

Due Diligence Threads In Indian IP Laws

By Rahul Dutta

Ignorance of the law is not an excuse. This [in] famous saying has a lot to offer regarding ignorance in a world where the laws are territorial, but the business is across the territorial limits. The knowledge of the laws of a territory is increasingly becoming important before entering into the foreign waters. In fact such legal inputs have become an integral part of business strategy. Since it is done prior to actually triggering the business activities, the entire process has been rightly named due diligence. Intellectual property (IP) has emerged as front runner in the due diligence process because working on the IP due diligence can start at the same time as the development of the business strategy. However, it would not be right to give a notion that due diligence or IP due diligence is required only in cross-border situations. It is just like putting a step forward, only after making sure that you're not going to stand on someone else's tail.

Any business starts with formation of a legal entity and for the same there are now four options in India, *i.e.*, proprietorship firm, partnership firm, limited liability partnership (LLP), and company. The LLP is the latest addition. The formation of a legal entity starts with giving a name to the entity. Here come trademark issues. There are provisions in the respective laws that no two entities with the same name for the same objective should be created. The LLP Act has a provision for both reserving a name¹ for LLP and rejecting the registered name for a LLP if someone else has filed a trademark application for another partnership firm or LLP or a registered corporate or a registered trademark.² Therefore, the due diligence starts from the time of deciding on the name of an entity and continues in the brand names umbrella formation with the product and service names.

In the Copyright Act there are a few provisions which should be taken as 'must consider' points, but the law appears in each unique situation and needs thorough investigation. In copyright transactions there are specific provisions in the Act which should be taken care of. The Copyright Act says that if there

is no mention of territory in an assignment, it should be considered as limited to India only.³ The assignment should be in writing and must be signed by the assignor.⁴ The assignment document must include the royalty to be paid to the assignor, if any, during the continuation of the assignment; and the assignment shall be subject to revision, extension or termination on terms mutually agreed upon to the parties.⁵ The exercise of the rights assigned by the instrument of copyright assignment to the assignee is also a necessary condition. In case the rights are not exercised within a year from the date of assignment, in absence of the contrary condition, the assignment lapses.⁶ Similarly the assignment deed must include the duration of assignment in absence of which the assignment would be considered for five years only.⁷ The conditions laid down in the section 19 are also applicable to the license in copyright.⁸ The Copyright in any design which is capable of being registered under the Designs Act, 2000, shall cease to as soon as any

2. Section 15(2): No limited liability partnership shall be registered by a name which, in the opinion of the Central Government is—

(a) Undesirable; or

(b) Identical or too nearly resembles to that of any other partnership firm or limited liability partnership or body corporate or a registered trademark or a trademark which is the subject matter of an application for registration of any other person under the Trade Mark Act, 1999.

3. Section 19(6): Mode of Assignment: If the territorial extent of assignment of the rights is not specified, it shall be presumed to extend within India.

4. Section 19(1): Mode of Assignment: No assignment of the copyright in a work shall be valid unless it is in writing signed by the assignor or by his duly authorized agent.

5. Section 19(3): Mode of Assignment: The assignment of copyright in any work shall also specify the amount of royalty payable, if any, to the author or his legal heirs during the currency of the assignment and assignment shall be subject to revision, extension or termination on terms mutually agreed upon by the parties.

6. Section 19(4): Mode of Assignment: Where the assignment does not exercise the right assigned to him under any of the other sub-sections of this section within period of one year from the date of assignment, the assignment in respect of such rights shall be deemed to have lapsed after the expiry of the said period unless otherwise specified in the assignment.

7. Section 19(5): Mode of Assignment: If the period of assignment is not stated, it shall be deemed to be five years from the date of the assignment.

8. Section 30A: Application of section 19 and 19A: The provisions of sections 19 and 19A shall, with any necessary adaptation and modifications, apply in relation to a license under section 30 as they apply in relation to assignment of copyright in a work.

1. Section 16: Reservation of name: (1) A person may apply in such form and manner and accompanied by such fee as may be prescribed to the Registrar for the Reservation of a name set out in the application as—

(a) The name of a proposed limited liability partnership; or

(b) The name to which a limited liability partnership proposes to change its name.

article on which the design has been applied has been reproduced more than fifty times by an industrial process by the copyright owner.⁹ The copyright owner holds right to approach the Registrar of Copyright to stop import of the infringing copies of his work.¹⁰ In an interesting case related to importation of pirated music recordings: In *Gramophone Co. Of India Ltd v Birendra Bahadur Pande* (1950-2000) 22 PTC Supp (1) 547 SC, the Hon'ble Apex Court held that 'import' into India is not limited to importation for commerce only, but includes importation for transit across the country. Therefore infringing goods imported to India in transit to another country amounts to infringement of copyright.

The patent rights in a product are the exclusive rights to prevent others from the act of making, using, offering for sale, selling or importing for those purposes that product in India. The patent rights in a process are the exclusive rights to prevent third parties from the act of using, offering for sale, selling or importing for those purposes the product obtained directly by that process in India.¹¹

There are a few things to remember in relation to patents. First, the renewal fee is annual and needs to be paid in time to maintain the flow of patent monopoly.¹² The breakage in the patent maintenance fee may provide an opportunity to the third parties to 'infringe'

9. Section 15(2): Special Provision regarding copyright in designs registered or capable of being registered under the Designs Act: Copyright in any design, which is capable of being registered under the Designs Act, but which has not been so registered, shall cease as soon as any article to which the design has been applied has been reproduced more than fifty times by an industrial process by the owner of the copyright or, with his license, by any other person.

10. Section 53(1): The Registrar of Copyrights, on application by the owner of the copyright in any work or by his duly authorized agent and on payment of the prescribed fee, may, after making such inquiry as he deems fit, order that copies made out of India of the work which if made in India would infringe copyright shall not be imported.

11. Section 48: Subject to the other provisions contained in this Act and the conditions specified in the Section 47, a patent granted under this Act shall confer upon the patentee—

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

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

12. Section 53(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 such extended period as may be prescribed.

the patent without incurring any obligation towards to the patentee even after restoring the patent rights by paying the annual renewal fee.¹³ Legally there is no infringement of a patent in cases where the renewal fee has not been paid. The Patent Act provides opportunity to file an application for the restoration of the lapsed patent up to eighteen months from the date on which the patent ceased to have effect.¹⁴

The transactions in patent rights are not valid unless the same is in writing.¹⁵ It is the obligation of the assignee or licensee or those sharing of any rights in the patent to get his rights registered in the patent register.¹⁶ The patent rights can be shared with or transferred not only by assignment, license or mortgage, but also by sharing an application as the co-applicant resulting in cementing the rights as co-patentee once the patent is granted. If an agreement is not made prior to sharing an application for patent as the co-applicant, the co-owners of a patent are entitled to an equal undivided share in the patent.¹⁷ However, the co-owners of patent rights have been given liberty to decide the course of fate of

■ **Rahul Dutta,**
Intellectual Property Lab,
Patent and IP Attorney,
Lucknow, India
E-mail: Rahul@iplab.in

13. Section 53(4): Notwithstanding anything contained in any other law for the time being in force, on cessation of the patent right due to non-payment of the renewal fee or on expiry of the term of patent, the subject-matter covered by the said patent shall not be entitled to any protection.

14. Section 60(1): Applications for restoration of lapsed patents: Where a patent has ceased to have effect by reason of failure to pay any renewal fee within the period prescribed under section 53 or within such period as may be allowed under sub-section (4) of section 142 the patentee or his legal representative, and where the patent was held by two or more persons jointly, then, with the leave of the Controller, one or more of them without joining the others, may, within eighteen months from the date on which the patent ceased to have effect, make an application for the restoration of the patent.

15. Section 68: An assignment of a patent or of a share in a patent, a mortgage, license or the creation of any other interest in a patent shall not be valid unless the same were in writing and the agreement between the parties concerned is reduced to the form of a document embodying all the terms and conditions governing their rights and obligations and duly executed.

16. Section 69(1): Where the person becomes entitled by assignment, transmission or operation of law to a patent or to a share in a patent or becomes entitled as a mortgagee, licensee or otherwise to any other interest in a patent, he shall apply in writing in the prescribed manner to the controller for the resignation of his title or, as the case may be, of notice of his interest in the register.

17. Section 50: (1) Where a patent is granted to two or more persons, each of those persons shall, unless an agreement to the contrary is in force, be entitled to an equal undivided share in the patent.

their rights for their own benefits without accounting to the other co-owner(s).¹⁸ In cases of co-owners of a patent, it is very important for the prospective licensee to secure license for any right vested in the patent by all the co-owners of the patent, otherwise the license or share in the patent shall not be valid.¹⁹ The rights in patents are considered as rights in a movable property, and the rules applicable to the movable property apply.²⁰

It is very important in Indian context to understand that patent rights are not absolute in nature. Patent rights are subject to working on the patent in India, fulfilling the requirement of the public in relation to the invention for which the patent monopoly was granted at reasonable price within three years from the date of grant of patent; or else anyone is free to file an application for the grant of compulsory license.²¹ In the case of not working on the patent in Indian territory, after the grant of the first compulsory license, the obligation of the public to honour the patent rights deteriorates further to revocation of the patent.²² Further it is a must for a patent applicant to keep an eye on the development of the patent portfolio related to the technology domain under which he has filed a patent application and should judiciously entertain the proposals for licensing the invention once the patent

18. Section 50(2): Subject to the provisions contained in this section and in section 51, where two or more persons are registered as grantee or proprietor of a patent, then, unless an agreement to the contrary is in force, each of those persons shall be entitled, by himself or his agents, to the rights conferred by section 48 for his own benefit without accounting to the other person or persons.

19. Section 50(3): Subject to the provisions contained in this section and in section 51 and to any agreement for the time being in force, where two or more persons are registered as grantee or proprietor of a patent, then, a license under the patent shall not be granted and a share in the patent shall not be assigned by one of such persons except with the consent of the other persons or persons.

20. Section 50(5): Subject to the provisions contained in this section, the rules of law applicable to the ownership and devolution of movable property generally shall apply in relation to patents; and nothing contained in sub-section (1) or sub-section (2) shall affect the mutual rights or obligations of trustees or of the legal representatives of a deceased person or their rights or obligations as such.

21. Section 84(1): At any time after the expiration of three years from the date of the grant of the patent, any person interested may make an application to the Controller for grant of compulsory license on patent on any of the following grounds, namely:—

(a) That the reasonable requirements of the public with respect to the patented invention have not been satisfied, or

(b) That the patented invention is not available to the public at a reasonably affordable price, or

(c) That the patented invention is not worked in the territory of India.

is secured. Otherwise, the law prescribes licensing of the patent to third parties having interests in other patented inventions claiming that the invention is not workable without license to use the first-mentioned patented invention.²³ The provisions for compulsory license and license to a newly sealed patent are to ensure smooth relationships among patented inventions.

Although an infringement to a patent is a civil wrong, there are a few provisions in the Patent Act which have criminal liabilities. One is related to compulsion to all the residents of India to first file the patent application in India, or else secure permission from the Controller to file the first application in foreign territories.²⁴ Non-compliance to the provisions mentioned in section 39 for the mandatory first filing in India is punishable with imprisonment and/or fine or both.²⁵

Trademark and Copyrights laws have penal provisions for the infringement and therefore both the

22. Section 85(1): Where, in respect of a patent, a compulsory license has been granted, the Central Government or any person interested may, after the expiration of two years from the date of the order granting the first compulsory license, apply to the Controller for an order revoking the patent on the ground that the patented invention has not been worked in the territory of India or that reasonable requirements of the public with respect to the patented invention has not been satisfied or that the patented invention is not available to the public at a reasonable affordable price.

23. Section 91(1): Notwithstanding anything contained in the other provisions of this Chapter, at any time after the sealing of a patent, any person who has the right to work any other patented invention either as patentee or as licensee thereof, exclusive or otherwise, may apply to the Controller for the grant of a license of the first-mentioned patent on the ground that he is prevented or hindered without such license from working the other invention efficiently or to the best advantage possible.

24. Section 39: (1) No person resident in India shall, except under the authority of a written permit sought in a manner prescribed and granted by or on behalf of the Controller, make or cause to be made any application outside India for the grant of a patent for an invention unless—

(a) An application for a patent for the same invention has been made in India, not less than six weeks before the application outside India; and

(b) Either no direction has been given under sub-section (1) of section 35 in relation to the application in India, or all such directions have been revoked.

(2) The Controller shall dispose of every such application within such period as may be prescribed:

Provided that if the invention is relevant for defense purpose or atomic energy, Controller shall not grant permit without the prior consent of the Central Government.

25. Section 118: If any person fails to comply with any direction given under section 35 or makes or causes to be made an application for the grant of a patent in contravention of section 39, he shall be punishable with imprisonment for a term which may extend to two years, or with fine, or with both.

laws need special consideration to avoid conflict of interest. The TRIPS compliant trademark law provides trademark registration for both products and services. The trademark applications can be filed for both existing and future products and services.²⁶ Ideally before the launch of a new product line or services, it is better to get a trademark search report based upon the prospective business, product or services name, and on the basis of the same, apply for the trademark registration before actually entering into the market with the new trade/services name. Once the registration of a trademark is secured, its timely renewal and keeping the trademark in use are mandatory to retain the registration alive and free from conflicts. The registered trademark needs renewal at the intervals of ten years.²⁷ If a registered trademark is not renewed in the stipulated time, the trademark may be removed from the trademark register.²⁸ However, there is remedy for restoring the trademark removed from the register due to non-payment of the renewal fee.²⁹ The registered trademark, which was proposed to be used, needs to be transferred to the proposed user within the prescribed time or else registration will cease to exist.³⁰ Another condition for precipitating the removal of a registered trademark is non-use for the continuous

26. Section 46(1): No application for the registration of a trademark in respect of any goods or services shall be refused nor shall permission for such registration be withheld, on the ground only that it appears that the applicant does not use or propose to use the trademark if the registrar is satisfied that—

(a) A company is about to be formed and registered under the Companies Act, 1956 and that the applicant intends to assign the trademark to that company with a view to use thereof in relation to those goods or services by the company; or

(b) The proprietor intends it to be used by a person, as a registered user after the registration of the trademark.

27. Section 25(1): The registration of a trademark, after the commencement of this Act, shall be for a period of ten years, but may be renewed from time to time in accordance with the provisions of this section.

28. Section 25(3): At the prescribed time before the expiration of the last registration of a trademark the Registrar shall send notice in the prescribed manner to the registered proprietor of the date of expiration and the conditions as to payment of fees and otherwise upon which a renewal of registration may be obtained, and, if at the expiration of the time prescribed in that behalf those conditions have not been duly complied with the Registrar may remove the trademark from the register.

Provided that the Registrar shall not remove the trademark from the register if an application is made in the prescribed form and the prescribed fee and surcharge is paid within six months from the expiration of the last registration of the trademark and shall renew the registration of the trademark for a period of ten years under sub-section (2).

period of five years from the date of registration of the trademark. This provision is to keep the *bona fide* trademarks in the register and prevent re-opening the bogus trademarks for registration.

A trademark is transmissible as a transaction of property. Irrespective to the fact whether a trademark is registered or not, it is assignable with or without associated goodwill. The rights in the registered trademark can be segregated in terms of the goods in a class of goods for which it is registered and transmissible to third parties. It is mandatory for the assignee or licensee to get his interest in the trademark registered with the Registrar of trademarks.³¹

With the interdependence of territories in terms of sustaining the local economy, the dependency on laws of other territories has increased, and thus has increased the role of due diligence. From FMCG goods to high-end technology products, all are embedded with IP, and therefore IP due diligence has become a must in business transactions. ■

29. Section 25(4): Where a trademark has been removed from the register for non-payment of the prescribed fee, the Registrar shall, after six months and within one year from the expiration of the last registration of the trademark, on receipt of an application in the prescribed form and on payment of the prescribed fee, if satisfied that it is just so to do, restore the trademark to the register and renew the registration of the trademark either generally or subject to conditions or limitations as he thinks fit to impose, for a period of ten years from the expiration of the last registration.

30. Section 46(4): Where in a case to which sub-section (1) applies, a trademark in respect of any goods or services is registered in the name of an applicant who, relies on intention to assign the trademark to a company, then, unless within such period as may be prescribed or within such further period not exceeding six months as the Registrar may, on application being made to him in the prescribed manner, allow, the company has been registered as the proprietor of the trademark in respect of those goods or services, the registration shall cease to have effect in respect thereof at the expiration of that period and the Registrar shall amend the register accordingly.

31. Section 45(1): Where a person becomes entitled by assignment or transmission to a registered trademark, he shall apply in the prescribed manner to the Registrar to register his title, and the Registrar shall, on receipt of the application and on proof of title to his satisfaction, register him as the proprietor of the trademark in respect of the goods or services in respect of which the assignment or transmission has effect, and shall cause particulars of the assignment or transmission to be entered on the register.

Provided that where the validity of an assignment or transmission is in dispute between the parties, the Registrar may refuse to register the assignment or transmission until the rights of the parties have been determined by a competent court.