



Remfry & Sagor

IP Report

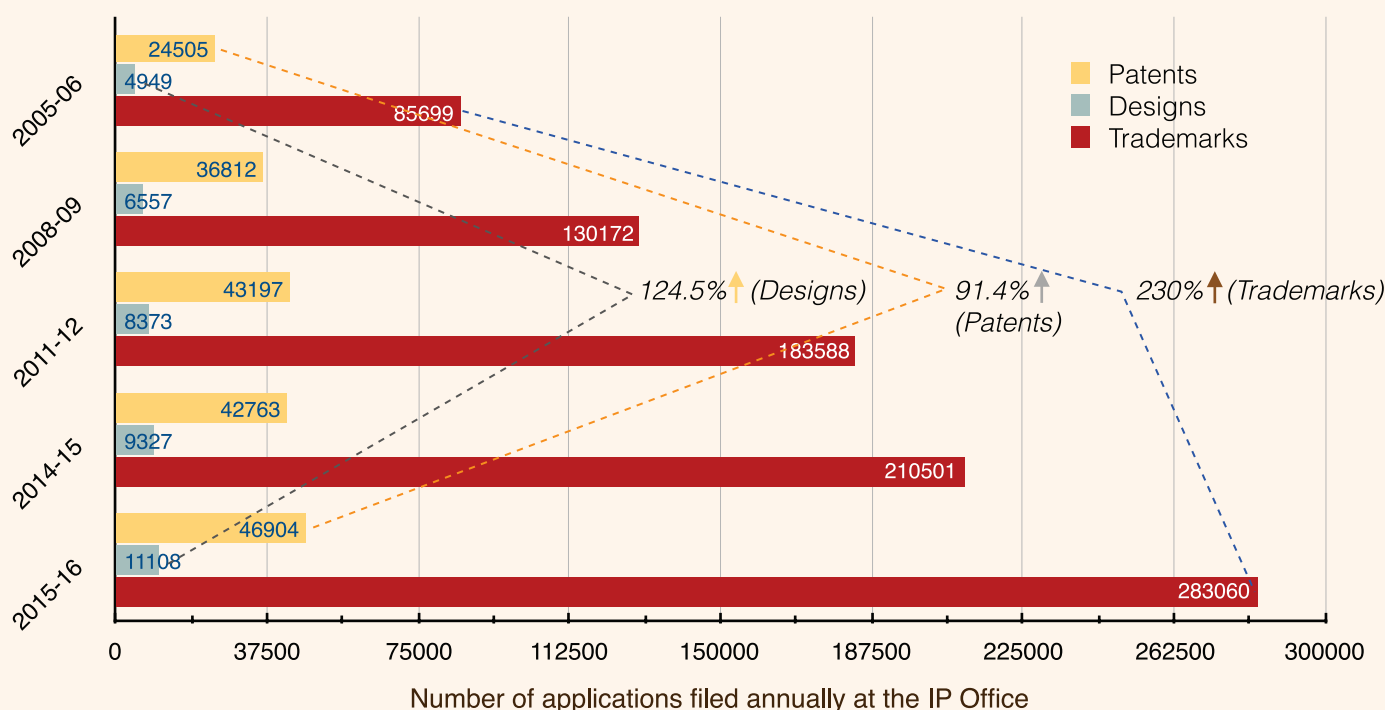
March 2018

Trends in IPR

The Indian IP Office's most recent Annual Report of FY 2015-16 (data is released for every financial year that runs from April 1 until March 31 of the subsequent year), reported a **30% rise in total IP filings over the previous year** - 2,62,638 applications in 2014-15 surged to 3,41,086 filings in 2015-16. In terms of individual categories, **patent filings rose nearly 10%, designs by 19% and trademark applications by a tremendous 34.5%.**

These figures exceed global growth rates by quite a margin - to compare, in 2016 both global patent and design filings grew by 8.3%. Trademark filing activity (harmonised across offices using application class counts) rose by 13.5% over the previous year (Source: WIPO's *World Intellectual Property Indicators 2017*)

Fig. 1 Rise In Filings Over The Last Decade



THE INDIAN IP ECOSYSTEM

India is ranked **7th** in the world in terms of patent filings at the Indian IP Office

(WIPO's Report 2017)

India is ranked **5th** in the world in terms of trade mark filings at the Indian IP Office

(WIPO's Report 2017)

In 2017, India's rank in the Global Innovation Index (GII) jumped 6 places to **60**.

It is now in the top half of the index.

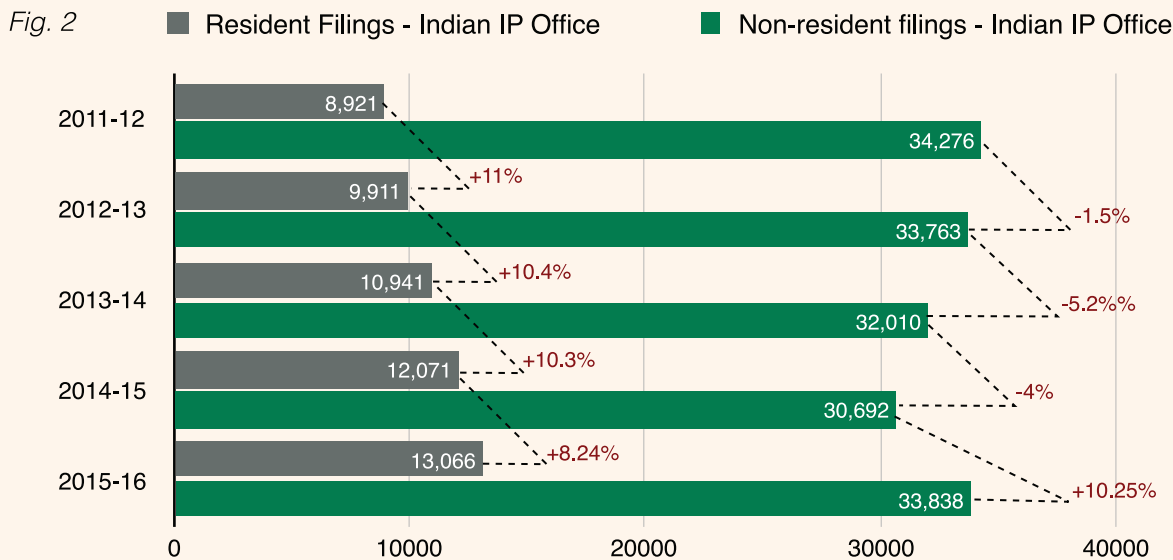
The GII Index 2017 ranks India **1st** among 127 countries for export of information & communication technology (ICT) services, highlighting India's rise as an emerging innovation centre

Policy measures have contributed significantly towards a spurt in innovative and filing activity.

- It is becoming easier to do business - India jumped 30 spots to secure a place among the top 100 countries on the World Bank's Ease of Doing Business Ranking list in 2018.
- The government is promoting the manufacturing (Make In India) industry and start-ups, and has set up a task force for innovation.
- Following the announcement of India's first National IPR Policy in May 2016, a more holistic vision is in place that includes a thrust on stronger IP enforcement and administration. IPR awareness programs have been organised across the country, focused training programs launched for enforcement agencies (police, customs) and measures introduced for sensitisation of the judiciary.
- The government's push towards a digital economy and abundance of digital talent too is conducive to innovation.

In this atmosphere, **India is fast emerging as a hub for innovation.** Capgemini's Digital Transformation Institute's 2017 report lists India in fourth place (behind the US, Singapore and Germany) as an innovation hub. Attracting ever higher amounts of foreign R&D investments, another report indicates that India attracted about a third of nearly 200 Engineering R&D centres created across the globe in 2015 - investor companies included Rolls-Royce, Michelin, BASF, Bosch and Ericsson. In total, India has more than a 1000 such centres today.

Significantly, looking at figures between 2011-2015 (Fig. 2 below), **domestic patent application numbers are now rising consistently, and in most years, faster, when compared with foreign application filings.**

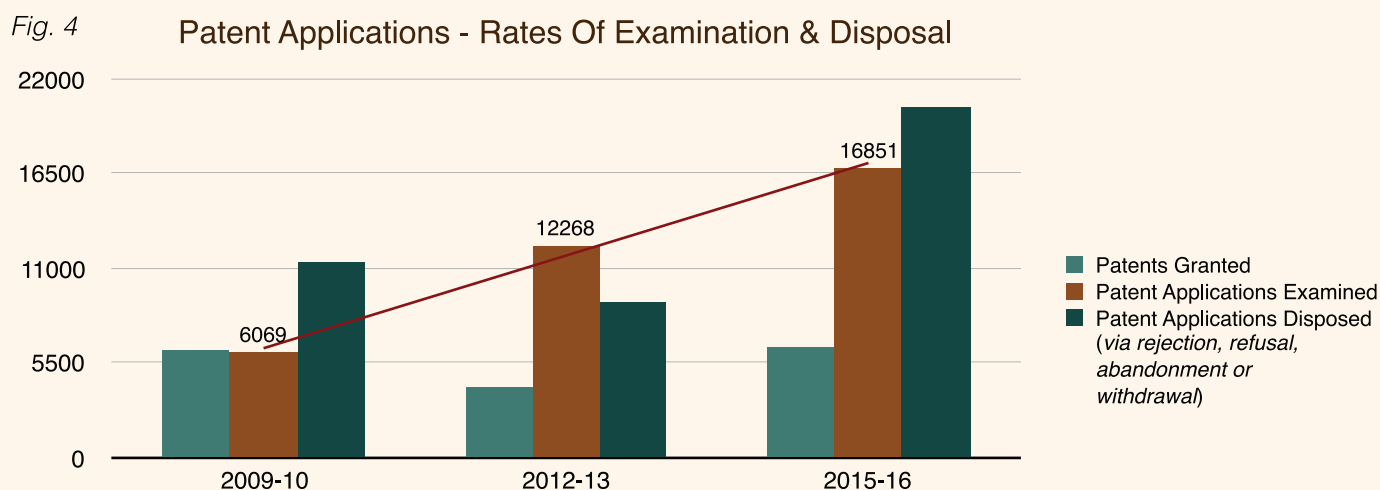
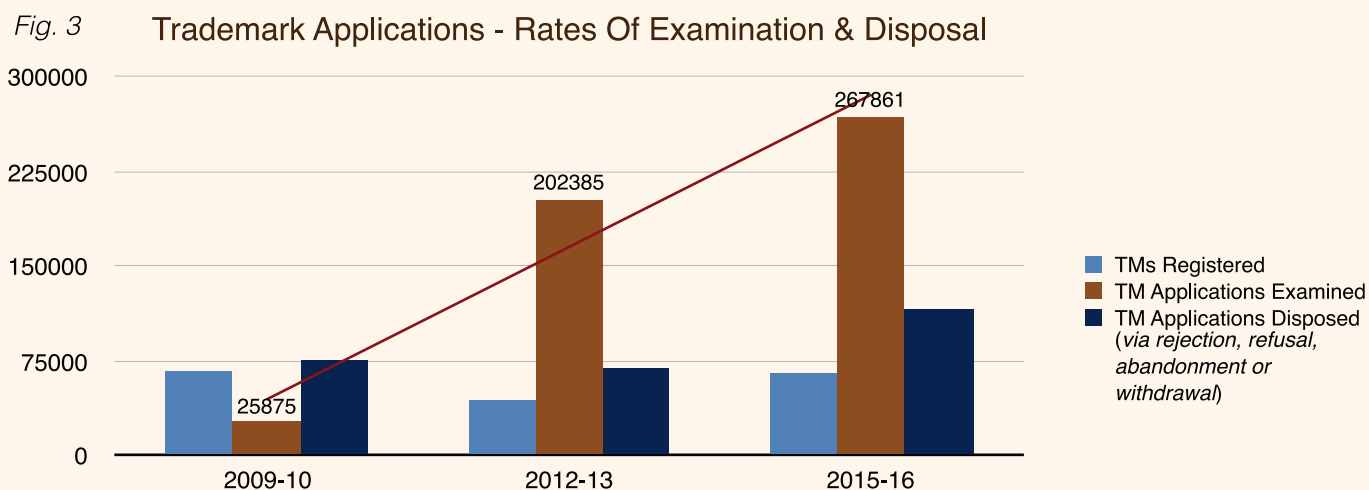


Improvements in the administration of IP rights have also provided a fillip to IP filings.

- The integration of technological tools into the IP Office's functioning has proved vital to improving efficiencies and transparency -
 - comprehensive e-filing processes are in place;
 - work flows have been computerised;
 - automated processes such as those for issuance of registration certificates have been instituted;
 - a mobile app was launched in December 2017 that can provide users status on IP filings and enable management of deadlines. etc.
- Augmentation of human resources is another key factor -
 - recruitment of 458 new examiners of patents and designs at the Patent Office has sped up functioning considerably;

- plans are afoot to add another 84 examiners and 95 controllers;
- ultimate aim of bringing down pendency in patent examination from the present 5 to 7 years to less than 18 months;
- pendency in trademark examination is already down from the erstwhile 13 months to just one month;
- the strength of trademark examiners has been augmented through recruitment of 143 examiners and a further addition of 38 examiners and 58 hearing officers has been sanctioned for 2018 to maintain momentum.

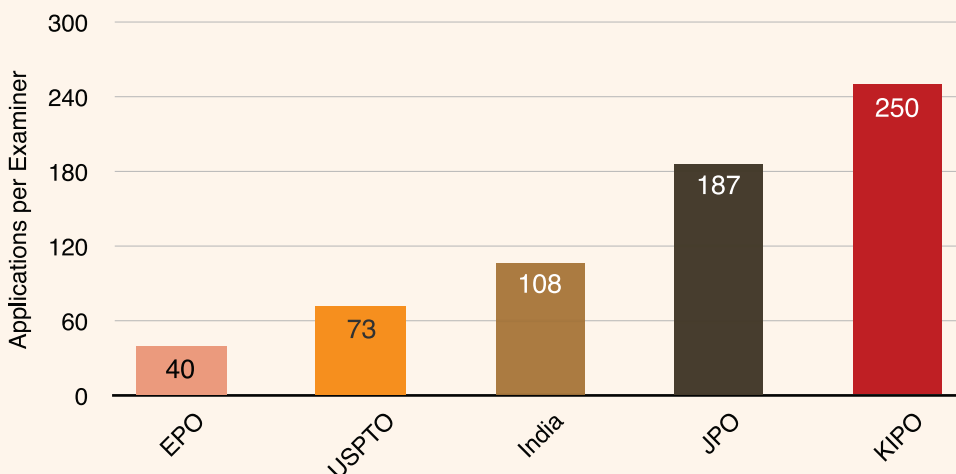
Fig. 3 and Fig. 4 below illustrate the quickened pace of the IP Office's functioning.



The trend towards more efficient functioning of the Indian IP office is confirmed by more recent figures mentioned in the Department of Industrial Policy & Promotion's Annual Report of 2016-17. Here, patent examination figures for the period between April - December 2016 are shown to have risen 20% over the corresponding period in 2015. For trademark applications, the increase in the rate of examination is a stupendous 185% vis-à-vis 2015 figures.

Interestingly, if one examines statistics set out in WIPO's World Intellectual Property Indicators 2017, with an improved bench strength in terms of examiners, the average number of filings per examiner in India has come down to a level lower than one that prevails in Japan (JPO) and the Republic of Korea (KIPO) (see Fig. 5 on Page 4).

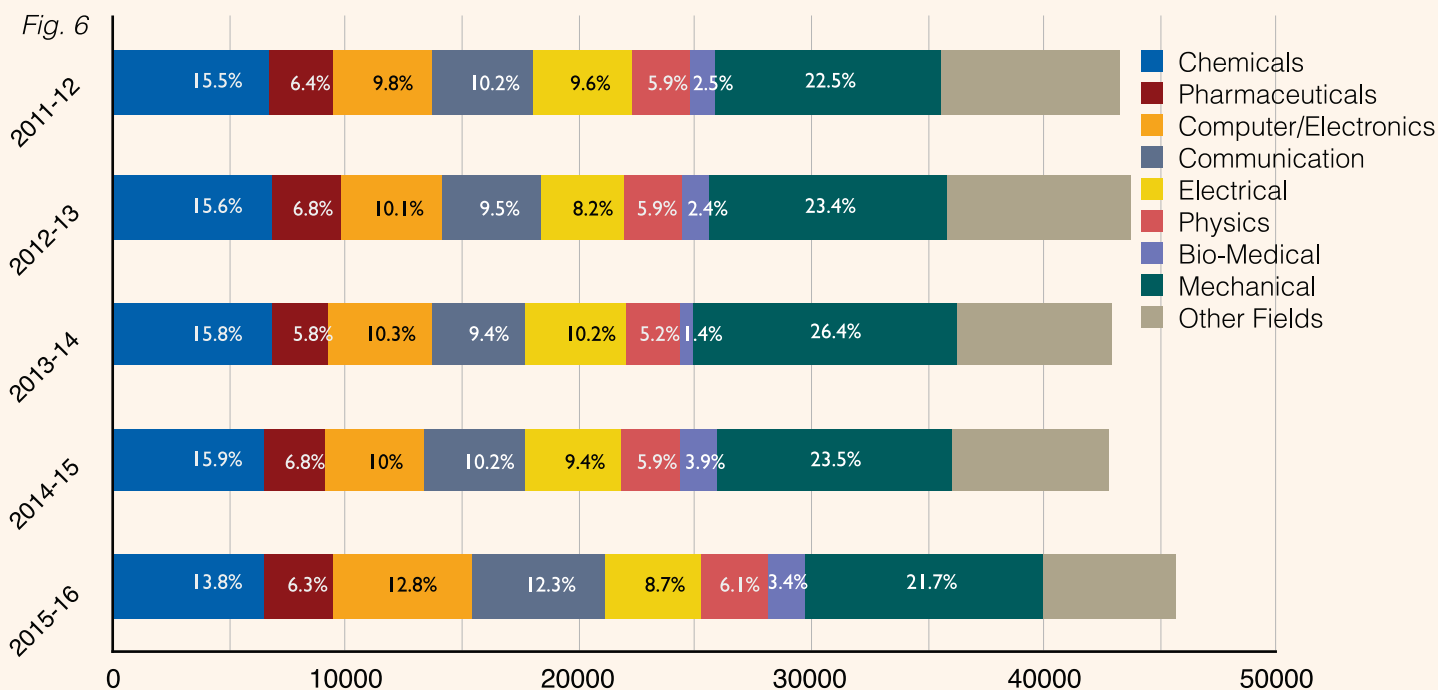
Fig. 5 Patent Application And Examiner Ratios in 2016



Source: WIPO's World Intellectual Property Indicators 2017

THE NATURE OF FILINGS

Technical Fields With Most Patent Applications in India - 2011-16



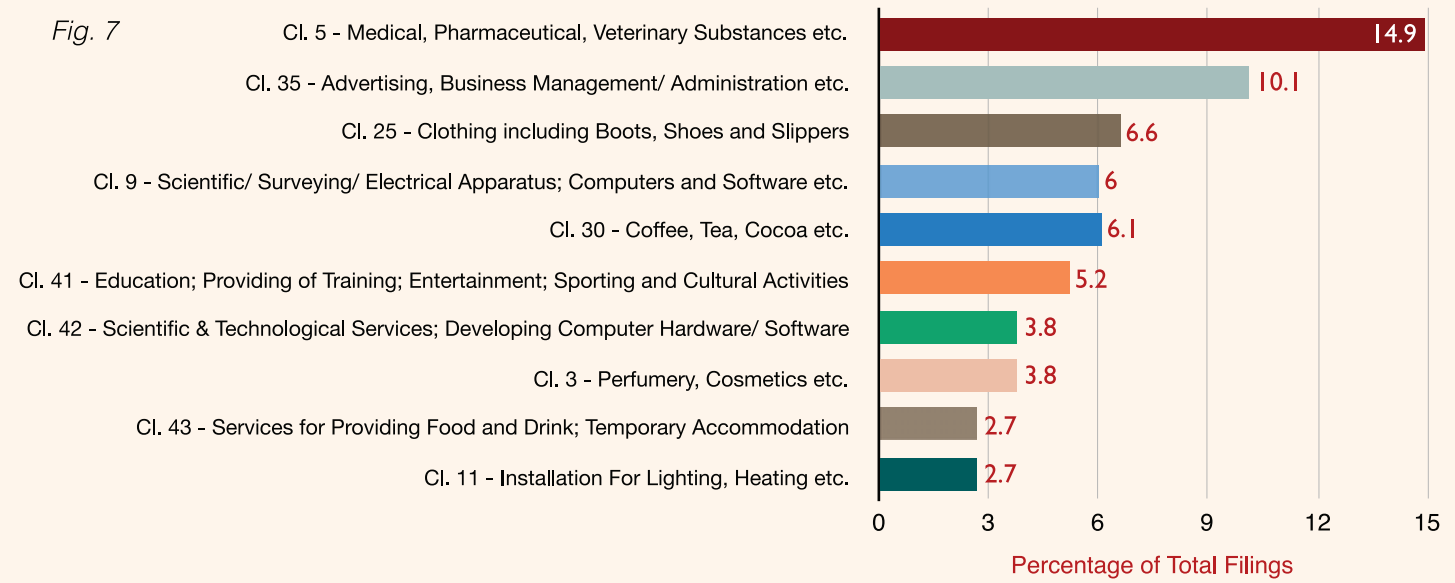
Source: Office of the Controller General of Patents, Designs, Trademarks and Geographical Indications - Annual Report 2015-16

As in previous years, Fig. 6 above reveals that once again in 2015-16, Mechanics, followed by Chemicals, were the top two fields of patent applications (despite a slight drop of -1.8% and -2.1% respectively in 2015-16). In terms of change, the strongest growth was in Computer/Electronics (+2.8%) and Communication (+2.1%). Globally, computer technology was the most frequently featured technology in published patent applications in 2015 followed by electrical machinery, measurement, digital communication and medical technology.

Trends In Trademark Filings

WIPO's *World Intellectual Property Indicators 2017* reveals that **62.5% of global filing activity covered 'goods' classes and 37.5% covered 'services'** (per the Nice Classification). The share of services classes for China was 34% and for the EU 37.3%; but the US and Japan showed a higher distribution for services classes at 40% and 49.8% respectively. India was nearly 10 percentage points behind the global average at 27.4%.

Class-Wise Distribution Of Applications Filed In FY 2015-16 For The Registration of Trademarks



Source: Office of the Controller General of Patents, Designs, Trademarks and Geographical Indications - Annual Report 2015-16

Interestingly, service class 35 accounted for 10.5% of global filing activity in 2016, followed by class 9 (6.9%), class 41 (5.8%) and class 25 (5.7%). Indian figures are more or less in consonance with the global average save that class 5 (14.9%) occupies the top spot in Indian trademark filings with class 35 coming in at second position.

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Working Of Patents In The Indian Perspective - What Should 'Work'?

A REPORT

Of late, there has been a flurry of activity regarding India's requirement for *working of patents*. In an order issued on January 10, 2018, the Delhi High Court, hearing arguments in a Public Interest Litigation (PIL) filed in 2015, directed the government to take expeditious steps for the enforcement of statutory provisions pertaining to the working of patented inventions and relook changes required in the statute, rules and prescribed forms.

But what is this provision and why is it such a big issue?

The Genesis of India's Working Requirement

In many patent regimes across the world, a government's 'quid pro quo' for a patentee's right of exclusivity in his invention includes a requirement that the patentee will also "work the patent", i.e., not just sit on the fruits-of-his-labour but commercialise the invention to the fullest extent. The intent behind this is to help the country by spurring growth in the domestic industry, generating employment and dissipating technological know-how.

Internationally, there was little consensus on the issue of patent working before the Paris Convention for the Protection of Industrial Property, 1883 was signed. Article 5 of the Paris Convention (as amended after the Hague Conference in 1925) prohibited forfeiture of a patent merely on the ground of non-working of a patent except for cases where grant of a compulsory license did not prove to be an adequate relief.

On the Indian front, being technologically underdeveloped as India was after independence, the government appointed a committee in 1957, headed by the legal stalwart Justice N. Rajagopala Ayyengar, to review India's patent laws and to suggest changes commensurate with India's new beginnings as an independent nation. The committee submitted its 'Report On The Revision Of The Patents Law' in 1959, which has become the bedrock of India's ideological position on patent protection. Relevant to this report, the Ayyengar committee considered the vices of not commercialising inventions embodied in a patent in great detail, and finally recommended that India should retain *compulsory licensing* as well as "compulsory" *working* of a patent in its laws. As a penalty for continued non-working of a patent, the report advocated the sanction of revocation noting that "[i]f a country with the industrial progress of the U.K. is unwilling to drop the provision as to revocation for non-working in her law, the need for such provision in the circumstances of our country requires no elaborate argument".

The Ayyengar committee's ideology continued to prevail over decades of India's technological growth and the most recent change to the Patent Act, 1970, (the "Act") also embodies the *working* requirement. Although the term 'working' has not been defined in the Act, there is sufficient indication of its importance in our regime. For example, Section 83 (a) stipulates 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*". Leaning towards "working" by way of manufacturing, Section 83 (b) clarifies that patents are "*not granted merely to enable patentees to enjoy a monopoly for the importation of the patented article*".

Procedurally, compliance with the working requirement is monitored through Section 146 of the Act, which requires patentees and licensees (whether exclusive or otherwise) to furnish annual statements – on Form 27 – elaborating the extent to which the patented invention has been worked on a commercial scale in India.

The Consequences of Non-Working of a Patent

The consequences of non-working of a patent are that (i) a compulsory license may be granted, and (ii) the patent may be revoked for continued non-working. Specifically, Section 84 (1)(c) provides a non-patent holder the right to seek a compulsory license on the ground that the patent has not been worked for 3 years since the date of

grant of the patent. Thereafter, if a compulsory license is granted, then the patent in question may be revoked under Section 85, if the invention is not worked in India even after grant of a compulsory license.

In addition to the above, non-working of a patent may adversely affect chances of obtaining an interim injunction during an infringement proceeding. This result came to light in the case of *Franz Xaver Huemer vs. New Yash Engineers*, where the Delhi High Court addressed the issue of non-working and held that the plaintiff who had obtained a patent 12 years ago but had not worked the patent in India could not, in equity, seek a temporary injunction against the defendant.

Further, and relevant to the PIL currently being heard by the Delhi High Court, not reporting the working (or not working) of a patent also has its own consequence. Under Section 122 of the Act, failure or refusal to furnish information regarding working of an invention could invite a penal action, which includes a fine of up to approximately US\$ 20,000. Furnishing false information is also punishable with imprisonment up to 6 months, or a fine, or both.

Does Importation Satisfy Working Of Patents?

In 2012, the Controller General of the Indian Patent Office, while rendering a decision in the compulsory licensing matter of *Natco Pharma vs Bayer Corporation*, set the cat among the pigeons by adopting the view that “[t]he term ‘work the invention’ does not include imports as a [sic] compulsory license holder has to necessarily work the patent by manufacturing the patented invention in India...” The Controller General went on to state that, “I am therefore convinced that ‘worked in the territory of India’ means ‘manufactured to a reasonable extent in India’”.

The Intellectual Property Appellate Board (the “IPAB”), while hearing an appeal against the Controller General’s decision, disagreed. It recognised that there may be circumstances, such as low demand for the patented product, which may make setting up a factory in India impracticable. It held that working neither excludes ‘import’, nor is it synonymous with ‘import’. Rather, whether importation qualifies as working has to be determined on a case-to-case basis. In a subsequent writ petition filed in the same case, the Bombay High Court upheld this view of the IPAB. The Court noted that in Form 27 there is clear indication that ‘import’ is relevant for the purpose of working since the details of import are furnished under the head “worked”. It was also observed that onus was on the patentee to satisfy the authorities as to why the patented invention was not being manufactured in India keeping in view Section 83 of the Act.

In preliminary injunction matters before courts, the issue of importation was first addressed in detail in the matter of *F. Hoffmann-La Roche Ltd. & Anr. vs. Cipla Ltd.* (2009), where the Delhi High Court refused an interim injunction on the ground that the plaintiff was importing the patented product and not manufacturing the patented drug in India. The Court was of the view that “[i]n case interim injunction is granted in favour of the plaintiffs, the manufacturing and marketing network of the defendants so far as the drug is concerned would be dismantled. If due to any problem, the plaintiffs cannot make available the drug in required quantity in India, it obviously will be disastrous for patients. This consequence is foreseeable, therefore in my opinion, the Court should not pass any interim order which may possibly lead to such a situation.”

This view prevailed until 2015, when the landscape from the lens of a patentee became a little brighter because the Delhi High Court clarified that setting up of a manufacturing unit in India cannot be imposed as a condition precedent to patent protection. In its judgment passed in *Novartis AG & Anr. vs. Cipla Ltd*, the Delhi High Court unequivocally held that “the requirement of law is limited to working the patent in India so that the same is available to public at large. It is not essential that the patent must be worked by manufacturing the patented product in India..... The Act does not mandate that no patent protection would be granted to a patentee unless local manufacture is undertaken”. As affirmation of this reasoning, in 2017, the Division Bench of the Delhi High Court confirmed that patents can be worked through imports, holding that “all that has to be seen is that the imports are of a sufficient quantity so as to meet demands for the product.”

The Current State of Discontentment

So, where is the discord? While several patentees decry that the working requirement is anti-patent, the PIL mentioned at the beginning of this article complains that the Patent Office is not fulfilling its duty as the gate keeper of the working requirement in India. Particularly, the PIL asserts that until now, the Patent Office has not initiated action against patentees who have not complied with the statement of working requirement mandated by the Act.

Fig. (i)

	2011-12	2012-13	2013-14	2014-15	2015-16
Patents in force	39,989	43,920	42,632	43,256	44,524
Form-27 received	27,825	27,946	33,088	31,990	39,507
Reported as working	7,431	6,201	8,435	7,900	8,589

Statistics published in the annual report of the Office of the Controller General (Fig. (i) above) reflect that while compliance of filing a statement of working has increased considerably over the last five years, the percentage of patents being worked vis-à-vis the number of patents in force has remained static over the same period, as shown in Fig. (ii) below.

Fig. (ii)

	2011-12	2012-13	2013-14	2014-15	2015-16
Patents worked (out of total number of active patents)	18.6%	14.1%	19.8%	18%	19.3%
Cases where statement of working has not been filed	30.4%	36.4%	22.4%	26%	11.3%

The PIL is sub-judice and hopefully, we will see some clarity emerge in the next few months, as the Patent Office (and the Court) decides the importance of the ideological requirement of *working of patents* in India, the procedural steps for compliance with the requirement and the consequences of non-compliance. To aid this process, the Patent Office has even issued a notification seeking comments from stakeholders on the issues that have been raised in the PIL. Whatever the outcome, it is almost certain that the finality will bring about far reaching changes with respect to the working requirement.

Practically, until further clarification issues, it will be prudent for patentees, especially in the pharmaceutical domain to meet the statement of working (Form 27) requirements by filing annual statements indicating the working of their inventions in India or alternatively, filing a statement that the patent is not worked – along with the reasons for non-working.

About the Firm

Established in 1827, Remfry & Sagar is arguably the second oldest IP firm in the world and one of the largest in India. Having been at the forefront of IP protection and development for nearly two centuries, our depth of experience is hard to match and ability for fresh thinking in changing scenarios self-evident. A dynamic team of 100 lawyers and 150 professional staff offers services across the spectrum of intellectual property law. A group of corporate law experts also advise on wide ranging commercial matters. More than 8000 clients in over 70 countries are testimony to our leading capabilities.

Clientele drawn from diverse industries and extensive involvement in global IP fora including INTA, ECTA, AIPLA, AIPPI, APAA, FICPI, ITMA, LES and PTMG lend us a broad world view and deep insight into the demands of modern business. Our expertise in service is particularly strong in the Indian subcontinent, however, the Firm's long history has fostered close associations across geographies facilitating easy fulfilment of a client's global IP needs. Notably, our efforts towards crafting seamless IP solutions do not conclude with our clients; we engage continually with policy makers to contribute towards a larger change in India's IP milieu.

The Firm's core values endure over two centuries: innovation, integrity, efficiency and undisputed quality are Remfry's hallmark.

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2015, 2016 & 2017-18: **Winner, Intellectual Property**

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2014 & 2016: **IP Firm of the Year (Trademarks)**
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Managing Intellectual Property - 2014, 2015, 2016 & 2017: **Tier I Firm - Trademarks & Patents**

Chambers Asia-Pacific - 2016, 2017 & 2018: **Tier I Firm - Intellectual Property**

The Legal 500 Asia Pacific - 2016, 2017 & 2018: **Tier I Firm - IP (India)**

WTR 1000 - 2016, 2017 & 2018: **Tier I Firm - Trademarks**

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Asia IP - 2015, 2016 & 2017: **Tier I Firm - Trademarks & Patents**

Asian Legal Business Rankings - 2015, 2016 & 2017: **Tier I Firm - Trademarks & Patents**

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