SPICY IP

A BLAWG DISCUSSING INTELLECTUAL PROPERTY LAWS AND INNOVATION POLICY IN INDIA

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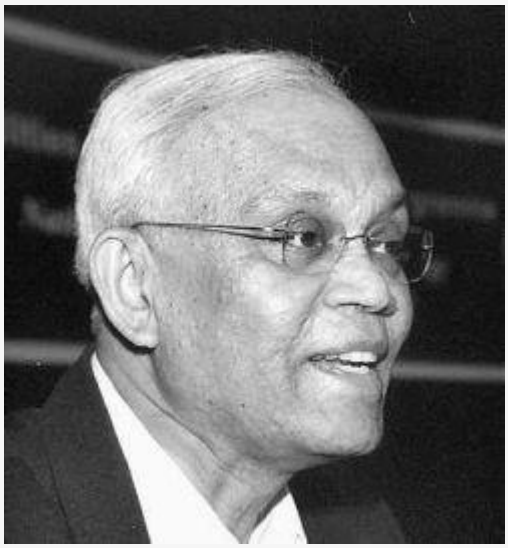
Sunday, January 28, 2007

The Mashelkar Committee Report on Patents: Placing it in context OR Reading the lines and not "between" them



Having just completed a hectic 4 day IP conference co-organised by the George Washington University and the CII, the last thing on my mind was "intellectual property". I just wasn't going to sit and brood about the very topic that had "exhausted" me in those 4 days ("exhaustion" in the context of intellectual property rights is a joke that only IP aficionados will get). Fortunately or unfortunately, my flight out of Goa, where we incidentally had the last day of the conference was delayed and I soon bored of sitting in the airport. I opened my hand-bag to check for some interesting reading and lo and behold—I found the most spoken about report in Indian IP policy circles today—the Mashelkar Committee Report.

A short pithy report… to the point, concise. Not very eloquent though—it could have done with some editing. After having read this, I spoke to some colleagues and asked them what they thought of it. Comments ranged from "It doesn't say much" to "I don't understand it" to "If you were to read between the lines, it advocates the deletion of section 3 (d)" (the infamous section made even more infamous by a recent case, where Novartis challenged this section as being

violative of TRIPS).

What!! The Committee may have walked a thin line and we all agree that the English language is susceptible to some stretching at the edges—particularly by lawyers. But no amount of tweaking of the language could ever lead to the Committee being accused of recommending that section 3 (d) be abolished.

I then decided that as most academics do, I ought to write about this and help place the Committee Report in context. After all, if we fail to appreciate this context, we may end up citing it for the wrong reasons, a tendency that most of us have fallen prey to sometime in the past.

Of all the various views that the report elicited, the most cited one was that "It didn't say much. It failed to engage with policy aspects and could have done much more in this regard". I wondered: Was it meant to say much? Let's go back in time a little bit. Or in those famous words known to most phantom comic fans: "for those who came in late….", here is the background to the Mashelkar Committee Report.

The Patents (Amendment) Act 2005 that introduced pharmaceutical product patents in India suffered a fairly long innings prior to coming into force. It first began as the Patents (Amendment Bill) 2003 (hereafter "Bill") under the BJP government but soon lapsed owing to a change in government at the Centre and the consequent dissolution of the Lok Sabha.

The new Congress led coalition Government endorsed the Bill¾however, since they were unsure of whether it would go through Parliament well in time to meet the TRIPS deadline of 1 January 2005, they had it passed as a Presidential Ordinance. Owing to pressure from the Left parties, changes were made immediately to the Ordinance and cleared by the Parliament in the third week of March as the Patents (Amendment) Bill 2005. This is not to say that the Left was completely satisfied. Some issues remained outstanding and rather than risk any further delays, the government strategically did what it best does when it is caught in a spot--it appointed a committee. And who better to have chair this committee than Dr Mashelkar, an internationally renowned technocrat and more importantly, author of numerous policy reports, all of which heavily cited and relied upon.

The Committees mandate was to address the following issues:

"a) whether it would be TRIPS compatible to limit the grant of patent for pharmaceutical substance to new chemical

entity [NCE] or to new medical entity involving one or more inventive steps; and

b) whether it would be TRIPS compatible to exclude micro-organisms from patenting."

It only takes the brain of a 6 year old to figure out what went on here. This was nothing more than a deft move by the government to prevent any further stalling of the passage of the Indian Patents Act by the Left parties by raising the specter of that holy instrument (TRIPS) that we have all come to fear, particularly after being hauled twice earlier to the WTO over allegations of violating it (and being held in contravention).

As one would appreciate, there is a key distinction between:

1. Determining whether one ought to exclude inventions other than new chemical entities (For the sake of convenience, I would label these as "non-NCE inventions" or "incremental pharmaceutical inventions") from patentability on strong public health/policy grounds, one of which is to aid generic manufacturers and ensure the availability of cheaper and more accessible medicines; AND
2. Determining whether the above exclusion is in compliance with TRIPS.

The mandate, were one to carefully read it, is to engage in the latter and not the former i.e. not to debate on sophisticated "policy" issues in the realm of pharmaceutical patents and public health—a task that would have taken a 1001 years, but to engage in a very focused TRIPS analysis. As one will appreciate, the second issue is far easier to tackle. After all, parties at opposite ends of the political spectrum may engage in extensive debates on optimal public policy when it comes to intellectual property and public health—should we bend more to the right and be very pro-IP protection OR do we lean more to the left and have regimes that favour consumers and public health? But what these two opponents agree on is that TRIPS needs to be complied with—as this is an international obligation that the country undertook in 1995. Of course, the fact that this instrument itself is ambiguous in several places is another matter. As our dear departed Minister of Commerce, Murasoli Maran had once caustically remarked:

"We are all aware that the text of TRIPS is a masterpiece of ambiguity, couched in the language of diplomatic compromise, resulting in a verbal tightrope walk, with a prose remarkably elastic and capable of being stretched all the way to Geneva."

My strong suspicion is that the government expected the Committee to come to the conclusion that the two proposed provisions were likely to contravene TRIPS. The last thing that government would have wanted was to engage in another painful amendment process.

Given this context and the specific mandate, I would salute Dr Mashelkar and other committee members for sticking to the terms of reference and not "doing more". They weren't meant to engage in wider policy debates. The crux of the Committee Report is extracted from the report as below:

1. Granting patents only to NCEs or NMEs and thereby excluding other categories of pharmaceutical inventions is likely to contravene the mandate under Article 27 to grant patents to all 'inventions'. Neither Articles 7 and 8 of the TRIPS Agreement nor the Doha Declaration on TRIPS Agreement and Public Health can be used to derogate from this specific mandate under Article 27.

2. If the aim of the proposed exclusion is to prevent a phenomenon loosely referred to as 'ever-greening', this can be done by a proper application of patentability criteria, as present in the current patent regime.

3. It is important to distinguish the phenomenon of 'ever-greening' from what is commonly referred to as 'incremental innovation'. While 'ever-greening' refers to an undue extension of a patent monopoly, achieved by executing trivial and insignificant changes to an already existing patented product, 'incremental innovations' are sequential developments that build on the original patented product and may be of tremendous value in a country like India.

A very sensible suggestion to me---not least because these conclusions were extracted from a report that I submitted to the Committee ("Limiting the Patentability of Pharmaceutical Inventions and Micro-organisms: A TRIPS Compatibility Review"). This report was commissioned by the Intellectual Property Institute (IPI), UK, in my capacity as an independent/objective consultant with some modest knowledge of Indian patent law/policy. It flatters one to know that the extraction happened verbatim, though I would have been happier had the Committee cited the source—but perhaps this is too much to ask of a Committee caught in between a political crossfire and a deft stalling exercise. To be fair to the Committee, they did include the crux of my submission in an Annex to their Report.

What worried me, however, is that while it took me about 35

pages to come to the path-breaking conclusion that keeping non NCEs or incremental pharmaceutical inventions outside the scope of patentability would contravene Article 27 of TRIPS, the Committee disposed of this issue in a couple of paragraphs. Not very good for one's confidence--do lawyers/academics suffer from verbal diarrhoea? (a classic rhetoric?) Our revered ex CJ of the Supreme Court, Justice Krishna Iyer didn't do much to boost my confidence in this regard when he arrived at the opposite conclusion (that it was well within the TRIPS norms to limit patentability to new chemical entitites in respect of pharmaceutical inventions) in just 2 lines (unless of course, this was merely his conclusion that was extracted in the Annex to the Committee Report).

I'm not entirely sure that the issue is a simple one. Would non NCE substances or incremental pharmaceutical advances amount to "inventions" under Article 27, which mandates that "patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application".

By excluding incremental pharmaceutical inventions from the scope of patentability, would we be violating the "non discrimination" provision under Article 27 of TRIPS, which stresses that "patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced"? After all, incremental inventions are granted patents in all other sectors of technology.

Or can it be said, that in the light of the Doha Declarations reiteration that TRIPS is to be interpreted in a manner conducive to facilitating public health, one could argue that public health concerns offer a valid justification for discriminating between incremental pharmaceutical inventions (that are not patentable) and other incremental inventions (that are patentable)?

These are tough issues, that require very sophisticated analysis¾ and the key failing of the Committee is in not engaging with them. The conclusions may be correct (at least according to the author's reading of TRIPS), but there is much to be said for the manner in which they were arrived at.

Although the mandate was strictly limited to examining TRIPS specific issues, the Committee did delve into policy issues as well, and argued why their conclusions would, apart from being TRIPS compliant, constitute good policy as well. Under a paragraph titled "national interest", the Committee noted:

"Drug discovery research is still finding its feet in India. Though many companies are investing, it will at least be a decade before a critical mass is in place and results start accruing. Thus, restricting patentability to just NCEs would mean that most of the pharmaceutical product patents would be owned by MNCs."

In short, the Committee expressed skepticism at whether Indian companies could, at this stage, raise 800 million dollars (if this Tufts figure relating to the development costs of a drug incorporating a new chemical entity is to be believed)? Secondly, do they have the necessary skill sets to discover and develop new chemical entities and/or drugs based on them--After all, basic reverse engineering skills (organic chemistry skills), for which our generic manufacturers are famed are different from the skills required to arrive at new drugs (medicinal chemistry skills).

That it is extremely difficult to discover NCE's is borne out by the fact that of the 1264 new drug applications submitted to the Federal Drug Authority (FDA) in the US from 1993 through 2004, only 32% were for new chemical entities. The rest of the applications were for incremental innovations. And this is one space that Indian companies could be counted upon to compete in, as amply illustrated by Ranbaxy, which came up with an innovative drug delivery system for Ciprofloxacin. The invention sold as Cipro-OD enabled a patient to take the medicine just once a day (OD) and was successfully licensed to Bayer AG. The Committee took the pains of demonstrating this point empirically:

"The group examined the current level and type of R&D innovations that the Indian drugs and Pharma industry was undertaking. Annexure IV and V provide some representative samples of international patents filed by the Indian industry. It is clearly seen that most of them are based on incremental inventions."

The second issue i.e. whether it would be TRIPS compatible to exclude micro-organisms from patenting", is far less controversial, not least because the TRIPS answer is a fairly straightforward one---Article 27 expressly stipulates that member states may exclude from patentability plants and animals other than micro-organisms. Based on this Article and patenting practices the world over, the Committee concluded:

"Excluding micro-organisms per se from patent protection would be violative of TRIPS Agreement. ……While naturally occurring micro-organisms should not qualify for patenting, micro-organisms involving human intervention and utility are

patentable subject matter under the TRIPS Agreement, provided they meet the prescribed patentability criteria."

Lastly, it may be noted that this Committee report has been submitted to the government and it is upto the government to "act" upon it—a term that carries with it the flexibility to remain silent as well. Since the Committee concluded that the two proposed exclusions would contravene TRIPS, the government will most certainly opt in favour of "silence. There is one small area however, where the Committee has asked for government intervention:

"Detailed Guidelines should be formulated and rigorously used by the Indian Patent Office for examining the patent applications in the pharmaceutical sector so that the remotest possibility of granting frivolous patents is eliminated." AND

….strict guidelines need to be formulated for examination of the patent applications involving micro-organisms from the point of view of substantial human intervention and utility.

Since our patent office is relatively less sophisticated than other advanced offices, it is imperative that the government frame these guidelines rather than rely on patent office discretion. Were we to rely on their "discretion", we may end up with more "policy style" reasoning by this office, that has, in the past, even gone to the extent of violating a court order (Thomas Brandt Application).

To conclude, my effort in penning this down was to help appreciate the context in which the Mashelkar Committee arrived at its conclusions. And lest we understand this context, we may end up citing it for the wrong reasons/propositions, a tendency to which most of us have, in the recent past, been prone.

posted by Shamnad Basheer @ 12:46 AM 0 comments links to this post

Thursday, November 30, 2006

Breach of Confidentiality - taking a few steps back?

A few days ago someone in the Delhi High Court drew my attention to the decision of the Single Judge in *American Express Bank Ltd. v. Priya* Puri (CS(OS) No. 1442/2005). This was a case that essentially involved a breach of confidentiality/ trade secrets action against a former

employee of American Express Bank.

My first reaction was "*Given that the Plaintiff was seeking to enforce several expressly worded confidentiality clauses in the contract of an ex-employee, coupled with actual evidence of violation of express codes of conduct, breach of confidentiality and disclosure of confidential information to third parties, it is not surprising that the bank managed to restrain her.*" Imagine my surprise at being corrected. Apparently, the bank did manage to restrain her ex parte, which was set aside by a detailed order, which is presently under appeal.

Briefly, the Defendant was the Head of Wealth Management for the plaintiff in northern India when she submitted her resignation to the Plaintiff and was serving her 30 day notice period thereunder. At this juncture, the Plaintiff alleges that she had disclosed confidential information to persons which was not in connection with the business of the company; used confidential information and trade secrets for her own benefit; violated the American Express customer privacy policy; revealed customer lists to a competitor and violated the intellectual property rights of the plaintiff.

The reliefs sought were straightforward - a perpetual injunction restraining the defendant "*from using or disclosing any ...confidential information and trade secrets relating to the business and operations of the plaintiff and from endeavouring to solicit or induce away any of the customers of the plaintiff and from doing any acts which would breach the confidentiality terms as in letter of appointment/code of conduct including the Customers Privacy Principles/Policies of the plaintiff and for a mandatory injunction directing the defendant to deliver up all confidential information, data, trade secret including customer's list in particular the customer's list of Wealth Management Operations and/or Wealthview program/operations of the plaintiff.*"

The defendant in turn contended that "*the names of customers, their phone numbers and addresses are well known and can easily be ascertained by anybody and everybody and such information cannot be characterized as trade secrets or confidential information*... (and) *that defendant has built relationship with all her clients and the bank does not have any proprietary rights on these relationships and the clients are not bound by any arrangement of exclusivity with the plaintiff bank.* ...(the 'confidential information') *is general knowledge and experience which the defendant gained while in service of plaintiff bank and which would have been gained by any other person or persons who worked or who are working in*

place of defendant and she cannot be directed not to use her work experience. "

The judgement dwells essentially on questions of fact - on whether there was actual evidence of disclosure of confidential information or not and whether the defendant had a 'motive' to disclose confidential information - both of which are strictly not relevant to arrive at a prima facie finding as to the protectability of confidential information.

The Learned Single Judge interestingly observes, "*If the defendant knows the customers, can she be restrained from approaching them and if they are willing to disclose their financial details to her, can she be restrained from taking it because such details have already been given by the customers to the Plaintiff bank already. Will this constitute confidential information ...*"

The parameters of what constitutes "*in the course of employment*" and what falls outside such scope remains curiously undefined in a case where the a finding on this issue should have ideally determined the outcome.

And then again, the Learned Judge goes on to remark, "*The defendant was the relationship manager got appreciation and awards on account of her exceptional performance and integrity. The defendant had given record-breaking sales in Delhi and contributed 60 per cent of the total balance sheet for Northern India region for the plaintiff bank. Her knowledge of the customers and even their financial portfolios cannot be denied in the facts and circumstances. During the year 2004 defendant gave sales amounting to 90 crores for the plaintiff. This is not the case of the plaintiff that the defendant was not concerned with any of the customers and their portfolios and have stolen the details of the customers and their financial portfolios. If the defendant gave the business and sales amounting to rupees 90 crores in 2004 and also performed similarly in earlier years, it cannot be inferred that she did not have the information which is touted as confidential and sacrosanct. If the defendant had this information, why would she force other employees to get the password and then give that password to yet another employee to download the data from the computer and take the file from her running into 40 to 50 pages. If the defendant had built a substantial customer's base, can she be restrained from approaching those customers again in the facts and circumstances' If it is presumed that the defendant had taken data of the customers and their financial portfolios, this itself will not give any advantage to the defendant, because merely having this data will not convince the customers and make them shift their business from the*

plaintiff bank to some other bank. All these factors points to an inevitable probable inference that the defendant did not obtain any information from the plaintiff bank as has been alleged. Prima facie, therefore, the defendant did not obtain any such data as has been alleged by the plaintiff..."

On the issue of trade secrets the Learned Judge observes, " *It is also to be added that a trade secret is some protected and confidential information which the employee has acquired in the course of his employment and which should not reach others in the interest of the employer. However, routine day-to-day affairs of employer which are in the knowledge of many and are commonly known to others cannot be called trade secrets. A trade secret can be a formulae, technical know-how or a peculiar mode or method of business adopted by an employer which is unknown to others.*"

And in conclusion..."*The injunction as prayed by the plaintiff will have direct impact on curtailing the freedom of the defendant in her future prospects and service. Rights of an employee to seek and search for better employment are Page 2131 not to be curbed by an injunction even on the ground that she has confidential data in the present facts and circumstances. Such an injunction will facilitate the plaintiff to create a situation such as 'Once a customer of American Express, always a customer of American Express'. In the garb of confidentiality the plaintiff can not be allowed to perpetuate forced employment with American Express. Freedom of changing employment for improving service conditions is a vital and important right of an employee which cannot be restricted or curtailed on the ground that the employee has employer's data and confidential information of customers which is capable of ascertainment on behalf of defendant or any one else, by an independent canvass at a small expense and in a very limited period of time. Such a restriction will be hit by Section 27 of the Contract Act and common law and equitable doctrine of English Law will not be applicable in the fact and circumstances. An injunction can be granted for protecting the rights of the plaintiff but at the same time cannot be granted to limit the legal rights of the defendant...Needless to mention, the views expressed above are tentative and prima facie conclusions which will not be expression of any final opinion on the final merits of the case.*"

While the factual position as to whether the plaintiffs had indeed managed to make out a good prima facie case or not is a different issue, the legal stand as to the protectability of confidential information, or at the more basic level, a determination as to the boundaries of confidential information, takes several significant steps back when

compared to the decision in "*Diljeet Titus Vs. Alfred A. Adebare and Ors. and Ms. Seema Ahluwalia Jhingan and Ors. Vs.Titus and Co.and Ors.*" reported in 2006(32)PTC 609(Del) curiously passed in the same month as the American Express order.

In the latter case, there were two counter suits filed by the two set of parties (both being advocates) aggrieved by the conduct of each other. The plaintiff in the first suit claims that the defendants were only working for him and were paid remuneration in the form of fee while he remained in control of the professional business of the organization. On the other hand the defendants in the said suit, in the new organization set up by them, claim to have worked more in the nature of partnership with Mr. Diljeet Titus, the plaintiff.

The latter case eventually also boils down to an identical point as the former, on which the Learned Single Judge reaches a diametrically opposite conclusion - "*The important aspect is that the defendants worked for the clients of the plaintiff, the client engaged the plaintiff's services, the billing was done in the name of the plaintiff and the amount used to be remitted to the plaintiff. It is in the plaintiff that the clients had trust and faith and his services were engaged. It is possible that during the course of working the clients may have also developed faith in the defendants. It is also possible that after the termination of the relationship between the plaintiff and the defendants some of the clients may of their own free will decided to engage the services of the defendants. There is nothing wrong in such a practice.*"

And then again,
"*I am in agreement with the submissions of the learned senior counsel for the plaintiff that in such matters great importance has to be attached to any breach of trust or confidence. This is not merely an ethical issue but also a legal matter. It is in furtherance of this that Section 16 of the Copyright Act while providing that no copyright would exist except as provided in the Act goes on to stipulate that nothing provided in the said Section would be construed as abrogating any right or jurisdiction to restrain a breach of trust or confidence. If an advocate permits his associate or colleague to either assist him or handle the matter of his client there is an implicit obligation on such an associate to maintain the trust and confidence reposed on him by his superior. Thus any breach of the same must result in a legal remedy.*

The information about clients and solicitors also to some extent is in public domain where it appears in printed directories and everyone can use the same. However, as an

advocate or a law firm develops its work and relationship with other law firms or clients, the details about the particular persons in such law firms handling certain nature of work or as to which officer in a client's company is material for getting the work becomes of great importance. Such a list is of great importance to an advocate or a law firm. The mere fact that defendants would have done work for such clients while being associated with the plaintiff would not give them the right to reproduce the list and take it away. It may again be emphasized that it is possible that Page 1904 a part of this information is retained in the memory of the defendants and if that is utilized no grievance can be made in this behalf. This would, however, be different from a copy made of the list.

It cannot be expected that the plaintiff would be doing the complete work himself. The plaintiff may be doing some work himself, may be assigning some work to the defendants as a part or as a whole. The work done by the defendants in such a case would be on behalf of the plaintiff for the clients of the plaintiff."

And it was finally held..."*The plaintiff has clearly established a prima facie case in respect of the rights in the material taken away by the defendants. In my considered view, the balance of convenience lies in favour of the plaintiff and against the defendants. The defendants are free to carry on their profession, utilize the skills and information they have mentally retained and they are being restrained only from using the copied material of the plaintiff in which the plaintiff alone has a right.*"

In conclusion, I can only say that I find it intriguing that the latter order relates to the relatively hazy sphere of the inter-se relationships of lawyers in a law firm which treads the fine line between contracts of service and contracts for services, while the former relates to the distinctly black and white scenario of an employer-employee relationship.

Where then does Indian jurisprudence on trade secrets and breach of confidentiality stand?

The answer my friend is not blowing in any wind at the moment!

posted by Shwetasree Majumder @ 4:59 AM 2 comments links to this post

Sunday, November 26, 2006

INCENTIVISING DRUGS IN INDIA: YET ANOTHER IP LEGISLATION

It appears that the government is looking at more ways to incentivise drug discovery and to encourage patenting in this regard. A news item (http://www.indiaenews.com/business/20061125/30030.htm) states:

"India will soon have a law to provide incentives to scientists and public enterprises in the biotechnology sector for creating patents, Minister of Science and Technology Kapil Sibal said Saturday.

'We are bringing in a legislation in the budget session of parliament that will enable scientists to receive one-third of the value of the patent created for drug discovery. Of the balance, one-third (33 percent) will go back to the project and the remaining to the public enterprise funding the project,' Sibal said at a function here.

After inaugurating the drug discovery facility of Jubilant Organsys Ltd, the minister told reporters that the draft of the legislation was ready and would be hosted on the ministry's website soon for public comments."

As is normally the case with the new breed of "IP Journalism", a lot is left to the imagination. Thus for example, although the key theme seems to be incentivising "drug discovery" the news item states: "India will soon have a law to provide incentives to scientists and public enterprises in the biotechnology sector for creating patents". No doubt biotechnology is a hugely attractive area of drug research (biopharmaceuticals), but then creating drugs via the traditional chemistry route continues to remain the main focus of the pharma industry.

Secondly, it is not clear whether this proposed legislation will only cover "publicly funded research" (although this would be the more logical reading). Why should the government interfere with privately funded research. Or is it that even in such a private context, 33% of the proceeds would have to go

to an employee. Perhaps the Indian government is conscious of the recent Japanese court rulings doling out huge compensation packages to employees responsible for brilliant inventions that made their employers rich (see the Blue Diode case in particular).

Yet another IP legislation--surely, that can't be a bad thing!! Lets wait and see what the draft looks like. Till then, we have no option than to rely on inside sources and journalists that continue to tax our imagination.

posted by Shamnad Basheer @ 7:02 AM 0 comments links to this post

Wednesday, November 22, 2006

The 'regressiveness' of laptops

I wondered if it would be appropriate to talk about this on a site that is by nomenclature an IP blog...but then...whats life without a little humour?

I am copying an article that was published in the November 4th issue of Hindustan Times, New Delhi edition:

"The Central government and the All India Institute of Medical Sciences (AIIMS) believe a judge using a laptop—instead of paper and a pencil—might not be able to deliver justice. At least, this is what they say in an affidavit filed in the Delhi High Court.

The affidavit seeks the transfer of the case relating to AIIMS Director P Venugopal's dismissal, which is pending before Justice Anil Kumar of the High Court, to another judge.One of the reasons cited by the Centre and AIIMS is that "the judge records the submissions and citations on his laptop instead of following the conventional system of using a paper and pencil".This method, according to their lawyer PN Lekhi, is "prone to error and may result in failure of justice"."The conventional system of recording of submissions made by counsels on long sheets of paper in pencil and recording the submissions made during regular hearing with pen in a register are the only methods for the proper dispensation of justice," said the affidavit moved by Health Secretary PK Hota on Wednesday.Hota is also a member of Institute Body of AIIMS.

Sugriva Dubey, one of the lawyers defending Venugopal, said the remarks were "unfortunate and discouraging especially at a time when technology is moving forward". "The central government itself says it is taking steps to modernise the judiciary. To suggest that laptops are prone to error is

meaningless.

On the other hand, the use of laptops cuts delay in the disposal of a case," he told HT.The Centre and AIIMS approached the division bench of Acting Chief Justice Vijender Jain and Justice Kailash Gambir for the transfer of the case after getting two adverse orders from Justice Kumar. On July 7, the court stayed the dismissal of Venugopal, locked in a turf battle with Health Minister A Ramadoss, terming it as "illegal"."

In case you'd care to know my response to the article and the issue in question...its a red-faced, head-lowered, embarassed "Ouch"!

posted by Shwetasree Majumder @ 6:14 AM 0 comments links to this post

Sunday, November 19, 2006

BUSINESS METHOD PATENTS AND PATENT ELIGIBILITY

Business Method patents and the whole issue of "patent eligibility" raises its controversial head yet again, with the UK courts recently endorsing a patent office refusal to grant Australian entrepreneur and solicitor Neal Macrossan a patent for "an automated method of acquiring the documents necessary to incorporate a company. It involves a user sitting at a computer and communicating with a remote server, answering questions".

The court summarised the invention thus:

"The essence of the invention is that by means of posing questions to a user in a number of stages, enough information is gleaned from the user's answers to produce the required documents. Questions posed in the second and subsequent stages are determined from previous answers provided and the user's answers are stored in a database structure. This process is repeated until the user has provided enough information to allow the documents legally required to create the corporate entity to be generated. A number of document templates are also stored and the data processor is configured to merge at least one of these templates with the user's answers to generate the required legal documents. The documents may then be sent in an electronic form to the user for the user to print out and submit, mailed to the user, or submitted to the appropriate registration authority on behalf of the user".

The Court set out a four-step test that examiners should use when deciding whether inventions relating to business methods and software are patentable:

i) properly construe the claim
ii) identify the actual contribution;
iii) ask whether it falls solely within the excluded subject matter;
iv) check whether the actual or alleged contribution is actually technical in nature.

Applying this test, the court held that Macrosann's "contribution" was nothing more than merely implementing (via computer) a job that is otherwise done by a solicitor or company formation agent. i.e. helping a client procure necessary forms and fill them out in order to incorporate a company. Thus the claim failed as an application for a business method patent. It appears that Australian lawyers (such as Neal Macrosann) are particularly creative when it comes to thinking up new legal-business methods. In Grant vs Commissioner, a lawyer filed an application claiming a method for securing assets by using a particular trust structure. The claim read:

An asset protection method for protecting an asset owned by an owner, the method comprising the steps of: (a) establishing a trust having a trustee,(b) the owner making a gift of a sum of money to the trust,(c) the trustee making a loan of said sum of money from the trust to the owner, and (d) the trustee securing the loan by taking a charge for said sum of money over the asset.

In effect, such a patent would help debtors avoid their debt by creating a trust. The Supreme Court endorsed the refusal of the grant by the patent office. Interestingly, a lower court based its decision on "public interest", holding that such a patent would not add to the economic wealth of Australia. Lawyers helping clients avoid their legal obligations is one thing--but now claiming patents over it is something else altogether...

To appreciate this case better, one has to bear in mind the traditional 'Patent eligibility' vs patentability distinction. Patent eligibility broadly refers to the requirement that a subject matter for which a patent is sought be inherently suitable for patent protection, in the sense of falling within the scope of subject matter that patent law prima facie exists to protect. The term 'patentability', on the other hand, refer to those set of principles that inform the requirements that must be satisfied for a patent eligible

subject matter (i.e., an invention) to be granted a valid patent. Principally they are the requirements of novelty, inventiveness (non-obviousness), utility (industrial applicability) and sufficient description.

As noted by Professor David Vaver Invention in Patent Law: A Review and a Modest Proposal 11 (3) Intl J Law and IT (2003) 287 (incidentally my PhD supervisor at Oxford):

Analytically, this proposition exemplifies the familiar Aristotelian dichotomy between essence/kind on the one hand, and attributes/quality on the other, also reflected in other intellectual property laws. Thus, in copyright law, what qualifies as an artistic work (its 'essence' or 'kind') is analytically distinct from the question whether the work is 'original' or not (its 'attribute' or 'quality').

However, he later cautions in a footnote that 'the distinction between kind and quality cannot be pressed too far. For example, one might fairly argue that novelty and non-obviousness are part of an invention's essence'.

In short, the term 'patent eligibility' or 'inherent patentability' denotes limitations in terms of the kind of 'subject matter' that would qualify for patent protection– this question is different from and often precedes the question of whether the said subject matter meets the 'patentability' criteria.

In most member countries, the principle of patent eligibility is embodied in the term 'invention' i.e. a poem, though new and useful, cannot be patented, since it is not an 'invention'. Section 3(l) of Indian Patents Act which excludes 'a literary, dramatic, musical or artistic work…'. See also Article 52 (2) (b) of the European Patent Convention (EPC) which similarly excludes all 'aesthetic creations'. This is true with TRIPS as well, with Article 27.1 drawing a sharp distinction between patent eligibility and patentability, by its use of the term 'invention'. It states, in pertinent part that, patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application.

The US Supreme Court, guided by its Chakraborty philosophy that 'everything under the sun is patentable' once again reflected its hesitation in laying down any specific 'patent eligibility' principle by ducking the issue in the metabolite case (Metabolite Laboratories Inc and Competitive Technologies Inc v Laboratory Corporation of America Holdings). The issue here was whether a patent covering the

co-relation between high levels of homocystine and a Vitamin B12 or folic acid deficiency is invalid because it covers a 'law of nature' or 'natural phenomena'. The relevant claim in the patent describes a 2 step method involving: a) assaying a sample for high levels of homocysteine: and b) co-relating a value higher than a certain number to a Vitamin B12 or a folic acid deficiency.

A recent article notes in this regard:

In the Metabolite case the Court passed on the opportunity to reverse the Federal Circuit and hold that a medical diagnosis of a vitamin deficiency based on the results of an unpatented blood test is the type of process that should not be patentable. Although it surprised some that the Metabolite patent was upheld as valid, this Article shows that the federal courts' abandonment of any subject matter gate-keeping role has occurred as a gradual process over the last several decades. Metabolite is simply a far point on this continuum. This Article further demonstrates, through economic modeling and a case study of business method patents, that the courts' abandonment of their gate-keeping role is bad for society, because it results in patents being granted in areas in which inventors do not need the incentive of monopoly grants. Accordingly, this Article suggests that the gatekeeper role be revived, possibly by way of Congress's delegation of the role to an administrative agency.

Is the patent eligibility versus patentability test one that ought to be maintained? If we take the law of nature exception too far, wouldn't all inventions be excluded as involving a principle of nature of some sort? At what point in time does a principle of nature convert to a patentable invention OR in other words, how much of a concrete embodiment ought we to have prior to granting a monopoly.

On another note, if the real problem with Metabolite is the fear of preventing doctors from carrying out their oath to cure in all circumstances, then, cannot this issue simply not be redressed by carving out a medical defense exception for doctors? Further, if the problem with the claim is that it prevents people from thinking about the co-relation between high levels of homocysteine and a vitamin deficiency, then what is the impact of this claim anyway? How will a patent owner enforce it, unless such mental method is actually applied in practice (e.g. by a doctor). A recent conference at the George Washington University Law School (GWU) (where I teach now) tackles these interesting issues. For more information on the symposium, please see http://mail.law.gwu.edu/cgi-bin/fetch.cgi?url=http%3A%2F%2Fwww.law.gwu.edu%2FNews%2FGW-Oracle%2BSymposium%

2B2006%2FSymposium%2BHome.htm . To see the webcast, see http://mail.law.gwu.edu/cgi-bin/fetch.cgi?url=http%3A%2F%2F128.164.132.16%2Fwmvideo%2Foracle.asp%3Ffilename%3Doracle_11_3_06.

posted by Shamnad Basheer @ 10:53 AM 2 comments links to this post

PLANT VARIETY REGISTRY SET UP IN INDIA

The Financial Times Reports that "A National Plant Variety Registry has been set up by the Protection of Plant Varieties and Farmers' Rights Authority (PPV&FR) under the Union ministry of agriculture to register crop varieties." Folks following this debate may be aware of the fact that although this legislation was enacted in 2001, it came into force only in 2005.

It seems routine now for Indian IP legislations to have more than a 3 year gap between the date of enactment and the coming into force of the legislation. The new trademarks act met with the same fate--and rumours abounded that this had something to do with the politics of the IPAB venue--with Chennai, Mumbai and Delhi fighting over where the IPAB should be set up. Chennai finally won. Perhaps the PPV Act in India was also mired in a "venue" controversy... it took more than 15 months (from Feb 2005 to now) to set up the PPV Registry.

The Protection of Plant Varieties and Farmer's Rights Act 2001 (hereafter PPV Act) is largely based on UPOV's 1978 and 1991 Acts and is meant to comply with the obligation under Article 27(3)(b) of the TRIPS Agreement to provide for an effective sui generic model of protection. It bears noting that plants are excluded from patent protection under section 3(j) of the Indian Patents Act.
In addition to protecting plant varieties, the PPV Act protects farmer's rights as well. In this sense, it is a unique legislation that sets a benchmark for developing countries and finds no parallel even in the advanced IP jurisdictions. The current law provides protection to breeders over varieties developed by them, while at the same time entitling farmers to save, use, sow, re-sow, exchange, share or sell their farm produce including protected varieties

After announcing the setting up of the registry, the FE goes on to report:

Around 12 crop species, breeds of which have been developed by Indians have been identified for registration. These include rice, wheat, maize, bajra, sorghum, pigeon pea, chickpea, lentil, mung, black gram, peas and rajma. The ministry will declare the registration open soon." S Nagarajan, chairman of PPV&FR said. Other species would be added to the registry in a phased manner, he added.

Nagarajan said the species would be identified on parameters, namely distinctiveness-uniformity-stability (DUS), that have been developed by the Indian Council for Agricultural Research (ICAR). DUS centres will be set up in Delhi followed by regional centres to test crop varieties. Nagarajan said the breeder would gain exclusive commercial rights for a new variety of a crop for 15 years. "ICAR is developing DUS parameters for other species like mango, rose, chrysanthemum and 12 other commercial crops," he said.

"All the varieties, knowledge of which are already in the public domain or have been developed by institutions and breeders, will now have to be registered in the next three years," Nagarajan said. These include breeds developed in agri-research institutions and the ones which are already being cultivated like the Alphonso mango growers in Maharashtra. During the course of registration, breeders will have to label their breeds. "This is like having a brand name for the breed, lending it more credibility," he said.

Interesting way of Breeding Brand Names--don't you think?

posted by Shamnad Basheer @ 7:41 AM 2 comments links to this post

Friday, November 10, 2006

AVOIDING RESPONSIBILITY: COURT ROOMS VS THE STARS?

In my capacity as a visiting associate professor at GWU law school, I took a bunch of students to the US Court of Appeals for the Federal Circuit to see the court in action. Unfortunately, although this is a specialized IP court, we saw only one patent case that morning--the rest were cases concerning procedural matter such as the statute of limitations (in a vaccine injury case). Unfortunately, this IP specialised court has also to contend with these sort of issues.

Whilst watching the proceedings, I couldn't help but think as

to why people in the US litigate so much. I know this topic has been done to death but it's always interesting to dig deeper and investigate further, and perhaps to find parallels (or lack of parallels) in other countries. A key reason, at least to me, is that people are very averse to assuming personal responsibility for their actions. In short, although I screwed up (pardon my French)--someone else is to blame--and I want a court to reinforce my belief that this had nothing to do with me....

Consider the following case:

A California man is suing the Las Vegas Hilton and Mandalay Bay Hotel and Casino, claiming the casinos were negligent in allowing him to gamble away more than $1 million while he was intoxicated.

Excuse me!! Should liquor companies now carry warning signs: "Consumption of alcohol is harmful to health. Even more harmful is the prospect of losing money in Casino's" So beware!!

In a recent article Gayle Porter, associate professor of management at the Rutgers University School of Business in Camden, New Jersey, argues that people could now potentially sue for "technology addictions" (thanks to my friend Badri Shyam for pointing this out). She makes the argument in the specific context of employers: employees (employees being kept on electronic leashes [read "Blackberry"]by employers and thereby getting addicted to these electronic leashes), but one can see the potential breadth of the argument to anyone who is addicted to technology. A News item commenting on her article states:

"These people that can't keep it within any reasonable parameters and have these problems in their lives, at some point may say: 'My life is not all that great. How did this happen? Who can I blame for this?'," Porter, who co-authored the study with two other academics, said in an interview on Thursday. "And they're going to say, 'The company'."

Of course, when you get addicted, you are never to blame!! The news item goes on to state:

Addiction to technology - blamed by critics on the seeming ubiquity of portable e-mail devices, smartphones, cellphones and laptops, coupled with long working hours - is hardly a new phenomenon.
But Porter argues litigation could be the next step, as employees seek redress for technology dependence. She predicts companies could use a free-will argument in

defending themselves: "They're going to, I would suspect, say that this was an individual choice."

But, isn't this in fact about INDIVIDUAL CHOICE? In a country where "free will" is a much bandied about term, the litigation system now offers perverse incentives to repudiate this very concept and blame someone else for all the misgivings in one's life. Wouldn't it be funny if someone now sued the courts/litigation system for making them dependent on such law suits and causing them to forget the concept of "personal responsibility"/"free will"? Granted that accepting personal responsibility requires great courage and may even come at the cost of getting one seriously depressed. In that sense, litigation is almost therapeutic. But then, what do we have shrinks for? And they are far less expensive than courts!!

I couldn't help but think of parallels to India. It almost seems that the STARS are to India what LITIGATION is to the US. In other words, Indians blame their stars/fate (a significant portion of them at least) for all their misfortune. Of course, this is not the main reason why we don't have as many personal injury cases. Lack of a sophisticated tort law jurisprudence (under which most such actions are brought), an aversion to granting huge damages (serves as main incentive to bring these actions) and protracted litigation are the key reasons.

But I think the STARS do play some role in resisting our desire to blame someone else and to get a court to share in our misguided belief. Of course, this is not to endorse a fatalistic attitude to life (which comes with its own share of troubles) but perhaps its a good thing, at least from the "cost" point of view--since, as with shrinks, our astrologers (barring the VIP categories) cost far less money than the courts. Am I offering a perverse incentive for the lawyers in India to screen STARS out of people's lives? Anyway, I think this is an idea worth investigating. Anyone willing to co-author a piece with me on this theme?

posted by Shamnad Basheer @ 5:04 AM 2 comments links to this post

Saturday, October 28, 2006

Delhi High Court adjudicates on the "grey" area of parallel importation

Indian courts have always towed the 'ambiguous' line on the issue of parallel importation in intellectual property matters – never obviously or directly pronouncing a verdict that grey market goods are "infringing" goods under the Trademarks

Act, and instead granting injunctions against their imports on the basis of violations under the Standards of Weights and Measures Act, etc.

A 6th September order of the Delhi High Court in Samsung Electronics Company Ltd. And another v. Mr. S. Sahani [CS (OS) 1603 of 2006] tilts that balance in favour of trademark owners by categorically prohibiting parallel importations. The thirteen page *ex parte* order which painstakingly elaborates the reasoning for the grant of the injunction makes for very interesting reading.

Some extracts are reproduced below:

"*The Plaintiff prays for an intelocutory injunction which, in essence seeks to combat and eradicate parallel importation by third parties into India of products manufactured by the Plaintiff itself, but in China. The case set up is that although the products are genuine, they are not meant for Indian markets inter alia, for their sale does not strictly conform to Indian laws and regulations…*"

And then, very interestingly,

"*It is common knowledge that multinational corporations have made a conscious preference to establish their manufacturing units in countries where a large percentage of the products leave from the 'back door' and thence for purveyance in the 'grey market'. Countries not connected with the manufacturing process (such as India in the present case) whose economies have not received any economic benefit; are expected to expend their resources to fight malpractices to which they are not privy. It also places an added and heavy burden on the Indian judicial system, already staggering under the weight of an exponential increase in litigation, not adequately matched by a corresponding increase in the strength of judges, to fight an illegality in another country*."

The Judge evaluates the appropriateness of the Chinese laws in the aforesaid backdrop with the observation
"*It appears that Section 3 of the Customs Regulation of Intellectual Property Rights forbids the import or export of goods that infringe property rights protected by Chinese laws. However, there is prevailing doubt over whether "infringing goods" will include parallely imported goods, as has been expressed in 'Exhaustion and Parallel Imports in China' a research supported by the National Natural Science Foundation of China*."

Consequently the Judge relies on Sections 29, 30 and 140 of

the Indian Trademarks Act and Article 50 of TRIPS to conclude that the Indian legal regime permits an interpretation of the term '*infringement*' to mean '*parallel importation*' and grants an ex parte ad interim injunction against the Defendants from dealing in grey market ink cartridges and toners of the Plaintiff.

Needless to say, the members of the trade are up in arms on the issue and have been making fairly heated remarks to the press; it remains to be seen if it ultimately results in an actual contest in the courts.

posted by Shwetasree Majumder @ 1:50 PM 0 comments links to this post