our economy has always been consumer driven, development occurs because of the demand by consumers. Fragrance plays an important role in reinstating something in a person's memory; it is an established way of interacting with an individual and thereby in a market plays an important role of connecting with the target audience.

Scented products fashion a product friendly approach and are very significant in linking them with the users. Brands put in these extra efforts in order to distinguish themselves from the existing market and to produce user friendly products. It is their right in law to be rewarded for these. We can hardly expect these types of marks to come up if we do not incentivize them. India being a growing economy and one of the bigger players on the world stage, should not discourage this idea as is, but should make sure that it does not lag behind other nations in amplifying the growth of its industries.

Lastly, a major argument in favor of the fragrance marks is that they not only interact with the regular user but also turn out to be increasingly vital to people with impaired senses, to distinguish among different products. These non-conventional trademarks of smell guarantee rights to the visually and aurally disabled population. It might seem that they are monopolizing the market but are actually a great step forward if the companies are to expect to make scented products. This way it can create a product friendly environment for the differently-abled. This way at least we will be able to add a slight touch of humanity in an otherwise inhumane trademark law.

In conclusion, we can be sure that fragrance marks are here to stay. They have earned enough recognition and caused enough excitement on the world scale that they shall not be relegated to the backseat of ideas anymore. They should be encouraged as mainstream trademarks and incorporated into the public conscience.

.

FACILITATING COMPULSORY LICENSING IN RESPONSE TO HEALTH CRISES IN DEVELOPING COUNTRIES

SOUMYA SINGH BAGHEL & MANISHA NAVLANI

The basic approach of patent law is to strike a balance between the interests of an inventor and that of consumers. It also ensures that the benefit of the new technological advancements reaches people and they are not exploited by the Patent holder through creation of monopoly or any other means. Thus the mechanism of compulsory licensing is being developed. In compulsory licensing, party other than the legitimate holder is given rights over the patented technology. Though, TRIPS does not dictate the subject matter which can be licensed, but prescribes procedure intends to ensure that compulsory licenses are fairly issued with reasonable consideration of patent owner's interest. However, in pharmaceutical sector, use of compulsory license is extreme and unprecedented. Compulsory licensing has a long history, the time at which TRIPS was concluded; most nations already had provisions authorizing them.

After short introduction of compulsory license under TRIPS agreement and the Paris Convention, this article verifies whether the decision of controller satisfies the conditions in International Treaties in relation to CL. Over the past few years few countries such as Brazil, Thailand, and Canada have granted Compulsory license, India is just latest country which has relied on this tool of compulsory license. Also the article would examine the interrelationship between the grant of compulsory licenses for essential medicines, the influx of FDI and its impact on Public health and innovations.

The article concludes that if compulsory license is widely used then it would be beneficial and effective in the public interest and it would help the developing countries to use their resources effectively for the growth and development. It also concludes that the present trend of non-working of patents in India shows that patenting is attractive merely due to the high profits from the large Indian market, and patented products are imported with no actual transfer of technology. It also shows that the present patent system has deviated from its objective of socio-economic welfare.

COMPLEX REALITIES OF COMPULSORY LICENSE: DEVELOPED VS. DEVELOPING NATIONS

One should not forget that Patents Represents an interventionist instrument, ultimately for the sake of community welfare. Thus intervention to restrict some of the effects of the Patents may be required, when the community welfare is no longer served.¹

-Michael Kern

In the current scenario, pharmacy sector has gained great importance due to a lot of factors such as increasing diseases, compulsory licensing, patents, research and developments etc. Public health has emerged as a major international political priority because it has become ever clearer that improving the health of a nation's citizens provides economic and moral rewards.² The increase of epidemics like HIV/AIDS, tuberculosis and malaria in South Africa, Brazil and other developing countries combined with their citizens' inability to buy drugs, has induced induces the governments of these nations to issue compulsory licenses .

When a government grants production rights to a party other than the patent holder/owner without their prior consent, it is known as compulsory licensing.³ It is an exception to patent protection which is included in the WTO's agreement on Intellectual Property — the TRIPS (The Agreement on Trade-Related Aspects of Intellectual Property Rights) Agreement. The feature of compulsory licensing under patent law has attained prominence, with special focus on the segment of life – saving drugs. After the Doha Declaration on the TRIPS agreement and Public Health,⁴ many developing countries have issued Compulsory Licenses. It states that each member has the right to grant compulsory licenses and has the freedom to determine the grounds upon which such licenses are granted.⁵

A patent confers to its holder the exclusive right to make, sell and use the protected invention⁶. Pharmaceutical companies risk their investments because they foresee the profits from their patented inventions. But the patent rights results in creation of monopolies and trade restrictions. Due to the patenting of life-saving drugs, it leads to monopoly pricing due to which these drugs

¹ ELIZABETH VERKEY, *LAW OF PATENTS*, 367 (2nd ed., 2012).

² Robert Bird & Daniel Cahoy, *The impact of Compulsory Licensing on Foreign Direct Investment: A Collective Bargain Approach*, *AMERICAN BUSINESS LAW JOURNAL*, Vol. 45, Issue 2, 5-6, (2008).

³ *Supra* note 1.

⁴ Carlos M. Correa, *Implications of Doha Declaration on TRIPS Agreement and Public Health*, World Health Organization, 2002. http://www.wto.org/english/thewto_e/minist_e/min01_e/min01_e.htm, accessed on 18th July, 2014.

⁵ World Health Organization, *Declaration on TRIPS agreement and Public Health*, 20th November, 2001. http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_trips_e.htm, accessed on 18th July, 2014.

⁶ Isabelle Girard, *Strategies for international protection of an invention*, 25th Feb. 2014, available at: <http://www.robic.ca/admin/pdf/176/068.065EH05.pdf>.

become unaffordable for the impoverished patients of developing nations. These arguments stem from the fact that pharmaceutical patents create conflicts because of the 'public good' nature of the product created by private-with-profit intention.⁷ The developing nations have been provided the liberty to issue the CLs Compulsory Licenses under TRIPS. Essentially, the patent holder is forced to give up a bit of their property rights to benefit the public at large.⁸ The South African Parliament amended the Medicines and Related Substance Control Act, 1965 in response to its nation's HIV epidemic in 1997.⁹ It allowed the Minister of health to allow Compulsory Licensing in certain situations in order to create "condition for the supply of more affordable medicines in order to protect the health of public." Subsequently, it led to a dispute between United States and South Africa over pharmaceutical patents in developing countries.¹⁰ The U.S. Government threatened South Africa with trade sanctions but both the U.S. government and the pharmaceutical companies were forced to withdraw their actions in view of public pressure¹¹.

The United States has no specific provision for compulsory licenses in its patent law.¹² However, competition law, called antitrust law in U.S. parlance contains remedies which closely resemble compulsory licensing. Several proposals on introduction of a compulsory licensing regime have been made, but have been defeated.¹³ At the same time, the U. S. has always been resistant to other countries declaring an emergency that would support the issuance of a compulsory license.

There is a contrast between the patents issued to the developed countries and developing countries. In developing countries, foreigners file most of the patents when compared to their counter parts in the developed nations. For e.g. Brazilians hold less than 0.1% of the U.S. patents issued in 1998, while the United States has captured nearly 40% of the patents issued in Brazil in the same year. In South Africa also, foreigners applied for over 99% of the patents in 1999 and 40% of those applications were from the United States. In contrast, South African inventors captured less than 0.1% of U.S. patents issued in 1998.¹⁴ It clearly shows that U.S. inventors have

⁷ N. Lalitha, *Review of Pharmaceuticals Industry of Canada*, ECONOMIC AND POLITICAL WEEKLY, Vol. XL No.13 (2005).

⁸ *Supra* note 2 p.9.

⁹ Medicines and Related Substances Control (Amendment) Act, 1965, http://elearning.trree.org/pluginfile.php/34682/mod_folder/content/0/NationalLegislation/act-MedicinesRelatedSubstancesControl-101-1965.pdf?forcedownload=1, accessed on 18th July, 2014.

¹⁰ Ufuoma Barbara Akpotaire, *HIV and AIDS in Africa : Compulsory Licensing Under TRIPS and DOHA Declaration*, 30th September, 2010, available at SSRN: <http://ssrn.com/abstract=1719555>

¹¹ Hans Henrik Lidgard & Jeffery Atik, *Facilitating Compulsory Licensing under TRIPS in Response to the AIDS Crisis in Developing Countries*, LOYOLA LAW SCHOOL JOURNAL, 8, (2004).

¹² United States Patent Act, 35 USCS (1952).

¹³ A. Valach, *Protecting the rights of patent holders and addressing public health issues in developing countries*, CHICAGO-KENT JOURNAL OF INTELLECTUAL PROPERTY, (2005).

¹⁴ Colleen Chien, *Cheap Drugs At What Price To Innovation: Does The Compulsory Licensing Of Pharmaceuticals Hurt Innovation?* BERKELEY TECHNOLOGY LAW JOURNAL, Vol 18:1, (2003).

captured a large share of patents both domestically as well as in other countries by Patent profits from both domestic and international markets reward and support research performed locally by U.S. inventors.

Patents are primarily seen as an incentive to innovate and a means to stimulate technology creation. This innovation-based approach has led to the selective application of compulsory licensing to cases where patents hinder rather than advance innovation. The European Union has taken a more flexible approach for finding solutions as the European Union regards compulsory licensing as one option to address the global HIV/AIDS pandemic¹⁵

The EU has undertaken measures to facilitate export of pharmaceuticals to developing countries at low prices and has also kept check that these low priced drugs are not reintroduced in the European market. U.S. interests have focused on generous financial aid and on private initiatives to facilitate developing countries.

US-BRAZIL PATENT PROTECTION

The basic and important question which arises is that whether right to life is a powerful enough human rights issue to be able to violate drug patent laws? This arose when the Brazilian Ministry of Health during late 1990's continued its successful battle against HIV/AIDS by granting compulsory licenses despite WTO legislation for two antiretrovirals, efavirenz and nelfinavir, for local manufacture unless they were discounted by 50%. In this case of U.S. – Brazil,¹⁶ the Brazilian government threatened to mass produce generic versions of patented AIDS medicines when it could not reach an agreement on lower costs with the patent holders from the United States. It came before WTO as the violation of Intellectual Property by US on behalf of its pharmaceutical industry which it considered an 'objectionable provision that mars an otherwise good system' of Brazilian patent protection¹⁷. This was met with dismay in Brazil, where the government-run AIDS program was considered successful as it offered AIDS patients free antiretroviral drugs. According to the U.S. complaint, "Article 68 of Brazil's 1996 Industrial Property Law discriminates against U.S. owners of Brazilian patents whose products are imported into, but not locally produced in, Brazil". The United States claimed that this statutory scheme violates Article 27(1) and Article 28(1) of the TRIPS Agreement.

¹⁵ *Supra*, note 6 p.10.

¹⁶ World Trade Organization, *Brazil- Measures affecting Patent Protection*, February 24, 2010 http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds199_e.htm, accessed on 25th January, 2014.

¹⁷ Press Release, Pharmaceutical Research and Manufacturers of America/Pharma Applauds USTR Action against Argentina and Brazil available at <http://www.pfmrma.org>., accessed on 24th February, 2014.

The compulsory license clause of the TRIPS Agreement, Article 31, mainly exists to control the procedures and conditions of issuing a Compulsory License. The fact that Article 31 does not generally prohibit any grounds for Compulsory Licensing means that national discretion to compel a license is implicitly wide-ranging¹⁸. The U.S. also did not include Article 71 of TRIPS Agreement in its complaint to the WTO against Brazil, although the U.S. did not feel the article's authority to issue a compulsory license during a national emergency, being a TRIPS compliant and it failed to limit the grounds of compulsory license.¹⁹ However, it was mutually agreed in 2001 at the WTO meeting in Doha and it was a victory for Brazil and other developing nations based on individual implementation of the Declaration on the TRIPS Agreement and Public Health which provided that TRIPS Agreement does not and should not prevent members from taking measures to protect public health.²⁰

COMPULSORY LICENSE UNDER TRIPS: HOW NATCO / BAYER CASE FITS IN IT

India's first compulsory license has been granted by the Indian Patent Office to Hyderabad-based drug-maker Natco. The judgment reasoned that the patent-holder, Bayer, had not met the reasonable requirement of the public as it had not "worked the patent" or manufactured it to a reasonable extent in India and the drug was not available at an affordable price. TRIPS does not prevent WTO Members from using price as a justification for the grant of Compulsory Licenses. Article 8.2 of TRIPS allows members to take appropriate measures to prevent abuse of intellectual property rights. Each member has the right to grant compulsory licenses and the freedom to determine the grounds upon which such licenses are granted. The ground "reasonably affordable price" as interpreted by the Controller of Patents has to be observed with reference to public of that country. With India being a signatory to TRIPS and having the freedom to determine the grounds for the grant of compulsory license, the Controller under the Patents Act, 1970 has the power to define what constitutes a valid ground. During the last four years, the sales of the drug by the Patentee at a price of about Rs 280000 for a therapy of one month, constitutes a fraction of the requirement of the public logically indicates that the price of a patented article like Nexaver, its price was not reasonably affordable to them²¹.

Many WTO countries have laws that explicitly permit compulsory licenses in situations where patented goods are not being made available at reasonable terms. In UK, the Patents Act 1977

¹⁸ Paul Champ & Amir Attaran, *Patent Rights and Local Working Under the WTO TRIPS Agreement: An Analysis of the U.S.- Brazil Patent Dispute*, YALE JOURNAL OF INTERNATIONAL LAW, Vol. 27, 384 (2002).

¹⁹ Oxfam Policy Papers, 2001.

²⁰ Ministerial Conference, World Trade Organization, November 14, 2001.

²¹ Maulik Vyas, *Bayer challenges IPAB's compulsory license order to Nacto Pharma on Cancer drug Nexavar*, THE ECONOMIC TIMES, October 21, 2013.

allows compulsory licenses when “...demand for the product in the United Kingdom is not being met on reasonable terms.” Section 84(1) (b) of the Indian Patents Act, 1970 is, a TRIPS amenable ground for issuance of compulsory license to Natco by the Controller in the immediate order.

The Controller arrived at the conclusion that the term ‘worked in the territory of India’ cannot be restricted to mean as ‘worked in India on a commercial scale’. Moreover, mere importation cannot amount to working of a patented invention as per Section 83(b) of the Act and in view of Section 83(c) and Section 83(f) whereby a patentee is obliged to contribute towards the transfer and dissemination of technology, nationally and internationally so as to balance the rights with the obligations and this can only be achieved by the patentee either manufacturing the product in India or by granting a license to any other person for manufacturing in India²².

Thus as per the view of patent controller ‘working in the territory of India’ was held to mean ‘manufactured to a reasonable extent in India.’ Hence, here the Patentee has failed to establish manufacturing facilities for manufacturing drugs in India even after the lapse of four years from the date of grant of patent along with the failure to grant any voluntary license on reasonable terms to anyone in India. Thus Section 84(1)(c) is attracted for the issue of the compulsory license to the Applicant.

Article 5A of the Paris Convention which is incorporated in the TRIPS Agreement by virtue of Article 2 deals with local working of patented inventions. However, it does not define ‘local working’ and leaves it for the member states to interpret it. This has led to conflicting interpretations about what constitutes ‘local working’ and whether mere ‘importation’ of patented goods would satisfy the local working requirement. Local manufacturing of products was believed to be beneficial for transfer of technology and economic upliftment of the state. Therefore, it was a primary obligation on patentees to produce the patented articles within the territory.

The interpretation of “working” to mean “local working” within the ambit of TRIPS has been a matter of debate including an issue whether Article 27 contemplates a requirement that products must be locally manufactured. The Indian position seems clarified by the landmark judgment of the Natco decision as the term “worked within the territory of India” has been interpreted to include a local manufacturing requirement²³.

THAILAND & COMPULSORY LICENSE

²² Sukanya Narain, *The Natco Decision: Bringing Into The Indian Patent practice the TRIPS Flexibility of Compulsory Licensing*, 2nd June, 2012, available at: <http://ssrn.com/abstract=2072435>.

²³ *Ibid.*

Thailand is a nation where a large number of people belong to the middle-income segment. It had issued three compulsory licenses pursuant to the TRIPS Agreement within a three-month period.²⁴ It had issued a compulsory license over Plavix, a heart disease medication. It represents that for the first time a compulsory license was authorized for a chronic disease medication. Prior to this, compulsory licenses were issued only for infectious disease medication. It has led to the beginning of the new era of the compulsory licenses wherein compulsory licenses will be issued to treat illnesses beyond infectious diseases. Because of this, it was stated by the patentee that no further drugs will be introduced in Thailand. Thailand justified issuance of compulsory license for the medicines of heart diseases under 'public non-commercial use' instead of 'national emergency' provision. 'Public non-commercial use' is not defined under the TRIPS agreement.²⁵ Thailand purports to increase the ambit of issuance of compulsory license which may lead to heavy financial losses for the pharmaceutical companies. Therefore, the majority of the pharmaceutical companies have taken this in a way that Thailand may invoke compulsory licenses over any drug available in the market.²⁶ It led to trade retaliation by the U.S. and it has placed trading with Thailand on its Priority Watch List²⁷.

CANADA & COMPULSORY LICENSING

When we look upon the compulsory licensing in Canada, it could be seen and observed that it has a better-developed and more liberal law on compulsory licensing than the US which has adhered to its strict patent regime from its inception. Unlike US, it has also amended its Patent Law in 2003 in order to facilitate access to pharmaceuticals and to address other public health problems in developing nations considering public health is a global issue.²⁸

Canada has also passed a detailed legislation aimed to make it possible for generic pharmaceutical manufacturers to manufacture generic versions of patented products at a less price by obtaining compulsory licenses in Canada, for the purpose of exporting to eligible countries.²⁹ It also provides clarity on the contentious questions of determining the 'adequate remuneration' payable

²⁴ ICTSD, *Thailand Authorizes Generic Production of Two More Patented Drugs*, BRIDGES WEEKLY TRADE NEWS DIG., January 31, 2007, available at: <http://ictsd.net/i/news/bridgesweekly/6426/>.

²⁵ Agreement on Trade-Related Aspects of Intellectual Property Rights, Annex IC, Marrakesh Agreement, 1869 UNTS 299; 33 ILM 1197 (1994), available at: http://www.wto.org/english/docs_e/legal_e/27-trips.pdf.

²⁶ Jamie Feldman, *Compulsory Licenses: The Dangers Behind the Current Practice*, JOURNAL OF INTERNATIONAL BUSINESS AND LAW, Vol. 8, Issue 1, 2009.

²⁷ It highlights trading partner with whom US has concern over IPR and it keeps on changing from time to time.

²⁸ Raadhika Gupta, *Compulsory Licensing under TRIPS: How Far it Addresses Public Health Concerns in Developing Nations*, JOURNAL OF INTELLECTUAL PROPERTY RIGHTS, Vol. 15, September 2010, pp 357-363.

²⁹ Order amending Schedule 1 to the Patent Act (1985) (21st September, 2006), available at: <http://publications.gc.ca/gazette/archives/p2/2006/2006-10-04/pdf/g2-14020.pdf>, accessed on 18th July, 2014.

to patentees and the time limit for the payment in the ordinary course, in negotiating with a patentee before a compulsory licence may issue.³⁰

Under the waiver provisions of TRIPS, Rwanda issued a compulsory license for AIDS drugs that it could not produce locally and applied for assistance from Canada.³¹ It was upon Canadian authorities to assist Rwanda or not, at some or no profit. At most, one may observe that Canada's action to assist Rwanda may have little impact over the patentee's global market expectations for sales of its AIDS product.³²

IMPLICATIONS OF COMPULSORY LICENSING ON PUBLIC HEALTH AND INNOVATION

With the advent of Globalization, the need for patent protection for innovations has increased. Multinational enterprises are reluctant to engage themselves in countries where an unauthorized use of such assets by outsiders is not prevented.³³ Secondly, public health is an important concern but in order to encourage private investment in public health sector, it is generally accepted that intellectual property rights are necessary, particularly patents. The important aspect which has to be fulfilled by the compulsory licenses is to strive for balance of interest between the authorizer (government) and the licensee on one side and the patent owner on the other. Today, various new kinds of deadly diseases have emerged, leading to a need for continuous and intensive research and development in the field of medicines. This involves huge investments in Research & Development and when compulsory licenses are granted, it upsets the patent holders as it involves huge financial loss to them. Therefore, if compulsory licenses are granted without looking and giving reasonable clarifications it would hamper Research & Development.³⁴

One major obstacle to the pervasive use of compulsory licenses has been the perception that licenses reduce the incentive for innovation offered by the patent system. The Government of India and some of the stakeholders consider compulsory license as a statutory instrument to effectively protect 'public interest' from possible abuse of monopoly. Patents have the potential

³⁰ Richard Elliott, *Pledges and pitfalls: Canada's legislation on compulsory licensing of pharmaceuticals for export*, INTERNATIONAL JOURNAL OF INTELLECTUAL PROPERTY MANAGEMENT, Vol. 1, Nos. 1/2, 2006.

³¹ P. E. Goodwin, *Right Idea, Wrong Result – Canada's Access to Medicines Regime*, AMERICAN JOURNAL OF LAW & MEDICINE, Vol. 34, no. 4 (2008): 567–584.

³² F. M. Abbott and J. H. Reichman, *The Doha Round's Public Health Legacy: Strategies for the Production and Diffusion of Patented Medicines Under the Amended TRIPS Provisions*, JOURNAL OF INTERNATIONAL ECONOMIC LAW, Vol. 10, no. 4, 921–987 (2007).

³³ Anna Linoszika, *The Global Politics of Intellectual Property Rights and Pharmaceutical Drug Policies in Developing Countries*, INTERNATIONAL POLITICAL SCIENCE REVIEW, 186-187, (2003).

³⁴ Sanjay Kumar and Arpita Sawhney, *The pitfalls of compulsory licensing in India*, IAM, 29th August, 2013, available at: www.theipmediagroup.com, accessed on 18th July, 2014.

both to improve access by providing incentives for the development of new drugs and also to restrict access because of the comparatively higher prices of patented drugs which not only lead to anti-competitiveness but are also very much prone to abuse.³⁵ However, numerous studies³⁶ have sought to disprove the nexus between patent protection and innovation in essential medicines that particularly affect poorer countries,³⁷ noting that research and development activity³⁸ tends to correlate more closely with profitability than with medical need³⁹.

TRIPS has a bifocal objective. The preamble recognizes the protection of intellectual property as a prime objective and at the same time as a form of compensation for introducing stricter IPR standards. According to Article 7 of TRIPS, IPR protection should contribute to the promotion of technological innovation and to the transfer and dissemination of technology. Both producers and users should benefit and IPR protection should be employed in such a way that would be conducive to social and economic welfare, and would strike a balance between rights and obligations. Reconciling the requirements of patients and Patent holders is a challenge that needs to be overcome to improve access to essential health care. On the one hand patients, governmental and non-governmental organizations argue that patents on pharmaceuticals result in high costs of medicines and as such, they restrict access to such medication to only wealthy patients.

A proper compulsory licensing system is of vital importance to deal with the negative consequences of product patent. On the basis of price, if generic companies are given licenses to produce a patented drug on the payment of royalty then the competition among manufacturers would drive down the prices and the royalty paid to the innovators would continue to provide funds and incentive for Research & Development.⁴⁰ There are two main and basic factors that may influence the impact of compulsory licenses over pharmaceutical innovation. These are the predictability of the license and the significance of the affected market.

A crucial factor to determine whether compulsory licenses taken by developing countries will impact innovation is the type of drug being licensed. Developing countries are concerned about

³⁵ Abhilash Chaudhary, *A Research Project On Compulsory Licensing of IPRs And Its Effect On Competition*, CCI Research Report, available at: <http://cci.gov.in/images/media/ResearchReports/Compulsory%20Licensing%20of%20IPRs%20and%20Its%20Effect%20on%20Competition.pdf>.

³⁶ *Supra* note 13.

³⁷ Dr. Shuchi Midha & Aditi Midha, *Compulsory license: Its impact on innovation in Pharmaceutical Sector*, INTERNATIONAL JOURNAL OF APPLICATION OR INNOVATION IN ENGINEERING & MANAGEMENT, Volume 2, Issue 6, June 2013.

³⁸ *Supra* note 24.

³⁹ Sivaramjani Thambisetty, *Compulsory Licenses for pharmaceuticals: An inconvenient truth?*, available at: <http://blogs.lse.ac.uk/indiaatlse/2013/03/25/compulsory-licenses-for-pharmaceuticals/>.

⁴⁰ Sumana Chatterjee, *Flexibilities Under Trips [Compulsory Licensing]: The Pharmaceutical Industry in India And Canada*, available at: <http://ssrn.com/abstract=1025386>.

two categories of drugs, each with its own set of incentives⁴¹. There are “global” drugs that are created for rich markets but are also useful in developing countries, for example like cancer drugs and AIDS therapeutics. There are drugs specific to developing countries. Examples of these include drugs to treat malaria or tuberculosis, or an AIDS vaccine specific to strains of the virus found primarily in Africa. Historically, such drugs have not been the priority of pharmaceutical companies as 2001 Harvard School of Public Health survey of twenty large pharmaceutical firms found that “[o]f 11 responders, eight had done no research over the past year in tuberculosis, malaria, African sleeping sickness, leishmaniasis, or Chagas disease; seven spent less than 1% of their research and development budget on any of these disorders.”⁴²

The implication is somewhat different for drugs developed to treat diseases endemic to developing countries, such as malaria. Much of the research on these diseases is carried out or facilitated by public or philanthropic institutions for which patent protection and the promise of a patent monopoly are less, if at all important. The relative importance of developing country markets is less when it comes to global drugs, the incentive to develop these drugs which comes from the developed world, is not substantially impacted. This means that allowing developing countries to take compulsory licenses to AIDS therapy drugs should not result adverse impact on AIDS therapy research and development. There has been a growing realization that increasing access to drugs must be an objective of any solution—whether through compulsory licensing resulting from improved public relations or the genuine initiative of drug-makers.

COMPULSORY LICENSING AND FOREIGN DIRECT INVESTMENT - AN AMBIGUOUS STAND

Intellectual property rights at their core are investment-inducing mechanism.⁴³ There always exists an ambiguity over the impact of compulsory licenses on IPR. One point of view is that since everything has its cost, how can countries avoid the cost of issuing the compulsory licenses? It can have the direct impact on their Foreign Direct Investment (FDI). FDI is now widely perceived as an important resource for expediting the industrial development of developing countries in view of the fact that it flows as a bundle of capital, technology, skills and sometimes even market access.⁴⁴ In the future, pharmaceutical companies and other industries dependent upon intellectual property rights may mistrust licensing nations’ promises to protect and enforce

⁴¹ Jean O. Lanjouw, *A Patent Policy Proposal for Global Diseases* (Apr. 2001), available at: http://econ.worldbank.org/files/1733_lanjouw.pdf

⁴² Ricki Lewis, *Fighting the 10/90 Gap*, SCIENTIST, (May 13, 2002)

⁴³ SUZANNE SCOTCHMER, *INNOVATION AND INCENTIVE*, 43, (MIT Press, 2004)

⁴⁴ Nagesh Kumar, Liberalism, *Foreign Direct Investment Flows and Development: Indian Experience in 1990's*, ECONOMIC & POLITICAL WEEKLY, Vol. 40, No 14, 1459, (2005).

patent rights, not to mention copyrights and trademarks.⁴⁵ Another point of view supports the notion that there is no doubt that a strong global regime for protecting IPRs increases the economic strength of the developed countries.⁴⁶ It is the pharmaceutical industries from developed countries which invest a huge amount in the Research & Development of medicines and if their patents are protected worldwide then it would lead to financial gains and thus would automatically purport to the economy of the developed nations. Intellectual property rights could play a significant role in encouraging innovation, product development and technical change.⁴⁷

Countries cannot only attract more FDI but may also derive more benefits from FDI by strengthening IPR protection.⁴⁸ Although the incentive to invent with respect to the licensed invention cannot be changed (since invention has already taken place), innovation policy advocates argue that the incentive to create future inventions are decidedly reduced.⁴⁹ Various research models show that stricter IPR protection not only encourages FDI, but also reduces imitation by domestic producers of attracted foreign technologies.⁵⁰

Although in the US there is no provision for issuing compulsory licenses;⁵¹ but it leads the world in granting and using the compulsory licenses as a remedy to anti-competitive practices. It is the leading country in the world in the use of compulsory licenses and has always duplicitously voiced indignancy when developing countries issue compulsory licenses for essential drugs.⁵² Under US law, a patent owner may not enjoin or recover damages on the basis of his patent for infringement due to manufacture or use of good by or for the US government authorities. Congress enacted legislation permitting the federal government to employ patented technology and return for reasonable and entire compensation.⁵³

However, through research it cannot be definitively concluded that a strong IPRs regime is a significant determinant of foreign direct investment. China, for example, has been one of the

⁴⁵ *Supra* note 2.

⁴⁶ *Supra* note 29.

⁴⁷ Keith E. Maskus, *Intellectual Property Rights And Economic Development*, 2006, available at: www.colorado.edu/economics/mcguire/workingpapers/cwrurev.doc.

⁴⁸ Peter Nunnenkamp & Julius Spatz, *Intellectual Property Rights and Foreign Direct Investment: A Disaggregated Analysis*, REVIEW OF WORLD ECONOMICS, Vol. 140 No.3, 393-394,(2004).

⁴⁹ *Id* p.16.

⁵⁰ Mila Kashcheeva, *The role of Foreign Direct Investment in the relation between intellectual property rights and growth*, OXFORD ECONOMIC PAPERS, OXFORD UNIVERSITY PRESS,701-702, (2013).

⁵¹ United States Patent Act, 35 USCS (1952).

⁵² *US leads the world in use of compulsory licenses: KEI*, ECONOMICS TIMES, March 20, 2014, available at: http://articles.economictimes.indiatimes.com/2014-03-20/news/48402255_1_patent-protection-trips-agreement-countries

⁵³ 28 U.S.C § 1498 (2012)

most consistent violators of foreign IPRs, and yet the flow of FDI into the country has grown significantly over the past 20 years.⁵⁴

The developed countries always emphasize the view that high international standards of IPR protection would vitally benefit the economies in developing countries. There is a presumption that foreign investors are more willing to transfer technology when it is protected by law. The TRIPS agreement establishes standards that are applicable within national legal systems and since foreign investors are protected by these rules, IPR is inherently investment related.⁵⁵ Resultant foreign direct investment would increase as national conditions become more predictable and investment friendly. Thus it can be concluded that the agreement would maintain the investment friendly environment in developing nations.

Most developing countries believe that the above provisions introduce flexibilities into TRIPS that permit countries to fashion their own IPRs laws, legitimize exemptions from patentability on necessary products and allow the placing of certain conditions on foreign investors with respect to patent protection. As a result, the Brazilian legislation from 1997 establishes that, in order to enjoy exclusive patent rights in Brazil, the holder of a patent on an invention must satisfy a local-working requirement. In other words, the patent-holder must work the patent in Brazil to enjoy full patent protection. If it fails to do this, the law says it shall be subject to the possibility of the government issuing a compulsory license, allowing someone else to use the invention and pay a royalty fee to the patent-holder.⁵⁶

The increased rate of patent grants has not achieved the desired results and hence it appears that the new Indian patent regime has not been able to stimulate innovation and foster industrial growth in real sense. The time has come to reconsider the patent system in the light of original objectives for which the patent system was designed. Apart from that it will continue to facilitate the exploitation by multinational corporations rather than serve India.

SUGGESTIONS AND CONCLUSION

Tremendous growth has been observed in patent applications and grants in India, especially during the post-TRIPS period, although most of the patents are owned by inventors of foreign origin. Though these patents are not worked in India on a commercial scale. The huge patenting activity without local working does not actually serve the purpose of society; particularly in the field of pharmaceuticals. Thus, it can be concluded that the patent holders are using Indian

⁵⁴ *Supra* note 29.

⁵⁵ *Id* p.186-187.

⁵⁶ *Ibid*.

market only for economic gain with no actual benefits in the form of transfer of technology from inventive activity. The Indian state has achieved the goal of harmonizing the patent system with TRIPS. But it appears that we have failed to achieve the ultimate goal of patent system i.e. socio-economic welfare.

Pharmaceutical companies should imbibe a sense of moral responsibility and should try to provide essential medicines free of charge or at heavily discounted prices to the developing and poor countries in order to improve public health which is a global concern now as discussed above and they may offset it by the large profits generated by the sales in the developed world. But still this has not taken place. Providing access to medicines is one crucial step in the chain of events required to provide an “expeditious solution”. Having generous rules on compulsory licensing can therefore be a first important step and permitting generic medicine producers in third world countries to manufacture pharmaceuticals for their own use as well as for the countries having a similar situation or facing health emergencies or those which lack the capacity to produce in their own country is a useful and likely step towards resolving the life-saving medicines crisis.

Strong bargaining position can be helpful for government of developing countries to negotiate significant price discounts from pharmaceutical companies. The UN High Commissioner for Human Rights noted that the Brazilian government managed to negotiate significant price discounts from pharmaceutical companies in relation to two HIV drugs by passing a law in 1997 to allow compulsory licensing and by taking the initial steps towards manufacturing the drugs locally under a compulsory license without reaching the point where the compulsory license actually had to be granted. It appears that the ability to undercut the companies’ commercial position through a lawful compulsory license strengthened Brazilian government’s bargaining position, resulting in access to essential medicines from the patent holder on an affordable basis⁵⁷.

A particular modality of compulsory licenses was the ‘License of Right’.⁵⁸ The concept had its recognition in Indian Patents Act, 1970 which provides for established Patent office. It is available when a patentee voluntarily throws his invention open to anyone who asks for a license on terms to be agreed upon with him in the absence of agreement, on the terms to be settled by Patent office. The terms were such that they protected the interest of multinational pharmaceutical companies, domestic pharmaceutical companies and public at large since the office holder takes into account various factors like nature of the invention, public welfare and scope of licensing. But the TRIPS agreement prohibits the automatic and across-the-board and thus the provision have been repelled the Patents Amendments Act, 2002.

⁵⁷ Adam McBeth, *When Nobody Comes to the Party: Why Have No States Used the WTO Scheme for Compulsory Licensing of Essential Medicines?*, THE NEW ZEALAND YEARBOOK OF INTERNATIONAL LAW, Vol. 3, pp. 69-100, 2006

⁵⁸ *Supra* note 1 p.381.

So before we conclude that we are living in a world where priority is afforded to Patents over people⁵⁹, “*put baldly patents are killing people*”⁶⁰. We are at a stage when it is desirable and required that we should think again over the use and allowance of compulsory licenses over the unchecked usage of patents. In the developing and poor countries the medicines are required by a large number of people and they are unable to afford the patented drugs therefore, under the human values it is desirable that in this globalized world where public health is of great importance worldwide what we choose over the other. The use of compulsory licensing by developing countries will contribute to an increase in the degree of competition, which will certainly cause a reduction in the price of medicine. There appears no direct linkage of issuance of compulsory license and decrease in FDI due to it, as discussed above. In the choice of FDI are dependent on many other facts like potential for growth of a country. Strong intellectual property laws do not in themselves guarantee the transfer of technology.

The fact that some countries are unable to take advantage from the flexibility offered by TRIPS is particularly serious. But sometimes it was observed that once it is granted, compulsory licensing does not produce the expected results due to the lack of technical ability of local industry in the country of patentee. This problem was solved by the General Council of the WTO on August 30, 2003, by a decision that protected the flexibility of TRIPS, as it was agreed that countries that met some requirements would not be subject to the restrictions in Article 31(F). The member countries of the WTO will be able to import medicines through compulsory licensing if domestic industry is unable to supply the needs of the domestic market. This privilege is limited to less developed members of the WTO. Additionally, it may make sense for drug manufacturers to sacrifice a small percentage of their profits by decreasing prices and increasing distribution, in exchange of getting rid of the threat of compulsory licensing.

Lastly, it would be apt to state that bold steps have to be taken by the developed nations to facilitate access to medicines through compulsory licensing so as to address the public health problems in the developing nations.

⁵⁹ Chloe Bunn, *The Patenting system drives developing countries of South from valuable life-saving drugs: A focus on Generic drugs and the HIV/AIDS crises in sub-Saharan Africa*, available at: http://www.kent.ac.uk/law/ip/resources/ip_dissertations/2004-05/bunn.doc, last accessed 25th February, 2014.

⁶⁰ Tina Rosenberg, *Look at Brazil*, THE NEW YORK TIMES MAGAZINE, 28th January 2001, available at: www.nytimes.com/library/magazine/home/20010128mag-aids.html.

PAY FOR DELAY DEALS: INHERENT CONFLICT BETWEEN PATENT LAW AND ANTITRUST?

KRITIKA SETHI

Reverse Payment Settlements are rife in the pharmaceutical sector. The drug manufacturing companies enter into agreements with the generic drug manufacturing companies for keeping the latter out of the market. By way of such agreements, they commercially exploit the monopoly acquired and thus, unduly harming the consumer welfare as the consumers would have to spend more money for buying medicines.

Such agreements question the tenets of the patents regime in the legal system as they deeply hamper consumer welfare due to non-accessibility of such drugs in the market at an affordable price. The author, in this paper, has tried to analyse such agreements, their implications, their validity and most importantly, the coherence of the patent regime as whole. It is very important to understand the underlying principle to appreciate the consumer concern. Later various cases from the United States have been referred, to understand why such agreements were held to be valid and legal in the beginning and were, later, held to be invalid at the touchstone of the antitrust laws. Since most generic companies are Indian and such cases are coming up in India, it becomes indispensable to understand whether the legal regime in India is conducive to the prevalence of such agreements or whether the provisions are worded in a manner so as to maintain the balance of patent system. This article is a step towards analysing the provisions of the relevant laws on such deals in India.

INTRODUCTION

Have you ever wondered why the patented drugs are so expensive and make a hole in your pocket? Look around for the most expensive drug and it, for sure, would have a valid existing patent or its patent would have expired recently. Look around for those drugs whose patents have expired. Such drugs are available at a much cheaper price compared to the price at which it was sold when it had patent protection.

Such incidents occur because the drug manufacturing companies, which invent the drugs, enter into agreements with other drug manufacturing companies or generic drug manufacturing

companies for keeping the latter out of the market. By way of such agreements, they wish to commercially exploit the *monopoly acquired and thus, unduly harming the consumer welfare as the consumers would have to spend more money for buying medicines.*

Is a patent granted at the cost of consumer's interest? Are these agreements fair? Is it not against public interest and public policy? Is this not an epitome of a situation that ridicules the whole balance of the patent system?

The author, in this paper, has tried to analyse such agreements, their implications, their validity and most importantly the coherence of the patent regime as a whole. The paper has been structured in a manner to explain such agreements. They question the underlying tenets of the patent regime, which has been referred to in the following parts. It is very important to understand the underlying principle to appreciate the consumer concern. Later various US cases have been referred, to understand why such agreements were held to be valid and legal in the beginning and then were held to be invalid at the touchstone of the antitrust laws in the country.

REVERSE PAYMENT SETTLEMENT/ PAY FOR DELAY DEALS IN PHARMACEUTICAL MARKET

'Sweetheart Deals', refer to deals entered between the drug inventing companies¹ and the generic drug companies², for settlement of a present or a future litigation between the two, and for keeping the latter off the production of a particular drug in the pharmaceutical market for some time. Originators refer to those drug companies which produce a novel drug and get a patent and the accompanying monopoly on the manufacture, use and sale of the same for some years. By generic pharmaceutical companies, the author is referring to those pharmaceutical companies which produce the generic version of the drug which is cheaper and can be used as a substitute of the patented drugs. They either challenge the validity of the patent granted or introduce a generic drug before the expiry of the monopoly period, and thereby, the patentee sues them for infringement but later settles the claim outside court.³

¹ Hereinafter referred to as originators.

² Hereinafter referred to as generics.

³ Foods and Development Administration, *Facts about Generic Drugs*, available at : <http://www.fda.gov/downloads/Drugs/ResourcesForYou/Consumers/BuyingUsingMedicineSafely/UnderstandingGenericDrugs/UCM305908.pdf>

f

Such deals are commonly called ‘Reverse Payment Settlements’ or ‘Pay-For-Delay’ deals. Reverse Payment Settlement refers to such settlement that “*requires the patentee to pay the alleged infringer, rather than the other way round*”⁴.

HATCH-WAXMAN ACT

The Drug Price and Patent Term Restoration Act, 1984, commonly known as the Hatch-Waxman Act, was passed by the US government to promote the production of generic drugs in the market with the aim of achieving consumer welfare.⁵ Generic drugs are cheaper compared to patented drugs and hence, are affordable by a wider spectrum of population, thereby, increasing the access to healthcare facilities to those belonging to the economically lower strata of the society.

Keeping in mind the objectives of a welfare state, this statute was passed by the US government to promote the production of generic drugs during the existence of patent monopoly of the patented drugs.⁶ The Food and Drug Administration⁷ (‘FDA’) of the United States is the regulatory agency for approval of any drug to be introduced in the US market. It mandates that the generic drug must have the “same active ingredient, strength, dosage and the route of administration” as the patented drug.⁸ It must have the same bioequivalent as the latter⁹ and should pass the quality standard as applicable to the patented drug.¹⁰ They are not required to sustain lengthy and costly clinical trials. They are required to file an Abbreviated New Drug Application (‘ANDA’) with the FDA in place of New Drug Application.¹¹

Hence, such drugs have to pass the aforementioned quality standards for obtaining approval from FDA. These conditions were put in place to ensure the quality of the drug while focusing on

⁴ FTC v Actavis, 677 F. 3d 1298, 2227 (2013).

⁵ Laba Karki, *Review of FDA Law Related to Pharmaceuticals: The Hatch-Waxman Act, Regulatory Amendments and Implications for Drug Patent Enforcement*, available at: http://www.neifeld.com/pubs/2005_reviewfdalaw.pdf

⁶ Christopher Fasal, *Patent Term Limits, Anti-Trust Law, And the Hatch Waxman Act: Why Defense of a Legally Granted Patent Monopoly Does Not Violate Antitrust Laws*, KANSAS JOURNAL OF LAW AND PUBLIC POLICY, 2007, p. 1, available at: https://law.ku.edu/sites/law.drupal.ku.edu/files/docs/law_journal/v17/fasel.pdf

⁷ Hereinafter referred to as FDA.

⁸ *Supra* note 5.

⁹ Hatch-Waxman Act 1984, 21 U.S.C. § 355(j)(2)(B)(iv)(1), (j)(8)(C) (2006).

¹⁰ *Ibid.*

¹¹ Food and Drugs Administration, *Abbreviated New Drug Application: Generics*, available at: <http://www.fda.gov/Drugs/DevelopmentApprovalProcess/HowDrugsareDevelopedandApproved/ApprovalApplications/AbbreviatedNewDrugApplicationANDAGenerics/>.

reducing its cost by increasing the production. Various incentives are provided to the manufacturers of generic drugs for producing such low-cost generic drugs. The one who first files ANDA is given the exclusive right to sell the generic version of the patented drug for first 180 days.¹² Further, they can challenge the validity of the patent of the patented drug before the expiry of its patent or on the grounds of expiry of the patent or that patent information has not been filed.¹³

INCENTIVE FOR ORIGINATORS

The originators spend crores on their ‘Research and Development’ for the invention of a new drug, as a consideration of which, patent monopoly is granted to them. They recover the amount spent on the research and development by charging the consumers for their invention. It takes time, money and incessant amount of hard work to invent a new drug. In comparison, it is easier for the generic manufacturing companies to produce its generic copy by use of the ‘Reverse Engineering’ technology.

The brand, in order to commercially exploit its patent, sues the generic manufacturing company on the grounds of patent infringement. Such a suit leads to a stay on the application of the generic drug. Due to high costs involved in the pending litigation, in addition to the research and development in the drug whose patent has been questioned, the originators end up settling the dispute outside court.¹⁴ They, firstly, stall the generic drug’s entry into the market by obtaining a stay order on the application, and secondly, defer its entry into the market by entering into a contract with them, thereby commercially exploiting the patented drug for an extended period. This is detrimental to the consumer as they are forced to shell more dollars to buy the medicine and this is one of those expenditures which one has to incur irrespective of his bank balance. Such agreements are called ‘Pay-For-Delay’ or ‘Reverse Payment Settlement’ as the transfer of settlement money flows from the plaintiff to the defendant, while the opposite is the norm.

INCENTIVES FOR THE GENERICS

The generics are on the brighter side in such cases as they don’t have much to lose in such cases. Firstly, they are provided protection under the Hatch-Waxman Act and secondly, even if the

¹² Hatch-Waxman Act 1984, 21 U.S.C. § 355(j)(5)(B)(iv).

¹³ *Ibid.*

¹⁴ Olga Gurgula, *Restrictive Practices in Pharmaceutical Industry: Reverse Payment Agreements Seeking for a Balance between Intellectual Property and Competition Law*, GLOBAL ANTITRUST REVIEW, Issue 5, 2012, p. 62.

court finds them guilty of patent infringement, they have to pay a small amount as compensation, as they wouldn't have started their sales yet or would have had an injunction order passed against them. There is a strong economic incentive for them to step into the production of such drugs. The originators have a lot to lose if the courts were to come to a conclusion that the patent granted to them should be revoked.¹⁵ Hence, it is economically and financially viable for them to enter into such a contract with the generics, taking into the consideration the enormous amount of money spent by them in their research and development.

At times, exorbitant amount is charged by them for the drug. For example, Bayer used to charge INR 2.8 lakh for its anti-cancer drug, which was available at INR 8,800, post the expiry of its patent monopoly.¹⁶ This is detrimental to consumers as it proscribes the drug from the scope of many people in need due to the exorbitant cost. While at the same time, since the objective of welfare state is welfare of the public at large and not just a few, the government promotes the development of generic drugs. But this gives fire and revives the original debate on the balance between grant of patent and consumer welfare.¹⁷ A reference to the jurisprudence on grant of patent and the balance created between consumer welfare and such grant is necessitated at this juncture.

THE NEED FOR PATENT LAW?

The philosophy behind the grant of monopoly by way of a 'patent' is the 'Reward Theory'. According to this theory, a patent is granted as a means of rewarding the hard work put in by the investor in the development of science and technology. The exclusive right to the product is granted as a *quid pro quo* to the disclosure of the invention which, otherwise, would have been held as a trade secret.¹⁸ Further, this monopoly enables the inventor to recover the money invested by him in the research and development of the invention in addition to remuneration for the disclosure of the information. The invention furthers public benefit as the consumers get benefitted on account of the utility of the invention.¹⁹

¹⁵ M C Mungan, *Reverse Payments, Perverse Incentives*, HARVARD JOURNAL OF LAW AND TECHNOLOGY, Vol. 27 (2013).

¹⁶ R. Sivaraman, *Natco Pharma wins cancer drug case*, THE HINDU, March 4, 2013, available at: <http://www.thehindu.com/business/companies/natco-pharma-wins-cancer-drug-case/article4475762.ece>

¹⁷ Alden F. Abbott & Suzanne T. Michel, *The Right Balance Between Competition Policy and Intellectual Property Law: A Perspective on Settlement of Pharmaceutical Patent Litigation*, IDEA-THE INTELLECTUAL PROPERTY LAW REVIEW, Vol 46, No 1, 2005, p. 7.

¹⁸ Kenneth W. Dam, *The Economic Underpinnings of Patent Law*, 23 J. LEGAL STUD., 1994, pp. 270-275.

¹⁹ Mark F. Grady & Jay I. Alexander, *Patent Law and Rent Dissipation*, 78 VA. L. Rev., 1992, pp. 310-316.

The legal mechanism provides incentive for the development of science and technology which leads to consumer welfare by providing a monopoly for some time over the invention to the inventor to earn his consideration for the amount invested in the research and development of the invention. This theory has been split into two factions, in accordance with the association with the Reward Theory. A weak reward theory views the incentive broadly as an 'inventive stimulant'.²⁰ Whereas, the strong reward theory regards the incentive to be the only reason behind the invention and hence, it is only for the purpose of securing a monopoly in the market that anyone wishes to invest in any invention.²¹

Here, a balance has been created between incentive to the inventor and public welfare by provision of monopoly for a limited time to reward the inventor for investing in the invention. Public welfare is advanced by declaration of the invention and by not keeping it a trade secret. It is important that the theoretical balance, sought to be created by the theory underlying the concept of patent, is maintained for continual existence of the patent regime. Otherwise, being sceptical of the foundation may lead to the collapse of the whole system.²²

Therefore, the consumer welfare aspect of the patent system cannot be unduly subsided in the garb of commercialising and exploiting patents to the optimum. In a reverse payment settlement, consumer welfare is unduly compromised as cheap drugs are kept out of the reach of public, thereby, forcing them to buy the expensive ones. Consumers are being unduly exploited at the expense of the commercial interests of the originators.²³

LEGAL VALIDITY IN THE UNITED STATES

There have been several instances wherein the competition regulators of the United States and the European Union have penalised various generic drug making Indian companies, like Ranbaxy etc., for entering into such agreements with the originators.²⁴ Here, an important debate is thrown

²⁰ Seth A. Cohen, *To Innovate or Not to Innovate, That is the Question: The Functions, Failures, and Foibles of the Reward Function Theory of Patent Law in Relation to Computer Software Platforms*, 5 MICH. TELECOMM. TECH. L. REV. 1 (1999), pp. 4-10.

²¹ *Ibid.*

²² Richard J. Gilbert and Alan J. Weinschel, *Competition Policy for Intellectual Property: Balancing Competition and Reward*, available at: http://eml.berkeley.edu/~gilbert/wp/Antitrust_and_IP.pdf

²³ Thomas Cheng, *Putting Innovation Incentives Back in the Patent-Antitrust Interface*, NORTHWESTERN JOURNAL OF TECHNOLOGY AND INTELLECTUAL PROPERTY, 385, 2013.

²⁴ *EU Commission issues first fines for "reverse payment" settlements*, ASHURST, June 2013, available at: www.ashurst.com/doc.aspx?id_Content=9268; Bhupesh Bhandari, *The perils of pay-for-delay*, BUSINESS STANDARD, July 31, 2014, available at: http://www.business-standard.com/article/opinion/bhupesh-bhandari-the-perils-of-pay-for-delay-114073101860_1.html

open for discussion, i.e. whether a legally granted monopoly, by the patent statute, can be challenged under the anti-monopoly laws of the country.

One of the recent and most celebrated cases has been *FTC v Actavis*²⁵, wherein the US Supreme Court had opened the gates of such reverse payment settlements to scrutiny by the competition regulator under the antitrust laws of the country. A settlement was reached between the parties where the entry of the generics in the market was deferred to 2015 in consideration for its waiver of 180 days market exclusivity. The issue revolved around whether such an agreement constitutes anti-competitive agreements in restraint of trade under Section 1 of the Sherman Act, 1890. The Court had opined that such agreements are open to antitrust challenges. Further, it held that such 'reverse payment settlements' are subject to the 'Rule of Reason' and not the 'Per-Se' Rule under the antitrust laws.

This observation by the US Supreme Court can have serious consequences, not just in the US jurisdiction, but all over the world. A very fundamental aspect of this case that demands attention is whether such settlements should be subject to antitrust challenges or should it be given immunity. This necessitates an inquiry into why the courts were reluctant to accept the inclusion of antitrust challenges to the same earlier.

In *Valley Drug Co. v. Geneva Pharmaceuticals, Inc.*²⁶, the issue before the Circuit Court was whether the settlement agreement reached between the parties was illegal and void. The petitioners were the originators, while the respondents were the generics with whom the former had entered into a settlement agreement, whereby consideration was paid to the latter to defer their entry into the drugs market. The agreement was challenged before the District Court which had held it to be 'per se' illegal as it violated the antitrust laws of the country as enshrined in the Sherman Act²⁷ and Clayton Act²⁸. It was held to be anti-competitive on these grounds:

"The essence of the Agreements, the court concluded, was to dissuade[] Geneva and Zenith from marketing the first generic terazosin hydrochloride drugs in the United States for an indefinite period [and] eliminate the risk that either drug maker would sell or purchase the right to introduce such drugs in the interim.. . ."²⁹

²⁵ *FTC v Actavis*, 677 F. 3d 1298, 2227 (2013).

²⁶ *Valley Drug Co. v. Geneva Pharmaceuticals Inc.*, 344 F.3d 1294 (11th Cir. 2003).

²⁷ The Sherman Antitrust Act 1890, 26 Stat. 209, 15 U.S.C. § 1.

²⁸ The Clayton Antitrust Act 1914, 38 Stat. 730, 15 U.S.C § 4.

²⁹ *Valley Drug Co. v. Geneva Pharmaceuticals Inc.*, 344 F.3d 1294 (11th Cir. 2003) p.1304.

The provision in the two agreements, which prohibited the generics from entering into the market for a certain period of time, was held to be in violation of Section 1 of the Sherman Act, 1890.³⁰

The circuit court had held the agreement to be valid and legal. It held that the lawfulness of the agreement has to be judged on the standards of the time when it was entered into.³¹ Here, the court opined that since the patent was valid at the time this agreement was entered into, the settlement agreement entered between the parties is valid.³² The ‘scope of the patent’ test was applied here. According to this test, the pay-for-delay settlements are valid and legal if the terms of the agreement fall within the scope of the exclusionary right granted by a patent, provided that the patent procurement was not marred by fraud or the patent litigation was not completely baseless or sham.³³ This test has been applied in various cases like *King Drug Co. of Florence, Inc. v Cephalon, Inc.*³⁴.

It is important to appreciate here that the court had confused the right of exclusivity granted under a patent, whereby the patent holder is allowed to exclude others from the production of the same for a period of time, and the agreement which deliberately tried to keep the competitors at bay. The entry of the competitor in the former is restricted by law and in the latter, is being restricted by way of an agreement.

The ‘scope of the patent test’ was reversed in the *K-Dur Antitrust Litigation*³⁵, in which the court had held that such agreements are ‘*per-se*’ illegal under the antitrust laws as they intend to restrict trade in the market in addition to foreclosure of the market for new entrants. It very succinctly opined that legality of such agreements would render the Hatch-Waxman Act redundant as the object of the act is to promote entry of cheap generic drugs in the market for greater public good. The Court had emphatically emphasised that the intention of the Congress in enacting the statute was to balance the promotion of innovation and development of science & technology and the public interest.³⁶ This balancing required a ‘*Rule of Reason*’ analysis of such agreements. The tilting of the scale in one favour would mean taking over of one by the other, i.e. incentive for the development of science and technology in the society hampering the consumer welfare or vice versa.

³⁰ Section 1 of Sherman Act, 1890: “Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal.”

³¹ *Valley Drug Co. v. Geneva Pharmaceuticals Inc.*, 344 F.3d 1294 (11th Cir. 2003) p.1306.

³² *Ibid.*

³³ *K-Dur Antitrust Litigation*, 686 F.3d 197 (3rd Cir. 2012), p. 223.

³⁴ *King Drug Co. of Florence, Inc. v Cephalon, Inc.*, 702 F.Supp. 2d 514, 528-29.

³⁵ *K-Dur Antitrust Litigation*, 686 F.3d 197 (3rd Cir. 2012), p. 223.

³⁶ *Ibid.*

INDIAN COMPETITION WATCHDOG'S CONCERN

There is no jurisprudence on 'reverse payment settlement' or similar agreements in India as such cases have not been dealt with by any court or tribunal yet. Some cases are pending before the Competition Commission of India³⁷ wherein such agreements have been challenged on grounds of violation of the Competition Act, 2002.

Two cases are pending before the Competition Commission of India ('CCI'). One involves the Swiss drug manufacturer F Hoffmann-La-Roche and Indian generic drug manufacturer Cipla Ltd. concerning the production of anti-cancer drug *erlotinib*.³⁸ The other involves an American drug manufacturer Merck Sharp and Dohme Corp. (MSD) and Indian generic drug manufacturer Glenmark Pharmaceuticals Ltd. concerning the production of anti-diabetes drug.³⁹ These cases have been filed as recently as July 2014.

An analysis of the Competition Act, 2002 and its application on the agreement between the parties in these cases is necessitated at this juncture. India has a very limited jurisprudence on Competition Law as the Competition Act was brought into force only in 2009.⁴⁰ There has been a jurisprudential shift in this statute and its precursor, Monopolies and Restrictive Trade Practices Act, 1969.⁴¹ Further, India's competition law is highly influenced by the European and the US antitrust law.

Section 3 of the Competition Act prohibits anti-competitive agreements. It prohibits two kinds of agreements – horizontal and vertical. Horizontal agreements refer to those agreements which are entered into between those enterprises which are at the same level in the production chain.⁴² For example, competitors. On the other hand, vertical agreements refer to those agreements which are entered into between enterprises at the different levels of the supply chain.⁴³ For example, an

³⁷ Hereinafter referred to as CCI.

³⁸ C.H. Unnikrishnan, *CCI to scan drug patent settlements*, LIVEMINT, Aug 03, 2014, available at: http://www.livemint.com/Companies/RVVDhRh7oTfpqIphkb6jM/CCI-to-scan-drug-patent-settlements.html?utm_source=copy

³⁹ Rupali Mukherjee, *Merck seeks to settle patent row with Glenmark*, TIMES OF INDIA, July 12, 2014, available at: <http://timesofindia.indiatimes.com/business/international-business/Merck-seeks-to-settle-patent-row-with-Glenmark/articleshow/38232430.cms>

⁴⁰ Dhanendra Kumar, *Competition, An Overview of Competition Law and Policy*, available at: http://www.iica.in/images/Sh_Dhanendra_Kumar.pdf

⁴¹ Hereinafter referred to as MRTP Act.

⁴² Louis Kaplow, *On The Meaning Of Horizontal Agreements In Competition Law*, HARVARD JOHN M. OLIN DISCUSSION PAPER SERIES, available at: http://www.law.harvard.edu/programs/olin_center/papers/pdf/Kaplow_691.pdf; M.P. Mehrotra v. Jet Airways (India) Limited and Kingfisher Airlines Limited, Case No. Misc. 1/2010 (4/2009).

⁴³ European Commission, *Guidelines on Vertical Restraints*, 2010, available at: http://ec.europa.eu/competition/antitrust/legislation/guidelines_vertical_en.pdf; Subhash Yadav v. Force Motor Ltd, Case No. 32 of 2012.

agreement between a distributor and a manufacturer. In *B.P. Khare v M/s. Orissa Concrete and Allied Industries Ltd*⁴⁴, CCI had clearly explained the scheme of the Act. It had elucidated that the ‘*Per Se*’ Rule is applicable in case of horizontal agreements whereas the ‘*Rule of Reason*’ is applicable to vertical agreements as has been made amply clear by the terminology that has been used in the provision aforementioned.

Further, an exception has been provided to intellectual property rights under Section 3(5) (i) of the Competition Act, which provides that:

“*the right of any person to restrain any infringement of, or to impose reasonable conditions, as may be necessary for protecting any of his rights which have been or may be conferred upon him under...*
(b) *Indian Patents Act, 1970.*”⁴⁵

The owner of a patent has been endowed with a right to exploit his intellectual property in the product and to prevent others from using it. Any agreement entered into between the patent owner and any other party to protect his intellectual rights, by way of fixation of the price of the product or the manner of disposal or sale of the product, has been exempted from the violation of Section 3 of the Act⁴⁶. He has been allowed to make supra-economic profits by giving him the rights to exploit and manipulate the market forces in his favour. He may be able to create a monopoly due to the superiority of his product, which thereby, leads to the product having lesser substitutes. The availability of lesser substitutes, therefore, makes his product inelastic. Further, since the patent has been obtained on a medicine which is a necessity, therefore, it further accentuates the inelasticity of the demand.

At the same time, it needs to be taken note of the fact that this is not an absolute and unrestricted right that has been given to a patent owner.⁴⁷ Only reasonable restrictions which are necessary for the protection of his intellectual property rights in the product are exempted. It is the *Rule of Reason* which is followed in such cases. Therefore, the exemption does not provide an absolute right to the patent owner to exploit his ‘so created monopoly’ in an unrestricted manner. The restrictions may result in restraint of trade and commerce. It will be within the confines of the competitive practices if it tries to protect the intellectual property rights via, *inter alia*, manufacture, sale, distribution, use, against the payment of royalty.⁴⁸ It is not within the confines

⁴⁴ *B.P. Khare v M/s. Orissa Concrete and Allied Industries Ltd.*, (2013) 114 CLA 280(CCI).

⁴⁵ The Competition Act 2002, § 3(5)(ii).

⁴⁶ *United States v. General Electrical Company et al*, 272 US 476.

⁴⁷ *US v. Microsoft*, 253 F.3d 34.

⁴⁸ *Parke Davis & Vo. v. Probel and Contrafarm*, (1968) ECR 55.

of the competitive practices if the monopoly so created is abused by the owner as it is the latter and not the former which is prohibited by the Competition Act⁴⁹.

The agreement which is being scrutinised here is a horizontal agreement as the enterprises which are entering into this agreement lie at the same level of the supply chain. Further, the agreement seeks to control the entry of the generic drug in the market, thereby, gaining control over the production. This is prohibited under Section 3(3) (b) of the Competition Act, 2002. Here, a '*per-se*' violation rule is applicable.⁵⁰ Since the agreement seeks to ensure this, there is no need to investigate into whether there is any appreciable adverse effect on competition as is required in case of vertical agreements.

It is the author's argument that such agreements should be declared to be violative of the Competition Act, 2002 as the 'per se rule', as elucidated above, will be applicable by virtue of the agreement being a horizontal agreement which seeks to limit and control the production and supply of the product i.e., the drug in this particular scenario.

CONCLUSION

Reverse Payment Settlements have been in vogue in the western countries. It is rife, especially in the pharmaceutical sector. The originators try to exploit the patent commercially by avoiding any litigation. Firstly, they do not want to incur litigation expenses, and secondly, they want to keep the generics drug manufacturers and other competitors at bay. With such intentions in mind, they enter into an out of court settlement in case there is any patent infringement case or any case in which their patent's validity has been questioned.

Initially, the courts in the US were reluctant to scrutinise such agreements through an antitrust lens. They had unduly extended the monopolistic and exclusionary rights granted under the patent law to such agreements as such agreements reinforced this right granted to them.

But the lacuna in this approach was eventually located and the courts have allowed antitrust investigation into such agreements as they question the principle underlying the patent conception. Such agreements are harming the public interest which is sought to be promoted by the patent law by refusing the entry of generics in the pharmaceutical market which would, in turn, lead to reduction in the cost of the drug in the markets.

⁴⁹ Shamsher Kataria v. Honda Siel & Ors, Case No 03/2011.

⁵⁰ The Competition Act 2002, § 3(3).

The generics involved in such agreements in various parts of the world are generally Indian companies.⁵¹ CCI is scrutinising two cases in which such agreements in India have been questioned. Such agreements are detrimental to consumer welfare as the originators tend to commercially exploit the invention to its optimum. Such agreements tend to tilt the balance in favour of the inventor. If the patent system's existence is desired, then the balance needs to be maintained. Otherwise, this goes on to question the underlying principle of the system which can lead to a dis-balance and thereby, the whole system will crumble.

⁵¹ Vaibhav Choukse, *Sweetheart deals that hurt consumers*, BUSINESS STANDARD, Sept 15, 2014, available at: http://www.business-standard.com/article/opinion/vaibhav-choukse-sweetheart-deals-that-hurt-consumers-114091501332_1.html

COPYLEFT – THE NEW COPYRIGHT

Ms. UJWALA *

The increasing expansion of copyright, enforcement measures strengthened using technologies like Digital Rights Management (DRM) software and anti-circumvention laws hint at reconfiguration of intellectual property laws aimed at maximizing profit through exclusion. Technologies like DRM and anti-circumvention laws enforcing such technology such as the U.S Digital Millennium Copyright Act, 1998 indicate the expansionary tendencies of copyright law over copyrighted works in digital format and the diminishment of fair use and public domain which has led to wide-scale protest not only from the public but also from the alleged beneficiaries of copyright law, the actual creators or authors. Another movement, copyleft seeks to build a richer public domain with easier and more access to creative works thereby reducing need for illegal copying and encouraging creativity. Though copyleft originated from open source movement pertaining specifically to software programs, it has now expanded to diverse forms of artistic works such as musical works, photographs, films, paintings through open source licences such General Public License, Creative Commons.

Copyright laws and the latest anti-circumvention laws do not make any distinction between unauthorized use and sharing of copyrighted work online for commercial purpose and for personal purposes; between professionals and amateurs; between copying and remixing. A blanket penalty without considering these finer distinctions would not only result in inaccessibility to creative works by the public but also severely encumber creativity by dispiriting creators who are inspired to create by the influence of prior works.

This article attempts to present an analysis of the existing copyright framework with its jurisprudential justifications and the challenges of digital technology. It also aims to describe the evolving copyleft movement and examine the suitability of copyleft to different forms of creativity.

* Assistant Professor at M.S. Ramiah College of Law, MSRIT Campus, Bangalore.

INTRODUCTION

“Creativity is impossible without a rich public domain. Culture, like science and technology, grows by accretion, each new creator building on the works of those who came before. Overprotection stifles the very creative forces it is supposed to nurture”.¹

Digital technology, along with sharing of knowledge and information, has also enabled unauthorized, easy, convenient and efficient copying of digitized works at virtually no cost at a large scale, which has given rise to several movements to mitigate such copyright infringement on the internet. One of these involves the use of digital tools and technology to prohibit and punish copyright infringement. The increasing expansion of copyright, enforcement measures strengthened using technologies like Digital Rights Management (DRM) software² and anti-circumvention laws hint at reconfiguration of intellectual property laws, aimed at maximizing profit through exclusion. Such reconfiguration of copyright laws is occurring internationally as well as at national levels of various countries. The WIPO Copyright Treaty 1996, WIPO Performances and Phonograms Treaty, 1996 provide international legal support to anti-circumvention laws while the U.S Digital Millennium Copyright Act, 1998 is an illustration of national anti-circumvention laws.

Copyright is a bundle of property rights subsisting in certain kinds of specified creative works and shares two features with other kinds of property rights: they are alienable and they entitle the copyright-holders to exclude others from the work in which copyright subsists. This power of exclusion is not absolute as copyright is for a limited duration³, limited extent⁴ and allows certain uses as privileges⁵. However the rampant propertization of intellectual property rights in a profit-oriented mode and digital technology has resulted in the policymakers as well as the judicial enforcers stretching the copyright law beyond its original framework or interpreting the existing provisions literally leading to absurd results.

¹ Judge Alex Kozinski, dissenting opinion in *White v. Samsung Electronics America, Inc.*, 9th Cir, 971 F.2d 1395.

² Digital Rights Management Systems include encryption, watermarking, fingerprinting, content scrambling, tag embedding etc.

³ Article 9 of the TRIPS Agreement and Article 7 of the Berne Convention for the Protection of Literary and Artistic Works 1971 provides a minimum duration of lifetime of the author and 50 years after his death for copyright protection.

⁴ Most Copyright laws provide for specific rights such as reproduction, all forms of communication to public, translation, adaptation rights etc in the work.

⁵ The Fair use provision has been provided in Article 13 of the TRIPS Agreement which exempts certain special cases from copyright infringement, which do not conflict with normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder.

In the case, *MAI Systems Corp. v. Peak Computer, Inc.*,⁶ the court addressed the issue of whether loading of a software program into the RAM (Random Access Memory) which is the short term memory of a computer, by a computer technician making a copy of the software amounts to copyright infringement. The court adopted a narrow literal interpretation of the right of reproduction and held it to be copyright infringement. Though the U.S Copyright Act⁷ was subsequently amended to specifically overrule this decision and exempt reproducing a software program for the purposes of computer repair, the decision holds good *stare decisis* in all other cases which are not specifically exempted under the law.

In *A & M Records, Inc., v. Napster Inc.*,⁸ the court ruled that the music file sharing system known as “Napster” committed repeated infringements of copyright law as millions of users uploaded and downloaded copyright protected sound recordings. While Napster represents an innovative tool for sharing information, the copyright owners in the music industry argued that sharing of files on Napster would replace potential sales of compact disks and other media embodying same work. The right of reproduction of a work under copyright was the most contentious right in this case. It was determined that each request to download a music file from Napster resulted in the system making an additional ‘reproduction’ and the transmission to the requesting user amounted to ‘transmission’ of the work. If each request is a technological means for making a copy and transmitting it to an individual user, the essential functioning of Napster would create a copyright infringement with each use.

Such decisions display the growing tendency to adopt a narrow literal interpretation of fair use provisions in copyright law making any use, innocent or harmless, a copyright infringement thereby strengthening copyright protection and diminishing the domain of public fair use, leading to a protest from the public as well as creators alleging distortion of copyright, raising questions on the primary objective of copyright, its legal basis and justification.

Another movement, copyleft seeks to build a richer public domain with easier and more access to creative works thereby reducing need for illegal copying and encouraging creativity. The copyleft movement has grown in popularity through use of its manifestations through open source licences such as General Public License and creative commons licenses, raising foundational issues of existing copyright framework and the emerging copyleft.

⁶ *MAI Systems Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir, 1993)

⁷ United States Copyright Act 1976, 17 U.S.C § 117

⁸ *A & M Records, Inc., v. Napster Inc.*, 239 F.3d 1004 (2001)

JURISPRUDENCE OF COPYRIGHT

Intellectual property rights such as patent, copyright, trademark, industrial design etc are legal monopoly in the form of exclusive rights granted to the IPR holder, giving a competitive edge over others, albeit for a limited period or nature. This aberration in an otherwise free market system has been justified through application of various jurisprudence theories including the traditional theories such as the natural rights theory, utilitarian theory, and libertarian theory.

Utilitarian Theory

As per the utilitarian or economic incentive theory, the principal objective of intellectual property rights is promotion new technological and creative works. The incentive theory is inherent in the utilitarian principle of greater benefit to society because of the reasoning that exclusive monopoly in the form of intellectual property rights to authors or inventors would provide an economic incentive for them to produce more of such intellectual works which would ultimately enrich the public at large. Invention and creation require investment of time and resources. In a private market economy, an individual inventor or creator would risk such an investment if a certain amount of profits can be expected out of it. Profit may be ensured from the new product or creative work by giving a comparative edge to the inventor or creator in the market. This comparative edge in the market can be maintained if the creator keeps the idea secret which would be a constant struggle as there is always the danger of disclosure through spying or reverse engineering by competitors. Selling the idea would also place the creator in a difficult position as it would necessarily require disclosure and once the idea is disclosed, even if to a small group, it is exceedingly difficult to control its spread to others, particularly in light of the advances in digital technology. Another way of ensuring the creators make profit out of their works is by government intervention in the form of paying for such works and regulating its access to public⁹.

In case of intellectual property, this method of government intervention would manifest in the form of direct government funding of research, government research subsidies, promotion of joint ventures. However in a free market economy or an economy which strives towards free market, government intervention is sought to be minimized. Intellectual property law limits the role of the government to a set of decisions or criteria for protection to certain inventions or creations for a fixed period of time and lets the market serve as the principal deciding factor for the success of the invention or creation. Thus the utilitarian or economic incentive theory relies on the principle that exclusive intellectual property rights are the most effective way to promote inventive or creative enterprise. The Constitution of United States of America expressly recognises this principle as justifying intellectual property rights, as promoting the progress of

⁹ Lighthouses, broadcast television signals, public parks, national defense are public goods which are paid for and maintained by the government because private producers would not be able to reap the cost of their investment in providing such goods as it is difficult to identify non-purchasers and prevent them from using such goods.

science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries¹⁰.

One of the inherent dangers of using the utilitarian or economic incentive theory to justify intellectual property rights is that there is a strong likelihood of the exclusive rights turning from being an incentive for larger good into becoming an entitlement of the creator itself without doing any good to the public at large. The possibility of the monopoly producing more evil than good is already reflected in the increasingly expansionary regime of copyright to include more and more restrictions under a copyright which limits the access of society to the work and to budding creators, thereby hampering creative enterprise instead of promoting it as was envisaged by the utilitarian theory. Granting monopoly of intellectual property rights must be seen as a means to an end and not as an end in itself.

Natural Rights Theory

The Lockean theory of Natural Rights justifies property on the fact of labour expended on that which Nature has provided. “Whatsoever, then, he removes out of the state that Nature hath provided and in it, he hath mixed his labour with it, and joined it to something that is his own and thereby makes it his property”.¹¹ However, Locke does qualify this basis with the provisos that there be enough and as good left in common for others and that no person take from the common more than he can use.

The principle of entitlement to property as a result of expending labour on it is reflected in the “sweat of the brow” theory to determine originality as a criterion of conferring copyright on a work. The sweat of the brow argument was initially adopted by the Common Law countries like UK, India etc., where copyright over a work was granted simply because the author has put in some labour in bringing out such work. In *Walter v. Lane*¹², the sweat of the brow doctrine was applied where newspaper reporters who had taken shorthand notes of speeches by Earl of Roseberry and reproduced the speeches verbatim were held to authors of original works and publication of the reproduction were protected by copyright.

Such direct application of the Lockean theory to intellectual property overlooks the essential reason of creating transferable property rights which was to enable efficient functioning of the market and presumes intellectual property rights to be a natural entitlement of the author. It presupposes the rights that require protection instead of focusing on what needs to be protected, why it needs to be protected and subsequently creating rights for such protection. While it is

¹⁰ United States Constitution Art. I § 8.

¹¹ John Locke, *Second Treatise of Civil Government*, Chapter 5, Property (1890), available at: <http://www.marxists.org/reference/subject/politics/locke/ch05.htm>, accessed 13th March, 2013.

¹² *Walter v. Lane* (1900) AC 539.

theoretically possible to distinguish between a copyright holder's property rights and an author's moral and natural entitlement rights, practically it is difficult to maintain. The transition from property to proprietary is inevitable which turns an economically rationalized interest into a morally deserved right. The copyright conferred by statute is understood as a well-deserved reward for intellectual labour and skill, which is soon regarded as an entitlement.

Further the Lockean theory of natural rights evolved for justifying property rights relating to tangible properties like land, chattel etc. Ideas which are the subject-matter of protection in intellectual property rights are distinct from such tangible properties in its essence as possession of a physical thing is necessarily exclusive whereas ideas do not have this excludability nature for possession. If I give a piece of information to another, I am not deprived of it. Everyone can use an idea without diminishing its value.

Libertarian Theory

All libertarians favour property rights in tangible property. However, views of libertarians on intellectual property rights which protect intangible property like ideas are unclear. They may range from complete support to intellectual property rights considering a creator's rights over the creation and its availability to the public to be absolute or complete opposition to the State's intervention to ensure the monopoly of the creator as free flow of information unfettered by property rights is an essential facet of libertarian theory. Hard core capitalist and libertarian Ayn Rand supported intellectual property rights as "a man's right to the product of his mind".¹³

The problem with this approach is that it fails to consider the fact that intellectual property rights do not offer protection to discoveries which are not created by discoverers. If intellectual property rights are conferred as a reward to productive work, then theoretical scientists and mathematicians who only "discover" and do not "create" anything would be unfairly deprived of their due rewards. Further, the distinction between "invention" and "discovery" is not so clear-cut. Every "invention" is not a creation from scratch but only a manipulation of existing matter. Another lacuna of this approach is that a product of a man's mind cannot be said to be solely his own. Every creation or invention is based upon some existing creation or invention. So it is not fair to reward a man for a product which is not solely of his mind but of several others before him. Thus seeing intellectual property solely as a reward for productive work has its pitfalls.

The other side of libertarians who support a free market tolerate any State-enforced monopoly only in case of scarcity of the product. "Only naturally scarce entities over which physical control is possible are candidates for protection by real property rights"¹⁴. In such scenario, ideas or

¹³ AYN RAND, CAPITALISM: THE UNKNOWN IDEAL, PATENTS AND COPYRIGHTS (New York: The New American Library Inc., 1967) p.130.

¹⁴ Boudewijn Bouckaert, *What is Property?*, available at: <http://ebookbrowse.com/bouckaert-what-is-property-1990-pdf-d109714052>, accessed on 6th April, 2013.

creations are intangible are never a scarcity in its true sense, making intellectual property rights an unjustified monopoly imposed by State on the free market.

Personhood Theory

The theory of personhood justifies intellectual property rights entirely from the perspective of the author or creator and not for the benefit of the society. This theory is most suited to recognise the moral rights of authors separate from the economic rights under copyright. The personhood perspective developed mostly by Continental European theorists such as Radin, Hegel focuses on the relationship of persons with certain objects or property which they feel are almost part of them. Such property is an extension of a person's personhood as it is a part of how the person sees themselves as personal entities in the world. Hegel's concept of person is merely an abstract unit of free will having no concrete existence until the unit acts its free will through engaging in a property relationship with something in the external world and only then becomes a real self. Such a theory which justifies personal property in the sense of being a substantive end in itself as seen by Hegel would not consider efficient functioning of the market or any other utilitarian benefit of the society for the existence and justification of personal property. The role of State was limited to a properly organised and fully developed group to facilitate the freedom of engaging in property relationship.

Certain properties such as a family photograph, an ancestral house etc may have attached a sentimental value over and above any monetary value and may be viewed by the owner as part of himself. Further, this kind of property will not hold the same value for other persons such as the value of a family heirloom in the hands of a receiver is merely monetary and valued differently than by a member of the family. No compensation could be just in case of loss or damage to such property. In case of intellectual property, this can be applied even more aptly as the subject of intellectual property rights is a manifestation of the author's intellectual expression, making it an extension of the author itself. A sculptor would consider his sculptures an expression of his personality and value it not merely in monetary terms. Same goes for a writer or musician in relation to their respective literary or musical work. However, the 'personhood' in intellectual property and may vary depending upon the time and effort invested into it by the author. It would not be possible for law to take into account these fine differences to justify and protect different kinds of intellectual property, giving greater protection to more personal works in the absence of any fixed criteria to determination of works as more or less personal.

The theory of personhood fails to take into account the impact of a society in shaping and moulding the personhood of the author in the first place. The influence of our surrounding circumstances, preceding works in the field, social and cultural trends on an author or creator and his intellectual creations cannot be ignored and it is not possible for law to separate where this influence ends and the creativity of the author begins to provide protection only to the latter. An appropriate example of this dilemma would be musical works wherein a musician himself admits

that it is difficult to determine where inspiration to use certain beats or rhythms signature to a particular genre of music, ends and at which point inspiration turns to simply copying. Inherent claims of personhood in an intellectual work would be highly difficult to recognise when it is practically impossible to separate out the various personhoods inherent in the work.

Criticism

Two main presumptions seem to arise from most traditional justifications of intellectual property rights. One is that provision of exclusive rights in the form of intellectual property to creators is the most effective way of promoting creative enterprise and this would be severely hampered in the absence of such exclusive intellectual property rights. The motivation for the artist, musician or writer is explained purely through their desire for profit, casting everyone as a one-dimensional profit-motivated entrepreneur rather than complex multi-faceted human beings with different desires. Such a claim seems far-fetched if the highly creative and inventive period prior to any such intellectual property regime is considered. There have been revolutionary inventions and amazing literature, music and other forms of art created when there was no concept of intellectual property rights to incentivize or reward creators for them to create more.¹⁵ Even presently, a lot of works which are derivative of other works, such as remixing and considered as “piracy” under the current copyright law are highly creative.

Additionally, a presumption is built into the legislation of the highly romanticized role of a creator, be it the creator of an inventive or artistic work, as being distinct from the society and to be kept at a pedestal to be wooed into creating more and to be rewarded when he does. Creativity is understood through the creative acts of lone genius, singularly creating works out of nothing. This is far from true. Creators are part of the society; they derive their inspiration from society and look to the society to benefit from their work, in the manner any producer looks to benefit from the goods he produces. The portrayal of a creator who invests his personhood in his creation and who ought to be rewarded much more than the market dynamics provides is in startling contrast to the fact that no creator creates from scratch. Every invention or creative work is almost always influenced by or based upon pre-existing work in that domain¹⁶. When it is not possible to distinguish the exact point at which the influence of the pre-existing work ends and the creativity of the individual creator begins, it would be unfair to reward the individual creator over and above his contribution. In such a scenario, a creator ought to be considered in the same light as any producer of goods who has to depend on the quality of his goods and the demand in

¹⁵ Shakespeare (1564-1616), a poet and playwright, Leonardo da Vinci (1452-1519), a multi-talented artist and scientist, Mozart (1756-1791), a music composer and performer produced literary, artistic and musical works of all times.

¹⁶ It can be argued that there are certain revolutionary works which were not based upon any pre-existing work such as the work of Galileo, Einstein. However, it would be very difficult to claim that their works could stand alone without any influence of the existing knowledge at the time, even if the revolutionary works were only to disprove such existing knowledge in that domain.

the market for such goods to benefit in the market. It is up to the market dynamics of supply and demand and other variables to determine whether the producer can recover the cost of investment into the production of goods and make a profit. While it may be argued that the creator takes a greater risk by investing in a product which is relatively new and unknown to the market and thus should be ensured a better guarantee of recovering the cost of production than being left to the mercy of market dynamics, and it is for the ultimate benefit of the society for new products to enter into the market, it is often ignored that stringent intellectual property rights may end up limiting access of the product to the very public for whose ultimate benefit the monopoly was granted to the creator.

On the other hand, there is always the possibility of the new product being highly successful in the market, not due to the monopoly granted to the creator but due to the nature of the product and its demand, thereby allowing the creator to reap profits not only from market dynamics but also additionally from the monopoly granted to him. While the argument that the creator takes a greater risk by investing in relatively new and unknown products may hold some truth, it does not entitle the creator to the ever-increasing scope of monopoly rights granted under intellectual property regime, when law endeavours to restrict monopoly in the market to ensure competition for the benefit of the public at large.

COPYLEFT

Though copyleft has now expanded to diverse forms of artistic works such as musical works, photographs, films, paintings etc, it originated from the open source movement which pertained specifically to software programs. In fact, copyleft has been explained as “a general method for making a program (or other work) free, and requiring all modified and extended versions of the program to be free as well”.¹⁷

Evolution of Copyleft

While software programs are protected by copyright, they are distinct from other creative forms. An important distinctive feature of software program is that it is not in a tangible form. There is a perception that software is a product that is bought and owned by consumers and is promoted by software companies. The truth is that consumers never buy a software product when they purchase it. They actually purchase a set of temporary usage licences that must be agreed to before the product is legally installed and used. A software program’s structural form is contained in the source code which is written in any one of the several computer languages and is readable

¹⁷ Free Software Foundation, *What is Copyleft?*, available at: <http://www.gnu.org/copyleft/copyleft.html>, accessed on 17th April, 2013.

by humans. Thereafter the source code is translated and compiled into object code in binary language not readable by humans. Software programs can be redistributed and modified from a single copy of the program if the source code of the software is available. Most licence agreements for commercial software prevent the user or licensee from having access to the source code.

Open source software, though evolved from the notion of “free software” is distinct from it. A software, even if not available in public domain for free is open source if the user or licensee of such software gets the source code of the software along with the purchase of licence to use the software. Thus, every free software is necessarily open source but every open source software need not be free. Even in free software, the “free” has to be understood in terms of “free” as in “free speech”, not as in “free beer”.¹⁸ The open source movement began with two major incidents. The first incident is the launch of Free Software Foundation by Richard Stallman and the GNU General Public License (GPL). The other incident is the development of Unix operating system and the “BSD Unix” applications built by the University of California at Berkeley which led to the Berkeley Software Distribution (BSD) licenses.

In a GPL, the work is first put under copyright protection. Since copyright typically restricts distribution and reproduction rights, distribution terms are specifically added to the licence allowing everybody to use, copy, or modify the software, provided that the changes are published under the same licence and same distribution terms. The most significant factor in popularising GPL was the development of an operating system known as Linux by Linus Torvalds and was released under GPL. The most confrontational aspect of GPL is the requirement that all changes made in the software under a GPL licence are to be tied to the same licence and distribution terms because it excludes all proprietary business models that protect the code by restricting its access from the users.¹⁹ This obligation was imposed with a view to ensure continuation of open source.

The BSD License, similar to GPL in its community-based approach, differs from it in one important aspect. The BSD License, unlike GPL did not require that the derivative or modified works also be subject to the same terms as the initial BSD License. The BSD has also served as a model for several open source licenses.

¹⁸ Richard Stallman, *The Free Software definition*, GNU Operating System, available at: <http://www.gnu.org/philosophy/free-sw.html>, accessed on 6th April, 2013.

¹⁹ The GNU General Public License illustrates this requirement of all changes made in the software to be tied to the same license by stating “if you distribute copies of such a program, whether gratis or for a fee, you must pass on to the recipients the same freedoms that you received. You must make sure that they, too, receive or can get the source code. And you must show them these terms so they know their rights”.

OPEN SOURCE

Copyright is the most used method of protection for software programs. In fact, open source licences are enforceable because they use copyright law albeit in an unusual manner. Authors who wish to dedicate their works to the public would prefer to release their work in public domain “uncopyrighted”. By default, copyright law does not allow redistribution of software, so the only way redistribution can be allowed is by express permission in a licence. This is how open source licences work, they use this mechanism to enforce different conditions like attribution of authorship like BSD licence or obligation to redistribute any derived work under same terms as original licence like GPL.

Another issue with releasing a work uncopyrighted into public domain is that if subsequent authors make contributions to such uncopyrighted original work, the subsequent authors may end up asserting proprietary copyright over their contributions, thereby defeating the intent of the original author to dedicate the work to public.²⁰ Thus to ensure that the work remains in public domain to be used and redistributed freely, which is the primary premise of copyleft, the strategy of enforcing subsequent authors to release their versions of the original work in public domain through copyright licences is adopted. Thus, GPL and BSD licences are copyright licenses with different terms of distribution than usual commercial copyright licences. The reason for putting the software under copyright and then licensing it with express distribution terms and obligations is to ensure that the uncooperative middleman does not convert the free software into proprietary software and strip away the freedom that the original author gave to the users. So instead of putting the software in public domain where the middleman could strip off the freedom, it is put under “copyleft”.

Enforceability of Open Source Licenses

Open source licences are enforceable like any other legal contracts. There have been cases of IPR enforcement in open source software by European courts when software is released under open source license but the copyright of the software is retained. Another kind of violation of open source license is when subsequent users of original open source software attempt to claim copyright proprietorship over a derivative work. Such violations have been ruled as open source license breach but not expressly judged as copyright infringement.

In *Welte v. Skype Technologies S.A.*²¹, the Munich court ruled that the defendant had violated the terms of the GPL under which the plaintiff had released his code, by failing to provide source

²⁰ Ira V. Heffan, *Copyleft: Licensing Collaborative Works in the Digital Age*, STANFORD LAW REVIEW, Vol. 49 No. 6, July 1997, available at: <http://www.jstor.org/stable/1229351>, on 6th February, 2013.

²¹ *Welte v. Skype Technologies S.A.*, (2007) District Court of Munich, Case 7 O 5245/07, available at: <http://www.ifross.org/Fremdartikel/LGMuenchenUrteil.pdf>, accessed on 20th April, 2013.

code of the modified version. In similar German cases namely *Welte v. Sitecom*²² in 2004, *Welte v. Fortinet UK Ltd.*²³ in 2005, *Welte v. D-link*²⁴ in 2006, the court has found the defendant licensee to have violated the GPL under which the plaintiff had released the original program and its source code, by failing to release the modified version of the original program and the source code of the modified version under the same GPL.²⁵ Further the court ruled that it is not necessary for the defendant to explicitly agree to the terms of the licence and they are deemed to be impliedly accepted when the defendant used the plaintiff's source code and redistributed the modified version of the original program.

Thus there is no difference between proprietary licences and open source licences such as GPL or BSD licences with respect to their legal enforceability exerted to enforce the licensees to abide by the terms of the licence. The underlying difference between proprietary and open source licences becomes apparent in respect of distribution terms; proprietary licences contain detailed restrictions on what the users are not allowed to do, whereas open source licences explicitly state what the users are allowed to do, especially copy, change, modify and redistribute the program and its source code or any part thereof.²⁶

CREATIVE COMMONS

The concept of creative commons emerged to order to meet the challenges of applying the traditional copyright law towards the use of creative works in the digital world as even innocent use of creative work on the internet becomes illegal by breaching copyright law. Accepting the fact that copying and sharing of creative work on internet is inevitable, Creative Commons was developed as a web-based intellectual property sharing scheme by a consortium of Stanford Law School headed by Professor Lawrence Lessig and is now at the forefront of copyleft movement. Creative Commons Foundation is a non-profit organization with its headquarters in California, USA, “*that enables the sharing and use of creativity and knowledge through free legal tools*”²⁷. The organization

²² *Welte v. Sitecom*, (2004) District Court of Munich, Case 21 O 6123/04, available at: <http://www.groklaw.net/article.php?story=20040725150736471>, accessed on 20th April, 2013.

²³ *Welte v. Fortinet UK Ltd.*, (2005) District Court of Munich, available at: <http://gpl-violations.org/news/20050414-fortinet-injunction.html>, accessed on 20th April, 2013.

²⁴ *Welte v. D-link*, (2006) District Court of Frankfurt, available at: http://www.jbb.de/judgment_dc_frankfurt_gpl.pdf, accessed on 20th April, 2013.

²⁵ Catalin Cosovanu, *Free and Open Source Software Litigation*, Wilson Sonsini Goodrich & Rosati Professional Corporation, available at: http://www.eiseverywhere.com/file_uploads/7cbc009243b665726d8182c5418a482d_Cosovanu-NEW2.pdf, accessed on 20th April, 2013.

²⁶ ARNULF CHRISTL, *FREE SOFTWARE AND OPEN SOURCE BUSINESS MODELS*, Chapter 2, Open Source Approaches in Spatial Data Handling.

²⁷ What is Creative Commons?, available at: <http://creativecommons.org/about>, accessed on 17th April, 2013.

has released copyright licences to enable copyright owners to give the public permission to share and use their creative work. It offers six basic standard form licences each representing different set of permissions and restrictions, depending upon different kinds of commercial uses, modifications of the work, jurisdiction. These CC (Creative Commons) licences are non-revocable and can be attached to a work to enable its use with few specified restrictions without the need to contact the author of the work or negotiate the terms of the licence, unlike traditional copyright licences. These CC licences designed for creative works such as music, film, photography, literature, webpages etc., enable people who want to share their work as broadly as possible on the internet and ensure that the derivative works from their original work also is shared as broadly.

While it is argued that widespread use of any property held in common leads to its depletion, known as the tragedy of commons²⁸, applying this principle to intangibles like an idea is not rational as an idea is not depleted or diminished in any way when more people use it. On the contrary, more and more use of an idea encourages production of more creative works, which is the ultimate objective of copyright law. The gramophone when invented was alleged to herald the death knell of creativity. The claim of widespread sharing of creative works on the internet discouraging production of creative works is made in the same ignorance. The vibrant culture of remixes and other derivative works being produced and uploaded on various public viewing websites such as YouTube, Twitter, Reddit, Napster etc. is in direct contrast to such misgivings²⁹. Penalising amateurs and professionals who copy and reuse the works to produce other creative works would defeat the ultimate objective of copyright law.

In contrast to Digital Rights Management software which uses technology to expand the scope of protection within the existing copyright law, creative commons incorporates the concepts of contract and licence to loosen the scope of protection within the existing copyright law. Authors choosing to protect their work through creative commons licences typically do not relinquish their work to public domain.

Disadvantages of Creative Commons

However, creative commons licensing does suffer from some drawbacks. Lack of standardization and potential incompatibility is cited most often as a primary criticism of CC licensing as there are several derivations of CC licences which may lead to more and more restrictions being added, not only resulting in incompatibility between licences but also defeating the primary objectives of CC licensing.

²⁸ Tragedy of the commons is the phenomenon of depletion of shared resources by individuals acting independently and rationally according to their self-interest, even being aware that such use is contrary to the best interests of the group in common in the long run.

²⁹ Lawrence Lessig, *Code is Law: Does anyone get this yet?*, ABA Techshow Conference and Expo, Chicago, 2011, available at: <http://www.youtube.com/watch?v=us5CUAsH0U0>, accessed on 16th April, 2013.

The burden of tracking used to ensure consistency with the CC licence grants and to enforce any breach of such licences being put upon the author who elects to use CC licence for his/her work, is a strong drawback of CC licensing in contrast to other licensing entities and collective licensing boards which are responsible for monitoring and ensuring compliance with licence terms, collecting royalties from licensees, and distributing royalty payments to the authors. This burden would turn away lot of creators from CC licensing as they cannot be expected to track compliance or enforcement of breach of licence terms and would rather pass on this chore to a distributor.

Another weakness of creative commons is the absence of comprehensive directory or database of content, making it difficult to identify which works are released under creative commons licences. Another oft-argued criticism stems from the commercial distribution industry that CC licences have value only in the academic world where a creator's sole aim is to distribute his/her work as widely as possible without any monetary benefit, but not in the real world where CC licences are undermining copyright and creating difficulties for creators to gain monetary benefit from their works. However, this contention seems more like the distribution industry's bemoaning its reduced revenues rather than a valid claim.

Apart from the practical difficulties, some fundamental ambiguities in ideology of creative commons are also raised. The creative commons licence is justified through the expectations of the users rather than the desires of the creator, which make free access to works as the norm of a free culture and the politically correct way for creators to exercise their rights.³⁰ This imposition of the norm of giving free access to works takes away the choice or control from the hands of the creator, who suffers from the same consequence as the current copyright law which also removes choice or control over the work from the actual creator and gives it to the copyright holder who is most often the distributor.

Also when creative commons relies on property rights to advance its strategy, it reinforces proprietary regime over creative works, defeating the most contentious argument of copyleft, being that intangible property like intellectual property ought not to be subject to the traditional proprietary theories of ownership and possession.³¹

In spite of its shortcomings, creative commons is being increasingly preferred by creators to release their work to the public and has been legally proved in certain European courts. For instance, in *SGAE v. Disco Bar Metropol*³², wherein the plaintiff, which is a collecting society, alleged copyright infringement by the defendant for public performance of repertoire of musical

³⁰ Severine Dusollier, *The Master's Tools v. The Master's House: Creative Commons v. Copyright*, COLUMBIA JOURNAL OF LAW AND ARTS, Vol. 29 (2006).

³¹ Niva Elkin-Koren, *What Contracts Can't Do: The Limits of Private Ordering in Facilitating a Creative Commons*, FORDHAM LAW REVIEW, Vol. 74 (2005).

³² *SGAE v. Disco Bar Metropol*, Juz. 1st inst. Badajoz (17 February 2006), available at: <http://mirrors.creativecommons.org/judgements/SGAE-Fernandez-English.pdf>, accessed on 23rd March, 2013.

works administered by the plaintiff without having obtained the necessary licence, Spanish court ruled in favour of the defendant who claimed that majority of the music played in the defendant's establishment is downloaded from the internet under a "Creative Commons" licence. Similarly, in *Adam Curry v. Audax*³³, the plaintiff had posted his photograph on a public networking site under a creative commons non-commercial, no-derivative licence and the defendant published the photograph in a weekly magazine without authorization. The District Court of Amsterdam held that though the photograph was posted for public viewing, the conditions in the CC licence were not observed and issued a cease and desist order against any reproduction or communication to the public the works of the plaintiff, without former authorization.

Creative Commons emerged as a protest against the rampant lobbying by the entertainment industry influencing our policymakers to frame more stringent copyright enforcement laws, in order to protect their revenue sources to the exclusion of the creators' desires or public benefit.³⁴ Creative Commons being a derivative of copyright rather than its alternative may not be a perfect remedy to all the ills of the exiting copyright law or to online copyright infringement, but it does allow copyright owners and actual creators a choice between "all rights reserved" under copyright law and "no rights reserved" under public domain.³⁵

The traditional theories justifying copyright and other intellectual property rights focus on the creator, be it as providing economic incentive to motivate creators or as rewarding creators for their creativity, the economic incentive or the reward being the exclusive rights granted. Even if these flawed assumptions of the traditional justification theories may be accepted, particularly with the almost universal acceptance of intellectual property rights as an appropriate policy worldwide, the very creators which the copyright regime seeks to motivate or reward have been sidelined by the commercial intermediate distribution industry. Most of the opposition to copyleft and support to increasing copyright protection seems to be stemming from the lobby of commercial distributors of creative works like the publishers, record labels etc. It is assumed that the creators themselves would also oppose any movement that makes their work more accessible to public.

The question of copyright is of some annoyance to writers, music composers, artists and other creators. For the scrupulous, a stringent copyright law may be dispiriting enough to hinder or block creativity. The less scrupulous may simply continue committing plagiarism in the hope of never getting caught. Undeterred theft of others' original work would inevitably have a discouraging effect on original productivity. However the solution does not lie in complete restriction of access to original works but in a range of relationships of varying degrees of

³³ *Adam Curry v. Audax*, Case No. 334492/KG 06-176 SR, available at: <http://mirrors.creativecommons.org/judgements/Curry-Audax-English.pdf>, accessed on 23rd March, 2013.

³⁴ *Supra* note 5.

³⁵ *Supra* note 3.

restrictions between outright piracy of literary or musical work and a new work having remote traces of borrowing from an original. Nothing is ever written or composed in vacuum without any reference to its antecedents in the same genre.³⁶ Particularly in case of musical works, every musical composition will share some commonalities with other works in the same genre.

The purpose of labelling certain acts relating to a copyrighted creative work as infringement under law is to protect the incentive of the author by ensuring the author's control over any kind of use of his/her work so as to exploit it to his/her benefit. In the digital world, it is difficult, if not impossible, for the author to retain complete control over the use of his/her work as it is exceedingly easy and convenient to copy a work, having the same quality as the original. Furthermore very few creators or authors would resent copying and sharing of their creative work for the personal use and enjoyment of public or for non-commercial purposes. In fact, music composers and writers find the spread of their work through such copying and sharing on the internet to be a small price to be paid for their artistic satisfaction which takes precedence over monetary benefit. While creators would prefer to get some monetary returns for the resources they invest in their work, monetary incentive is by no means the sole motivation for them to create. Widespread reach of their work, more people understanding and appreciating their work is almost on par, if not more important to the creators.

As far as providing economic incentive in the form of exclusive intellectual property rights to create an encouraging environment for creators, allowing them to devote more time and energy to pursue their creative endeavours, claiming that without such intellectual property rights, creators would be unable to produce any creative work would be far-fetched. While it is not to be disputed that financial security is important for a creative artist and assists, if not increases their ability to create, it does not necessarily have to be achieved through copyright law and ensuring copyright protection to a creative work does not guarantee its success in the market and thereby financial security to the creative artist. Further, in the current scenario, most of the financial gains made out of stronger copyright protection to creative works are benefitting the distribution industry and not the actual creators, defeating the whole premise of copyright law providing economic incentives to creative artists to create more.

It is the commercial distribution industry of creative works that seeks to protect the potential revenue streams wherever possible, which strives for prevention of use, copy and sharing of creative work in the digital world, even for non-commercial purpose or personal use and enjoyment, whereas most artists today have accepted the fact that their work is shared on the digital platform and do not oppose “piracy” as strongly as the distribution industry, especially

³⁶ Sharee L. Broussard, *The Copyleft Movement: Creative Commons Licensing*, COMMUNICATION RESEARCH TRENDS, Volume 26, No. 3 (2007), available at: http://cscsc.scu.edu/trends/v26/v26_n3.pdf, accessed on 25th April, 2013.

when the supposed piracy is done by innocent users to share amongst their peers for personal enjoyment or for other non-commercial purposes.

Copyright laws and the latest anti-circumvention laws do not make any distinction between unauthorized use and sharing of copyrighted work online for commercial purpose and for personal purposes; between professionals and amateurs; between copying and remixing. A blanket penalty without considering these finer distinctions would not only result in inaccessibility to creative works by the public but also severely encumber creativity by dispiriting creators who are inspired to create by the influence of prior works.

CONCLUSION

In the digital form, knowledge or information cannot be consumed and exhausted in the traditional sense. On the other hand, knowledge or information in digital form can be distributed and shared at no extra cost which is likely to add to its value rather than deplete it. This is the essence of new forms of distributed creativity, intelligence and innovation. Digital technologies tend to eliminate the distinction between an idea and its expression in its physical form, enabling sharing of networks and collaborations in creative ways that do not respect traditional copyright. Our policy makers are using technology to further strengthen copyright restricting access to creative works under the influence of the rampant lobbying by the distribution industry which would stand to lose the potential revenues from the direct path between the creator and the public, due to the internet.

The truth is that creators are motivated to create out of personal or artistic satisfaction and monetary benefit is not the only objective or incentive. Also, no creator creates out of thin air and most creative work is based upon existing works of antecedents in the same genre, making the premise of rewarding the creator for his work difficult to stand. Copyleft is the principle of ensuring that knowledge and creativity are maintained in public domain. While ideologically, copyleft contravenes copyright, it is extremely difficult to implement with the prevailing tendency to propertize creative works to make money out of it, ruling out the option of waiving the copyright and simply releasing it into public domain. The copyright protection granted to derivative works will take the work right out of public domain into proprietary enclosure, defeating the copyleft principle. Thus, the copyleft movement has manifested within the legal framework of copyright itself, particularly copyright licensing by following the principle of “some rights reserved” as against the “all rights reserved” policy of traditional copyright licences.

The increasing number of websites dedicated to copyleft such as *www.creativecommons.org*, *www.sciencecommons.org*, *www.wikipedia.com*, and *www.opensource.org* indicate the growing interest in copyleft and adoption of licences with copyleft components. However, there are practical

difficulties in implementing such copyleft licences particularly in case of the various creative commons licences such as lack of comprehensive databases of works under CC licences, burden of tracking violation of CC Licence conditions and enforcing the same on the creator, lack of standardization and potential incompatibility due to several derivations of CC licences leading to more restrictions resulting in incompatibility between licences.

In spite of these shortcomings, copyleft answers some of the challenges of implementing copyright law, which is limiting and outdated, with modern technology and new forms of media and expression. The existing copyright framework fails to recognize the growing culture of sharing information on the internet which may amount to copyright infringement as a narrow interpretation of copyright law but ought not to be presumed harmful as it is only causes a remote possibility of loss of potential sales to the commercial distributor. However, such innovative technological tool for sharing information on the digital platform encourages dissemination of information and fosters creativity which is the ultimate objective of copyright.

While ideologically and jurisprudentially, copyright and other intellectual property rights are not justified, practically, a complete elimination of copyright would be illogical and can result in collapse of creativity rather than enhancement. However, such copyleft tools can be worked into and harmoniously with the traditional copyright law as the existing copyright law is found to woefully inadequate to meet the challenges of the digital era. An example of this harmony can be found in mixed business models of software companies such as Google, Microsoft, IBM which bring some software products into the market under proprietary copyright protection, release some software completely free to the public and release some other software programs under open source license. In this manner, they manage to earn profits as well as encourage innovation in their field. Middlemen are not completely superfluous as they ensure that creative works of artists get the maximum exposure by reaching the maximum numbers, freeing the artists themselves from the hassle of marketing and distributing, allowing more production of creative works. However, a system integrating creative commons licenses in traditional copyright transfer agreements between artists and distributors needs to be pondered upon focusing more on freedom of choice between the artist and the public.

It is high time our policy makers caught up with the dynamic changes in technology as well as norms of society and endeavoured to revamp the copyright regime, taking a closer look at the emerging copyleft licences with the objective of spread of knowledge and information as well as promotion of creativity in a regulated manner rather than tightening the noose of copyright infringement through technological measures to enforce existing copyright policy as if the internet does not exist.

TRANSFORMATIVE USE: MOVING TOWARDS UTILITARIANISM AND AN INDIAN PERSPECTIVE

AJEY KARTHIK

Fair-dealing is a permissible exception to violation of copyright in both, the United States and India. The doctrine of transformative use is one of the important tests of fair-dealing in the United States - introduced through judicial creativity. The article traces the jurisprudence and evolution of this doctrine through the catena of judgments that hold fort. The Google Books case marks a paradigm shift in the transformative use doctrine, changing the moorings of fair-dealing from its Lockean roots to a more utilitarian perspective. The article arrives at a certain understanding of the transformative use doctrine in the United States by examining the internal consistency of multiple judgments with the new understanding wrought by the Google Books case.

By appealing to the utilitarian justifications behind Intellectual Property Laws in India, the article seeks to justify the borrowing of the principle of transformative use in order to apply the same to cases where there is substantial public or societal interest involved. The Delhi University Photocopying case is one such case involving the access to education resources to impoverished sections of the society. The article briefly examines the applicability of the transformative use doctrine to the case at hand, and justified the import of such principles into jurisprudence of Indian Intellectual Property Laws.

INTRODUCTION

“If nature has made any one thing less susceptible than all others of exclusive property, it is the action of the thinking power called an idea...That ideas should freely spread from one to another over the globe, for the moral and mutual instruction of man, and improvement of his condition... Inventions then cannot, in nature, be a subject of property”

- Thomas Jefferson

Intellectual Property Rights have bestowed upon the owner of such rights, the right to regulate the production of his/her work. This, if allowed to proceed unchecked, would have led to stifling of the use of ideas even preventing use for public good. Herein, enters the doctrine of fair-use

which operates as a limitation on the right of the owner of a copyright to regulate the reproduction of his /her work.

The concept of a ‘copyright’ or ‘intellectual property’ traces its origins to the Lockean discourse, which has found favour with courts in the United Kingdom through the ‘sweat of brow’¹ standard, wherein the mere factum of labour expended was enough to establish originality for the purposes of granting of copyright. Proponents of this theory have long argued for the stringent protection standards of works of authors or the owners of copyrights. Countering this discourse, the utilitarians² have argued for a longer rope to be given and expanding the boundaries of fair-use.

Whilst it is often said (falsely) that Judge Story in the landmark case of *Folsom v. Marsh*³, started a new paradigm by laying down the fundamental four-factor test of fair-use; authors have argued that a closer analysis⁴ reveals that the judgment was an iteration of the Lockean discourse in the arena of Intellectual Property Rights. The four-factor test, later codified in Title 17 of the U.S Code⁵, proceeds in the following manner:

“1. Purpose and character of the use, including whether such use is of a commercial nature or is for non- profit educational purposes;

2. Nature of the copyrighted work;

3. Amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

4. Effect of the use upon the potential market for or value of the copyrighted work”

The decision of the US Supreme Court in the landmark judgment of *Campbell v. Acuff-Rose Music*⁶ led to a crucial twist in the nature of interpretation of the first-factor in the four-factor test. The Court had to deal with the question of whether commercial parody would constitute fair-use. The Court held that the most important aspect of the fair-use analysis was whether the ‘purpose and character of the use was “transformative”’. The Court explained the meaning of ‘transformative’

¹ Abraham Drassinower, *Sweat of Brow, Creativity and Authorship: On Originality in Canadian Copyright Law*, 1 UOLTJ 107, 105-123, (2003-2004).

² The phrase ‘utilitarians’ refers to those people who are proponents of the theory of Utilitarianism. The theory of utilitarianism is based on the principle of ‘maximum benefit to the maximum number of people’.

³ *Folsom v. Marsh*, 9. F.Cas. 342 (C.C.D. Mass. 1841).

⁴ John Tehranian, *Et tu fair use? The Triumph of Natural Law Copyright*, DAVIS LAW REVIEW, Vol. 38 No 2 U.C 467, 466-508 (2005).

⁵ 17 United States Code § 107.

⁶ *Campbell v. Acuff-Rose Music*, 510 U.S. 569 (1994).

as a requirement that the original work or a portion thereof should have been transformed by adding new expression or meaning; or taken through a process of value addition.

There has been an alarming lack of consistency in the usage of this doctrine by various Courts in the United States – questions persist in determination of transformative nature of the work- especially whether the quality and quantity of use of original work was sufficient to justify a defence of fair-use.

Given the uncertain contours, by tracing the theoretical underpinnings of this doctrine, this article shall examine whether it retains sufficient vigour in order to justify a potential application to the Indian context.

TRANSFORMATIVE USE: TRACING THE ROOTS

The transformative use doctrine was first incubated in an article published in the Harvard Law Review by Judge Pierre Leval; wherein the Judge argues for the necessity of determination of a ‘transformative use’ while judging its purpose and character.⁷ The Judge interpreted ‘transformative’ to mean value addition to the original work. Therefore, the test would not be satisfied if the resultant use was to merely package the material in a different manner from the original.

While the United States Supreme Court only adopted the test in the landmark case of *Campbell v Acuff-Rose*, judgments⁸ of Judge Leval did, in fact, include the test prior to this judgment. The impact of the Campbell was to make transformative use doctrine, the prevailing test in fair-use, as is evidenced from the following pronouncement of the Court:

“...the goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative works. Such works thus lie at the heart of the fair use doctrine’s guarantee of breathing space within the confines of copyright ... and the more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.”

While the original judgment of Justice Story in *Folsom* or even the statutory provisions did not intend it so, the unfortunate side-effect of this judgment was that the test of transformative-use became the predominant test in fair-use, with the significance of other factors reducing as a consequence. Other factors in the fair-use four-factor test lost their significance, thereby, going

⁷ Pierre Leval, *Toward a Fair Use Standard*, HARVARD LAW REVIEW, Vol.103, p.1105-1111 (1989–1990).

⁸ Am. Geophysical Union v. Texaco Inc., 802 F. Supp. 1 (S.D.N.Y. 1992).

against the Supreme Court's pronouncement in *Campbell* itself, wherein the Court had cautioned against permitting the transformative use from becoming the over-arching factor to demonstrate fair-use.

This is supported by analysis⁹ of US case law which has demonstrated that there was a tendency, in the aftermath of the *Campbell* judgment, to lay focus on the transformative use doctrine in fair-use arguments; as opposed to a wholesome consideration of all the four factors as have been statutorily laid down. Effectively, this meant that the judges would focus on a singular question i.e. was the work transformative in character, in that was it used for a purpose different from that for which it was originally created.

DEFINING THE CONTOURS OF TRANSFORMATION

The transformative use doctrine has evolved since it was first established as a fair-use test, from the case of *Kelly v Arriba Soft*¹⁰. In this case, the question was whether the display of thumb-nails by a search engine would qualify as fair-use. The Court permitted the same as transformative, in that it sought to inform and engage viewers, therefore extending the definition of transformative use as not being limited to physical changes made to original work, but would also include re-contextualizing of the same.

In another case of *Perfect10, Inc. v. Amazon.com, Inc.*¹¹, a search-engine was alleged to have infringed the copyright of a subscription-only website by displaying thumbnails on demand for the viewer. The Court proceeded to follow the precedent set in *Kelly* and permitted the same under fair-use principles by terming the work as transformative. The Court in *Perfect10* observed that a search engine re-contextualizes images by putting them in a different context which transforms them 'into a new creation'; with the test being the creation of new content, meaning or expression through such a process.

Similarly, in the case of *Blanch v. Koons*¹², the plaintiff, an artist, had created a collage with one of the images taken from a photograph that was taken by a fashion photographer. The Court held that the use of the said image would constitute fair use, with the Court specifically holding that a finding of transformative use would not arise where the defendant merely finds new ways to exploit the creative virtues of the original work. It was also held that transformative nature of the

⁹ N Weinstock Netanel, *Making Sense of Fair Use*, LEWIS AND CLARK LAW REVIEW, Vol. 15 (2011).

¹⁰ *Kelly v. Arriba Soft*, 336 F.3d 811 (9th Cir. 2003).

¹¹ *Perfect10, Inc. v. Amazon.com Inc.*, 508 F. 3d 1146 (9th Cir. 2007).

¹² *Blanch v. Koons*, 467 F.3d 244 (2d Cir. 2006).

work created by the plaintiff would dwarf any other issues that arose in this case including allegations of bad-faith, commercial nature of the work etc.

An analysis of these cases – all landmark judgments, demonstrates that a mere copying of the original work would not necessarily fall foul of the transformative use test, as long as it gave rise to a different function.¹³ These judgments have given rise to a more nuanced doctrine of transformative use.

The question of re-contextualization vis-à-vis a holding of fair-use was further examined in the case of *Wall Data Inc. v. Los Angeles County Sherriff Department*¹⁴. The Court in this case, was confronted with the question of whether the creation of allegedly unauthorized copies of copyrighted software by the respondent would be protected by fair-use doctrine. The Court began by examining whether the work was transformative in nature. In fact, the Court proceeded with the principle of ‘the more transformative the work, the less significant the other factors’. However, it added a slight twist to the test of transformative use, in that the claim for a fair-use defence would be weakened if the nature of use of the original and the final work remained the same. Incidentally, the Court went on to hold that the defence of fair-use to the extent of the application of the transformative use doctrine would not apply in the given case.

The predominant view that has held in the jurisprudence of transformative use doctrine is that any use that results in a change in the content or context of the work which would undoubtedly result in a change in the purpose of the work, and finding of transformation would be arrived at; while a use that primarily relies on the original shall not lead to a finding of fair-use. At the same time, it is also true that Courts have shown a greater reliance on the transformative use test to determine and arrive at a finding of fair use – the greater the transformative nature of the work, the greater the possibility of a finding of a fair-use; the lesser emphasis given to the other three factors, and consequently the greater the possibility of a finding of fair-use.

Finally, there have been cases where transformation was not sufficient i.e. where there was transformation but the resultant use was held to not be fair. There have also been cases where transformation was unsuccessful i.e. the plea for transformation was made, but a finding of fair use was rejected because the transformation had not been established.¹⁵

The lack of significant alteration or change to the context or content of the original work would render it difficult to establish a claim of fair-use until and unless a significant change in the function and purpose of the original work was established. The same is demonstrated in *Kelly* and

¹³ *Kelly v. Arribas Soft*, 336 F.3d 811 (9th Cir. 2003).

¹⁴ *Wall Data Inc. v. Los Angeles County Sherriff Department*, 447 F.3d 769 (9th Cir. 2006)

¹⁵ Michael D. Murray, *What is Transformative? An Explanatory Synthesis of the Convergence of Transformation and Predominant Purpose in Copyright Fair Use Law*, LAW FACULTY PUBLICATIONS, Paper 41 (2012).

in *Perfect10* where the fair-use defence was accepted as a result of a significant change in the function and purpose of the original work. The secondary work will not pass muster if it still retains creative, artistic virtues of the original work and if said virtues continue to add value to the secondary work.¹⁶

GOOGLE BOOKS LIBRARY: A SHIFT IN THE UNDERSTANDING

The Google Books Library case happens to be the foremost, and the latest in a catena of decisions in the development of transformative use doctrine. A look at the brief facts of this case will demonstrate the ‘transformative effect’ that this case had on the jurisprudence of transformative use. It marks a shift from the traditional conceptualization of transformative use doctrine – which while was subtly took place in previous cases like *Hathi trust*¹⁷, was more pronounced in this case.

Facts of the Case

The company Google Inc had two (2) ongoing projects – one called the Partners project and another project called the Google Library Project. In the former, Google took digital copies of books in their entirety and displayed them with permission from the owners of their copyrights; and in the latter Google took over 20 million books in their entirety from certain libraries in the United States and scanned them. These libraries included various public libraries in the US and also included the US Congress library. They undertook digital copying of books available in the public domain and even books that were under copyright protection without seeking permission from the owners of the copyright. However, the general public was permitted to view only snippets of the books; they were not permitted to access the entirety of the book.¹⁸

The Authors Guild in the USA, contesting this action on behalf of certain copyright owners, claimed that such an action constituted a violation of their copyright, and argued that permission for the same ought to have been taken from them. Google Inc, co-incidentally employed the defence of fair-use.

¹⁶ *Ibid.*

¹⁷ Authors Guild v. Hathi Trust, 902 F.Supp.2d 445

¹⁸ Jonathan Band, *The Google Library Project: Both Sides of the Story*, ANN ARBOR, MI, Vol. 1, University of Michigan Library (2006)

Judgment and Analysis

The Court went on to hold the work to be ‘highly transformative’ in nature. The fact that Google was deriving a commercial benefit was said to be irrelevant in that the work served an important educational purpose. The Court negated the aspect of commercial benefit by observing that no direct commercial benefit accrued to Google Inc, given that neither the ‘snippets’, and nor the scanned versions of the book for sale, and the company did not run ads on the pages where the books were displayed. The Court observed that any determination of ‘fair-use’ would be based on an open-ended and contextual inquiry¹⁹, which consequently calls for a case-by-case enquiry. The Court proceeded to perform an analysis on the statutory factors and their applicability and suitability in the instant case. The Court made reference to the *Campbell* case and the case of *American Geophysical Union v. Texaco*²⁰; wherein the Court had held that transformative use would have to involve a substantial change in the purpose or use of the work in question, in comparison to the original work. While a mere photocopy of the original work would not result a transformative holding; at the same time it was held that a photocopy of journal article made with the purpose of creating raw notes for the purpose of research would be sufficiently transformative to justify a fair-use defence.

The Court relied on *Perfect10* to observe that the substantial change made to the purpose of the work – with the books serving two purposes – firstly, it popularized the book in question; and secondly, it played an important educational role and was to the benefit of the society. As a result, there was no evidence to suggest that the original work would not be substituted by the snippets being made available to the public. The Court further went on to observe that Google Library transformed book data into data useful for substantial research, including data mining and text mining in new and different areas; increasing the scope for research. The primary purpose was to create a search index, and a step in that direction was by creating digital copies of documents and providing snippets of the same to the public for their information; and providing the libraries with digitalized copies of the documents provided to them.

The criticism²¹ against this judgment stems from the excessive importance given to the transformative use test. The argument has been that the Judge have relied on the transformative use test to an extent that it over-shadows the other three statutory factors, in that transformative use on its own was an inadequate way to justify fair-use; and an analysis through the prism of the other factors may have yielded a different result. The Court went on to use the fair-use of end-

¹⁹ *Blanch v. Koons*, 467 F.3d 244 (2d Cir. 2006)

²⁰ *American Geophysical Union v. Texaco*, 60 F.3d 913 (2d Cir. 1995); wherein Texaco was alleged to have copied articles from the journals published by the American Geophysical Union and 82 other publishers of scientific and technical journals.

²¹ Jeff John Roberts, *Transformative or just taking? Lawyers struggle to define fair use in wake of Google Books case*, available at: <https://gigaom.com/2014/03/12/transformative-or-just-taking-lawyers-struggle-to-define-fair-use-in-wake-of-google-books-case/>, accessed on 6th October, 2014.

users i.e. the general public and consumers use of the snippets for research and educational purposes to justify Google's act of digitalization of the books. *Ergo*, the commercial user is benefiting from the fair-use undertaken by the end-users, which should not be the case. This when contrasted with cases whereby commercial copying shops have not been permitted to benefit from the fair-use of students to whom they were providing photo-copied course modules²² to – the question arises as to whether the right of fair-use available to students could be extended to the commercial user of the copyrighted material.

For instance, in *Princeton University Press v. Michigan Doc*²³ where Michigan Document Services Inc. which was a commercial photocopying shop that would photocopy copyrighted material to prepare student course packs, was alleged to have violated the rights of the copyright owners. The Court looked at the commercial considerations to hold that the use was not transformative and that a fair-use defence would not lie with the shop.

In another case a company that captured raw footage of incidents and supplied the same to news channels, alleged copyright infringement by another company, that made video recordings of news channel broadcasts and supplied that footage to other companies; a defence of fair-use on account of the client right to use for research, scholarship or private study were rejected by the Court on similar lines.²⁴

The Court, in the Google Books case, did not make any distinction between copyrighted and non-copyrighted books, and justified the fair-use defence for all of the million of books that Google had digitalized. *Furthermore*, given the massive economic monopoly that Google will enjoy as a result of this knowledge and the commercial benefit that will accrue to Google, lends credence to concerns as to whether the Court by laying excessive importance to the transformative use factor, had it conducted a fulsome analysis on the touchstone of the 'purpose and nature factor' and 'potential market effect factor', would have held the same.

Thus, we see that following *Campbell*, in a catena of decision revolving around successful fair-use defences (barring a few aberrations), the transformative use doctrine has acquired predominance over other statutory factors in the evaluation of the same. The effect of this may be justifiable concerns in the mind of an author, if the right to reproduce and display his/her works, even to the extent of those snippets would remain protected- even where the author retains a valid and active copyright. The case of *Harper & Row v Nation Enterprises*²⁵, held up the importance of the fourth statutory factor of market and commercial usage while weighing a finding of fair-use;

²² Also called course-packs, these are photocopied extracts of copyrighted material relevant for the purpose of that particular course.

²³ *University Press v. Michigan Doc*, 99 F.3d 1381 (6th Cir. 1996).

²⁴ *Los Angeles News Service v. Tullo*, 973 F.2d 791.

²⁵ *Harper & Row v. Nation Enterprises*, 471 U.S. 539 (1985).

whilst the position stood partially over-ruled in *Campbell* in which the Court struck down the predominance given to market usage factor., This does not detract from a fair consideration of the fourth factor as part of the four-factor test.

Further, another question that begs for consideration is whether Google had the agency to carry out digitization of the book on behalf of the various public libraries that assisted it as partners in the project. The exception provided under Section 108 of the U.S Code to libraries to use copyrighted material as fair-use is limited. Would the exception permit the library to contract out its right to other parties especially to use the same for commercial purpose – this is detrimental to the idea of copyright, and affects the rights of the copyright holder.

Evolving Philosophy: Re-look at Transformative Use

The Court's decision is heavily influenced by and stems from a utilitarian approach towards copyright law. The Court's judgment is predicated on the necessity of the benefit that accrues to the society and the development of arts and science that ensues as a result of this decision. This decision could be termed as a step towards utilitarianism gaining precedence over the Lockean and property-rights based approach in copyright law. Thus, benefit to society and human welfare as whole gains precedence over the individual copyright owners' property rights. The question that it came down to was 'whether the public service that would potentially lie with the continuance of the service outweighed commercial exploitation'.²⁶ The public service character is further bolstered by the fact that not only does it make material accessible to the public; but it also ensures that books that were in a bad condition would not be lost forever – where the digitization of the book stores the book.

The Court's approach was also influenced by the recent decision in *Author's Guild v. Hathi Trust*²⁷ where a similar situation had arisen but it was with regard to ensuring access to resources for people with disabilities – the Court had held that the transformative nature of the work was further highlighted by the societal benefit that would accrue through the usage of the resources therein.

It is certain that the Google Books decision will go on appeal. If the appellate tribunal were to affirm the decision of Judge Chin, and through the use of judicial creativity to re-affirm the utilitarian principles introduced in this case, this would irrevocably change the understanding behind fair-dealing and would firmly establish the principle of utilitarianism as the dominant philosophy in copyright law.

²⁶ Corrina Baksik, *Fair Use or Exploitation? The Google Book Search Controversy*, available at: https://www.press.jhu.edu/journals/portal_libraries_and_the_academy/award_articles/6.4baksik.pdf, accessed on 25th January, 2015.

²⁷ *Authors Guild v. Hathi Trust*, 902 F.Supp.2d 445.

The test of transformative use has come to be considered as the standard test for fair use. The transformative use doctrine ensures public policy objectives behind fair use²⁸ like promoting arts, science, research, critical thinking are met, while at the same time preventing blatant copying of copyrighted works. It protects the right of the copyright holder to derivative works – in that if no original or new expression result from such a use; then the use would simply amount to a derivative work.²⁹

While parodies have clearly been classified as transformative, there still exists a lack of certainty on the kind of acts constituting transformative works. The cases of *Kelly*, *Perfect10*; and *Google Books Library* cases have made limited contributions to this jurisprudence; however, legitimate questions can still be raised on the excessive focus given to the transformative use test, with the other statutory factors having been given the short shrift. Nevertheless, the stronger claims to transformative use would be those wherein the contents, function *and* purpose have been significantly modified; where a failure to fulfil such functions results in a failure of the transformative test. However, as observed above, that there have been judicial decisions wherein it has been held that even a mere change of purpose is enough to satisfy the requirements of the transformative use test.

CONCLUSION: LESSONS FOR INDIA TO LEARN

The grounds for fair-use doctrine are codified in the Indian Copyright Act, 1957³⁰. While the statute lays down grounds for fair-use (anything which can be classified under these grounds qualifies as fair-dealing), it does not expressly define fair-dealing. Consequently, reliance has been placed on the English authority of *Hubbard v. Vosper*³¹ in this regard,

“It is impossible to define what is "fair dealing". It must be a question of degree. You must first consider the number and extent of the quotations and extracts.... then you must consider the use made of them....Next, you must consider the proportions...other considerations may come into mind also. But, after all is said and done, it is a matter of impression.”

Notwithstanding the critique of the predominance of the transformative use doctrine in fair-use jurisprudence in the United States, the usage of the same, in light of the *Google Books* case, marks a paradigm shift in the understanding of copyright law in the United States, as explained above,

²⁸ Michael W. Carroll, *Fixing Fair Use*. NORTH CAROLINA LAW REVIEW, Vol. 85 (2007).

²⁹ Murray, Michael D., *What is Transformative? An Explanatory Synthesis of the Convergence of Transformation and Predominant Purpose in Copyright Fair Use Law*, *Law Faculty Publications*, Paper 41 (2012).

³⁰ The Copyright Act 1957, § 52.

³¹ *Hubbard v. Vosper*, (1972) 2 Q.B. 84.

towards a more utilitarian understanding marking a departure from the otherwise Lockean understanding of rights in intellectual property.

Admittedly, it appears that there is no visible statutory parallel to the test of transformative use in the Indian context, given that Section 52³² contains an exhaustive list of activities that are covered under the fair-use defence; consequently, it appears that no such test exists, at least on statutory terms in Indian law. However, the section in question has visible parallels to the test of ‘purpose and character’ in the American law of fair-dealing. In fact, it has been argued³³ that certain pronouncements of the Supreme Court maybe said to be a form of the test of transformative use. For instance, in the case of *R.G Anand v. M/s Delux Films & Ors*³⁴ the Court held that no violation of copyright could be said to arise, when the work is presented or treated differently from the original work. This is similar to the American position of transformative use in fair-dealing. Thus, the basic principle of transformative use exists in the form of judicial precedent in India.

By importing the understanding of transformative use, as it stands following the *Google Books case*, from the United States and given the base that already exists in India; and especially the underlying philosophy of utilitarianism that it predicates its understanding on will aid in resolving in particular cases like the *Delhi University Photocopy Case*³⁵. A nuanced application of the principles of utilitarianism, as has been contextualized in *Google Books*, will aid the Indian Courts in arriving at a finding of fair-use- especially given the transformative nature of the use, the fact that the end-users are using the work for research and/or educational purposes ought to justify the ‘commercial benefit’ that the photocopiers may be enjoying – as was similarly done in the Google Books case. This defence will also lie with the photocopier and aids in justifying his role in not providing the ‘course packs’ for free, independent of whether or not the photocopier had a contract with Delhi University to provide the same to the students. The parallels between the Google Books case and the Delhi University Photocopying Case are striking, even if not immediately obvious at first.

The policies and legislations surrounding the principle of fair-dealing and copyright laws wish to arrive at a balance between the right of the copyright owner and the fair-dealing justifications of research, education under-taken especially for the benefit of society. Indian courts need to rely on judicial creativity and judicial precedents in order to successfully import the principle of

³² The Copyright Act 1957, § 52.

³³ Ayush Sharma, *Indian Perspective of Fair Dealing under Copyright Law: Lex Lata ot Lex Ferenda*, JOURNAL OF INTELLECTUAL PROPERTY RIGHTS, Vol 14 pp. 523-531 (2009).

³⁴ R G Anand v. M/s Delux Films & Ors (1968) 4 DLT 321.

³⁵ Oxford University Press and Others v. Rameshwari Photocopy Services and Delhi University. Currently being heard in the Indian Courts. A group of publishers sued a photocopy services agency and Delhi University of having violated their copyright, by compiling extracts from various copyrighted material into modules for students to use as part of their study material.

transformative use along with its utilitarian justifications into India. Indian Courts must move on from their Lockean origins and past, and progress towards acceptance of utilitarian principles in copyright law and fair-use defences, as a means towards social good, such as access to education- especially for those from impoverished sections of the society.