

THE PARIS CONVENTION AND
THE INDIAN PATENT SYSTEM :
A LEGAL STUDY

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C E R T I F I C A T E

Certified that the dissertation entitled "THE PARIS CONVENTION AND THE INDIAN PATENT SYSTEM: A LEGAL STUDY" submitted by Mr. VENKATACHALA G. HEGDE in partial fulfilment for the award of MASTER OF PHILOSOPHY has not been previously submitted for any other degree of this or any other University. To the best of our knowledge this is a bonafide work.

We recommend this dissertation be placed before the examiner for evaluation.

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VENKATACHALA G. HEGDE

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CHAPTER 1

INTRODUCTION

I. THE SETTING

The international patent system came into existence with the signing of the Paris Convention for the Protection of Industrial Property, 1883.¹ This Convention has been revised six times.² Its membership has risen from a mere 14 to nearly 100 states.³ India is not a member. It was only during the first quarter of this century, in particular, after World War II that the Paris Convention rapidly increased its membership. Table 1 shows the membership of the Paris Convention from different groups of countries.⁴

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1. Hereinafter referred to as the Paris Convention. For the text of the Paris Convention, see : P S Sangal and Kishore Singh, *Indian Patent System and The Paris Convention : Legal Perspectives* (Delhi, Faculty of Law, Delhi University, 1987), p.157.
 2. For detailed discussion of the Revision Conferences refer to Chapter 2.
 3. The original 14 members were: Belgium, Brazil, El Salvador, France, Guatemala, Italy, the Netherlands, Portugal, Serbia, Spain, Switzerland, Great Britain, Ecuador and Tunisia.
 4. New Guinea-Bissau and Malaysia have joined the Paris Convention with effect from 28th June, 1988 and 1st January 1989: *WIPO Press Release No. 75* of 14th July 1988.

TABLE - 1
MEMBERSHIP OF PARIS CONVENTION AS ON 1ST JANUARY 1986

S.No.	Regional Groups	Total no. of Countries	membership in percentage
1.	Developed Countries (Excluding Europe)	15	15.47
2.	European Countries	22	22.68
3.	Asia (including OPEC Countries)	14	14.43
4.	Africa	34	35.05
5.	Latin America (including Caribbean Countries)	12	12.37
TOTAL		97	100.00

Source: WIPO Report 1986

The table shows that more than 60 per cent of the total membership is presently constituted by the developing countries, with more than 50 per cent members coming from Africa. Yet, up to 1900 only three countries had joined the Paris Convention.⁵ This number had risen to 9 by 1934 and

5. These countries were : Dominican Republic, USA and Japan. It has been stated that the United States brought with it to Paris, aboard the same steamship, its protectorates-Ecuador, El Salvador, and Guatemala. Brazil too was brought in. France brought along Tunisia. But, Ecuador, El Salvador and Guatemala withdrew from the Convention in 1886, 1887 and 1895, respectively. Moreover, the Netherlands, Serbia and Switzerland did not have any national patent laws at that time. Even then, they signed the Paris Convention. See, Surendra J. Patel, "Intellectual Property Rights in the Uruguay Round : A Disaster for the South?", *Economic and Political Weekly*, Vol. XXIV, No. 8 (1989), p. 979.

merely 15 by 1958. With the accession to independence of many African countries there were 42 developing countries in the Paris Convention by 1967. It is worth noting that while the developing-country members of the the Convention constitute a majority, this number is smaller than that of those which remain outside the Convention. There are more than 60 developing countries within UNCTAD, which are not members of the convention .⁶ India is one of the leading developing countries to refuse to accede to the Convention though its patent laws have been in operation for more than a century.

II. DEFINITION OF PATENT

A "Patent" has been defined as "a statutory privilege granted by the Government to inventors, and to other persons deriving their rights from the inventor, for fixed period of years, to exclude other persons from manufacturing, using or selling a patented product or from utilizing a patented method or process. At the expiration of the time for which the privilege is granted, the patented invention is available to the general public or, as it is sometimes put, falls into the public domain".⁷ The Paris Convention,

6. Surendra J. Patel, "The Patent System and the Third World", *World Development*, vol.22, No.9 (1974) p.7.

7. *The Role of Patents in the Transfer of Technology to Developing Countries* (United Nations publication, Sales No. 65.II.B.1)

however, does not define what a patent is or the subject matter that it encompasses, but is understood to mean "an exclusive right to apply an industrial invention".⁸ Generally speaking, patent laws of most of the countries require that, in order to be patentable, the invention should be new and must be industrially applicable; these specifications constitute the basic conditions for patentability. The patents for invention can be granted either as product patents or process patents. An invention that consists of a new substance is a product invention; and the patent granted to it is termed as product patent. On the other hand, an invention that consists of a new method or process of making a known substance is a process invention. It should be noted that in some countries there are also means other than patents for the protection of inventions. They are - Inventors' Certificates and Utility Models. The owner of the Inventor's Certificate transfers his exclusive rights in the invention to the state. In

8. WIPO defines "patents" for the purposes of UNCTAD study on *"The Role of Patents in Transfer of Technology to Developing Countries"*, as "a legally enforceable right granted by virtue of a law to a person to exclude, for a limited time, others from certain acts in relation to a described new invention; the privilege is granted by a government authority as a matter of right to the person who is entitled to apply for it and who fulfills the prescribed conditions". Also see, G.H.C. Bodenhausen, *Guide to the Application of the Paris Convention for the Protection of Industrial Property* (Geneva, 1968) p.22.

return, he gets the right to receive a remuneration when savings are made through the use of the invention.⁹ In case of Utility Models the exclusive right is in principle the same as the patent right. However, in most cases it is of considerably shorter duration and its subject matter is often limited to certain technical fields.¹⁰

III. OWNERSHIP OF PATENTS

The distribution of patents between developed and developing countries has certain unique features which need to be emphasized at the outset. Available data reveals that in the 1970s about 3.5 million patents were in existence. In this, the share of developing countries was a mere 6 per cent (2,00,000) of which more than 80 per cent of the patents were granted to foreigners, majority of them being multinational corporations of the five major developed

9. The countries which grant Inventor's Certificates are: Algeria, Bulgaria, Czechoslovakia, the German Democratic Republic, Poland, Rumania, and the USSR. In the USSR, Inventor's Certificates only are issued for inventions made in connection with the inventor's work in state, co-operative or public enterprises, while the exclusive rights in such inventions are transferred to the state.
10. The countries which grant Utility Models are: Brazil, Federal Republic of Germany, Italy, Japan, Philippines, Poland, Portugal, Republic of Korea and Spain.

market economy countries.¹¹ The national origin of patents granted to foreigners in developing countries shows the dominant position of few developed countries. Table 2 records this trend during 1970s.

TABLE-2

NATIONAL ORIGIN OF PATENTS GRANTED TO FOREIGNERS IN
DEVELOPING COUNTRIES IN 1972

(Percentage share of patents granted to foreigners)

Country of Origin	Percentage
United States of America	40.6
Federal Republic of Germany	11.5
Switzerland	9.6
United Kingdom	8.9
France	7.3
Italy	3.4
Japan	3.3
The Netherlands	2.3
Canada	1.8
Belgium	1.5
Sweden	1.0
Socialist Group	
German Democratic Republic	0.8
USSR	0.7
Czechoslovakia	0.3

Source: United Nations, *The Role of Patent System in the Transfer of Technology to Developing Countries* (New York), TD/B/AC.11/19 Rev.1, 1975.

11. UNITAR *Progressive Development of the Principles and Norms of International Law Relating to the New International Economic Order*. DS/6 of 10, October 1983, p.86.

The Table reveals that about 40 per cent of the foreign patents were granted to US nationals and another 40 per cent to nationals of four other developed countries - the Federal Republic of Germany, France, Switzerland and United Kingdom, together accounting for more than three-fourths of the total patents granted to foreigners by the developing countries. The nationals of developing countries held no more than one per cent (30,000) in all of the 3.5 million patents in the world.

In the context of the percentage of patents granted to foreigners it may be noted that no sharp line can be drawn between developed and developing countries. This can be shown from Table 3 which outlines the number and proportion of patents granted to foreigners in countries with different levels of economic growth.

TABLE - 3

NUMBER AND PROPORTION OF PATENTS GRANTED TO NON-RESIDENTS
1984

Country	Total No. of Patents Granted	No. of Patent Granted to Non-Residents	% of Total Patents Granted to Non-Residents
Australia	7,252	6,526	89.9
Bangladesh	113	96	84.9

contd...

Canada	20,545	19,118	93
France	23,666	16,015	67.7
India	1,491	1,188	79.7
Japan	61,800	10,110	16.3
Philippines	1,127	1,098	97.4
Republic of Korea	2,365	2,068	87.4
Switzerland	13,977	11,626	83.2
United Kingdom	18,867	14,425	76.5
United States of America	67,201	28,837	42.9

Source: Background Reading Material on Intellectual Property, *World Intellectual Property Organization* (1988, Geneva), p.77.

The data in the above table clearly establishes the leadership of the USA and Japan in regard to the number of patents granted. However, it should be noted that there is a marked difference between the number of patents granted in the developed countries and the developing countries. For example, Canada, France, United Kingdom, Switzerland and Australia grant large number of patents. At the same time, Bangladesh, India and Philippines grant relatively negligible number of patents. This only shows the increasing availability of resources relating to science and technology in the developed countries. Another notable

feature of the data is that both Canada and Australia have been granting large percentage of patents to non-residents. This trend may be due to the operation of major multinational companies in these countries; within the developed world itself, multinational companies have their biggest networks.

IV. POLICY PERSPECTIVES

This dissertation is based on the following policy perspectives which have a bearing on the legal aspects of the patent systems. Firstly, a patent regime should strike a balance between factors which encourage inventions on the one hand, and the needs of the society on the other. One obvious objective of the patent system is to encourage inventions through a provision of monopoly right to work the patented invention for a specified duration. If the inventors cannot get a return that cover the costs of the invention, they are not likely to invest further and the community will suffer. Secondly, standpoints of developing countries towards international patent system are also important. Its share in the total number of patents granted in the world are too meager; and majority of the patents are granted to foreigners. Further, for an effective flow of technology, adequate working of the patented invention is crucial. This, however, is not taking place. In order to

work the patents adequately, developing countries have taken measures in the national patent laws which are more radical and preserves their interests. Finally, India has consistently withstood the pressures to sign the Paris Convention, because, its patent laws are far more effective as regards the criteria for working of the patents are concerned and it also takes into account primarily the interests of the public also.

V. OBJECTIVE OF THE STUDY

The objective of the study is to examine the principal features of the Paris Convention vis-a-vis the similar, but more stringent features of the Indian Patent Act. In the ultimate analysis this study seeks to highlight the consequences which may ensue if India decides to join the Paris Convention. The Paris Convention establishes an international regime to protect the various aspects of the industrial property regime; it also specifies measures to regulate patent abuses. Developing countries whose major share of the patents are granted to foreigners have found measures specified in the Paris Convention inadequate. A few developing countries noting the limitations of the Convention and the possible consequences of its membership have refused to sign it; India is one of them. India,

however, has a comprehensive legislation on patents which takes into account its needs as a developing country. In this regard, for the purposes of examining the arguments of the developing countries, a case study of Indian Patent Act has also been included at the appropriate places in this study.

VI. SCOPE OF THE STUDY

The scope of the study is limited to examination of features of the Paris Convention and the Indian Patent Act outlining the standards prescribed by them. Further, both developed and developing countries have been taking initiative to revise the Paris Convention to meet their requirements. Few developed countries have already taken the issue of "intellectual property to GATT". This study merely touches upon the proposals submitted by the developed countries demanding adequate patent protection. It should be made clear that the scope of this dissertation is limited to the examination of patents though the Paris Convention lays down provisions for other industrial property rights also.

This study has five chapters including this introductory chapter. The second chapter examines, albeit briefly, the history of the evolution of the crucial provisions of Paris Convention and the negotiations which took place in the eight revision conferences. The issues raised by the developing countries in these negotiations have also been highlighted. The third chapter discusses the minimum standards prescribed by the Paris Convention and also the legal safeguards to restrict the abuse of patent rights. The fourth chapter makes an attempt to highlight the main features of Indian Patent Act, 1970, contrasting the same with the features of the Paris Convention. The last chapter outlines the issues raised in the preceding chapters and briefly lays down the conclusions which emerge from the study.

CHAPTER 2

**HISTORICAL REVIEW OF THE
INTERNATIONAL PATENT SYSTEM**

The evolution of the international patent system is in a sense a record of the efforts undertaken to harmonize the opposing interests existing between an individual inventor on the one hand and the society on the other. Until the fourteenth century, when the incipient patent system first made its appearance, the utility of an invention to the society was not completely comprehended.¹ It was thought that the individual alone had an interest in his invention. The then prevalent concept of property influenced this understanding of the patent system; in legal parlance, the ownership of a property meant the possession of certain rights which were exercised vis-a-vis other individuals in a given circumstance. The status of the collective, that is, the society was not completely appreciated.

Intellectual property rights have developed in two stages. In the first stage in an embryonic form, in the sixteenth century, when the concept was used to strengthen the position of authors against their publishers.² Later,

1. Ulf Anderfelt, *International Patent Legislation and Developing Countries*, (The Hague, 1971) p.4.

2. *Ibid.*, p.11

it came to envelope all products of intellectual activity, usually referred to as 'creations of the mind'.³

I. VENETIAN PATENT LAWS

The first known law of patents was passed by the Italian city-states of Florence and Venice way back in 1421.⁴ In fact, these laws preceded the English Statute of Monopolies by more than 150 years. However, it was the patent legislation enacted by the city of Venice in 1443⁵ to which can be traced the roots of the modern patent system; it embodied its most important elements. These being: (i) utility to society; (ii) encouragement of inventive activity; (iii) refund of costs incurred by the inventor; and (iv) the inventor's right to the fruits of his mind. It should be noted that the Venetian Law took special care to safeguard the interests of the society by calling upon the inventor to exploit the invention for public use. In fact, the Venetian Senate had the power to recall the patent grants which were not adequately put to use, and it is precisely "this preponderant economic interest of society, together with the absence of any specific reference to an

3. Ibid.

4. Ibid., p.5

5. Ibid.

unqualified right of the inventor to patent protection makes the Venetian Patent Act such an interesting precedent of modern patent law".⁶ The demise of Venetian patent system a century later was due to the economic decline of the city states; the patent institution followed (rather than preceded) the economic and cultural development and later lost its importance when these activities became less intensive.⁷

Subsequently, the patent system spread to other countries of Western Europe. Germany was the first country to introduce a patent legislation on the lines of Venetian patent law, followed by Holland, Belgium, France and England. In England, the patent system originated during sixteenth century as a custom of granting privileges by the Crown. Two centuries later, the impact of industrial revolution gave birth to the belief that the patent system first emerged there.

'Industrial revolution' is a term used to refer to certain economic and technical changes which first occurred in England and spread to the rest of Europe in the later part of the eighteenth and early part of the nineteenth

6. Ibid., p.6

7. Ibid.

centuries.⁸ This revolution was in the process of development for more than two or three centuries. It led to the accumulation of capital in the hands of a few and at the same time also made possible the commercial exploitation of new inventions on an unprecedented scale. This necessitated an international regime for the protection of inventions for which initiatives began during the later part of the nineteenth century. Negotiations for bringing into existence of an international patent system began in 1870s. The establishment of the Paris Union in 1883, was preceded by three major events which laid the groundwork for the introduction of international patent system. They were: (i) the Vienna Exhibition of 1873; (ii) the International Congress on Industrial Property, Paris 1878; and (iii) an International Conference on Industrial Property in Paris, 1880.

8. Dudley Dillard, *Economic Development of North Atlantic Community*, (New Jersey, 1967) p. 235. T.S. Ashton, *The Industrial Revolution, 1760-1830*, (London, 1948) p. 48.

II. EVENTS PRECEDING THE ESTABLISHMENT OF INTERNATIONAL PATENT SYSTEM

A. The Vienna Exhibition of 1873

The International Exhibition of 1873 was the first ever attempt to rationalize the different notions existing at that time between countries about the role of patents. Many of them considered patent as a tariff barrier affecting free trade. Others pleaded for the recognition of the patentee's 'natural right to protection'.⁹ These countries demanded some protection for the products to be exhibited, as the stringent working requirements in Vienna posed a threat to the patentee's rights. When the Government of Austria-Hungary invited different countries to the Vienna Exhibition doubts were expressed with regard to adequate patent protection. Therefore, despite the fact that it guaranteed patent protection during the period of the exhibition it failed to elicit much interest.¹⁰ Subsequently, negotiations were held between Austria-Hungary and the United States to clear doubts with regard to the adequacy of patent protection. On the basis of this negotiation a

9. Anderfelt, n.1, p.66

10. A leading American Science Journal, "Scientific American", was forthcoming in its criticism in this regard. See: S.P. Ladas, *Patents, Trademarks and Related Rights*, (1975) p. 59.

special law was passed to protect temporarily up to December 31, 1873, foreigners exhibiting at the Exhibition from infringements of their inventions, trademarks and patterns of models. The Vienna Exhibition of 1873 passed two important resolutions which reflected the inherent conflict which needs to be reconciled within a patent system. One affirmed the patentee's natural right to protection, while another recommended compulsory licensing of patents in the public interest.¹¹

B. The International Congress on Industrial Property at Paris in 1878

This Congress was Convened at the initiative of the French Government. It was attended by about five hundred persons either in their private capacity, or as official representatives. All the countries represented in the Congress were from Europe. The only exception being the United States. The proceedings of the Congress were dominated by the French point of view. At the very outset, despite opposition, a proposal was adopted laying down the natural property theory of inventions as a justification for the patent institution which bears the imprint of French

11. Anderfelt, n.1, p. 67.

patent doctrine.¹² This Conference discussed in detail the compulsory licensing aspects of the patent regulation and adopted a resolution relating to the revocation of a patent grant which was not exploited locally.¹³

The Congress devoted considerable time to doctrinal discussion relating to patents, trademarks, designs and models, photographic work, trade names and industrial rewards. However, despite every effort made to arrive at a conclusion it found the unification of legislation on patents and other related areas difficult. Therefore, it decided to adopt the method followed by the Universal Postal Union by which a multipartite Convention constituted a law common to the parties.¹⁴ The problems faced in bringing about unification in industrial property laws were due to the importance of the subject matter; it had direct bearing

12. Anderfelt, n.1, p.67.

13. After upholding the patentee's right in the most extreme forms, the Congress rejected compulsory licensing in favour of outright revocation. It has been pointed that this was a direct consequence of the natural property theory. While compulsory licensing only aided other private groups and constituted a violation of the right of property, revocation was an expropriation which was acceptable, if it was undertaken in the public interest. See: Anderfelt, n.1, p.67. For the nature of compulsory licensing and revocation refer to Chapter III.

14. Anderbelt, n.1, p.62.

on industry and commerce and thus on the prosperity of a country and no country was willing to sacrifice its vital interests. The Conference, however, created a permanent commission, whose task was to work out a draft agreement for an international union for the protection of industrial property.¹⁵

C. The International Conference of 1880 at Paris

This Conference was attended by eighteen States. Some Latin American countries participated in this Conference. They were - Argentina, Brazil, Guatemala, El Salvador, Uruguay and Venezuela. However, the participation of these countries was of no consequence as they had little say in the proceedings, and economically these States were not in a position to bargain. The French Government specified the work of the Conference in the invitation itself. The aim was "to adopt a number of provisions suitable for incorporation in an international Convention".¹⁶ The Chairman of the Conference, Senator Bozerian of France compared its objective to a book which is to be opened, and was not to be closed, perhaps until after long years.¹⁷ The

15. Ibid., p.68.

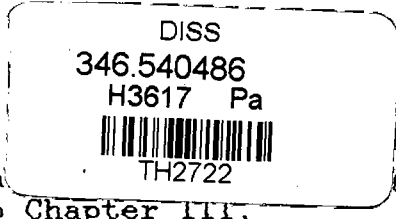
16. Ladas, n.10, p.63.

17. Ibid., p.64.

industrial powers of that period, Great Britain and the United States, were little hesitant to go along with such a Conference. Though they were to be the greatest beneficiaries of such an international Union, the reluctance stemmed from the binding nature of such a legislation. The United States Government invested signing powers to its delegates only after adding a reservation clause which specifically gave weightage to "domestic consideration and control" and forthrightly noting "that the conclusions of the Conference on the subject must be considered as absolutely subordinate to such legislative provisions as may hereafter be made by this country."¹⁸

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The Permanent Commission, appointed in the earlier Conference submitted a preliminary draft, of the convention which formed the basis for the future deliberations. The discussion on the draft convention touched initially the 'national treatment' provisions.¹⁹ This treatment was to be accorded under Article 2 to subjects and citizens of the contracting States. After the second reading of the draft, subjects of noncontracting States who were domiciled or had industrial or commercial establishments within the territory



18. Ladas, n.10, p.64

19. For discussion on National Priority principles refer to Chapter III. ght of

of any of the States of the Union were also included under the purview of the national treatment provision.

The most important provision of the draft convention dealt with the rights of priority which were to be granted to persons applying for a patent for the deposit of design, or for the registration of a trademark.²⁰ The right encroached upon the municipal legislations of all States, and at a time when no State accorded any such right to foreign applicants. As would be evident, this provision was in favour of those countries which were in the forefront of the industrial revolution.²¹ They ensured its inclusion. The consequences of introduction of such a provision was felt only during the following decades.

The provision relating to "importation" in the draft convention confirmed the domination of the industrially advancing countries in the negotiations. This provision stipulated that the importation by the patentee of articles manufactured with the invention in another country should not entail forfeiture.²² Such an importation was deemed to

20. Ladas, n.10, p.65

21. It mainly benefitted United Kingdom and USA; to a certain extent, other European countries where industrial revolution was spreading.

22. For a detailed discussion on 'importation' clause refer to Chapter III.

be equivalent to the 'working' of the patent. France and other countries resisted the inclusion of the provision as it was in derogation of the municipal legislations relating to the working of the patents. Perhaps the real reason was their low industrial growth compared to the technological and industrial strides made in other European countries. The other factor which influenced other countries.²³

The Conference of 1880 concluded with the preparation of the draft convention for the international protection of the international patent system. Thus, it took the first difficult step in the direction of effective international protection of business interests and business organizations on which modern economic life is founded.²⁴

III. THE INTERNATIONAL CONVENTION FOR PROTECTION OF INDUSTRIAL PROPERTY, 1883

The Paris Conference for the International Protection of Industrial Property was convened in 1883 to finally adopt the draft convention. At this stage it was signed by

23. Switzerland and the Netherlands had no laws for patent registration. These countries argued that patents created a tariff barrier obstructing free trade.

24. Ladas, n.10, p.67.

fourteen countries.²⁵ The majority of the original members were European countries. The United States signed the convention only after four years. The other members were from Latin America; these countries had no strong industrial base and they were under the control of major powers. No material benefit accrued to these countries except that they came to possess participatory status.

A close examination of the Paris Convention signed in 1883 shows how Great Britain, France and the United States dictated terms while negotiating the Convention. Interestingly, among the original members were countries - Italy, Portugal etc. - which could be termed as "less industrialized". During that period the requirements of these countries were quite different from those countries which could be termed as "industrially advanced". Their voices were however not heard. Today the same is true in case of the conflict between developing and developed countries, the former being colonies then.²⁶

25. The fourteen original members were: Belgium, Brazil, Ecuador, France, Great Britain, Guatemala, Italy, the Netherlands, Portugal, El Salvador, Serbia, Spain, Switzerland and Tunisia.

26. Presently the Paris Convention has 99 members. Refer to Chapter I for details.

IV. REVISION CONFERENCES

The Convention, in Article 14 provided for periodical Conferences of revision for the purpose of amending the Convention on the basis of its practical application. So far eight Revision Conferences have been held. The following examination of the evolution of the Convention will deal primarily with the rules concerning the exploitation of patents. Although the two basic material principles of the Convention, i.e. the principle of national treatment and priority, have remained unchanged, the evolution of the original Article 5 constitutes the most important element of the history of the Convention.

A. **The First Revision Conference, Rome (1886):** It was held at the initiative of the Italian Government, in cooperation with the International Bureau of the Union.²⁸ The French and Belgian governments while arguing for the

27. The first two revision Conferences were not signed by the member countries on the ground that the Convention had been in force since only two years and in such a short time its merits or demerits could not be established properly.

28 In 1893, a joint Bureau was established for the Paris Union and the Berne Union for the Protection of Literary and Artistic works, under the name "International Union for the Protection of Industrial property (B.I.R.P.I.).

reassessment of the Article 5²⁹ to strike out its first paragraph which provided that importation of articles manufactured abroad should not entail the forfeiture of the patent and also to make more strict the obligation of working the patent in the country. France found this change essential to accelerate its slow industrial growth. Finally, on the proposal of the Netherlands, the Convention decided that the text of the Convention should not be touched and France also did not insist on revising Article 5.

B. **The Second Revision Conference, Madrid (1890):** It did not achieve any concrete results. The United States whose delegates had participated in the first Conference announced its accession to the Convention. The issue of amending article 5 as proposed by France was once again challenged by the United States, supported by Norway, Sweden, Italy and the Great Britain. Consequently, Article 5 remained unchanged.

29. Article 5 of the Paris Convention, 1883 said: (1) "The importation by the patentee into the country where the patent has been granted of articles manufactured in any of the States of the Union shall not entail the forfeiture of the patent. (2) "Nevertheless, the patentee shall remain under the obligation to exploit his patent in accordance with the laws of the country into which he introduces the patented article".

C. **The Third Revision Conference, Brussels (1897):** At this Conference there were three major proposals which included the introduction of compulsory licensing system; to change the unanimity rule which led to the non-ratification of two previous revision texts, and to create a restricted Union to which countries could adhere. However, no agreement could be reached on any of these proposals and the Conference was adjourned without any tangible results. Three years later when it met again a clause was proposed to be inserted in Article 5, prohibiting the revocation of a patent for non-working before the lapse of three years from the date of application, with a further qualification that the revocation would only be allowed in cases in which the patentee fails to justify his inaction.³⁰ This clause was eventually adopted, granting discretion to each country to lay down provisions incorporating the justification for inaction.

D. **The Fourth Revision Conference, Washington (1911):** This conference was attended by twenty-two States. Revocation as a measure to regulate non-working was unsuccessfully sought to be abolished. Further, it also discussed the proposals relating to the incorporation of compulsory licence in

30. Anderfelt, n.1, p.74.

Article 5 for the purposes of 'working' of the patent grants. These proposals which took into account the interests of consumers and the public interest were considered favourably by the Conference. Further, the Bureau introduced a few new proposals concerning Article 5 in order to conciliate the "legitimate rights of the inventors and the "requirement of public interest". They were based on the following: (i) it is necessary to give the industry of every country the possibility of utilizing any invention on a footing of equality with all other countries protecting that invention; (ii) any intentional bias must be prevented from operating either in favour of the inventor against the public interest or against the inventor in favour of any particular interest; and (iii) that certain countries wished to retain the faculty to take the necessary measures assuring the introduction either of new industries likely to benefit their economies or of products demanded by their consumers.³¹ The Conference, however, decided to maintain status quo as far as the issues relating to compulsory licensing were concerned.³²

31. Ibid., p.76

32. Other changes, however, appeared in Articles 1, 2 and 4; Article 16 bis expressly mentions the right of countries to adhere to, as well as repudiate, the Convention on behalf of their colonies.

E. **The Fifth Revision Conference, The Hague (1925):** The Hague Revision Conference commenced with an increased membership since new states were created in the wake of first World War, by the treaties of peace, and old states felt the need for effective international protection of industrial property.³³ With the formation of the League of Nations, and through its committees for the protection of industrial property, the Paris Union was brought under close scrutiny.

The general principles of the Convention were not modified at this Conference. An attempt was made, however, by the American delegation to introduce an amendment to Article 2 (which incorporated provision relating to national treatment), to the effect that every country of the Union should have the right to impose upon nationals of the other contracting countries the fulfillment of some or all of the conditions imposed on its nationals by those countries.³⁴ Further, the Bureau introduced certain proposals to broaden the scope of Article 5 to regulate the abuses of patent right. In this regard, an essential change in the paragraph (2) was the substitution of the concept of "abuses which

33. The membership of the Union increased from 22 to 34 between the previous Conference in 1911 and 1925.

34. Ladas, n.10, p.81.

might result from the exclusive rights conferred by the patent" for that of "non-working". In addition to this, more stringent measures were specified under paragraph (3) relating to compulsory licenses which stated that measures to prevent abuses "shall not entail forfeiture unless the grant of compulsory licenses is insufficient to prevent such abuses; and finally the three-year period for the purposes issuing compulsory licenses would start from the date of the patent grant rather than from the filing date of the patent application, and the patentee could exonerate himself by proving "the existence of legitimate excuses" rather than "by justifying his inaction".³⁵ In fact, the Bureau was in favour of introducing compulsory working provisions, because, the reason for non-working in a country may be due to the possibility of working it more profitably in another country, in which case the consumer will pay less. Further, it was also noted that a local manufacturer may not respond favourably to the entry of a manufacturer from some other country. The above arguments for change in the provisions relating to compulsory working were due to strong economic nationalism that prevailed after the First World War. It shook the faith of states in the superiority of an automatically functioning market system.

35. Anderfelt, n.1, p.78.

Additionally, the great productive potential of modern technology also came to be realised.³⁶

It was ultimately realised at the Conference that the agreement on the introduction of compulsory licences provision was stalemated. According to a compromise formula proposed by the United States and Great Britain, the sanction of revocation was retained, but would be applied only if "the grant of compulsory licences is insufficient to prevent such abuses."³⁷ As seen above, the Hague Revision Conference was a significant one as it introduced far-reaching changes in article 5. These changes have long term implications and it is not surprising that these provisions continue to be debated now between the developing and developed world.

F. The Sixth Revision Conference, London (1934):

The International Bureau in cooperation with the British Government and after taking into consideration the proposals made by member states prepared the work of the Conference. At this conference only paragraph (4) (Article

36. Dillard, n.8, p.509.

37. Ibid., p.80

38. The membership of the Paris Union stood at 42.

5) was amended. The amendment is of crucial importance, because it clearly specified measures through which patent abuses could be regulated. The earlier version contained merely the expression, "the patent may not be subjected to such measures before the expiration of three years". And the amendment provided that "an application for a compulsory licence may not be made before the expiration of three years". Further, the proceedings for the forfeiture of a patent may be instituted only after the expiration of two years from the grant of the first compulsory licence".³⁹ These changes were not fully endorsed by the less industrialized countries on the ground that it was inadequate to regulate abuses arising out of the patent grants. Mexico, Poland and Czechoslovakia took the initiative to submit counter-proposals. Mexico suggested a sanction for non-working with a "reasonable reduction" of the duration of the patent, keeping at the same time the option of compulsory licensing.⁴⁰ The Czechoslovakia delegation assessing its own performance in the light of the changes made in the Hague Conference concluded about the current draft amendments that it entailed a weakening of the

39. Anderfelt, n.1, p.84.

40. Ibid., p.76.

economic position of nationals to the advantage of foreigners."⁴¹

Finally, according to a compromise worked out between opposing groups, decision to retain 'revocation' provision was taken, however, subject to a condition that it could be invoked only two years after the grant of a compulsory licence.⁴² This clearly established the influence of industrially advanced countries over the process of negotiation in the Revision Conferences. 'Importation' clause in Article 5, for example, remained without any modification and at the same time grant of compulsory licences and initiation of revocation proceedings were subjected to certain vague conditions.

G. The Seventh Revision Conference, Lisbon (1958): Between the London Revision Conference and the Lisbon Conference the Second World War intervened. Despite the war no member state denounced the Convention though the application and implementation of its provisions had become difficult during the period of the war. The membership of the Paris Convention had meanwhile risen to forty-seven. Other countries sent observers and various intergovernmental and

41. Ibid., p.86

42. Ibid.

nongovernmental organizations were also invited to participate in the discussions.

The Lisbon Revision Conference totally changed the emphasis of Article 5 from "revocation for non-working" to "compulsory licensing". However, the first paragraph of the Article 5 which dealt with "importation of manufactured articles without attracting forfeiture" was retained. The main changes were as under:⁴³

(i) Earlier paragraph (2) recognized the right of member states to take the necessary legislative measures to prevent abuses; now it stated that this right was limited to taking measures "providing for the grant of compulsory licences".

(ii) In paragraph (3) which provided for the forfeiture of patents, if the compulsory licences were found to be "insufficient" to prevent the abuses, the words "is insufficient" were replaced by words "would not have been sufficient".

(iii) The compulsory licences were made "non-exclusive and non-transferable".

43. Ibid., p.87.

These changes were, for obvious reasons, met with opposition by the less industrialized countries. Leading the attack, Turkey proposed the reduction of the period during which the patentee is protected against sanctions for non-working. Contrary to this, in every revision Conference this period was been consistently increased, fortifying the position of industrially advanced countries. Despite opposition, the Lisbon Conference, finally adopted these changes and it later developed into a contentious issue between developing and developed countries.

H. The Eighth Revision Conference, Stockholm (1967): This Conference mainly dealt with the administrative provisions of the Convention. There was only one change introduced in the substantive provisions of the Convention which was in Article 4 relating to a claim of right of priority for patent applications based on a prior application for a certificate of Inventorship.⁴⁴ The membership of the Conference had meanwhile greatly increased, reflecting the decolonisation process. Some of the developing countries which enacted patent laws incorporating their needs found the provisions of the Convention inadequate and arbitrary.

44. Article 5 was not amended. Ibid., p.92.

Therefore, they pleaded for a radical amendment of the Convention which was, to be sure, opposed by the developed countries. With the result a few leading developing countries, including India, refused to join the Convention. The reasons for which are examined in detail in the forthcoming chapters.

In sum, the Revision Conferences of the Paris Convention deal with the reassessment of the Article 5 which primarily incorporates the measures relating to the exploitation of patent. However, the importation provision which specified that the articles manufactured abroad should not entail forfeiture of the patent has remained unchanged since its inception in Article 5. Further, the gradual substitution of "compulsory licensing" for "revocation" is yet another feature of these Conferences. Even the introduction of "compulsory licensing" has been subjected to the expiration of a particular period. And the forfeiture of a patent is allowed only upon the expiration of certain period after the issuance of compulsory licences. Thus, the purpose of Revision Conferences to provide for more stringent provisions for the exploitation of patents has failed to come through.

In this scenario, developing countries have come to realise that the evolution of the Paris Convention in

general and Article 5 in particular, does not meet their requirements. For the developing countries, provisions for the adequate measures to "work" the patents have a special significance, because more than 80 per cent of the total patents are granted by them to foreigners. To overcome this problem, few developing countries, including India, have enacted their own national patent laws which are more practical and take into account their needs. With the successful operation of these national patent laws, developing countries have taken the initiative to revise the Paris Convention to incorporate provisions which are beneficial to them; next chapter outlines the efforts undertaken by the developing countries in this regard.

CHAPTER 3

**DEVELOPING COUNTRIES AND
INTERNATIONAL PATENT SYSTEM - I**

Developing countries constitute the majority of membership of the Paris Union. It has risen from three in 1883 to nearly 60 countries today. Two thirds of them have joined the Paris Union in the last 20 years - that is, after the principles of the Convention became firmly established.¹ The increasing participation of the developing countries in the international patent system by way of joining the Paris Convention has not, however, brought about desired changes. In fact, they have remained in the periphery of the international patent system. Thus, of the 3.5 million patents currently in existence only about six per cent (200,000) are granted by developing countries. Of these, some five-sixths are held by foreigners and only a sixth - or one per cent of the world total - by nationals of the developing countries.² The high proportion of patents granted by developing countries to nationals of developed countries reflects the unequal economic and technological strengths of developed and developing countries. But this is not all. About 90 to 95 per cent of the patents granted

1. UNITAR, *Progressive Development of the Principles and Norms of International Law Relating to the New International Economic Order*, DS/6 of 10, October 1983, p.86.

2. Ibid.

by developing countries to foreigners are not used at all in ✓
production processes in these countries.

I. INITIATIVES OF DEVELOPING COUNTRIES TO REVISE PARIS CONVENTION

A vast amount of scientific and technical knowledge has accumulated in the two centuries since the beginning of the industrial revolution.³ Its application has substantially raised the living standards in industrialized countries. But the developing countries have failed to benefit adequately, an important reason being that flow of ✓
technology from industrialized countries has not taken place on the desired levels. This can be attributed to various factors : (a) the difficulties imposed by the manifold imperfections of the technology market; (b) lack of essential information regarding alternative types of and sources of technology; (c) lack of skilled manpower; and (d) onerous conditions attached to the supply of technology.⁴ The efforts to bridge this technology gap have largely failed. Despite this, developing countries have been consistently initiating proceedings to revise this unequal system in various international forums.

3. *The Role of the Patent System in the Transfer of Technology to Developing Countries*, UN Doc., 1975, TD/B/AC.11/19/Rev.1, p.31.

4. Ibid.

In 1961, Brazil, one of the original members of the Paris Union, outlined at the sixteenth session of the General Assembly of the United Nations the negative effects of the international patent system on the developing countries.⁵ It led to the adoption of the General Assembly Resolution 1713 (XVI) of 1961 which requested the Secretary-General, in consultation with appropriate international and national institutions, to prepare a report containing a study of the effects of patents on the economy of underdeveloped countries; a survey of patent legislation in selected developed and underdeveloped countries, with primary emphasis on the treatment given to foreign patents; an analysis of the characteristics of the patent legislation of under-developed countries in the light of economic development objectives, taking into account the need for the rapid absorption of new products and technology, and the rise in the productivity level of their economies; and a recommendation on the advisability of holding an international conference to examine the problems regarding the granting, protection and use of patents, taking into consideration the provisions of existing international conventions and the special needs of developing countries, and utilizing the existing machinery of the International

5. GA Resolution (1961) 1713 (XVI)

Union for the Protection of Industrial Property.⁶ Three years later, the requested report was presented by the Department of Economic and Social Affairs of the United Nations under the title "The Role of Patents in the Transfer of Technology to Developing countries".⁷ For the present it will suffice to note that the report did not discuss the relevant issues concerning the advisability of holding an international conference, with or without utilizing the existing machinery of the International Union for the Protection of Industrial Property.⁸ Even the questionnaire circulated to Governments, intergovernmental bodies and non-governmental organizations did not include this issue. The report in its conclusion stated that since the problems connected with transfer of technology went much beyond the operation of patent systems, more could be done through action at national level than by calling such a conference, which could only deal with the limited aspects of granting, protection and use of patents.⁹ Subsequently, on the initiative of the developing countries, the International

6. Ibid.

7. *The Role of Patents in the Transfer of Technology to Developing Countries*, UN Publications, No.65.II,B.1

8. UN Doc. (1975), n.3, p.35.

9. See Para 64, Ibid., p.35.

Development Strategy for the Second United Nations Development Decade called for "the review of international conventions on patents".¹⁰ In 1972, at the third session of the United Nations Conference on Trade and Development (UNCTAD) held in Santiago de Chile, an unanimous resolution [39(III)] was adopted on transfer of technology, which in paragraph 10 asked for a study with a view to bringing up to date the 1964 study and invited the Secretary-General "to devote special consideration in this study to the role of the international patent system in such transfer, with a view to providing a better understanding of this role in the context of a future revision of the system".¹¹ It is also pertinent to recall here that the Declaration and Programme of Action on the Establishment of New International Economic Order takes cognisance of the need to harness the vast achievements of modern science and technology for the benefit

10. Ibid.

11. Ibid., The role played by the UNCTAD in formulating principles to revise existing international Patent system is noteworthy. It held Governmental Expert Group Meetings on the role of the patent system and the transfer of technology to developing countries. This Expert Group stated that the benefits of the scientific and technological revolution have not been shared equitably by all members of the international community. See UNCTAD Report of the Committee Transfer of Technology; First Session, 24 November - 5 December, 1975. This report contains concrete proposals outlining the precise directions in which the international standards, national patent laws and the patent administrative systems should be revised.

of the developing countries.¹² In 1975, the seventh special session of the United Nations General Assembly adopted Resolution 3362 (S-VII), paragraph 3 of which stated that "international conventions on patents and trademarks should be reviewed and revised to meet, in particular, the special needs of the developing countries, in order that these conventions may become more satisfactory instruments for aiding developing countries in the transfer and development of technology. National patent systems should, without delay, be brought into line with the international patent system in its revised form".¹³ Following UNCTAD Committee on Transfer of Technology resolution 3(I) which was later unanimously endorsed by the UN General Assembly, the actual negotiations on the revision of the Paris Convention were passed on to World Intellectual Property Organizations (WIPO).¹⁴ Later, an Ad Hoc Group of Experts on the Revision of the Paris Convention was established which held three sessions between February 1975 and June 1976.¹⁵ At its

12. GA Resolutions 3201 (S-VI) and 3202 (S-VI).

13. Ibid.

14. UNITAR, n.1, p. 29.

15. All states members of the United Nations, WIPO or any other specialized agency of the UN were invited to the third session. See :World Intellectual Property Organization, *Background Reading Material on Intellectual Property* (Geneva, 1988), p. 57.

first session the Group formulated 14 questions concerning the revision of the Convention and the Director General of WIPO was asked to study these questions and submit the results of that study. In the second session, it adopted a Declaration of the objectives to be achieved by the revision. These are: (i) to give full recognition to the needs for economic and social development of countries and to ensure a proper balance between these needs and the rights granted by patents; (ii) to promote the actual working of inventions in each country; (iii) to facilitate the development of technology by developing countries and to improve the conditions for the transfer of technology under fair and reasonable terms; (iv) to encourage inventive activity in developing countries; (v) to increase the potential in developing countries in judging the real value of inventions for which protection is requested, in screening and controlling licensing contracts and in improving information for local industry; and (vi) to ensure that all forms of industrial property be designed to facilitate economic development and to ensure cooperation between countries having different systems of industrial property protection.¹⁶ It also stated that the developing countries should be accorded special services by way of necessary technical assistance to strengthen their

16. Ibid.

scientific and technological infrastructure. On the basis of recommendation made by the Ad Hoc Group of Experts, the Assembly of the Paris Union established in 1976 the Preparatory Inter-Governmental Committee on the Revision of the Paris Convention.¹⁷ This Committee held five sessions in Geneva between November 1976 and December 1978. All the States members of the Paris Union, of WIPO, of the United Nations and its specialized agencies, as well as a number of intergovernmental and nongovernmental organizations were members of this Committee.

To facilitate smoother functioning, the Executive Committee of the Paris Union set up a Provisional Steering Committee of the Diplomatic Conference. Its first session was held in February, 4 to March 4, 1980. This conference initially ran into some difficulties in approving the Rules of Procedure according to which the Conference would have to function. The Second Session of the Diplomatic Conference took place in Nairobi from September 28 to October 24, 1981. The Third and Fourth sessions were held in Geneva from October 4 to 30, 1982 and February 27 to March 24, 1984

17. The Assembly of the Paris Union is represented by one delegate from each country; it is provided under Article 13 of the Paris Convention. The Assembly generally deals with all matters relating to maintenance and development of the Union and the implementation of the Paris Convention.

respectively. Preparations are now afoot to convene the Fifth Session of the Diplomatic Conference. In connection with the preparations, three Consultative meetings have already taken place from June 24 to 28, 1985, January 26 to February 3, 1987 and May 18 to 26, 1987 respectively.

II PARIS CONVENTION AND THE MINIMUM STANDARDS:

For developing countries one of the primary reasons for seeking a revision of the Paris Convention is to remove its bias towards the preservation of the patentee's rights. An essential feature of the Convention is that it provides for certain minimum standards to be embodied in the patent legislations of the member countries. The purpose of such a requirement is to bring about a kind of uniformity. It has been expressly provided in the Convention that countries should undertake to adopt the measures necessary to ensure the application of its provisions and they should be in a position under their domestic law to give effect to these provisions.¹⁸ In this light, it is necessary to examine briefly the minimum standards prescribed in the Paris Convention. They are (a) national treatment; (b) right of priority and (c) independence of patents. The provision relating to importation may also be conveniently dealt with here.

18. Article 25 of the Paris Convention on Industrial Property.

A. **National Treatment:** Article 2 lays down the principles regarding 'national treatment. It provides that as regards the protection of industrial property, each country party to the Paris Convention must grant the same protection to nationals of the other member countries as it grants to its own nationals. It is also extended to those nationals of countries outside the Paris Union "who are domiciled or who have real and effective industrial or commercial establishments". The limitations of this provision stem from the unequal distributive pattern of patent grants. As noted at the outset, the share of the developing countries in the global patent output is meager; it is only one per cent. Most of these are foreign owned. It has been rightly pointed out that "the present system has thus remained the most unequal and most unjust of all the relationships between the developed and developing countries".¹⁹ Noting this inequality the UNCTAD Committee on Transfer of Technology has recommended the revision of the minimum standards. While laying down the norms regarding revision, the Committee found it "indispensable to establish a system of non-reciprocal preferential treatment in favour of developing countries involving special flexibility".²⁰ For

19. Surendra J. Patel, *Times of India* (Bombay), April 8, 1987.

20. UNCTAD Report, n. 12.

this purpose it identified some key areas where such treatment was needed. These areas were : (i) the level and type of fees and the scale of progressive annuity rates; (ii) priorities; (iii) duration of protection; (iv) promotion of national inventive capacity in all its aspects and encouragement and concessions to national inventors, not extended to foreigners; and (v) special protection of appellation of origin, indication of source and well known trade marks of developing countries against unfair competition.

B. **Right of priority:** The right of priority (Article 4) means that on the basis of a regular national application for an industrial property right by an applicant (or his successor in title) in one of the countries of the Union, enjoys, for the purposes of filing in other countries, a right of priority. The period of priority is twelve months for patents and utility models. The later applications filed in other member countries will be regarded as if they had been filed on the same day as the first application. An applicant who wants to file patent application in different countries could benefit from this provision. He is not required to present all applications at home and in foreign countries at the same time, since he has 12 months at his disposal to decide in which countries to request protection.

It should be noted that the right of priority is to be based only on the first application for the same industrial property right which must have been filed in a member country. Therefore, it is not possible to follow a first application by a second, possibly improved application and then to use that second application as basis of priority. The reason for this rule is not to permit an endless chain of successive claims of priority for the same subject so as to prolong the term of protection.²¹ The Convention provides for the claiming of "multiple priorities" and of "partial priorities". It means the priority of several earlier applications may be combined. They may pertain to different features of the subject matter of the later application. The right of priority has essentially been termed as "legal defence against the grounds of invalidation which under the national legislation concerning the novelty of invention might be opposed to them, or against persons who file in the meantime a patent application for the same invention".²²

21. WIPO Background Material, n. 16, p. 53.

22. S.P. Ladas, *Patents, Trademarks and Related Rights (1975)* p. 462 cited in Dr. (Mrs) S.K. Verma, "The International Patent System and Transfer of Technology to Developing Countries - A Critique", in P.S. Sangal and Kishore Singh, ed., *Indian Patent System and Paris Convention Legal Perspectives* (Delhi, 1987), p. 23.

C. Independence of Patents: Article 4 *bis* provides: "Patents applied for in the various countries of the Union by nationals of countries of the Union shall be independent of patents obtained for the same invention in other countries, whether members of the Union or not". It means that the grant of a patent for invention in one country for a given invention does not oblige any other member country to grant a patent for invention for the same invention. Further, the principle means that a patent for invention cannot be refused, invalidated or otherwise terminated in any member country on the ground that a patent for invention for the same invention has been refused or invalidated, or that it is no longer maintained or has terminated, in any other country.²³ Such a provision was necessary as the national laws and administrative practices are usually quite different from country to country. A owner of a patent should not be made to lose the patent for invention in other countries on the ground that he did not pay an annual fee in that country or as a consequence of the patent's invalidation in that country on a ground which does not exist in the laws of the other countries.²⁴

23. WIPO Background Material, n. 16, p. 111.

24. Ibid.

D. **Importation:** Article 5A deals with the extent to which the importation of patented articles constitutes working of a patent. It says: "Importation by the patentee into the country where the patent has been granted of articles manufactured in any of the countries of the Union shall not entail the forfeiture of the patent". This Article applies to patentee who, having a patent in one of the countries of the Paris Union import to that country patented goods which were manufactured in another country of the Union. In such a case, the patent granted in the country of importation may not be forfeited as a sanction for such importation. Further, importation of products manufactured by a process patented in the importing country cannot be forfeited. Developing countries are opposing this provision as it facilitates in creation of import monopolies, especially in the chemical-pharmaceutical sector. In fact, as has been pointed out, "it encourages the failure to work process patents and therefore creates increase in price as well as burdens on the balance of payments without there being a transfer of technology".²⁵

25. Richard Gerster, "Switzerland and the Revision of Paris Convention", *Journal of World Trade Law*, 15 (1981) p. 111.

III ABUSE OF PATENTS AND LEGAL SAFEGUARDS IN PARIS CONVENTION

The minimum standards specified in the Paris Convention facilitate the smooth functioning of patent institutions in member countries. They are necessary guidelines which need to be incorporated into the domestic legislations of member countries. Such a step would not only bring a broad uniformity in the patent laws of member countries, but, it would also help in proper utilization of patent grants by them. For example the "national treatment" requirement will instil a measure of confidence among foreign patent holders who wish to apply for patents in an alien country. The "right of priority" guarantees continued protection for a patent which is in the process of development. The "independence of patents" recognizes territorial application of patent rights. But the rights conferred on the patentees may also result in the serious abuse of the patent monopoly. A patent monopoly is the reward offered by society to the patentee for the efforts and resources invested in the creation of invention. The patentee, in return, is required to work the invention for the benefit of society. However, the Paris Convention does not lay down comprehensive guidelines in this respect. It merely mentions the abuses likely to be committed, and measures to regulate the same

through the issue of compulsory licences. The determination of the contents of abusive practices is left to be made entirely by (i) insufficient disclosure of the invention; and (ii) lack of use or inadequate use of the patented invention. This is a broad classification which includes the failure to work or insufficient working of the patent for invention. In the following discussion an effort has been made to describe the features of these abuses and the measures specified in the Paris Convention to regulate them.

A. **Insufficient Disclosure of Invention:** While filing an application for patent, a patentee is required to describe the nature and mode of his invention clearly and completely. The application must also contain sufficient technical information and other relevant details about the invention. Such a provision is necessitated by the fact that, the disclosure of insufficient information often leads to the abuse of patent monopoly at a later stage. Once the life of a patent is over it falls into public domain and can thereafter be used by anyone. At that stage, if the public does not get complete information about the invention, its commercial use becomes impossible. Thus, it results in creation of monopoly rights. A full disclosure would also serve as an information source of the most recent state of technological development.

There are two important issues which need closer scrutiny; one, what constitutes sufficient disclosure of information? Second, what are the regulations provided in the Paris Convention to prevent this kind of abuse? Generally speaking, an adequate disclosure of information contained in a patent requires a clear and complete description so as to permit others competent in the field to use the invention.²⁶ Most patent laws of different countries, including patent conventions provide for such a requirement.²⁷ The Paris Convention however, takes into account only those abuses which are likely to be committed after the grant of patent right. Article 5 which deals with the abuses and its regulation does not mention anything about sufficient disclosures. National laws, however, specify definite conditions for obtaining a patent and any breach of these conditions may lead to its revocation. Some laws merely require a "description", (Brazil, Czechoslovakia, France) or a "clear description" of the patented invention.²⁸

26 Pedro Roffe, "Abuses of Patent Monopoly: A Legal Appraisal", in Surendra J. Patel, ed., *The Patent and the Third World*, World Development, vol. 2, No. 9 (1974) p.16.

27 Ibid.

28. UN Doc. n. 3, p. 7.

Most of the national laws require information which is clear enough to be able to understood by an ordinary skilled worker in that field; for example, in Japan he must be "a person having an ordinary skill in the art to which the invention pertains".²⁹ It means that if the field is more specialized, the more qualified the expert may have to be. But, the use of word 'ordinary' requires that the person need not necessarily be an outstanding expert. The Indian Patent Act calls for a complete specification of a patent in full and particularly describing the invention, and its operation or use, and the method by which it is to be performed.³⁰ Further, if the disclosure is insufficient it could be one of the grounds to oppose the grant of patents by any interested person.³¹ These grounds are: one, that it does not sufficiently and clearly describe the invention or the method by which it is to be performed; and two, tha the information supplied is false.

The Paris Convention leaves it entirely to the national laws to prescribe necessary regulations for obtaining the sufficient disclosure of information. National laws provide

29. Ibid.

30. Section 10 of the Indian Patent Act, 1970.

31. Section 25 of the Indian Patent Act, 1970.

for safeguards while processing the patent applications itself. If there are grounds to prove that some information is withheld, regarding a patent specification, such applications will be refused under national laws. Once the patent grant is made, till the expiry of stipulated period for the working of patent, patentee acquires a monopoly right. Only at the time of issuing compulsory licences for non-working that an assessment could be made about the sufficiency of disclosure. So, national laws provide for strict measures and the close scrutiny of the patent applications, before a patent is granted.

B. Lack of Use or Inadequate Use of Patented Invention :

Once a patent is granted the patent system has to harmonize two opposing interests; the rights of the patentee and public interest. Most national legislation explicitly incorporate this objective. For instance, the Canadian Patent Act (1952) vide the 1972 amendment states that patents "are granted not only to encourage inventions but to secure that new inventions shall so far as possible be worked on commercial scale in Canada without delay".³² The Indian Patent Act, 1970 provides that patents "are granted to encourage inventions and to secure that the inventions are worked in India on a commercial scale and to the fullest

32. Roffe, n. 27, p. 17.

extent that is reasonably practicable without undue delay".³³ The Peruvian General Law relating to Industry (1970) puts it differently stating that patents are protected only if they contribute to permanent and self-sustaining industrial development and if they are in the social interest.³⁴

It is necessary, however, to examine what constitutes "use" or "working". Generally speaking, working of an invention means any one of the following: the making of a product that includes the invention, the making of products by a process that includes the invention, or the use of the process which includes the invention.³⁵ In this context, a "working" of a patent has a broader connotation than the "use". Because, the "use" of patented invention may not necessarily involve all the above mentioned four acts. A mere "use" can mean the making of the product, excluding other acts. On the other hand, "working" involves the utilization of the patent in the public interest. National laws define what actually constitutes "working" or "use". For example, the Indian Patent Act applies "working" and "use" of patents in two different contexts. While laying

33. Section 83 of the Indian Patent Act.

34. Roffe, n. 27, p. 17.

35. WIPO Background Material, n. 16, p. 93.

down general principles applicable to working of patented inventions it states the purpose of the patent grants as being (i) to encourage inventions, and (ii) that they are worked in India on a commercial scale. On the other hand, an invention is said to be "used", if it is made, used, exercised or vended.³⁶ The Paris Convention stipulates "failure to work or insufficient working" as the two grounds for the issuance of compulsory licences. It does not however, define or describe anywhere the nature of "working" of a patent. It should be noted that both "use" and "working" of patents have been used in different contexts. The definition in the different national laws shows that the "working" is a more broader term; however, in our study on the abuse of patents, both are understood as one.

The following Table shows how nature of inadequate use is defined in different countries:

36. Section 99 of the Indian Patent Act

TABLE 1

Circumstances defining the lack of use or the inadequate use of patented inventions under the laws of selected developing countries

1. Failure to work or insufficient working	Algeria, Argentina, Brazil Columbia, Cuba, Egypt, India, Iran, Iraq, Israel, Jordan, Lebanon, Liberia, Libreville Malawi, Mexico, Morocco, Nigeria, Pakistan, Peru, Philippines, Sri Lanka, Syrian Arab Republic, Tunisia, Uruguay, Venezuela, Yugoslavia, Zambia.
2. Refusal to grant a licence on reasonable terms.	Algeria, Columbia, Egypt, Israel, Kuwait, Malawi, Nigeria, Pakistan, Philippines, Sri Lanka, Zambia.
3. The patented article is being imported into the granting country.	Algeria, Brazil, India, Israel, Malawi, Nigeria, Syrian Arab Republic, Republic, Tunisia, Zambia
4. Failure to satisfy a demand in the market.	Algeria, Brazil, Columbia, India, Israel, Jordan, Malawi, Zambia, Nigeria, Philippines, Sri Lanka,
5. Failure to satisfy an export market.	Algeria, India, Israel.
6. Situation of interdependence of patents.	Algeria, Argentina, Columbia, Egypt, Iraq, Israel, Kuwait, Mexico, Nigeria, Peru, Uruguay, Yugoslavia.

Source: TD/B/AC. 11/19 Rev. 1, *The Role of Patent System in the Transfer of Technology to Developing Countries* (United Nations, New York 1975).

National laws have adopted various means to regulate abuses of patent monopoly. The Paris Convention which lays down the minimum standards to be incorporated in the municipal legislations also provides for some remedies to cure the abusive practices in patent monopolies. Article 5 of the Paris Convention takes into account "the abuses which might result from the exercise of the exclusive rights conferred by the patent". Further, to prevent these abuses, it gives right to each country to take legislative measures by way of providing for the grant of compulsory licences. It also specifies "failure to work" as one of the grounds to issue such licences. It was the most debated provision during the whole history of the Paris Convention. Edith Penrose commenting on the reason for it observes that "these provisions have had a turbulent history because they touch directly on the conflict between the interest of the national economy as a whole and the interest of the individual patentee in obtaining the maximum return from his patent".³⁷ Before examining the impact of non-working of patents on developing countries let us examine the main features of Article 5:

- (i) Importation of articles by the patentee does not entail forfeiture of the patent.
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37. Edith Penrose, cited in Roffe, n.27, p. 19.

- (ii) Each country has the right to take legislative measures incorporating compulsory licences provisions to prevent abuses arising from exclusive rights conferred by the patent; for example, failure to work.
- (iii) Forfeiture of patent is allowed only when compulsory licences prove ineffective. Proceeding for forfeiture or revocation could be instituted only after the expiration of two years from the grant of the first compulsory licence.
- (iv) A compulsory licence could be applied only after the expiration of a period of four years from the date of filing of patent application or three years from the date of grant of patent, whichever period expires last. If the patentee justifies his inaction by legitimate reasons, then, it shall be refused. It shall be non-exclusive and non-transferable.

An important feature of this provision is to prevent abuses of patent rights by granting compulsory licences. While granting a patent which is a monopoly right two factors should be given due attention. Firstly, an inventor needs some reasonable time to put his invention for practical use.

To make his invention commercially exploitable he may need huge capital and other necessary technical infrastructure. Secondly, he should get as an incentive some benefit from his invention over a period of time. This will motivate more inventors to come out with new technological breakthroughs and benefit the society altogether. However, a monopoly right granted in public interest also has some limitations. A patentee may choose not to work his patent in the country of patent grant; or he may not use it adequately to perpetuate monopoly right and make huge gains. Article 5 of the Paris Convention has tried to balance all these diverse interests at play. It relies on compulsory licence, if that also fails revocation is used to rectify monopoly conditions. A compulsory licence in simple terms means, "a licence ordered to be granted by the competent authority on the application of a person who has successfully proved an abuse of monopoly of the patentee".³⁸ As stipulated in the Article 5 itself, each State has the right to take appropriate legislative measures to grant compulsory licences. Most of the member countries, including many non-member countries have incorporated this regulation. However, it cannot be issued at any time. A time limit is specified in the Paris Convention which runs

38. Roffe, n.27, p. 22.

for four years from the date of filing of the patent application or three years from the date of the grant of the patent, whichever period expires last. Even after the completion of this period, if the patentee justifies his inaction by legitimate reasons, then, compulsory licences should be refused. These limitations, especially the latter, introduces a kind of uncertainty and vagueness in the application of this provision. That is to say, the factors which constitute "legitimate reasons" are not clear. It leaves room for an element of discretion which may be always misused. Forfeiture of patent is allowed only when compulsory licences are proved to be ineffective; again, a two year time limit is imposed before proceedings for forfeit or revocation begin. Yet another provision which affects the working of the patent is "importation". An importation of a patented product from any member country does not entail forfeiture. At the same time, the Paris Convention does not specify whether it is equivalent to working of the patent or not. It has been argued that an importation of a patented product depends on the availability and the capacity to manufacture the product in the imported country. However, there is no denying the fact that importation does not mean that patent need not have to be worked at all.

The lack of use or inadequate use of patents (non-working also) has a direct impact on the developing countries. As mentioned earlier, more than 80 per cent of the patents are granted to foreigners in developing countries. So, sufficient working of patents is very much essential for their scientific and technological advancement. More importantly, an importation clause stalls the indigenous development of innovative industry and affects severely the progress of developing countries. They argue that the Article 5 is arbitrary as it strengthens rights of a patentee. Thus, a foreign patent holder finds it advantageous to apply for a patent in a developing country as he can perpetuate his monopoly right. Therefore, developing countries have taken measures to introduce more radical provisions in their patent laws. Licenses of right and revocation find place in their legislations to meet the situations arising from the non-working of patents. A patent may be marked "licenses of right", and the effect of this marking is that any person is then entitled as of right to grant of license. The difference between compulsory licence and license of right is that an applicant for a compulsory licence must justify the grant to him of a licence in the particular circumstances of the case, whereas any applicant for a licence of right, once the patent has

been so marked, is entitled as of right to the grant of licence".³⁹

Revocation is a measure terminating a patent. It may be called forfeiture, repeal or lapse. Article 5 of the Paris Convention provides for revocation as a measure to work the patents in the country of grant itself. It however specifies that forfeiture shall not be undertaken until a compulsory licence fails to regulate patent abuses. It further provides that the proceedings for the forfeiture or revocation of a patent shall not begin till the expiration of two years from the grant of first compulsory licence. It means that the Paris Convention allows revocation of a patent only as an extreme step, i.e., when compulsory licences fail to bring about desired results.

Expropriation is also one of the possible steps which can be applied to curb patent abuses. The Paris Convention, however, does not provide for such a drastic regulation. However, national laws of many countries provide for such an eventuality. According to an UNCTAD study the national laws of eleven countries have incorporated expropriation as one

39. UN Doc, n. 3, p. 22.

of the measures to stop patent abuses of certain kinds.⁴⁰ In such cases compensation is normally payable to the patentee; the basis of the assessment of compensation and the legal or administrative procedures required are generally provided for in the national laws.

The Paris Convention does not provide for some of these remedies which are beneficial to the developing countries. So, they have been demanding the revision of the Paris Convention so as to include these regulations, i.e. licences of rights, revocation and expropriation. In all the revision conferences, Article 5 has undergone many changes. These changes, however, are not favourable to the interests of the developing countries. Because it does not provide any stringent provision to work the patented inventions. In developing countries, more than 80 per cent of patents are not only granted to foreigners, more than 95 per cent of them have not been worked at all. It has been found that multinational corporations own bulk of these patents. In fact, multinationals have exploited the existing international patent laws in their favour to maintain and perpetuate control over the patented inventions.

40. These countries are: Australia, Colombia, France, India, Ireland, Israel, Netherlands, Republic of Korea, Spain, USSR and Yugoslavia. UN Doc. n. 27, p. 11.

Individuals and small firms constitute a minor group in obtaining the patent grants from the developing countries. The multinationals apply for patents in many countries and even they employ huge R and D network through which they are capable of generating new scientific and technological knowledge. And ultimately they will exercise full control over the new inventions for an unspecified duration by patenting the inventions. In this scenario, revision of the Paris Convention in the interests of the developing countries becomes all the more important.

The efforts to revise the Paris Convention as mentioned earlier, commenced in 1961 with Brazil taking the initiative. After that, series of efforts have been made by various international forums, especially by UNCTAD. In 1975, UNCTAD's Committee on Transfer of Technology, laid down the basic principles for the revision of the Paris Convention.⁴¹ These principles generally related to the adaptation of international standards to the needs of the developing countries, so as to strengthen the scientific and technological infrastructures in the developing countries. To realise this objective, it further stated that "the

41. UNCTAD, *Report of the Committee on Transfer of Technology*; First Session, November 24-December 5, 1975.

working of patents in developing countries is of primary importance for development. In no way can it be replaced by importation, nor by creation of a monopoly with respect to such importation".⁴² It further recommended the inclusion of licenses of right, revocation and expropriation to prevent abuses which are permissible under the clauses of the Paris Convention. Further, the Director-General of WIPO drafted a proposal for the revision of the Paris Convention and submitted the same to the Diplomatic Conference on the Revision of the Paris Convention. It contained a major proposal to amend Article 5 which mainly related to the importation of patented articles, failure to work patents, abuses of patent rights, exploitation of patents in the public interest and special provisions for developing countries. In case of failure to work and insufficient working, it provided for the grant of non-voluntary licenses to work the patented inventions. Other measures included, forfeiture and revocation, in case of abuses of patent rights. And where the public interest requires the exploitation of the invention, it proposed to allow national laws to provide for the grant of authorization to exploit or work the invention by the State or by any person designated by the competent national authorities. Article 5 *quarter*

42. Ibid.

provides for the importation of a patented products manufactured by a process patented in the importing country. The basic proposal submitted to the Diplomatic Conference with respect to this Article was that it be omitted entirely from the Convention or at least that developing countries be exempted from the obligation to apply the said Article. A new Article was proposed to be introduced to extend preferential treatment to be given for nationals of developing countries in respect of the fees they have to pay in order to obtain industrial property rights in other countries of the Union. It provided that where the owner of the industrial property right is a national of a developing country, the amount of any fee payable to another country of the Union for obtaining an industrial property right would be one half of the fees payable by the nationals of the latter country. Another new article would establish a preferential treatment for nationals of developing countries in respect of the right of priority.

These changes in Article 5 are meant to help developing countries to get a better deal with regard to the working of the patents. A mere grant of a compulsory license after a specified duration has its own limitations. In the public interest or to fulfill its developmental priorities a developing country may need an immediate applications of

patented inventions. It is necessary that States should have enough powers to exploit the inventions in the public interest. And it is in the interest of a developing country that a patent should be worked in that country itself. The remedies proposed in the amendment proposals can go a long way in achieving these objectives in a developing country. Moreover, in the developing countries only few compulsory licenses are granted; sometimes there will not be any application for such a grant. For example, in India in the last ten years only two compulsory licenses have been granted. According to an UNCTAD study, due to cumbersome procedures taking out of compulsory licence is not popular.⁴³ These proposals, however, try to remove these obstacles in the way of granting and working of a patent.

IV. PATENTS ISSUE IN GATT: THE URUGUAY ROUND

While the efforts to reshape the patent system have been in progress under the auspices of WIPO, intellectual property rights have figured prominently in the Uruguay Round of GATT negotiations which began in September 1986. A few developed countries have already submitted their proposals which aim at fundamental restructuring of the

43. Ibid.

existing intellectual property rights.⁴⁴ The declaration issued at the Uruguay Round of the multilateral trade negotiations on Trade Related Aspects of Intellectual Property Rights (TRIPS) called for measures and procedures to enforce intellectual property rights so that they do not themselves become barriers to legitimate trade.⁴⁵ The developed countries arguing in favour of this declaration stated that the inadequacy of protection to intellectual property rights has resulted in trade distortions. Further, in support of their proposals, developed countries have highlighted gaps in the operation of patent laws in different countries. These related geneally to: (1) total absence of any law protecting patents, trademarks and copyrights; (ii) narrow range of protection, under which several categories of products or processes are not protected. It is contended that the copyright protection should be extended to computer soft-ware, data bases and other information technologies. It should also be extended to plant and animal products of biotechnology and genetic engineering; (iii) misuse of compulsory licensing provisions

44. Surendra J. Patel, "Intellectual Property Rights in the Uruguay Round: A Disaster for South", *Economic and Political Weekly*, vol.XXIV, No.8 (1989), p.987.
45. C. Niranjan Rao, "Trade Related Aspects of Intellectual Property Rights: Question of Patents", *Economic and Political Weekly*, vol.XXIV, No.19 (1989), p.1053.

in developing countries. These proposals called for removal of stringent provisions concerning compulsory licenses and the working of patents; and (iv) inadequate and ineffective enforcement of patent laws.

On the other hand, the developing countries consider GATT as not the proper forum to formulate norms and standards of intellectual property rights. They argue that GATT should discuss only the trade related aspects of goods and services and leave setting of norms and standards of intellectual property rights regime to WIPO. It has been further argued that these proposals do not reflect the interests of the developing countries who have been taking initiatives to revise the Paris Convention. As also pointed out, the proposals of the developed countries are not based on objective facts and figures; instead, they are based on the report submitted by few transnational companies and associations. They are, therefore, merely the statements of losses, difficulties, distortions, impediments and obstacles as reported by these organisations and have been reproduced in the GATT negotiations by the developed countries without proper verification.⁴⁶ These proposals, in the ultimate

46. Patel, n.46, p.989. Even the figures in the report containing the proposals had some discrepancies. For example, the International Chamber of Commerce

contd....

analysis reflect the interests of only few developed countries. They are a few only interested in extending their interests in the areas of electronics, informatics and biotechnology.

The inclusion of intellectual property rights in GATT negotiations calls for the examination of its impact on the Paris Convention. Since these two regimes eventually will seek to regulate the same subject matter will the Paris Convention be superceded? The proposals submitted by the developed countries to the GATT negotiations are certainly more arbitrary and pro-patentee than the provisions of the Paris Convention. The initiatives taken by the developing countries to revise the Paris Convention so far will be severely affected; in fact, it will not be of much help to the developing countries.

The most important argument in favour of inclusion of trade related intellectual property rights under GATT is

(f.n. 46 contd...)

calculated the counterfeiting at almost 2 per cent of world exports which comes to about \$70 billion. It has been pointed out that with the value of world exports mounting to \$2,114 billion in 1986, 2 per cent of it would come to \$ 42 billion, not \$ 70 billion. It has been further pointed out that the losses calculated by the companies may be due to their own inefficiency or may be due to efficient competitive procedures elsewhere. That means, the losses of one group would then have been more than off-set by gains of others.

that world-wide R and D costs are going up and for sufficient recoupment of expenditure and further research to take place there is a need for a world market without any restrictions or any working requirement and complete import monopoly in all countries.⁴⁷ This approach will, however, make the grant of compulsory licences more difficult. Developing countries which have favoured the introduction of more stringent working requirements by adopting measures like licenses of right and revocation will find GATT negotiations on intellectual property rights retrograde. The GATT based approach to intellectual property rights will only strengthen the trade strategies and technological superiority of developed countries. It will benefit few multinationals from the developed countries. Noting the adverse effects of inclusion of intellectual property rights under GATT, the South Commission observed that it will have "significant adverse effects on the pace of generation, absorption, adaptation and assimilation of the technical change in the developing countries".⁴⁸ To face this challenge developing world should work together in the international forums. Only a concerted effort on their part

47. Niranjana Rao, n.47, p.1055.

48. South Commission on the Uruguay Round (Mexico City), August 8, 1988.

can prevent these adverse consequences arising out of GATT based approach towards intellectual property rights.

The legal safeguards embodied in the Paris Convention are not enough to regulate patent abuses. Despite the provision for compulsory licences, most of the patents are not at all worked in the country of patent grant. Moreover, the proceedings for the granting of compulsory licences could be commenced only after the stipulated period. Even after that a patentee can avoid the working requirement by giving "legitimate reasons" for such a delay. Finally, the importation clause results in strengthening the patentee's monopoly rights and acts as an obstacle to the development of indigeneous innovativeness. Realising the weakness of the Paris Convention in these regards, some of the developing countries, including India, have made an attempt to introduce more progressive patent laws in their domestic set up. In these legislations, they have incorporated provisions for issuing licences of right, revocation and expropriation to ensure that the patentee actually works the patent. Meanwhile, by taking intellectual property rights issues to GATT, developed countries have been making concerted efforts to stall the progress so far made in the direction of revising the Paris Convention. The proposals made by them are against the interests of developing

countries. These proposals, if implemented, are more tougher than the Paris Convention. Developing countries should take a united stand on this and their solidarity is very much necessary to defeat the acceptance of these proposals in the GATT forum.

CHAPTER 4

**DEVELOPING COUNTRIES AND
INTERNATIONAL PATENT SYSTEM - II:
A CASE STUDY OF INDIA**

India, as a leading industrially advanced developing country, has always been striving to achieve self-sufficiency in the scientific and technological field. This effort is necessary so as to minimise external dependence and to conserve valuable foreign exchange. Its Scientific Policy Resolutions since 1958 have regarded science and technology as the basis for economic progress. The 1958 document, for example, recognized "the spirit of innovation and invention as the driving force behind all technological change". The Technology Policy Resolution, 1983 also calls for the development of indigenous technology to achieve technological self-reliance and to reduce the dependence on foreign inputs, particularly in critical and vulnerable areas in high value-added items in which the domestic base is strong".¹ The colonial patent system which had been in operation for more than a century was drastically altered after independence to achieve these objectives. The Indian Patent Act, 1970 which evolved out of the recommendations made by the various expert committees since 1948 takes into account the special needs of a developing country. In fact,

1. Technology Policy Statement, 1983 of the Government of India.

it has become a model legislation for the developing countries and one basis on which attempts are being made to initiate changes in the international patent system i.e., the Paris Convention; it incorporates provisions which seek to regulate patent abuses far more stringently than the Paris Convention regulations. India is not a member of the Paris Convention and has applied its Patent Act without any modification. In the past few years a debate has raged within the country as to whether it is a correct decision. Those advocating membership have pointed to the advantages to be gained, in particular in the area of transfer of technology, and those critical of such move have underlined the threat to the slogan of self-reliance. In this chapter, an effort has been made to address, albeit briefly, the issues involved. A relevant response can only be attempted, however, in the background of the historical evolution of the Indian patent system and examination of its special features.

I. HISTORY OF INDIAN PATENT SYSTEM

The Indian patent system has its origin in the "Act for Granting Exclusive Privileges to Inventors" of 1856 which provided for the protection of inventions in India.² It

2. For a historical account of the Indian Patent System, see, generally: S. Vedaraman, "Patents; Recent contd....

granted these privileges to the inventors for a period of 14 years. It should be noted that unlike in Great Britain where the concept of patent originated from the exercise of the royal prerogative to grant monopolies, in India a patent for invention has always been the sole creation of statutes of Indian legislature. A new Act was introduced in 1859 modelled on the English Patent Act of 1852. Under this Act, an inventor of a new manufacture by filing a specification of his invention obtained the "exclusive privileges" of making, selling and using the invention in India and authorising others to do so for the term of 14 years from the time of filing such specification. For the purpose of providing protection for designs, the "Patterns and Designs Protection Act" was passed in 1872. An amendment Act affording protection to inventors desirous of exhibiting their inventions at exhibitions was passed in 1883.

Developments and Future Prospects on the National Level in India" in WIPO, ed., *"Current Trends in the Field of Intellectual Property"* (Geneva, 1971) p.91; R. Narayanan, *Patent Law* (Calcutta, 1985), p.5; *Indian Patent Laws vis-a-vis Paris Convention for the Protection of Industrial Property.* (Bombay), Introductory Papers by Forum for Preservation of Indian Patent Laws, p.1; *Protection of Intellectual Property-Indian Patents Act, 1970* (New Delhi 1988) occasional Papers, National Working group on Patent Laws p.1; Rajeev Dhavan, "A Monopoly by any other Name", *Occasional Papers, National Working group on Patent Laws 3*, (New Delhi), vol.2 (1988) p.3; S.Vedaraman, "The New Indian Patents Law" *Occasional Papers, National Working group on Patent Laws*, (New Delhi) vol.3 (1988) p.9.

Subsequently, in 1988 the law contained in the three Acts of 1859, 1872 and 1883 was consolidated into a single Act. The same was revised and replaced by the Indian Patents and Designs Act, 1911. This Act established for the first time in India a system of patent administration under the management of the Controller of Patents. In the period between 1911 to 1970 various amendments to this Act were introduced. One of the notable amendments in 1952 related to the compulsory licensing of patents in the field of food and medicines.

Once India became independent, the government took steps to review the Indian patent system. In 1948, it appointed a Committee under Justice Bakshi Tek Chand, a retired judge of the Lahore High Court, to review the Indian patent law with a view to ensure that it was more conducive to national interests. Later, another Committee headed by Justice Rajagopala Ayyangar was appointed to examine the Indian patent law and to recommend appropriate provisions relevant to nation building objectives. This Committee submitted its report in 1959. Meanwhile, three patent bills (1953, 1965 and 1967) were introduced in the parliament. Subsequent to this, two parliamentary Joint Committees (1965-67 and 1968-70) discussed the provisions of a new patent law based on the recommendations made in the above

reports.³ After due deliberations in both the Houses, the Indian Patent Act, 1970 was passed.

II. FEATURES OF INDIAN PATENT ACT, 1970 AND PARIS CONVENTION COMPARED

The Tek Chand Committee had submitted an interim report in 1949, in which it observed: "The Indian Patent System has failed in its main purpose, mainly to stimulate inventions among Indians and to encourage the development and exploitation of new inventions for industrial purposes in the country so as to secure the benefits thereof to the largest section of the public".⁴ In other words, the Indian Patents and Designs Act, 1911 had failed to stimulate inventive activity. Subsequently, the Ayyangar Committee in its Report on the Revision of Patent Laws in 1959 pointedly noted: "The Patent Law of an underdeveloped country like India should be so designed as to enable the country to achieve rapid industrialization and to attain, as quickly as possible, a fairly advanced level of technology giving inventors and investors sufficient inducement and protection

3. The Joint Select Committee of Parliament extensively debated the Patents Bill. The Bill lapsed more than once, before the New Patents Act of 1970 came into being.
4. Patents Enquiry Committee, *Interim Report*,⁴ cited in Vedaraman, n.2, P.2.

by patent grants and at the same time safeguarding its national economic and social interest."⁵ The provisions of the Indian Patent Act, 1970 are essentially based on the recommendations of these Committees. The 1970 Act is a comprehensive legislation dealing with every aspect of patents and its regulation. It takes into account the needs of a developing country and aims at not only encouraging inventions but also its working within the country. In the following discussion key provisions of the Indian Patent Act have been dealt with, and contrasted with those of the Paris Convention with the objective of understanding the different policy perspectives which underlie them and their implications.

A. **Definitions : What Inventions can be Patented:** The two features which an invention normally must meet in order to be patentable are a certain degree of novelty and its usefulness in general. The Indian Patent Act specifies these requirements in section 2(i)(j). Further, it classifies the inventive activity to include (i) art, process, method or manner of manufacture; (ii) machine, apparatus or other article; and, (iii) substance produced by manufacture. And it also includes any new and useful

5. N. Rajagopala Ayyangar, *Report on the Revision of the Patent Law* (New Delhi, 1959), P.165

improvements of any of them. It should be noted that the so called definition of an 'invention' in the Indian Act is descriptive and it encompasses those areas which are useful to commercial exploitation. So, the purpose of an invention is to accomplish "commercial or industrial" applicability. In the process, it should also contribute to the over all technological progress. Taking into account these, the Act prescribes the conditions under which an invention cannot be granted a patent right. These conditions are: (a) Inventions which are frivolous and contrary to well-established natural laws; (b) Inventions which would be contrary to law or morality or injurious to public health; (c) the mere discovery of a scientific principle or the formulation of an abstract theory; (d) a mere discovery of any new property or new use for a known substance or of the mere use of known process, machine or apparatus unless such known process results in a new product or employs at least one new reactant; (e) a substance obtained by a mere admixture; (f) a mere arrangement or rearrangement or duplication; (g) a method or process of testing; (h) a method of agriculture or horticulture; and (i) any process for the medicinal, surgical, curative, prophylactic or other treatment of human beings, animals or plants.⁶ In addition

6. Section 3 of the Indian Patent Act, 1970.

to the above, inventions relating to atomic energy are not patentable.⁷ In certain areas, inventions relating to methods or processes of manufacture are only patentable. These areas are: food, medicine, drug, chemical substances (which also include, alloys, optical glass, semi-conductors and inter-metallic compounds).⁸ In the above cases, patentability will be limited to claims for the methods or processes of manufacture only. In other words, patents containing claims for the substances themselves are not allowable. The exclusion of products relating to foods and drugs from patentability is based on the consideration that the grants of patents could have adverse effects on the general availability or the price of these goods which are of vital importance for the people of the country. In the case of technology relating to atomic energy it is mainly the crucial importance of such technology to national defence (and possibly also to energy supply) that is considered as a reason for excluding them from patenting. In case of chemical substances the necessity of their unrestricted availability is considered as a reason for excluding them from patenting. In sum, a developing country like India cannot simply afford to grant patent rights in

7. Section 4 of the Indian Patent Act, 1970

8. Section 5 of the Indian Patent Act, 1970.

all sectors. Some kinds of technological inventions need to be excluded from patentability in the public interest. Even many European member countries of the Paris Convention, when they were in the developmental stage, had introduced similar restrictions with regard to patentability.⁹

The Paris Convention, on the other hand, only specifies that the "industrial property" should be understood in the broadest sense and records the names of the items which fall into that category.¹⁰ These items are varied and randomly listed, practically encompassing every activity of industry and commerce and also the products manufactured therein. The agricultural and extractive industries are, for example, brought within the purview of "industrial property" definition. Further, it also mentions a long list of manufactured or natural products including wines, grain, tobacco, leaf, fruit, cattle, minerals, mineral waters, beer, flowers and flour. It has been argued that if India joins the Paris Convention the exclusions of patentability provided in the Indian Patent Act will have to be remodelled so as to comply with the mandate of Article 25 of the Paris

9. These countries were: Austria, Germany, the Netherlands, the Scandanavian countries, cited in Vedaraman, n.2, p.8.

10. Article 1(3) of the Paris Convention for the Protection of Industrial Property.

Convention.¹¹ Furthermore, the exclusion of atomic energy from patentability, will attract the "unfair competition" clause within the meaning of Article 10 of the Paris Convention.¹² If India joins the Paris Convention without suitably amending some of these sections, a prolonged and expensive litigation may ensue with regard to patent grants, and would, of course, constitute a violation of international law.¹ The consequences which India might have to face if it decides to join the Paris Convention could be provided by the case of Bajaj Scooters as decided by a West German Court.¹³ In this case, the suit was filed by the West German representative of the Italian firm Piaggio, with which Bajaj Auto had entered into a technical collaboration

11. Article 25 says: (1) Any country party to this Convention undertakes to adopt, in accordance with its Constitution, the measures necessary to ensure the application of this Convention. (2) It is understood that, at the time a country deposits its instrument of ratification or accession, it will be in a position under its domestic law to give effect to the provisions of this Convention.

See also : P.S. Sangal, "Paris Convention and the Indian Patent System: Legal Perspectives", in P.S. Sangal and Kishore Singh, ed., *Indian Patent System and Paris Convention: Legal Perspectives* (New Delhi, 1987), p.41.

12. Article 10 *bis* deals with the "effective protection against unfair competition", Further it is provided: "Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition".

13. Times of India, 7 August 1985.

in 1968 for the manufacture of Vespa scooters in India. The agreement expired in 1971 and Bajaj modified the design of the vehicles and exported them to West Germany. Piaggio's representative objected to the export, without royalty, on the ground that the scooters were imitations of the Vespa models. The German Court convicted Bajaj's agent and fined it DM 50,000 under specific West German Laws, the Merchandise Mark Act and the Law on Unfair Methods of Competition.¹⁴ If India were a signatory to the Paris Convention the conviction would have been direct and automatic under Article 10 *bis*. It has been stated that most of the new bulk drugs that have been successfully manufactured by the Indian firms over the last two decades would not have been made in the country if the Paris Convention was in operation.¹⁵

B. National Treatment: Though India has remained outside the control of international patent system by not acceding to the Paris Convention, it has, however, established reciprocal arrangements of patent grants with other

14. The German court could only establish a technical identity of 61.4 per cent between two products.
15. The development of the Indian drug industry is inseparable from the Patents Act which allows domestic manufacturers to copy, adapt and modify process and product designs.

countries. Apart from this, there is no restriction whatsoever on foreigners in the matter of applying for or obtaining patents in India; the provisions of the Indian Patent Act are equally applicable to both nationals and foreigners. The Indian Act specifies that any person who claims to be the true and first inventor of the invention can apply for the patents.¹⁶ This is, however, subject to the limitation of reciprocity. Accordingly, the nationals of any country which does not grant to the Indian citizens the same rights in respect of the grant of patents and the protection of patent rights as it accords to its own nationals, will not be allowed to apply for patents in India.¹⁷ To begin with, at the outset, national treatment principle embodied in the Indian Patent Act is in agreement with the similar provision of the Paris Convention. It may be recalled that according to the Convention national treatment means that each member country must grant the same protection to nationals of the other member countries as it grants to its own nationals. There is, however, a crucial difference; India can decide to whom it should accord national treatment, especially when its interests are affected. If it joins the Paris Convention the option to

16. Section 6 of the Indian Patent Act, 1970

17. Article 134 of the Paris Convention for Protection of Industrial Property.

exercise the right to choose the "convention countries" will be curtailed, because the Paris Convention creates an obligation to accord national treatment to all the member countries.¹⁸ Whereas India can conveniently protect the of its inventors vis-a-vis the foreigners by entering into suitable international arrangements.

A more fundamental question however is as to how for the application of the "national treatment" principle under the Paris Convention be justified, keeping in view the fact that the share of the developing countries in the world patent system is only 1 per cent. And most of these patents are foreign-owned; foreigners own in the developing countries six times more patents than the nationals of those countries. To top it, over 90 per cent of the patents so owned by foreigners are never used in the production process. In consequence, it could be said that the patent system has come to act as a reverse system of preferences in the markets of developing countries granted to foreign patent-holders.¹⁹ Noting this, the UNCTAD Committee on

18. According to Article 133 of the Indian Patent Act any country which grants similar privileges as are granted to its own citizens in respect of the grant of patents is declared to be or Convention Country.

19. *The Role of Patent System in the Transfer of Technology to Developing Countries* TD/B/AC/11/19/Rev.1, 1975, p.48.

Transfer of Technology has found it "indispensable to establish a system of non-reciprocal preferential treatment in favour of developing countries involving special flexibility"²⁰ It recommended a number of changes in the national treatment provision, in particular relating to (i) the level and type of fees and the scale of progressive annuity rates; (ii) priorities; (iii) duration of protection; (iv) promotion of national inventive capacity in all its aspects and encouragement and concessions to national inventors, not extensive to foreigners; and, (v) special protection of appellation of origin, indication of source and well-known of origin, indication of source and well-known trade marks of developing countries against unfair competition.

C. **Compulsory Licence:** The legal basis of the patent grant arises from the concept that the inventor is entitled to enjoy the fruits of his invention. At the same time, undoubtedly, the patentee has an obligation to work the patent within a stipulated period in the interest of public.²¹ One of the fundamental objectives of a rational

20. UNCTAD, *Report of the Committee on Transfer of Technology*; First Sessions, 24 November-5 December 1975.

21. S. Vedaraman, *Studies on Questions Concerning the Revision of the Paris Convention*, (WIPO, 1976), p.4

patent system is that the patent is worked in the country of the grant, so that the benefits of the patented inventions are passed on to the community. Thus, the Indian Patent Act taking into account the needs of the society attempts to regulate the working of the patent. The Act to begin with, specifies the general principles applicable to working of patented inventions. It stipulates that (i) patents are granted to encourage inventions and to secure that the inventions are worked in India on a commercial scale and to the fullest extent that is reasonably practicable without undue delay; and (ii) that they are not granted merely to enable patentees to enjoy a monopoly for the importation of the patented products.²² Further, it provides that if a patentee fails to adhere to these general principles by not putting the patent into work within a reasonable time, it will permit the implementation of measures which facilitate the "working" of the patented invention. The grant of a compulsory licence is one such measure.

According to the provisions of the Indian Patent Act, a compulsory licence can be granted at any time after the expiration of three years from the date of sealing of patent to any interested person who in his application to the Controller alleges that the reasonable requirements of the

22. Section 83 of the Indian Patent Act, 1970.

public with respect to the patented invention have not been satisfied or that the patented invention is not available to the public at reasonable price and prays for the grant of a compulsory licence to work the patented invention.²³ The Controller after the examining the application and if he is satisfied that the grounds mentioned in the application are adequate may order the patentee to grant licence. The controller is requested to take into account the following factors before granting a compulsory licence: (i) the nature of the invention and the measures already taken by the patentee or any licensee to make full use of the invention; (ii) the ability of the applicant to work the invention to the public advantage; and (iii) the capacity of the applicant to undertake the risk in providing capital and working the invention.²⁴ In addition to this, if the

23. Section 84 of the Indian Patent Act, 1970. A compulsory licence has generally been defined as "an authorization by an authority designated for this purpose (usually the competent administration or a court) to a person other than the patentee to do, without authorization by the patentee, acts which would otherwise be excluded by the patent". See: TD/B/AC/11/19/Rev.1 n.6, P.10.

24. Section 86 of the Indian Patent Act, 1970. Further, section 94 specifies the general purposes for granting compulsory licences. They are: (a) that patented inventions are worked on a commercial scale in India without undue delay and to the fullest extent that is reasonably practicable; (b) that the interests of any person for the time being working or developing an invention in India under the protection of a patent are not unfairly prejudiced.

patentee and the applicant disagree on certain matters related to the issue of compulsory licences, the Controller can take steps to eliminate disagreements, considering all the relevant factors which have a bearing on the agreement between the parties, including the question of remuneration and royalties. Besides, if the Central Government finds it "necessary or expedient", it can at any time after sealing of any patent (or class of patents), issue a notification in the Official Gazette to the effect that compulsory licences should be granted "in the public interest".²⁵

The Paris Convention, as discussed in the previous chapter, also provides for the grant of compulsory licences to prevent abuses which might result from the exercise of the exclusive rights conferred by the patents: for example, failure to work or insufficient working.²⁶ It requires the expiration of a stipulated period before issuing a compulsory licence. But most significantly, it also stipulates an exception which calls for the refusal of the licence, if the patentee justifies his inaction (to not to work the patented invention) by "legitimate reasons". It should be noted that phrase "legitimate reasons" is broad and introduces a great deal of ambiguity with respect

25. Section 97 of the Indian Patent Act, 1970.

26. Article 5 of the Paris Convention.

to the possible circumstances in which it will come into play. On the other hand, the Indian Patent Act clearly lays down the conditions under which a compulsory licence can be granted; the reasonable requirements of the public - "public interest" - takes precedence over other conditions. The Paris Convention does not consider the "public interest" as one of the requirements to issue licences. But for a developing country like India, incorporation of such "public interest" clauses are vital to the achievements of their developmental goals ~~their developmental goals~~.

D. Licences of Right: The "licences of right" is a simplified procedure for the expeditious grant of licences and to overcome some of the deficiencies in the system of compulsory licences. Endorsing the patents with the words "licences of right" is in effect an invitation to the interested parties to seek licences under the patent. The difference between compulsory licences and licences of right is that an applicant for a compulsory licence must justify the grant to him of a licence on certain specified grounds, whereas an applicant for a license of right, once a patent has been so endorsed, is entitled as of right to the grant of a licence.²⁷ There are, however, three ways of

27. S.Vedaraman, *Studies on Questions Concerning the Revision of the Paris Convention* (Geneva, WIPO, 1976), P.22.

endorsements of patents with the words "licences of right" under the Indian Patent Act.

Firstly, a voluntary licence of right under which the owner of a patent himself requests the patent office which granted the patent to endorse his patent with the words "licences of right" so that a licence under his patent is available to anyone interested, as a matter of course, subject only to payment of remuneration to the patentee. However, the Act provides for certain patents deemed to be endorsed with the words "Licences of Right". These patents relate to (i) substances used or capable of being used as food or as medicine or drug; (ii) the methods or processes for the manufacture or production of any (above mentioned) such substance; and, (iii) the methods or process for the manufacture or production of chemical substances (including alloys, optical glass, semi-conductors and intermetallic compounds).²⁸ And, where a patent has been endorsed with the words "Licences of Right", any person who is interested in working the patented invention in India may require the patentee to grant him a licence for the purpose on such terms as may be mutually agreed upon.²⁹ Secondly, an

28. Section 87 of the Indian Patent Act, 1970

29. Section 88 of the Indian Patent Act, 1970 Sec.88 (2) provides: "If the parties are unable to agree on the terms of the licence, either of them may apply in the
contd....

application may be made by the Government to the Patent Office to endorse a "licenses of right". Under the Indian Patent Act such an endorsement has to be applied for by the Central Government to the Controller at any time after the expiration of 3 years from the date of sealing of a patent on the ground that the reasonable requirement of the public with respect to the patented invention have not been satisfied or that the patented invention is not available to the public at a reasonable price.³⁰ If the Controller is satisfied as to the grounds mentioned in the endorsement application, he may make an order that the patent be endorsed with the words "Licences of Right". Thirdly, the endorsement of a class of patents with the words "licences of right" is made by the statute itself. The Indian Act, endorses, as mentioned above, food, medicines, drugs and chemical substances with the words "Licences of Right".

The Paris Convention is silent in regard to the system of granting "licences of right", a concept of great practical utility, especially for the developing

prescribed manner to the Controller to settle the terms thereof". It also prescribes a four per cent ceiling on the royalty and other remuneration payable to the patentee. It is calculated on the basis of the net ex-factory sale price in bulk of the patented article (exclusive of taxes and commissions payable).

30. Section 86 of the Indian Patent Act, 1970.

countries.³¹ The UNCTAD Committee on Transfer of Technology has supported this recommendation.³² The provisions for endorsement of patents on request by the patentee or on application by Government or third party have also been referred to in the Model Law for the Developing Countries on Inventions drawn up by the International Bureau of the Union for the Protection of Industrial Property (BIRPI).³³ It has the support of some developed nations as well. For example, the Economic Council of Canada after four years of study made a proposal that all Canadian patents should normally become eligible for an automatic, non-exclusive licence to manufacture in Canada five years after the application for the patent.³⁴

31. Vedaraman, n.29,P.25.

32. UNCTAD Report, n.22.

33. The BIRPI's commentary on Section 45 of the Model Law which deals with licences of right states: "This system may be specially attractive to developing countries because once a patent is thrown open to licences of right it will no longer depend on the will of the owner of the patent whether the patent will be exploited in the country; anybody can obtain a licence and, on the basis of that licence, work the patented invention in the country". See: S.Vedaraman, "Patents: Recent Developments and Future Prospects on the National Level", in WIPO ed., *Current Trends in the Field of Intellectual Property* (Geneva, 1971) P.100.

34. It should be noted that Canada though a developed country grants 93 per cent of its patents to foreigners. See-statistics provided in the I chapter.

E. **Revocation:** Revocation is a measure terminating a patent. The Indian Patent Act clearly lays down the circumstances under which a patent could be revoked. Firstly, where a compulsory licence has been granted or the endorsement of "licences of right" has been made (or is deemed to have been made) and two years have expired after granting these licences, an application can be made to the Controller by the Central Government or any interested person for an order to revoke the patent. The revocation application has to show that the reasonable requirements of the public have not been met or that the patented invention is not available to the public at a reasonable price.³⁵ What however is this "reasonable requirement" The Act provides an answer by specifying what circumstances may not lead to the satisfaction of the reasonable requirements of the public. These are : (a) If the patentee fails to manufacture in India to an adequate extent and supply on reasonable terms the patented article or if he refuses to grant a licence on reasonable terms and further-(i) if this act of patentee affects the development of existing trade or industry or establishment of any new trade or industry; (ii) the demand for the patented article is not being met to an adequate extent on reasonable terms from manufacture in

35. Section 89 of the Indian Patent Act, 1970.

India; or (iii) a market for the export of the patented article manufactured in India is not being supplied or developed; or (iv) if the establishment or development of commercial activities in India is prejudiced. (b) If the conditions imposed by the patentee are arbitrary which prejudice the establishment or development of any trade or industry. (c) If the patented invention is not worked in India to an adequate extent. (d) If the demand for the patented article in India is being met to a large extent by importation from abroad by (i) the patentee; (ii) persons directly or indirectly purchasing from patentee (iii) Other persons against whom patentee has not initiated infringement proceedings. (e) If the working of the patented invention in India on a commercial scale is being prevented or hindered by the importation from abroad by the patentee.³⁶

There are, secondly, certain technical grounds on which a patent could be revoked by the High Court on an application made to it by any interested person or the Central Government in a suit for the infringement of the

36. Section 90 of the Indian Patent Act, 1970. This section lays down a norm which totally abolishes importation if the interests of the public are not met in India. And it is totally against the Article 5A of the Paris Convention which allows importation.

patent.³⁷ Further, if the Central Government finds that the mode in which a patent is being used is mischievous to the State or generally prejudicial to the public can revoke the patent after giving the patentee an opportunity to be heard.³⁸ In certain cases, if the Central Government comes to a conclusion that a patent should be acquired from the patentee for a public purpose, it can by publication of a notification acquire it. The Government is, however, required to compensate the patentee for the acquisition. The compensation may be agreed upon between the government and the patentee. If they fail to finalise the compensation amount, a High Court, on a reference made to it by either of the parties, can settle the terms of the agreement.³⁹

The Paris Convention also makes a reference to revocation or forfeiture of patents. Under it, the act of revocation of a patented invention could be invoked only in cases where the grant of compulsory licences has not been

37. In this regard section 64 of the Indian Patent Act, 1970 provides for extensive technical grounds which mainly relate to the authenticity of the contents of the complete specification. Further, Section 65 provides for the revocation of a patent on directions from the Central Government in cases relating to atomic energy.

38. Section 66 of the Indian Patent Act, 1970.

39. Section 102 of the Indian Patent Act, 1970.

sufficient to prevent the abuses of patents. Further, the revocation proceedings cannot be instituted before the expiration of two years from the grant of first compulsory licence.⁴⁰ This provision in its procedural aspects (expiration period of two years) is similar to the Indian Patent Act. Further, under the Indian Act, the "reasonable requirement of the public" takes precedence over other grounds for revocation of patented invention; the Paris Convention does not take into account the "public interest". Moreover, the Indian Act clearly mentions importation of patented article as one of the grounds for revocation of patents in the public interest. According to the Paris Convention, on the other hand, the importation of patented article from any member country does not provide ground for revocation. In sum, the Indian Patent Act, accords utmost priority to the working of the patent in India without undue delay. For this purpose, it specifies in the Act the revocation proceedings on the same lines as the compulsory licences and the licences of right. The Paris Convention, on the other hand, takes into account the interests of a patentee alone. In developing countries where most of the patentees are foreigners, the purpose of granting a patent right fails unless it is worked within a reasonable time.

40. Article 5 of the Paris Convention. For a detailed discussion refer to chapter III.

The Indian Patent Act by introducing appropriate regulations neatly blends both the rights of a patentee and the public interest.

F. **Duration of Patents:** The aims of granting a patent are to provide an inventor with suitable return on his investment made in the creation of an invention. Understandably, therefore, the duration for which the patentee can retain monopoly privileges is a crucial question, and needs examination. The term of every patent granted under the Indian Patent Act falls into two categories: (i) ✓ Inventions relating to food, medicine or drug have a duration of five years from the date of sealing of the patent, or seven years from the date of the patent whichever period is shorter; (ii) in respect of any other invention, ✓ the duration is fourteen years from the date of patent.⁴¹ The Paris Convention does not specify the duration of ✓ patents. Accordingly, it is left to each country to decide the duration for which it is to be granted. However, it should be noted that once a country becomes a member of the Paris Convention, it comes under greater pressure from the ✓ developed countries to increase the length of protection. This is because having joined the Convention for its

41. Section of the Indian Patent Act, 1970.

advantages it cannot deny itself these by creating the duration hurdle.

While determining the duration of a patent the factors which need consideration are: (i) the cost of research and development; (ii) the importance of the invention; and, (iii) the speed at which the patented product guarantees the patentee a "fair return" on his efforts.⁴² These criteria may not be strictly followed while fixing the duration of patents. States, however, exclude certain sectors in the public interest from longer patent duration. These requirements differ from country to country. The following table shows the duration of patents of inventions in selected countries divided according to stage of development.

TABLE 1

Duration of patents of inventions in selected countries

Group of countries	Years		
	1-5	6-10	11-15
Developed market-economy countries			Italy Japan
			Australia Austria Canada Denmark Federal Republic of Germany Finland France Norway Sweden Switzerland United Kingdom United States America
Socialist countries of Eastern Europe			Bulgaria Czechoslovakia Rumania USSR
			German Democratic Republic Hungary

contd

42. It should be noted that the notion of a fair return is a highly subjective one and its determination may vary from country to country, from sector to sector, and from time to time. Also see: TD/B/AC/. 11/19/Rev.1, n.6, P.53.

Southern European countries	Turkey ^b	Spain ^a Turkey ^b	Greece Portugal Spain ^b Turkey ^b	
Developing countries	Argentina ^b Chile ^{b, a} China ^{d, a} Iran Venezuela	Argentina ^b Chile ^{b, a} China ^{d, a} Colombia ^a Egypt ^e India ^t Iran ^b Peru Venezuela ^{b, a}	Argentina Brazil Chile ^{d, a} China ^{d, a} Egypt India ^b Iran ^b Iraq Korea Mexico Sri Lanka Syrian Uruguay	Algeria Chile ^b Iran Israel Liberia ^a Malawi OAMPI countries Pakistan Philippines ^a Tunisia

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- a Duration runs from date of grant.
b Duration of patents differs according to applicant's wish or merits of the invention.
c Patent of importation.
d Patents and certificates are granted for three to fifteen years according to the decision of the central authority.
e Patents on chemical process
f Food, medicines and patents.
-

Source: United Nations, TD/B/AC. II/19/Rev. 1, *The Role of the Patent System in the Transfer of Technology to Developing Countries* (New York), 1975

The table reveals that the patent duration in developed countries is between 16 and 20 years. The socialist countries fix the duration at between 10 and 20 years. In developing countries the durations vary from 5, 10, 15 and to 20 years in exceptional circumstances. In some developing countries the length of the patent grant depends upon the sector to which the patent grant depends upon the sector to which patent refers. Moreover, in certain sectors patents become obsolete early due to the rapid progress made therein. The shorter patent duration for drugs and pharmaceuticals is justified on the basis of their quick replacement by more effective and better ones within a short span of time. Apart from this, food, drugs and medicines are essential items which need shorter duration of patents

in the public interest. The availability of these items in abundance at a cheaper price for public consumption is also taken into consideration while fixing the duration of the patents. In conclusion, it should be stated that the developed countries prefer longer duration of patents, because, the monopoly privileges attached to the patent right could be exercised for a longer period.⁴³ On the other hand, the developing countries determine the duration on the basis of their specific requirements and policy considerations.

In the final analysis, though the provisions incorporated in the Indian Patent Act and the Paris Convention seek to regulate the patent grants, the underlying policy considerations are different. To illustrate, the Indian Patent Act accords priority to the public interest while granting patent rights. The Paris Convention, instead, takes primary cognizance of the rights of the patentee. Further, the provisions relating to the working of the patent are more stringent under the Indian Patent Act. In addition to the grant of compulsory licences, the Act also lays down clearly the grounds on which revocation proceedings could be initiated and the endorsement of certain items with "licences of right". In all this, "the reasonable requirement of the public" takes precedence; this also takes into account the interests of national economy. Importation of patented articles from other countries is against the policy of the Indian Patent

43 Developing countries grant more than 80 per cent of the patents to the foreigners majority of them, however, emanate from the developed countries.

Act; the Paris Convention, however, recognizes it. Moreover, the Controller under the Indian Patent Act has wide powers to take necessary measures while granting patents or working them in the public interest. In brief, it would be a mistake for India to join the Paris Convention.⁴⁴

44. The provisions of the Indian Patent Act, 1970, which may have to be amended so as to conform them with the Paris Convention are: Section 47, which deals with the activities undertaken for a public use or public purpose, including requisition of patented article; section 84 covering the grant of compulsory licences for non-working of the patent issued on the basis of reasonable requirement of the public; section 86 which lays down conditions for endorsing patents with "licences of right"; section 66, which provides for the revocation of the patents.

CHAPTER 5

SUMMARY AND CONCLUSION

The Paris Convention for the Protection of Industrial Property was signed in 1883 to bring into existence an international patent system. Though initially its membership was constituted by a few industrialized countries, in the last hundred years majority of its membership is made up by developing countries. Despite this, developing countries have continued to remain in the periphery of the international patent system i.e., the Paris Convention. The Convention has been revised eight times. In this regard, amendments incorporated in the revision conferences have normally strengthened the rights of a patentee. Developing countries, however, have been demanding the thorough revision of the Convention to include provisions which are conducive to their interests.

To recapitulate, the Paris Convention lays down certain minimum standards to bring about uniformity in the patent legislations of its member countries. These are : (i) national treatment, (ii) right of priority, (iii) independence of patents, and (iv) importation. The 'national treatment' requires national laws to grant equal treatment to nationals and foreigners; the 'right of priority' facilitates filing of patent applications simultaneously in different countries by way of a priority right granted to the first application for a period of 12 months; the

'independence of patents' regards patents granted in different member countries as independent and its refusal or invalidation in one member country should not be a ground for its refusal or invalidation in other member countries; 'importation' stipulates that importation of patented products should not entail forfeiture in the member countries. These minimum standards do not always take into account the special needs of the developing countries. The application of "national treatment" principle, for example, may create inequitable conditions, because of unequal economic conditions prevalent between developing and developed countries. The 'right of priority may hinder indigenous research in the developing countries. The "importation" clause provided in the Paris Convention is a stumbling block to the actual working of a patent within a developing country. It is in the light of these problems that the developing countries have set themselves the following objectives in revising the Paris Convention: (i) to give full recognition to the needs for economic and social development of countries and to ensure a proper balance between these needs and the rights granted by patents; (ii) to promote the actual working of inventions in each country; (iii) to facilitate the development of technology by developing countries and to improve the conditions for the transfer of technology under fair and

reasonable terms; (iv) to encourage inventive activity in developing countries; (v) to increase the potential in developing countries in judging the real value of inventions for which protection is requested, in screening and controlling licensing contracts and in improving information for local industry; and (vi) to ensure that all forms of industrial property be designed to facilitate economic development and to ensure cooperation between countries having different systems of industrial property protection.

The initiatives for the revision of the Paris Convention are not, however, confined to the minimum standards. The provisions which specify measures to regulate patent abuse have also come under the purview of revisions; a significant provision in which changes are relate to the issue of compulsory licences. Under the Paris Convention, a compulsory licence can be issued to any person who applies for it on the ground of "insufficient working" or "failure to work" the patented invention, but only after the expiry of four years from the date of filing of the patent application or three years from the date of the grant of the patent, whichever period expires last. Even after the completion of this period, if the patentee is able to justify his "inaction by legitimate reasons", then the patent can be exempted from the grant of a compulsory

licence. These limitations, especially the latter, introduces a degree of ambiguity with regard to the "working" of the patent, and may involve developing countries in the unnecessarily prolonged legal battles. Further, the Convention also provides for the forfeiture of patents only upon the failure of the compulsory licenses to effectively "work" the patents, and therefore the proceedings for revocation or forfeiture can commence only after the expiration of two years from the date of issue of a compulsory licence. The serious implication of this provision becomes evident when it is remembered that more than 80 per cent of patents in developing countries are granted to foreigners, and more than 95 per cent of them have not been worked at all. In other words, it is imperative to ensure the working of the patented invention if it is to contribute to the scientific and technological development of the developing countries.

In view of the significance of the working of patents, UNCTAD's Committee on Transfer of Technology has laid down the basic principles for the revision of the Paris Convention, which particularly relate to the adaptation of international standards to the needs of the developing countries. It noted that working of a patent can in no way be replaced by importation, nor by creation of a monopoly

with respect to such importation. It further recommended the inclusion of licenses of right, revocation and expropriation to prevent abuses of patent rights. In addition to this the inclusion of these measures is crucial to a developing country if it finds an immediate need to work patented inventions to realise its developmental objectives or in public interest.

Realising the shortcomings of the Paris Convention, India and many other developing countries, have refused to become members till suitable amendments are made. This is perfectly legitimate for the Indian Patent Act, 1970, for instance, it incorporates provisions which regulate patent abuses far more stringently than the Paris Convention. Firstly, it outlines the circumstances under which an invention cannot be granted a patent right. For example, inventions relating to atomic energy are not patentable. In certain areas inventions relating to methods or processes of manufacture are only patentable; they include, food, medicine, drug and chemical substances. The exclusion of products relating to food and drugs from patentability is based on the consideration that the grants of patents could have adverse effects on the general availability or the price of these goods which are of vital importance for the people of the country. In case of chemical substances the

necessity of their unrestricted availability is considered as a reason for excluding them from patenting. In case of atomic energy it is mainly the crucial importance of such technology to national defence and to the supply of energy. Secondly, as regards the treatment of nationals and foreigners the Act provides that any person who claims to be the true and first inventor of the invention can apply for a patent. India, however, adopts the norm of reciprocity with regard to foreigners. That is to say, the nationals of any country which does not grant to Indian citizens the same rights in respect of the grant of patents and the protection of patent rights as it accords to its own nationals, will not be allowed to apply for patents in India.

Thirdly, the Act clearly lays down the general principles applicable to working of patented inventions; it says that patents are granted not only to encourage inventions, but also that they should be adequately worked in India on a commercial scale and are thus not granted merely to enable patentees to enjoy monopoly right for the importation of patented product. Further, if a patentee fails to "work" the patent within a reasonable time, then the Act provides for suitable measures which include, compulsory licences, licences of right, revocation and acquisition. A compulsory licence can be granted to any

interested person who in his application to the Controller alleges that the reasonable requirements of the public with respect to the patented invention have not been satisfied or that the patented invention is not available to the public at a reasonable price; it, however, can be granted only after the expiration of three years from the date of sealing of a patent. Besides this, if the Central Government finds it "necessary or expedient" it can at any time after sealing of any patent issue a notification in the Official Gazette to the effect that compulsory licences should be granted in the "public interest". The "licences of right" is a simplified procedure for the expeditious grant of licences to overcome some of the drawbacks in the system of compulsory licences. Endorsing patents with words "licences of right" is in effect an invitation to the interested parties to apply for licences. In the public interest the Act specifies certain patented inventions in the field of food, medicines, drugs and chemical substances as deemed to be endorsed with the words "Licences of Right". Revocation is a measure terminating a patent; moreover, it is a supplementary measure invoked in cases where the grant of compulsory licences or endorsement of licences of right fail to realise their intended purpose. The revocation application under the Act is to be made on the grounds, that the reasonable requirements of the public have not been met

or that the patented invention is not available to the public at a reasonable price. The satisfaction of the reasonable requirements of the public mainly includes the manufacture and adequate supply of patented article on reasonable terms and as a consequence if it affects the development of existing trade or industry or establishment of any new trade or industry and also influences the market conditions. Further, if the Central Government finds that the mode in which a patent is being used is mischievous to State or generally prejudicial to the public it can revoke the patent after giving the patentee an opportunity to be heard. And lastly, with regard to the acquisition of patents, if the Central Government comes to a conclusion that a patent should be acquired from the patentee for a public purpose, it can do so by publishing a notification; the Government, however, is required to compensate the patentee for the acquisition. Finally, the duration of a patent under the Indian Patent Act is regulated, taking into account its domestic considerations. The patent duration for food, medicines or drug is five years from the date of sealing of the patent or seven years from the date of the patent whichever period is shorter. For any other patented invention protection period is 14 years. The shorter patent duration for drugs and pharmaceuticals is justified on the ground that these are quickly replaced by more effective and

better ones within a short span of time; these are essential items which need unrestricted supply without undue delay. Developed countries prefer longer duration of patents ranging between 16 and 20 years because, the monopoly privilege attached to the patent could be exercised for a longer period. The Paris Convention, however, does not specify the duration of patents; it is left to each country to decide the life of a patent.

In recent past, India has come under tremendous pressure to sign the Paris Convention. If India decides to join the Paris Convention the exclusions of patentability provided in the Indian Patent Act will have to be remodeled so as to comply with the mandate of Article 25 of the Paris Convention which calls for the measures necessary to ensure the application of the Paris Convention. Moreover, the exclusion of atomic energy from patentability, will attract the "unfair competition" clause within the meaning of Article 10 of the Paris Convention. The provisions relating to the grant of licences of right, revocation and acquisition to work the patented inventions in the public interest do not conform with the requirements of the Paris Convention, and will therefore need suitable amendments. Thus, a clear line of conflict emerges between the Paris Convention and the Indian Patent Act.

Meanwhile, a few developed countries have submitted certain proposals to negotiate issues relating to intellectual property in GATT. The declaration issued at the Uruguay Round of the multilateral trade negotiations on Trade Related Aspects of Intellectual Property Rights September 1986 (TRIPS) calls for measures and procedures to enforce intellectual property rights so that they do not themselves become barriers to legitimate trade. However, the developing countries do not consider GATT the proper forum to formulate norms and standards of intellectual property rights. They argue that GATT should discuss only trade related aspects of goods and services and leave setting of norms and standards of intellectual property rights regime to WIPO, they are aware of the fact that the initiatives taken by them to revise the Paris Convention will be severely affected if the matter is discussed in GATT. But the developed countries continue to pressurise developing countries to toe their line of arguments in the GATT. Recently, the United States of America, has threatened to enforce "Super 301" clause provided in its Omnibus Trade Act, 1988 against India, Brazil and few other countries for inadequate protection to intellectual property rights; and India has been put on a priority watch list. The reason for such an action against India and Brazil is due to the United States increasing difficulty in containing both

India and Brazil from blocking its trade interests in GATT. Further, the 18 months notice for negotiations before taking retaliatory measure under "Super 301" coincides with the conclusion of GATT's Uruguay Round of talks in December 1990. The charge made by the US Trade Representative (USTD) against India for engaging in "onerous and egregious" practices denying adequate protection to intellectual property rights is totally false; because the Indian and the US patent laws provide for more or less similar protections. India has a sound patent legislation which takes into ✓ account its priorities and national interests and the joining of the Paris Convention will affect this balance i.,e, to encourage inventions by offering incentives to inventors by way of a monopoly right and to consider the reasonable requirement of the public. In this regard, India should maintain its viewpoint in the negotiations before various international forums without yielding to pressures. Further, the other developing countries should strengthen India and Brazil's standpoints, and their untainted solidarity is the only way to reshape the international patent system.

APPENDIX

INDIAN PATENT ACT, 1970

[relevant portions only]

CHAPTER II**INVENTIONS NOT PATENTABLE**

3. **What are not inventions** - The following are not inventions within the meaning of this Act, -

- a) a substance obtained by a mere admixture resulting only in the aggregation of the properties of the components thereof or a process for producing such substance;

4. **Inventions relating to atomic energy not patentable.**-No patent shall be granted in respect of an invention relating to atomic energy falling within subsection (1) of Section 20 of the Atomic Energy Act, 1962 (33 of 1962).

5. **Inventions where only methods or processes of manufacture patentable.**-In the case of inventions-

- a) claiming substances intended for use, or capable by chemical processes (including alloys, optical glass, semi-conductors and inter-metallic compounds),

no patent shall be granted in respect of claims for the substances themselves, but claims for the methods or processes of manufacture shall be patentable.

53. **Term of patent.**-(1) Subject to the provisions of this Act, the term of every patent granted under this Act shall-

- (a) in respect of an invention claiming the methods or process of manufacture of a substance, where the substance is intended for use, or is capable of

being used, as food or as a medicine or drug, be five year from the date of sealing of the patent, or seven years from the date of the patent whichever period is shorter; and

- (b) in respect of any other invention, be fourteen years from the date of the patent.

(2) A patent shall cease to have effect notwithstanding anything therein or in this Act on the expiration of the period prescribed for the payment of any renewal fee, if that fee is not paid within the prescribed period or within the period as extended under this section.

(3) The period prescribed for the payment of any renewal fee shall be extended to such period, not being more than six months longer than the prescribed period, as may be specified in a request made to the Controller if the request is made and the renewal fee and the prescribed additional fee paid before the expiration of the period so specified.

CHAPTER XVI

WORKING OF PATENTS, COMPULSORY LICENCES, LICENCES OF RIGHT AND REVOCATION

82. Definitions of patented articles and parentee. In this chapter, unless the context otherwise requires, -

- (a) patented article includes any article made by a patented process; and

- (b) parentee includes an exclusive licensee.

84. General principles applicable to working of patented inventions- Without prejudice to the other provisions contained in this Act, in exercising the powers conferred by this Chapter, regard shall be had to the following general considerations, namely:-

- (a) that patents are granted to encourage inventions and to secure that the inventions are worked in India on a commercial scale and to the fullest extent that is reasonably practicable without undue delay; and
- (b) that they are not granted merely to enable patentees to enjoy a monopoly for the importation of the patented article.

84. Compulsory Licences- (1) At any time after the expiration three years from the date of the sealing of a patent, any person interested may make an application to the Controller alleging that the reasonable requirements of the public with respect to the patented invention have not been satisfied or that the patented invention is not available to the public at a reasonable price and praying for the grant of a compulsory licence to work the patented invention.

(2) An application under this section may be made by any person notwithstanding that he is already the holder of a licence under the patent and no person shall be stopped from alleging that the reasonable requirements of the public with respect to the patented invention are not satisfied or that the patented invention is not available to the public at a reasonable price by reason of any admission made by him, whether in such a licence or otherwise or by reason of his having accepted such a licence.

(3) Every application under sub-section (1) shall contain a statement setting out the nature of the applicant's interest together with such particulars as may be prescribed and the facts upon which the application is based.

(4) In consideration of the application filed under this section the Controller shall take into account the matters set out in Section 85.

(5) The Controller, if satisfied that the reasonable requirements of the public with respect to the patented

invention have not been satisfied or that the patented invention is not available to the public at a reasonable price, may order the patentee to grant a licence upon such terms as he may deem fit.

(6) Where the Controller directs the patentee to grant a licence he may as incidental thereto exercise the powers set out in Section 93.

85. Matters to be taken into account in granting compulsory licences- In determining whether or not to make an order in pursuance of an application filed under Section 84, the controller shall take into account,-

(i) the nature of the invention, the time which has elapsed since the sealing of the patent and the measures already taken by the patentee or any licensee to make full use of the invention;

(ii) the ability of the applicant to work the invention to the public advantage;

(iii) the capacity of the applicant to undertake the risk in providing capital and working the invention, if the application were granted,

but shall not be required to take into account matters subsequent to the making of the application.

86. Endorsement of patent with the words "Licences of right".- (1) At any time after expiration of three years from the date of the sealing of a patent, the Central Government may make an application to the Controller for an order that the patent may be endorsed with the words Licence of right on the ground that the reasonable requirements of the public with respect to the patented invention have not been satisfied or that the patented invention is not available to the public at a reasonable price.

(2) The Controller, if satisfied that the reasonable requirements of the public with respect to the patented

invention have not been satisfied or that the patented invention is not available to the public at a reasonable price, may make an order that the patent be endorsed with the words Licences of right.

(3) Where a patent of addition is in force, any application made under this section for an endorsement either of the original patent or of the patent of addition shall be treated as an application for the endorsement of both patents, and where a patent of addition is granted in respect of a patent which is already endorsed under this section, the patent of addition shall also be so endorsed.

(4) All endorsements of patents made under this section shall be entered in the register and published in the Official Gazette and in such other manner as the Controller thinks desirable for bringing the endorsement to the notice of manufactures.

87. Certain patents deemed to be endorsed with the words "Licences of right".- (1) Notwithstanding anything contained in this Act,-

- (a) every patent in force at the commencement of this Act in respect of inventions relating to -
 - (i) substances used or capable of being used as food or as medicine or drug;
 - (ii) the methods or processes for the manufacture or production of any such substance as is referred to in sub-clause (i);
 - (iii) the methods or processes for the manufacture or production of chemical substances (including alloys, optical glass, semi-conductors and inter-metallic compounds), shall be deemed to be endorsed with the words "Licences of right" from the commencement of this Act or from the expiration of three

years from the date of sealing of the patent under the Indian Patents and Designs Act, 1911, (2 of 1911) whichever is later; and

- (b) every patent granted after the commencement of this Act in respect of any such invention as is referred to in Section 5 shall be deemed to be endorsed with the words "Licences of right" from the date of expiration of three years from the date of sealing of the patent.

(2) In respect of every patent which is deemed to be endorsed with the words "Licences of right" under this section, the provisions of Section 88 shall apply.

88. Effect of endorsement of patent with the words "Licences of right".-(1) Where a patent has been endorsed with the words "Licences of right", any person who is interested in working the patented invention in India may require the patentee to grant him a licence for the purpose on such term as may be mutually agreed upon, notwithstanding that he is already the holder of a licence under the patent.

(2) If the parties are unable to agree on the terms of the licence, either of them may apply in the prescribed manner to the Controller to settle the terms thereof.

(3) The Controller shall, after giving notice to the parties and hearing them and after making such enquiry as he may deem fit, decide the terms on which the licence shall be granted by the patentee.

(4) The Controller may at any time before the terms of the licence are mutually agreed upon or decided by the Controller, on application made to him in this behalf by any person who has made any such requisition as is referred to in sub-section (1), permit him to work the patented invention on such terms as the Controller may, pending agreement between the parties or decision by the Controller, think fit to impose.

(5) In the case of every patent in respect of an invention referred to in sub-clause (i), or sub-clause (ii), of clause (a) of sub-section (1) of Section 87 and deemed to be endorsed with the words "Licences of right" under clause (a) or clause (b) of that sub-section, the royalty and other remuneration reserved to the patentee under a licence granted to any person after such commencement shall in no case exceed four percent. of the net exfactory sale price in bulk of the patented article (exclusive of taxes levied under any law for the time being in force and any commissions payable) determined in such manner as may be prescribed.

(6) Save as otherwise provided in sub-section (5), the provisions of subsections (1), (2), (4) and (5) of Section 93 (regarding the powers of the Controller) and of Sections 94 and 95 shall apply to licences granted under this section as they apply to licences granted under Section 84.

89. Revocation of patents by the Controller for non-working.- (1) Where, in respect of a patent, a compulsory licence has been granted or the endorsement "Licence of right" has been made or is deemed to have been made, the Central Government or any person interested may, after the expiration of two years from the date of the order granting the first compulsory licence or, as the case may be, the date of the grant of the first licence under Section 88, apply to the Controller for an order revoking the patent on the ground that the reasonable requirements of the public with respect to the patented invention have not been satisfied or that the patented invention is not available to the public at a reasonable price.

(2) Every application under sub-section (1) shall contain such particulars may be prescribed and the facts upon which the application is based, and, in the case of an application other than by the Central Government, shall also set out the nature of the applicant's interest.

(3) The Controller, if satisfied that the reasonable requirements of the public with respect to the patented invention have not been satisfied or that the patented invention is not available to the public at a reasonable price, may make an order revoking the patent.

(4) Every application under sub-section (1) shall ordinarily be decided within one year of its being presented to the Controller.

90. When reasonable requirements of the public deemed not satisfied.- For the purposes of Sections 84, 86 and 89, the reasonable requirements of the public shall be deemed not to have been satisfied-

(a) if, by reason of the default of the patentee to manufacture in India to an adequate extent and supply on reasonable terms the patented article or a part of the patented or a part of the patented article, which is necessary for its efficient working or if, by reason of the refusal of the patentee to grant a licence or licences on reasonable terms,-

(i) an existing trade or industry or the development thereof or the establishment of any new trade or industry in India or the trade or industry of any person or classes of persons trading or manufacturing in India is prejudice; or

(ii) the demand for the patented article is not being met to an adequate extent or on reasonable terms from manufacture in India; or

(iii) a market for the export of the patented article manufactured in India is not being supplied or developed; or

- (iv) the establishment or development of commercial activities in India is prejudiced; or
- (b) if, by reason of conditions imposed by the patentee (whether before or after the commencement of this Act) upon the grant of licences under the patent or upon the purchase, hire or use of the patented article or process, the manufacture, use or sale of materials not protected by the patent, or the establishment or development of any trade or industry in India, is prejudiced; or
- (c) if the patented invention is not being worked in India on a commercial scale to an adequate extent or is not being so worked to the fullest extent that is reasonably practicable; or
- (d) if the demand for the patented article in India is being met to a substantial extent by importation from abroad by-
 - (i) the patentee or persons under him; or
 - (ii) persons directly or indirectly, purchasing from him; or
 - (iii) other persons against whom the patentee is not taking or not taken proceedings for infringement; or
- (e) if the working of the patented invention in India on a commercial scale is being prevented or hindered by the importation from abroad of the patented article by the patentee or the other persons referred to in the preceding clause.

94. **General purposes for granting compulsory licences-**
The powers of the Controller upon an application made under Section 84 shall be exercised with a view to securing the following general purposes, that is to say,-

- (a) that patented inventions are worked on a commercial scale in India without undue delay and to the fullest extent that is reasonably practicable;
- (b) that the interests of any person for the time being working or developing an invention in India under the protection of a patent are not unfairly prejudiced.

CHAPTER XXII

INTERNATIONAL ARRANGEMENTS

133. **Notification as to convention countries.-** (1)
With a view to the fulfilment of a treaty, convention or arrangement with any country outside India which affords to applicants for patents in India or to citizens of India similar privileges as are granted to its own citizens in respect of the grant of patents and the protection of patent rights, the Central Government may, by notification in the Official Gazette, declare such country to be a convention country. The provisions of this Act is in force shall be deemed to be convention country for the purposes of those provisions only.

(2) A declaration under sub-section (1) may be made for the purposes either of all or of some only of the provisions of this Act, and a country in for the purpose of this Act.

134. **Notification as to countries not providing for reciprocity.-** Where any country specified by the Central Government in this behalf by notification in the Official

Gazette does not accord to citizens of India the same rights in respect of the grant of patents and the protection of patent rights as it accords to its own nationals, no national of such country shall be entitled, either solely or jointly with any other person,-

- (a) to apply for the grant of a patent or be registered as the proprietor of a patent;
- (b) to be registered as the assignee of the proprietor of a patent; or
- (c) to apply for a licence or hold any licence under a patent granted under this Act.

PARIS CONVENTION FOR THE PROTECTION OF
INDUSTRIAL PROPERTY, 1883

Article 1

(1) The countries to which this Convention applies constitute a Union for the protection of industrial property.

(2) The protection of industrial property has as its object patents, utility models, industrial designs, trademarks, service marks, trade names, indications of source or appellations of origin, and the repression of unfair competition.

(3) Industrial property shall be understood in the broadest sense and shall apply not only to industry and commerce proper, but likewise to products, for example, wines, grain, tobacco leaf, fruit, cattle, minerals, mineral waters, beer, flowers, and flour.

(4) Patents shall include the various kinds of Industrial patents recognized by the laws of the countries of the Union, such as patents of importation patents of improvement, patents and certificates of addition, etc.

Article 2

(1) National of any country of the Union shall, as regards the protection of Industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals; all without prejudice to the rights specially provided for by this Convention. Consequently, they shall have the same protection as the latter, and the same legal remedy against any infringement of their rights, provided that the conditions and formalities imposed upon nationals are complied with.

(2) However, no requirement as to domicile or establishment in the country where protection is claimed may be imposed upon nationals of countries of the Union for the enjoyment of any industrial property rights.

(3) The provisions of the laws of each of the countries of the Union relating to judicial and administrative procedure and to jurisdiction, and to the designation of an address for service or the appointment of an agent, which may be required by the laws on industrial property are expressly reserved.

Article 4

A.-(1) Any person who has duly filed an application for a patent, or for the registration of a utility model, or of an industrial design, or of a trademark, in one of the countries of the Union, or his successor in title, shall enjoy, for the purpose of filing in the other countries, a right of priority during the periods hereinafter fixed.

Article 4 bis

(1) Patents applied for in the various countries of the Union by nationals of countries of the Union shall be independent of patents obtained for the same invention in other countries, whether members of the Union or not.

Article 5

A.-(1) Importation by the patentee into the country where the patent has been granted of articles manufactured in any of the countries of the Union shall not entail forfeiture of the patent.

(2) Each country of the Union shall have the right to take legislative measures providing for the grant of compulsory licenses to prevent the abuses which might result from the exercise of the exclusive rights conferred by the patent, for example; failure to work.

(3) Forfeiture of the patent shall not be provided for except in cases where the grant of compulsory licenses would not have been sufficient to prevent the said abuses. No proceedings for the forfeiture or revocation of a patent may be instituted before the expiration of two years from the grant of the first compulsory license.

(4) A compulsory license may not be applied for on the ground of failure to work or insufficient working before the expiration of a period of four years from the date of filling of the patent application or three years from the date of the grant of the patent, whichever period expires last; it shall be refused if the patentee justifies his inaction by legitimate reasons. Such a compulsory license shall be non-exclusive and shall not be transferable, even in the form of the grant of a sub-license, except with that part of the enterprise or goodwill which exploits such license.

Article 10 bis

(1) The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.

(2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.

2. false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;

3. indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.

Article 25

(1) Any country party to this Convention undertakes to adopt, in accordance with its constitution, the measures necessary to ensure the application of this Convention.

(2) It is understood that, at the time a country deposits its instrument of ratification or accession, it will be in a position under its domestic law to give effect to the provisions of this Convention.

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<i>The Hindu</i>	(Madras)
<i>Times of India</i>	(Bombay)
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<i>SPAN</i>	(February, 1989)