

**Course : PGDCL-02**



**Vardhaman Mahaveer Open University,  
Kota**

**Copy Right, Patents  
And  
Trade Mark**

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## **Vardhaman Mahaveer Open University, Kota**

### **Copy Right, Patents and trade mark**

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# **Unit-1**

## **Introduction to Copyright**

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### **Objective:**

After going through this unit you should be able to:

- Understand the meaning of ‘Copyright’
- Understand the historic perspective of copyright
- Understand the nature and characteristic of copyright

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### **Structure:**

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- 1.1 Introduction
- 1.2 Origin of Copyright in Britain
- 1.3 Development of Copyright Law in India
- 1.4 Berne Convention (1886)
- 1.5 Universal Copyright Convention(1952)
- 1.6 Rome Convention
- 1.7 TRIPs(Trade related Intellectual Property Rights)
- 1.8 Concept of Copyright under Indian Law
- 1.9 Meaning of Copyright
- 1.10 Future of Copyright in India
- 1.11 Summary
- 1.12 Some Useful Books
- 1.13 Check your Progress
- 1.14 Answers to check your progress
- 1.15 Terminal Questions.

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### **1.1 Introduction:**

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The object of copyright law is to encourage authors, composers, artists and designers to create original works by rewarding them with the exclusive right for a limited period to exploit the work for monetary gain<sup>1</sup>.

It protects the writer or creator of the original work from the unauthorized reproduction or exploitation of his materials.

There is no copyright in ideas. Copyright subsists only in the material form in which the ideas are expressed. Works protected by copyright are:

1. Original, Literary, dramatic, musical and artistic works;
2. Cinematographic film; and
3. Records

### **Literary, Dramatic, Musical and Artistic Works Law:-**

**Literary work-** Copyright subsists in original literary works and relates to the expression of thought, but the expression need not be original or novel.

1. The work must not be copied from another work but must originate from the author.
2. Two authors independently producing an identical work will be entitled for copyright in their respective works.
3. The emphasis is more on the labor, skill judgment and capital expended in producing the work. It includes tables, compilations and computer programs.

**Dramatic work-** Copyright subsists in original dramatic work and its adaptation.

1. It includes any piece or recitation, choreographic work
2. Entertainment in dumb show
3. The scenic arrangement or acting form of which is fixed in writing otherwise
4. But does not include a cinematograph film.

**Musical work-** Copyright subsists in original musical work and

1. Includes any combination of melody and harmony, either of them reduced to writing or otherwise graphically produced or reproduced.
2. An original adaptation of a musical work is also entitled to copyright.

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<sup>1</sup> [www.helplinelaw.com](http://www.helplinelaw.com)

3. There is no copyright in a song. A song has its words written by one man and its music by another; its words have a literary copyright, and so has its music. These two copyrights are entirely different and cannot be merged.
4. In cases where the word and music are written by the same person, or where they are owned by the same person, he would own the copyright in the song.

Artistic work means-

1. A painting,
2. A sculpture,
3. A drawing including a diagram, map, chart or plan,
4. An engraving or a photograph, whether or not any such work possesses artistic quality;
5. An architectural work of art; and any other work of artistic craftsmanship.
6. The work need not possess any artistic quality but the author must have bestowed skill, judgment and effort upon the work.
7. A poster used in advertisement is an artistic work. But advertisement slogans consisting of a few words only are not copyright matter.

In case of literary, dramatic or musical work, A copyright gives the right to do and authorize the doing of any of the following acts, namely-

1. to reproduce the work in any material form;
2. to publish the work;
3. to perform the work in public;
4. to produce, reproduce, perform or publish any translation of the work;
5. to make any cinematographic film or a record in respect of work;
6. to communicate the work by broadcast or to communicate to the public by loud-speaker or any other similar instrument the broadcast of the work;
7. to make any adaptation of work;
8. to do in relation to a translation or an adaptation of the work any of the acts specified in relation to the work in clause (i) to (iv).

In the case of the artistic work, a copyright gives the right to do or authorize the doing of any of the following acts, namely-

1. to reproduce the work in any material form;
2. to publish the work;
3. to include the work in any cinematography film;

4. to make any adaptation of work;
5. to do in relation to an adaptation of the work
6. any of the acts specified in relation to the work in clauses (i) to (iii).

### **Cinematograph Film**

Cinematograph film includes the sound track, if any. It also includes any work produced by any process analogous to cinematography. A video film is considered to be a work produced by a process analogous to cinematography. A movie may be taken of a live performance like sport events, dramatic or musical performance.

In the case of cinematography film, copyright means the right to do or authorize the doing of any of the following acts, namely-

1. to make copy of the film;
2. to cause the film, in so far as it consists of visual images, to be seen in public and, in so far as it consists of sounds, to be heard in public;
3. to make any record embodying the recording in the part of the sound track associated with the film by utilizing such sound track;
4. to communicate the film by broadcast.

### **Records**

#### **Record means**

1. Any disc, tape, perforated roll or other device in which sounds are embodied so as to be capable of being reproduced there from.
2. The sound tract in a cinematography film is not a record unless it is separately recorded in a disc tape or other device.
3. Where the record is made directly from a live performance the owner of the disc or tape in which the recording is made will be the owner of the copyright.

In the case of a record, copyright gives the right to do or authorize the doing of any of the following acts by utilizing the record, namely-

1. to make any other record embodying the same recording;
2. to cause the recording embodied in the record to be heard in the public;

3. to communicate the recording embodied in the record by broadcast;

### **How to obtain Copyright:**

In order to secure copyright protection what is required is that the author must have best owed upon the work sufficient judgment, skill and labor or capital. It is immaterial whether the work is wise or foolish, accurate or inaccurate or whether it has or has not any literary merit.

In order to qualify for copyrights the works apart from being original, should satisfy the following conditions (except in the case of foreign works) : -

1. The work is first published in India.
2. Where the work is first published outside India the author, at the date of publication must be a citizen of India. If the publication was made after the authors' death the author must have been at the time of his death a citizen of India.
3. In case of unpublished work the author is at the date of making the work a citizen of India or domiciled in India.
4. In case of the architectural work of art, the work is located in India.

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## **1.2 Copyright in Britain:**

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The modern concept of copyright originated in the United Kingdom, in the year 1710, with the Statute of Anne.

The current copyright law of the United Kingdom is to be found in the Copyright, Designs and Patents Act 1988 (the 1988 Act), as amended. This came into force on 1 August 1989, for the most part, save for some minor provisions that were brought into force in 1990 and 1991.

Various amendments have been made to the original statute, mostly originating from European Union directives.

The types of work eligible for copyright protection include a literary, dramatic, artistic or musical work, the typographical arrangement of a published edition, a sound recording, a film, or a broadcast.<sup>[1]</sup>

Cinema films made before 1 June 1957, the date on which the Copyright Act 1956<sup>[2]</sup> came into force, are not protected as film. They are either protected as a



dramatic work under the Copyright Act 1911 (the 1911 Act) or as a series of photographs.

Wireless broadcasts prior to 1 June 1957 are not protected at all. The 1911 Act made no provision for them, as broadcasting had not as yet been invented when the Act was passed. Broadcasts by cable prior to 1 January 1985 are not protected at all either. Both the Acts of 1911 and 1956 made no provision for broadcasts by cable, as they had not been defined and protected as either "works" or "broadcasts" of either Acts.

The 1911 Act provides that an individual's work is automatically under copyright, by operation of law, as soon as it leaves his mind and is embodied in some physical form: be it a novel, a painting, a musical work written in manuscript, or an architectural schematic. This remains the legal position under the Schedules of 1956 Act and of the 1988 Act.

Once reduced to physical form, provided it is an original work (in the sense of not having been copied from an existing work), then copyright in it vests automatically in (i.e. is owned by) the author: the person who put the concept into material form. There are exceptions to this rule, depending upon the nature of the work, if it was created in the course of employment.

The question of who is the "author" of a work, and what rights attach to the author, is further discussed below.

In order to grant copyright protection to computer databases, UK copyright law recognizes the element of labour and skill used in compiling them, even though they are not in truth original works (being entirely derived from existing records), applying a principle sometimes called the 'Sweat of the Brow' doctrine; they are also protected by database right (see below).

The term 'Unfair Use' is sometimes applied in that context, to refer to the use of a work into which someone has invested a lot of skill and labour, but where little or no originality is present. This is mainly in the case of reproduction photography, or the retouching of artistic works that are out of copyright, or for simple computer databases, such works not being original.

A work, other than a broadcast, can qualify for copyright protection in either of two ways: by the nationality of the author, or by the country of first publication. A

work qualifies for copyright protection, if made after 1 June 1957 (the date on which the Copyright Act 1956 came into force), if its author is:

1. a British citizen, a British dependent territories citizen, a British National (Overseas), a British subject, or a British protected person, or
2. an individual resident or domiciled in the United Kingdom, or in another country to which the qualification clause extends, or
3. a body incorporated under the law of a part of the United Kingdom, or another country to which the qualification clause extends.

Alternatively, a work can qualify for copyright protection if its first publication took place:

1. in the United Kingdom, or
2. in another country to which the qualification clause extends.

However, a work made before 1 June 1957 can only qualify for copyright protection by its country of first publication; not by the author's nationality.

A broadcast, if made after 1 June 1957, qualifies for protection if:

1. it is made from the United Kingdom, or
2. it is made from another country to which the qualification clause extends.

Lists of the countries which trigger qualification are published in Statutory Instruments periodically. They are, in point of fact, those countries which have acceded to the Berne Copyright Convention.

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### **1.3 Development of Copyright Law in India:**

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The Copyright Act, 1957 came into effect from January 1958. This Act has been amended five times since then, i.e., in 1983, 1984, 1992, 1994, 1999 and 2012. The Copyright (Amendment) Act, 2012 is the most substantial. The main reasons for amendments to the Copyright Act, 1957 include to bring the Act in conformity with WCT and WPPT; to protect the Music and Film Industry and address its concerns; to address the concerns of the physically disabled and to protect the interests of the author of any work; Incidental changes; to remove operational facilities; and enforcement of rights. Some of the important amendments to the Copyright Act in 2012 are extension of copyright protection in the digital environment such as penalties for circumvention of technological protection measures and rights management information, and liability of internet

service provider and introduction of statutory licences for cover versions and broadcasting organizations; ensuring right to receive royalties for authors, and music composers, exclusive economic and moral rights to performers, equal membership rights in copyright societies for authors and other right owners and exception of copyrights for physically disabled to access any works.

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## **1.4 Berne Convention (1886):**

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The core of the Berne Convention is its provision that each of the contracting countries shall provide automatic protection for works first published in other countries of the Berne union and for unpublished works whose authors are citizens of or resident in such other countries.

Each country of the union must guarantee to authors who are nationals of other member countries the rights that its own laws grant to its nationals. If the work has been first published in a Berne country but the author is a national of a nonunion country, the union country may restrict the protection to the extent that such protection is limited in the country of which the author is a national. The works protected by the Rome revision of 1928 include every production in the literary, scientific, and artistic domain, regardless of the mode of expression, such as books, pamphlets, and other writings; lectures, addresses, sermons, and other works of the same nature; dramatic or dramitico-musical works, choreographic works and entertainments in dumb show, the acting form of which is fixed in writing or otherwise; musical compositions; drawings, paintings, works of architecture, sculpture, engraving, and lithography; illustrations, geographical charts, plans, sketches, and plastic works relative to geography, topography, architecture, or science. It also includes translations, adaptations, arrangements of music, and other reproductions in an altered form of a literary or artistic work, as well as collections of different works. The Brussels revision of 1948 added cinematographic works and photographic works. In addition, both the Rome and Brussels revisions protect works of art applied to industrial purposes so far as the domestic legislation of each country allows such protection.

In the Rome revision the term of copyright for most types of works became the life of the author plus 50 years, but it was recognized that some countries might have a shorter term. Both the Rome and the Brussels revisions

protected the right of making translations; but the Stockholm Protocol and the Paris revision somewhat liberalized the rights of translation, in a compromise between developing and developed countries<sup>2</sup>.

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## **1.5 Universal Copyright Convention(1952):**

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The Universal Copyright Convention (UCC), adopted in Geneva, Switzerland, in 1952, is one of the two principal international conventions protecting copyright; the other is the Berne Convention. The UCC was developed by United Nations Educational, Scientific and Cultural Organization (UNESCO) as an alternative to the Berne Convention for those states which disagreed with aspects of the Berne Convention, but still wished to participate in some form of multilateral copyright protection. These states included developing countries as well as the United States and most of Latin America. The former thought that the strong copyright protections granted by the Berne Convention overly benefited Western, developed, copyright-exporting nations, whereas the latter two were already members of the Buenos Aires Convention, a Pan-American copyright convention that was weaker than the Berne Convention. The Berne Convention states also became party to the UCC, so that their copyrights would exist in non-Berne convention states. In 1973, the Soviet Union joined the UCC.

The United States only provided copyright protection for a fixed, renewable term, and required that in order for a work to be copyrighted it must contain a copyright notice and be registered at the Copyright Office. The Berne Convention, on the other hand, provided for copyright protection for a single term based on the life of the author, and did not require registration or the inclusion of a copyright notice for copyright to exist. Thus the United States would have to make several major modifications to its copyright law in order to become a party to it. At the time the United States was unwilling to do so. The UCC thus permits those states which had a system of protection similar to the United States for fixed terms at the time of signature to retain them. Eventually the United States became willing to participate in the Berne convention, and change its national copyright law as required. In 1989 it became a party to the Berne Convention as a result of

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<sup>2</sup> [www.britannica.com](http://www.britannica.com)

the Berne Convention Implementation Act of 1988. Under the Second Protocol of the Universal Copyright Convention (Paris text), protection under U.S. copyright law is expressly required for works published by the United Nations, by UN specialized agencies and by the Organization of American States (OAS). The same requirement applies to other contracting states as well.

Berne Convention states were concerned that the existence of the UCC would encourage parties to the Berne Convention to leave that convention and adopt the UCC instead. So the UCC included a clause stating that parties which were also Berne Convention parties need not apply the provisions of the Convention to any former Berne Convention state which renounced the Berne Convention after 1951. Thus any state which adopts the Berne Convention is penalized if it then decides to renounce it and use the UCC protections instead, since its copyrights might no longer exist in Berne Convention states. Since almost all countries are either members or aspiring members of the World Trade Organization (WTO), and are thus conforming to the Agreement on Trade-Related Aspects of Intellectual Property Rights Agreement (TRIPS), the UCC has lost significance<sup>3</sup>.

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## **1.6 Rome Convention (1961):**

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The Rome Convention secures protection in performances for performers, in phonograms for producers of phonograms and in broadcasts for broadcasting organizations.

(1) Performers (actors, singers, musicians, dancers and those who perform literary or artistic works) are protected against certain acts to which they have not consented, such as the broadcasting and communication to the public of a live performance; the fixation of the live performance; the reproduction of the fixation if the original fixation was made without the performer's consent or if the reproduction was made for purposes different from those for which consent was given.

(2) Producers of phonograms have the right to authorize or prohibit the direct or indirect reproduction of their phonograms. In the Rome Convention,

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<sup>3</sup> <http://en.wikipedia.org>

“phonograms” means any exclusively aural fixation of sounds of a performance or of other sounds. Where a phonogram published for commercial purposes gives rise to secondary uses (such as broadcasting or communication to the public in any form), a single equitable remuneration must be paid by the user to the performers, to the producers of the phonograms, or to both. Contracting States are free, however, not to apply this rule or to limit its application.

(3) Broadcasting organizations have the right to authorize or prohibit certain acts, namely the rebroadcasting of their broadcasts; the fixation of their broadcasts; the reproduction of such fixations; the communication to the public of their television broadcasts if such communication is made in places accessible to the public against payment of an entrance fee.

The Rome Convention allows for limitations and exceptions to the above-mentioned rights in national laws as regards private use, use of short excerpts in connection with reporting current events, ephemeral fixation by a broadcasting organization by means of its own facilities and for its own broadcasts, use solely for the purpose of teaching or scientific research and in any other cases where national law provides exceptions to copyright in literary and artistic works. Furthermore, once a performer has consented to the incorporation of a performance in a visual or audiovisual fixation, the provisions on performers' rights have no further application.

As to duration, protection must last at least until the end of a 20-year period computed from the end of the year in which (a) the fixation was made, for phonograms and for performances incorporated therein; (b) the performance took place, for performances not incorporated in phonograms; (c) the broadcast took place. However, national laws increasingly provide for a 50-year term of protection, at least for phonograms and performances.

WIPO is responsible, jointly with the International Labour Organization (ILO) and the United Nations Educational, Scientific and Cultural Organization (UNESCO), for the administration of the Rome Convention. These three organizations constitute the Secretariat of the Intergovernmental Committee set up under the Convention consisting of the representatives of 12 Contracting States. The Convention does not provide for the institution of a Union or budget. It establishes an Intergovernmental Committee composed of Contracting States that considers questions concerning the Convention. This Convention is open to States

party to the Berne Convention for the Protection of Literary and Artistic Works (1886) or to the Universal Copyright Convention. Instruments of ratification or accession must be deposited with the Secretary-General of the United Nations. States may make reservations with regard to the application of certain provisions.

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## **1.7 TRIPs(Trade related Intellectual Property Rights):**

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The TRIPS Agreement, which came into effect on 1 January 1995, is to date the most comprehensive multilateral agreement on intellectual property.

The areas of intellectual property that it covers are: copyright and related rights (i.e. the rights of performers, producers of sound recordings and broadcasting organizations); trademarks including service marks; geographical indications including appellations of origin; industrial designs; patents including the protection of new varieties of plants; the layout-designs of integrated circuits; and undisclosed information including trade secrets and test data.

The three main features of the Agreement are:

- **Standards.** In respect of each of the main areas of intellectual property covered by the TRIPS Agreement, the Agreement sets out the minimum standards of protection to be provided by each Member. Each of the main elements of protection is defined, namely the subject-matter to be protected, the rights to be conferred and permissible exceptions to those rights, and the minimum duration of protection. The Agreement sets these standards by requiring, first, that the substantive obligations of the main conventions of the WIPO, the Paris Convention for the Protection of Industrial Property (Paris Convention) and the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention) in their most recent versions, must be complied with. With the exception of the provisions of the Berne Convention on moral rights, all the main substantive provisions of these conventions are incorporated by reference and thus become obligations under the TRIPS Agreement between TRIPS Member countries. The relevant provisions are to be found in Articles 2.1 and 9.1 of the TRIPS Agreement, which relate, respectively, to the Paris Convention and to the Berne Convention. Secondly, the TRIPS Agreement adds a substantial number of additional obligations on matters where the pre-existing conventions are silent or

were seen as being inadequate. The TRIPS Agreement is thus sometimes referred to as a Berne and Paris-plus agreement.

- **Enforcement.** The second main set of provisions deals with domestic procedures and remedies for the enforcement of intellectual property rights. The Agreement lays down certain general principles applicable to all IPR enforcement procedures. In addition, it contains provisions on civil and administrative procedures and remedies, provisional measures, special requirements related to border measures and criminal procedures, which specify, in a certain amount of detail, the procedures and remedies that must be available so that right holders can effectively enforce their rights.
- **Dispute settlement.** The Agreement makes disputes between WTO Members about the respect of the TRIPS obligations subject to the WTO's dispute settlement procedures.

In addition the Agreement provides for certain basic principles, such as national and most-favored-nation treatment, and some general rules to ensure that procedural difficulties in acquiring or maintaining IPRs do not nullify the substantive benefits that should flow from the Agreement. The obligations under the Agreement will apply equally to all Member countries, but developing countries will have a longer period to phase them in. Special transition arrangements operate in the situation where a developing country does not presently provide product patent protection in the area of pharmaceuticals.

The TRIPS Agreement is a minimum standards agreement, which allows Members to provide more extensive protection of intellectual property if they so wish. Members are left free to determine the appropriate method of implementing the provisions of the Agreement within their own legal system and practice.

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## 1.8 Concept of Copyright under Indian Law:

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The Copyright Act, 1957 provides copyright protection in India. It confers copyright protection in the following two forms<sup>4</sup>:

(A) Economic rights of the author, and

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<sup>4</sup> [www.legalserviceindia.com](http://www.legalserviceindia.com)



(B) Moral Rights of the author.

(A) Economic Rights: The copyright subsists in original literary, dramatic, musical and artistic works; cinematographs films and sound recordings. The authors of copyright in the aforesaid works enjoy economic rights u/s 14 of the Act. The rights are mainly, in respect of literary, dramatic and musical, other than computer program, to reproduce the work in any material form including the storing of it in any medium by electronic means, to issue copies of the work to the public, to perform the work in public or communicating it to the public, to make any cinematograph film or sound recording in respect of the work, and to make any translation or adaptation of the work. In the case of computer program, the author enjoys in addition to the aforesaid rights, the right to sell or give on hire, or offer for sale or hire any copy of the computer program regardless whether such copy has been sold or given on hire on earlier occasions. In the case of an artistic work, the rights available to an author include the right to reproduce the work in any material form, including depiction in three dimensions of a two dimensional work or in two dimensions of a three dimensional work, to communicate or issues copies of the work to the public, to include the work in any cinematograph work, and to make any adaptation of the work. In the case of cinematograph film, the author enjoys the right to make a copy of the film including a photograph of any image forming part thereof, to sell or give on hire or offer for sale or hire, any copy of the film, and to communicate the film to the public. These rights are similarly available to the author of sound recording. In addition to the aforesaid rights, the author of a painting, sculpture, drawing or of a manuscript of a literary, dramatic or musical work, if he was the first owner of the copyright, shall be entitled to have a right to share in the resale price of such original copy provided that the resale price exceeds rupees ten thousand.

**(B)Moral Rights:** Section 57 of the Act defines the two basic “moral rights” of an author. These are:

- (i) Right of paternity, and
- (ii) Right of integrity.

The right of paternity refers to a right of an author to claim authorship of work and a right to prevent all others from claiming authorship of his work. Right

of integrity empowers the author to prevent distortion, mutilation or other alterations of his work, or any other action in relation to said work, which would be prejudicial to his honor or reputation. The proviso to section 57(1) provides that the author shall not have any right to restrain or claim damages in respect of any adaptation of a computer program to which section 52 (1)(aa) applies (i.e. reverse engineering of the same). It must be noted that failure to display a work or to display it to the satisfaction of the author shall not be deemed to be an infringement of the rights conferred by this section. The legal representatives of the author may exercise the rights conferred upon an author of a work by section 57(1), other than the right to claim authorship of the work.

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## **1.9 Meaning of Copyright:**

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Copyright is a form of intellectual property protection granted under Indian law to the creators of original works of authorship such as literary works (including computer programs, tables and compilations including computer databases which may be expressed in words, codes, schemes or in any other form, including a machine readable medium), dramatic, musical and artistic works, cinematographic films and sound recordings. Copyright law protects expressions of ideas rather than the ideas themselves. Under section 13 of the Copyright Act 1957, copyright protection is conferred on literary works, dramatic works, musical works, artistic works, cinematograph films and sound recording. For example, books, computer programs are protected under the Act as literary works.

Copyright refers to a bundle of exclusive rights vested in the owner of copyright by virtue of Section 14 of the Act. These rights can be exercised only by the owner of copyright or by any other person who is duly licensed in this regard by the owner of copyright. These rights include the right of adaptation, right of reproduction, right of publication, right to make translations, communication to public etc. Copyright protection is conferred on all Original literary, artistic, musical or dramatic, cinematograph and sound recording works. Original means, that the work has not been copied from any other source. Copyright protection commences the moment a work is created, and its registration is optional. However it is always advisable to obtain a registration for a better protection. Copyright registration does not confer any rights and is merely a prima facie proof of an entry in respect of the work in the Copyright Register maintained by the Registrar of

Copyrights. As per Section 17 of the Act, the author or creator of the work is the first owner of copyright. An exception to this rule is that, the employer becomes the owner of copyright in circumstances where the employee creates a work in the course of and scope of employment. Copyright registration is invaluable to a copyright holder who wishes to take a civil or criminal action against the infringer. Registration formalities are simple and the paperwork is least. In case, the work has been created by a person other than employee, it would be necessary to file with the application, a copy of the assignment deed.

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### **1.10 Future of Copyright in India:**

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The copyright laws in India are set to be amended with the introduction of the provisions for anti-circumvention and Rights Management Information in the Indian copyright regime although India is under no obligation to introduce these changes as it is not a signatory to WCT or WPPT. With the amendment of the Copyright Act in 1994, which came into force on 10 May 1995, the situation with regard to copyright enforcement in India has improved. According to Ramdas Bhatkal of Popular Prakashan, Bombay, "We had problems of piracy relating to medical textbooks before the law was amended. At that time we found that while the law may be on our side, it was necessary to get a court order for search and this meant that there was sufficient notice to the pirate to take defensive action before the court order could be implemented. Therefore we preferred to accept the situation and did nothing. Since the changes which make copyright violation a cognizable offence it has been possible to use the legal mechanism as a deterrent. Section 64 of the Indian Copyright Act 1957 provides that "Any police officer, not below the rank of a sub-inspector, may, if he is satisfied that an offence under Section 63 in respect of the infringement of copyright in any work has been, is being, or is likely to be, committed, seize without warrant, all copies of the work, wherever found, and all copies and plates used for the purpose of making infringing copies of the work, wherever found, and all copies and plates so seized shall, as soon as practicable, be produced before a magistrate. Copying a book is similar to stealing somebody's jewellery. Large scale organized copying is like robbing a jeweler's shop or a bank. But then, there is a major difference. In the case of a bank robbery the newspapers are full of sensational news and the whole

might of the State, especially the police, jumps in to catch the culprit, there is pressure of public opinion even on the judge trying the case.

On the other hand, in the case of a book pirate, the police justify their inaction by pointing to murder dockets; the State deflects the desperate appeals of Copyright owners with nonchalance and the judge sits with a 'so what' attitude while the man on the street remains in stark oblivion. The copyright does not protect the idea but it does protect the skill and the labour put in by the authors in producing the work. A person cannot be held liable for infringement of copyright if he has taken only the idea involved in the work and given expression to the idea in his own way. Two authors can produce two different works from a common source of information each of them arranging that information in his own way and using his own language. The arrangement of the information and the language used should not be copied from a work in which copyright subsists. Another area of copyright infringement which needs to be tightened up relates to protection of author's rights viz-a-viz the assignee or the licensee. There is need to develop a model contract, too, which should also provide protection for the author's rights in the fast changing scenario of electronic publishing, internet etc.

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### **1.11. Summary:**

The development of the copyright in Britain and India are discussed at length. The role of Berne Convention (1886) and Rome Convention (1961) also discussed with reference to copyright and related issues. The Universal Copyright Convention and TRIPs are also played a very significant development in copyright law worldwide. The concept of copyright and meaning also discussed in this unit for better understanding of the word copyright as well as the future of copyright law in India.

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### **1.12. Some Useful Books:**

- A. An Introduction to Intellectual Property Rights by J.P. Mishra; Central Law Publication-Third Edition-2012
- B. Law relating to Intellectual Property Law by V.K. Ahuja; Lexis-Nexis Publication (2013)
- C. Intellectual Property Law Manual-Universal Publication (2014)
- D. Intellectual Property by W.R. Cornish; Third Edition-First Indian Reprint, 2001

- E. Copyright Act, 1957-Bare Act (Universal Publication)
- F. Trade Marks Act, 1999-Bare Act (Universal Publication)
- G. The Patent Act, 1970-Bare Act (Universal Publication)
- H. Law relating to Intellectual Property by B.L. Wadehra (Universal Publication)

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### 1.13. Check your Progress:

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A. Which of the following statement are true or false:

1. The object of the copyright law is to encourage authors, composers, artists and designers to create original works.
2. The modern concept of copyright originated in UK in the year 1710.
3. The Copyright Act is of the year 1956.
4. TRIPs agreement which came into effect on 1 January, 1995.
5. Section 58 of the Copyright Act, 1957 is related to Moral Rights.

B. Fill in the Blanks:

1. Copyright subsists in .....works.
2. Berne Convention is of the year.....
3. The Universal Copyright Convention (UCC) adopted in Geneva, Switzerland in .....
4. The author can produce two different works from a .....using his own language.
5. The main reason for amendments to the Copyright Act, 1957 include to bring the Act in conformity with .....

### 1.14. Answers to check your progress:

A.

1. True
2. True
3. False
4. True
5. True

B.

1. Original literary works
2. 1886

3. 1952
4. Common Source of Information
5. WCT and WPPT

**1.15. Terminal Questions:**

1. Discuss the development of copyright law in India.
2. What is the importance of Berne Convention?
3. Discuss in detail the Universal Copyright Convention.
4. Define copyright and its future in India.
5. What is Rome Convention?

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## Unit-2

# Rights of Author's: Global & International Perspective

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### Objective:

After going through this unit you should be able to:

- Understand the meaning of 'author's right'
- Understand the international developments, treaties and conventions related to author's right
- Understand the position of author's right under Indian Legal Regime

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### Structure:

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- 2.1. Introduction
- 2.2. World Intellectual Property Organization
- 2.3. Berne Convention for the Protection of Literary and Artistic Works, 1886
- 2.4. Economic and Moral Rights of Authors
- 2.5. Universal Copyright Convention, 1952
- 2.6. WIPO Copyright Treaty, 1996
- 2.7. Rights of Authors under WIPO Copyright Treaty, 1996
- 2.8. Beijing Treaty on Audiovisual Performances, 2012
- 2.9. Rome Convention for the Protection of Performers. Producers of Phonograms and Broadcasting Organization, 1961
- 2.10. Marrakesh Treaty to Facilitate Access to Published Works for Persons who are Blind, Visually Impaired or otherwise Print Disabled, 2013
- 2.11. Summary
- 2.12. Some Useful Books
- 2.13. Check your Progress
- 2.14. Answers to check your progress
- 2.15. Terminal Questions

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## 2.1. Introduction:

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From a global perspective, from one continent to another, people speak of authors' right and copyright as if it were the same thing. Underlying this verbal blur are two differing conceptions of the author's right, on which the legal systems in the world are based. "Author's right" – *droit d'auteur* in French – is founded on the idea, born in continental Europe, that a work of creation is intimately linked with its creator. The work cannot be separated from its author, like a child from his father. The "copyright" concept stems from the Anglo-Saxon tradition, according to which authors hold a property right to their creations that can be traded on the basis of economic principles. "A work of the mind is at one and the same time a manifestation of the author's personality and an economic asset." Closely linked to the discussion of copyright and *droit d'auteur* are the two theories, which are at the heart of current international copyright law.

The first theory establishes **economic rights**. It holds that authors need to be rewarded for their unique creative abilities. The second theory supports the intimate connection between author and work and states that authors should be given a **moral right** to limit the alteration and display of their works, even after they have transferred their economic rights to a third party such as a publisher.<sup>5</sup>

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## 2.2. World Intellectual Property Organization:

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The World Intellectual Property Organization (WIPO) is an international organization dedicated to ensuring that the rights of creators and owners of intellectual property are protected worldwide, and that inventors and authors are thus recognized and rewarded for their ingenuity. As a specialized agency of the United Nations, WIPO exists as a forum for its Member States to create and harmonize rules and practices to protect intellectual property rights. Most industrialized nations have protection systems that are centuries old. Many new and developing countries, however, are now building up their patent, trademark and copyright laws and systems. With the rapid globalization of trade during the last decade, WIPO plays a key role in helping these new systems to evolve through treaty negotiation, legal and technical assistance, and training in various forms, including in the area of enforcement of intellectual property rights.

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<sup>5</sup> <http://cisac.org/>



The field of copyright and related rights has expanded dramatically as technological developments have brought new ways of disseminating creations worldwide through such forms of communication as satellite broadcasting, compact discs, DVDs and the Internet. WIPO is closely involved in the on-going international debate to shape new standards for copyright protection in cyberspace.

WIPO administers the following international treaties on copyright and related rights:

- Berne Convention for the Protection of Literary and Artistic Works
- Brussels Convention Relating to the Distribution of Program-Carrying Signals Transmitted by Satellite
- Geneva Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms
- Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations
- WIPO Copyright Treaty (WCT)
- WIPO Performances and Phonograms Treaty (WPPT)

WIPO also provides an Arbitration and Mediation Center, which offers services for the resolution of international commercial disputes between private parties involving intellectual property. The subject matter of these proceedings includes both contractual disputes (such as patent and software licenses, trademark coexistence agreements, and research and development agreements) and non-contractual disputes (such as patent infringement).

The Center is also now recognized as the leading dispute resolution service provider for disputes arising out of the abusive registration and use of Internet domain names.

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### **2.3. Berne Convention for the Protection of Literary and Artistic Works, 1886:**

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The Berne Convention for the Protection of Literary and Artistic Works, usually known as the Berne Convention, is an international agreement governing copyright, which was first accepted in Berne, Switzerland, in 1886. The Berne Convention requires its signatories to recognize the copyright of works of authors from other signatory countries (known as members of the *Berne Union*) in the same way as it recognizes the copyright of its own nationals. For

example, French copyright law applies to anything published or performed in France, regardless of where it was originally created.

In addition to establishing a system of equal treatment that internationalized copyright amongst signatories, the agreement also required member states to provide strong minimum standards for copyright law.

Copyright under the Berne Convention must be automatic; it is prohibited to require formal registration (note however that when the United States joined the Convention in 1988, it continued to make statutory damages and attorney's fees only available for registered works).

Applicability: Under Article 3, the protection of the Convention applies to nationals and residents of signatory countries, and to works first published or simultaneously published (under Article 3(4), "simultaneously" is defined as "within 30 days") in a signatory country. Under Article 4, it also applies to cinematic works by persons who have their headquarters or habitual residence in a signatory country, and to architectural works situated in a signatory country.

Country of origin: The Convention relies on the concept of "country of origin". Often determining the country of origin is straightforward: when a work is published in a signatory country and nowhere else, this is the country of origin. However, under Article 5(4), when a work is published simultaneously in several signatory countries (under Article 3(4), "simultaneously" is defined as "within 30 days" ), the country with the shortest term of protection is defined as the country of origin. For works simultaneously published in a signatory country and one or more non-signatory countries, the signatory country is the country of origin. For unpublished works or works first published in a non-signatory country (without publication within 30 days in a signatory country), the author's nationality usually provides the country of origin, if a national of a signatory country. In the internet age, publication online may be considered publication in every sufficiently internet-connected jurisdiction in the world. It is not clear what this may mean for determining "country of origin". In *Kernel v. Mosley*, a U.S. court "concluded that a work created outside of the United States, uploaded in Australia and owned by a company registered in Finland was nonetheless a U.S. work by virtue of its being published online". However other U.S. courts in similar situations have reached different conclusions. The matter of determining the country of origin for digital publication remains a topic of controversy among law academics as well.

Copyright term: The Berne Convention states that all works except photographic and cinematographic shall be copyrighted for at least 50 years after the author's death, but parties are free to provide longer terms, as the European Union did with the 1993 Directive on harmonizing the term of copyright protection. For photography, the Berne Convention sets a minimum term of 25 years from the year the photograph was created, and for cinematography the minimum is 50 years after first showing, or 50 years after creation if it hasn't been shown within 50 years after the creation. Countries under the older revisions of the treaty may choose to provide their own protection terms, and certain types of works (such as phone records and motion pictures) may be provided shorter terms. If the author is unknown, because for example the author was deliberately anonymous or worked under a pseudonym, the Convention provides for a term of 50 years after publication- "after the work has been lawfully made available to the public". However if the identity of the author becomes known, the copyright term for known authors (50 years after death) applies. Although the Berne Convention states that the copyright law of the country where copyright is claimed shall be applied, Article 7(8) states that "unless the legislation of that country otherwise provides, the term shall not exceed the term fixed in the country of origin of the work", i.e., an author is normally not entitled a longer copyright abroad than at home, even if the laws abroad give a longer term. This is commonly known as "the rule of the shorter term". Not all countries have accepted this rule.

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## **2.4. Economic and Moral Rights of Authors:**

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“In the material world, laws are geared to protect the right to equitable remuneration. But life is beyond the material. It is temporal as well. Many of us believe in the soul. Moral Rights of the author are the soul of his works. The author has a right to preserve, protect and nurture his creations through his moral rights” (Justice Pradeep Nandrajog Amar Nath Singh v. Union of India (2005))

Section 57 of the Copyright Act, 1957 provides for what are termed as “Author’s Special Rights,” better known as “Moral Rights.” Founded on Article 6bis of the Berne Convention, moral rights have two key prongs (1) Right to claim authorship of the work (sometimes referred to as Rights of Attribution/Paternity Rights) and (2) Right against distortion, modification or mutilation of one’s work if

such distortion or mutilation would be prejudicial to the author's honour or reputation (or "Integrity Rights").

### **Relevant provisions of Indian Law:**

Section 57 reads in relevant part: Author's special rights. (1) Independently of the author's copyright and even after the assignment either wholly or partially of the said copyright, the author of a work shall have the right-

(a) to claim authorship of the work; and

(b) to restrain or claim damages in respect of any distortion, mutilation, modification or other act in relation to the said work which is done before the expiration of the term of copyright if such distortion, mutilation, modification or other act would be prejudicial to his honour or reputation:

#### **Is Waiver Possible under India Law?**

A case decided not too long ago by the Delhi High Court, *Amar Nath Seghal v. Union of India* (2002(2)ARBLR130(Delhi); 2005(30)PTC253(Del)) discusses the issue of moral rights in substantial detail. In this case, the plaintiff/author assigned his copyright in a bronze mural, to the Union of India. The mural was placed in Vigyan Bhavan, but was later pulled down and dumped. The author, Amar Nath Seghal, sued for violation of his moral rights. The case was filed in the early 90's and an interim injunction was passed in favour of the Plaintiff. In response, the defendants made an application under the Arbitration Act, 1940 seeking stay of proceedings in the suit claiming that the dispute ought to be referred to arbitration in the light of a term in the assignment requiring arbitration of all disputes. The defendants further argued that "the plaintiff had assigned his copyrights to the defendants and having purchased the same, the defendants are under no fetters while dealing with the mural in question."

The interim application was decided in 2002 and the case itself was finally decided in 2005. The court dismissed the claim under the Arbitration Act and further observed: "These [moral] rights are independent of the author's copyright. They exist even after the assignment of the copyright, either wholly or partially." The court quoted from *Smt. Mannu Bhandari v. Kala Vikash Pictures Pvt. Ltd. and Anr.* (1986)- "Section 57 confers additional rights on the author of a literary work as compared to the owner of a general copyright. The special protection of the intellectual property is emphasized by the fact that the remedies of a restraint order

or damages can be claimed “even after the assignment either wholly or partially of the said copyright.” Section 57 thus clearly overrides the terms of the Contract of assignment of the copyright. To put it differently, the contract of assignment would be read subject to the provisions of Section 57 and the terms of contract cannot negate the special rights and remedies guaranteed by Section 57. The Contract of Assignment will have to be so construed as to be consistent with Section 57. The assignee of a copyright cannot claim any rights or immunities based on the contract which are inconsistent with the provisions of Section 57.”

From the above wording, it could be argued that “moral rights” are akin to the Fundamental Rights guaranteed under the Constitution, in that they cannot be waived. Interestingly, Article 27 (2) of the Universal Declaration of Human Rights provides:

(2) Everyone has the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author. Under the case *Vishaka v. State of Rajasthan* (1996), the Supreme Court held that provisions of international conventions can be read into the Constitution where there is no contrary domestic law in the field. In the United States on the other hand, the Visual Artists Rights Act (VARA) of 1990, expressly provides for waiver of moral rights, but only by a signed, written agreement specifying the work and the precise uses to which a waiver applies<sup>6</sup>.

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## 2.5 Universal Copyright Convention, 1952<sup>7</sup>:

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The Universal Copyright Convention (UCC) , was first created in 1952 in Geneva, as an alternative to the Berne convention.

Why was the convention needed?

Some countries disagreed with certain articles in the Berne Convention, and were not prepared to sign up to the terms of the Berne Convention. Most notably the United States who at the time only provided protection on a fixed term registration basis via the Library of Congress, and required that copyright works must always show the symbol. This meant that the US needed to make several changes to its laws before it could comply with the Berne Convention. The US

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<sup>6</sup> <http://spicyip.com/2007/12/moral-rights-under-copyright-laws-peep.html>

<sup>7</sup> [http://www.copyrightservice.co.uk/copyright/p14\\_universal\\_copyright\\_convention](http://www.copyrightservice.co.uk/copyright/p14_universal_copyright_convention)

finally signed up to the Berne Convention on the 1st of March 1989, and now only requires registration for work first published in the US by US citizens.

The UCC ensured that international protection was available to authors even in countries that would not become parties to the Berne Convention. Berne convention countries also became signatories of the UCC to ensure that the work of citizens in Berne Convention countries would be protected in non-Berne Convention countries.

How important is the Convention?

The Universal Copyright Convention is of limited importance today, as most countries are now part of the Union of the Berne Convention. To ensure that the existence of the UCC did not lead to a conflict with the Berne Convention, Article 17 of the UCC states that the convention does not affect any provision of the Berne convention, and the appendix declaration to the article goes on to state that any country that withdraws from the Berne Convention after 1st January 1951 will not be protected by the UCC in countries of the Berne Convention Union. This effectively gave the Berne Convention precedence and penalizes any country that withdraws from the Berne Convention to adopt the UCC.

Terms of the Convention: The convention details the following points:

- Contracting states provide the same cover to foreign published works as they do to their own citizens.
- States that require formal registration should treat works from foreign states that are signatories of the convention as though they had been registered in the state, provided that they carry a notice which includes the © symbol and states the name of the owner.
- It sets a minimum duration for copyright protection as 25 years from the date of publication, and typically not less than 25 years from the author's death. With a notable exception of photographic and applied arts work which has a minimum protection of 10 years.
- It recognizes the economic rights of the author, (the right to authorise reproduction, public performance, broadcasting etc.)
- It recognizes the authors right to make translations of the work.
- It also specifies particular exceptions which may be applied to developing countries.

As with the Berne Convention, the UCC provides flexibility on how nation states implement details of the convention, and in order to understand specific aspects, it should be read in conjunction with national copyright laws.

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## **2.5. WIPO Copyright Treaty, 1996<sup>8</sup>:**

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Two 1996 treaties negotiated under the auspices of the World Intellectual Property Organization (WIPO), the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT) update international copyright standards for the Internet era. These two WIPO "Internet" Treaties lay the groundwork for the healthy expansion of electronic commerce in countries that ratify them, including the possibility of more and better jobs, more secure and diversified economies, and greater social and cultural advancement. The WCT entered into force on March 6, 2002, and the WPPT entered into force on May 20, 2002. Currently 90 countries have ratified the WCT and the WPPT.

The importance of ratification and deposit of the WCT and WPPT for a country's economy and culture cannot be overstated. For instance:

- Electronic commerce can help overcome existing barriers to access to scientific, medical and technical data, educational materials, and technical and productivity software. Trade in these vital resources, needed for prosperity and competitive advantage in the Information Age, will be much cheaper, more efficient, and easier in a digital networked marketplace.
- Electronic commerce can help attract higher and more consistent levels of foreign direct investment in high technology and information-intensive businesses. A host of service, processing and other functions can conveniently be out-sourced, which in turn will enhance the skills and opportunities of a country's citizenry.
- Electronic commerce can help build stronger economic, social, and cultural links in the region, without regard to geographic proximity.
- Electronic commerce can provide an enormous boost to a country's cultural and creative industries. Through digital networks, that country's music, art, literature, and folklore can reach new markets throughout the world, and be delivered directly to paying customers around the globe.

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<sup>8</sup> [http://www.iipa.com/wipo\\_treaties.html](http://www.iipa.com/wipo_treaties.html)

To fully implement the WIPO Internet Treaties, countries will need to upgrade their copyright laws, whether through minor changes or more substantial revisions. When implementation is complete, each country will have:

- Protections against the unlawful circumvention of effective technologies (both copy controls and access controls) that right holders use to prevent theft of their creations.
- Protections against the unlawful tampering with tags and codes associated with copies of protected works and phonograms that are used to facilitate legitimate distribution and licensing.
- Recognition of extended or clarified rights for copyright owners: for example, a right to control distribution of copies of creations, and a right to control communications of a work, including the "making available" of a work or phonogram to the public in an interactive manner.
- Harmonized protections (through implementation of the WPPT) for the rights of performers and producers of phonograms.

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## **2.6. Rights of Authors under WIPO Copyright Treaty, 1996:**

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The WIPO Copyright Treaty (WCT) is a special agreement under the Berne Convention that deals with the protection of works and the rights of their authors in the digital environment. Any Contracting Party (even if it is not bound by the Berne Convention) must comply with the substantive provisions of the 1971 (Paris) Act of the Berne Convention for the Protection of Literary and Artistic Works (1886). Furthermore, the WCT mentions two subject matters to be protected by copyright: (i) computer programs, whatever the mode or form of their expression; and (ii) compilations of data or other material ("databases"), in any form, which, by reason of the selection or arrangement of their contents, constitute intellectual creations. (Where a database does not constitute such a creation, it is outside the scope of this Treaty.)

As to the rights granted to authors, apart from the rights recognized by the Berne Convention, the Treaty also grants: (i) the right of distribution; (ii) the right of rental; and (iii) a broader right of communication to the public.

- The right of distribution is the right to authorize the making available to the public of the original and copies of a work through sale or other transfer of ownership.



- The right of rental is the right to authorize commercial rental to the public of the original and copies of three kinds of works: (i) computer programs (except where the computer program itself is not the essential object of the rental); (ii) cinematographic works (but only in cases where commercial rental has led to widespread copying of such works, materially impairing the exclusive right of reproduction); and (iii) works embodied in phonograms as determined in the national law of Contracting Parties (except for countries which, since April 15, 1994, have had a system in force for equitable remuneration of such rental).
- The right of communication to the public is the right to authorize any communication to the public, by wire or wireless means, including "the making available to the public of works in a way that the members of the public may access the work from a place and at a time individually chosen by them". The quoted expression covers, in particular, on-demand, interactive communication through the Internet.

As to limitations and exceptions, Article 10 of the WCT incorporates the so-called "three step" test to determine limitations and exceptions, as provided for in Article 9(2) of the Berne Convention, extending its application to all rights. The Agreed Statement accompanying the WCT provides that such limitations and exceptions, as established in national law in compliance with the Berne Convention, may be extended to the digital environment. Contracting States may devise new exceptions and limitations appropriate to the digital environment. The extension of existing or the creation of new limitations and exceptions is allowed if the conditions of the "three-step" test are met.

As to duration, the term of protection must be at least 50 years for any kind of work.

The enjoyment and exercise of the rights provided for in the Treaty cannot be subject to any formality.

The Treaty obliges Contracting Parties to provide legal remedies against the circumvention of technological measures (e.g., encryption) used by authors in connection with the exercise of their rights, and against the removal or altering of information, such as certain data that identify works or their authors, necessary for the management (e.g., licensing, collecting and distribution of royalties) of their rights ("rights management information").

The Treaty obliges each Contracting Party to adopt, in accordance with its legal system, the measures necessary to ensure the application of the Treaty. In particular, each Contracting Party must ensure that enforcement procedures are available under its law so as to permit effective action against any act of infringement of rights covered by the Treaty. Such action must include expeditious remedies to prevent infringement as well as remedies that constitute a deterrent to further infringement.

The Treaty establishes an Assembly of the Contracting Parties whose main task is to address matters concerning the maintenance and development of the Treaty. It entrusts to the Secretariat of WIPO the administrative tasks concerning the Treaty.

The Treaty was concluded in 1996 and entered into force in 2002.

The Treaty is open to States members of WIPO and to the European Community. The Assembly constituted by the Treaty may decide to admit other intergovernmental organizations to become party to the Treaty. Instruments of ratification or accession must be deposited with the Director General of WIPO.

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## **2.7. Beijing Treaty on Audiovisual Performances, 2012:**

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There are few important provisions of the Treaty, 2012 are as follows:

### **Article 5: Moral Rights:-**

(1) Independently of a performer's economic rights, and even after the transfer of those rights, the performer shall, as regards his live performances or performances fixed in audiovisual fixations, have the right:

(i) to claim to be identified as the performer of his performances, except where omission is dictated by the manner of the use of the performance; and

(ii) to object to any distortion, mutilation or other modification of his performances that would be prejudicial to his reputation, taking due account of the nature of audiovisual fixations.

(2) The rights granted to a performer in accordance with paragraph (1) shall, after his death, be maintained, at least until the expiry of the economic rights, and shall be exercisable by the persons or institutions authorized by the legislation of the Contracting Party where protection is claimed. However, those Contracting Parties whose legislation, at the moment of their ratification of or accession to this Treaty, does not provide for protection after the death of the performer of all rights

set out in the preceding paragraph may provide that some of these rights will, after his death, cease to be maintained.

(3) The means of redress for safeguarding the rights granted under this Article shall be governed by the legislation of the Contracting Party where protection is claimed<sup>9</sup>.

**Article 6: Economic Rights of Performers in their Unfixed Performances:-** Performers shall enjoy the exclusive right of authorizing, as regards their performances:

(i) the broadcasting and communication to the public of their unfixed performances except where the performance is already a broadcast performance; and

(ii) the fixation of their unfixed performances.

#### **Article 7: Right of Reproduction:-**

Performers shall enjoy the exclusive right of authorizing the direct or indirect reproduction of their performances fixed in audiovisual fixations, in any manner or form<sup>10</sup>.

#### **Article 8: Right of Distribution:-**

(1) Performers shall enjoy the exclusive right of authorizing the making available to the public of the original and copies of their performances fixed in audiovisual fixations through sale or other transfer of ownership.

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<sup>9</sup> Agreed statement concerning Article 5: For the purposes of this Treaty and without prejudice to any other treaty, it is understood that, considering the nature of audiovisual fixations and their production and distribution, modifications of a performance that are made in the normal course of exploitation of the performance, such as editing, compression, dubbing, or formatting, in existing or new media or formats, and that are made in the course of a use authorized by the performer, would not in themselves amount to modifications within the meaning of Article 5(1)(ii). Rights under Article 5(1)(ii) are concerned only with changes that are objectively prejudicial to the performer's reputation in a substantial way. It is also understood that the mere use of new or changed technology or media, as such, does not amount to modification within the meaning of Article 5(1)(ii).

<sup>10</sup> Agreed statement concerning Article 7: The reproduction right, as set out in Article 7, and the exceptions permitted thereunder through Article 13, fully apply in the digital environment, in particular to the use of performances in digital form. It is understood that the storage of a protected performance in digital form in an electronic medium constitutes a reproduction within the meaning of this Article.

(2) Nothing in this Treaty shall affect the freedom of Contracting Parties to determine the conditions, if any, under which the exhaustion of the right in paragraph (1) applies after the first sale or other transfer of ownership of the original or a copy of the fixed performance with the authorization of the performer<sup>11</sup>.

#### **Article 9: Right of Rental:-**

(1) Performers shall enjoy the exclusive right of authorizing the commercial rental to the public of the original and copies of their performances fixed in audiovisual fixations as determined in the national law of Contracting Parties, even after distribution of them by, or pursuant to, authorization by the performer.

(2) Contracting Parties are exempt from the obligation of paragraph (1) unless the commercial rental has led to widespread copying of such fixations materially impairing the exclusive right of reproduction of performers<sup>12</sup>.

#### **Article 10: Right of Making Available of Fixed Performances:-**

Performers shall enjoy the exclusive right of authorizing the making available to the public of their performances fixed in audiovisual fixations, by wire or wireless means, in such a way that members of the public may access them from a place and at a time individually chosen by them.

#### **Article 11: Right of Broadcasting and Communication to the Public:-**

(1) Performers shall enjoy the exclusive right of authorizing the broadcasting and communication to the public of their performances fixed in audiovisual fixations.

(2) Contracting Parties may in a notification deposited with the Director General of WIPO declare that, instead of the right of authorization provided for in paragraph (1), they will establish a right to equitable remuneration for the direct or indirect use of performances fixed in audiovisual fixations for broadcasting or for

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<sup>11</sup> Agreed statement concerning Articles 8 and 9: As used in these Articles, the expression “original and copies,” being subject to the right of distribution and the right of rental under the said Articles, refers exclusively to fixed copies that can be put into circulation as tangible objects.

<sup>12</sup> Agreed statement concerning Articles 8 and 9: As used in these Articles, the expression “original and copies,” being subject to the right of distribution and the right of rental under the said Articles, refers exclusively to fixed copies that can be put into circulation as tangible objects.

communication to the public. Contracting Parties may also declare that they will set conditions in their legislation for the exercise of the right to equitable remuneration.

(3) Any Contracting Party may declare that it will apply the provisions of paragraphs (1) or (2) only in respect of certain uses, or that it will limit their application in some other way, or that it will not apply the provisions of paragraphs (1) and (2) at all.

### **Article 12: Transfer of Rights:-**

(1) A Contracting Party may provide in its national law that once a performer has consented to fixation of his or her performance in an audiovisual fixation, the exclusive rights of authorization provided for in Articles 7 to 11 of this Treaty shall be owned or exercised by or transferred to the producer of such audiovisual fixation subject to any contract to the contrary between the performer and the producer of the audiovisual fixation as determined by the national law.

(2) A Contracting Party may require with respect to audiovisual fixations produced under its national law that such consent or contract be in writing and signed by both parties to the contract or by their duly authorized representatives.

(3) Independent of the transfer of exclusive rights described above, national laws or individual, collective or other agreements may provide the performer with the right to receive royalties or equitable remuneration for any use of the performance, as provided for under this Treaty including as regards Articles 10 and 11.

### **Article 13: Limitations and Exceptions: -**

(1) Contracting Parties may, in their national legislation, provide for the same kinds of limitations or exceptions with regard to the protection of performers as they provide for, in their national legislation, in connection with the protection of copyright in literary and artistic works.

(2) Contracting Parties shall confine any limitations of or exceptions to rights provided for in this Treaty to certain special cases which do not conflict with a normal exploitation of the performance and do not unreasonably prejudice the legitimate interests of the performer<sup>13</sup>.

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<sup>13</sup> Agreed statement concerning Article 13: The Agreed statement concerning Article 10 (on Limitations and Exceptions) of the WIPO Copyright Treaty (WCT) is applicable *mutatis mutandis* also to Article 13 (on Limitations and Exceptions) of the Treaty.

#### **Article 14: Term of Protection:-**

The term of protection to be granted to performers under this Treaty shall last, at least, until the end of a period of 50 years computed from the end of the year in which the performance was fixed.

#### **Article 15: Obligations concerning Technological Measures:-**

Contracting Parties shall provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures that are used by performers in connection with the exercise of their rights under this Treaty and that restrict acts, in respect of their performances, which are not authorized by the performers concerned or permitted by law<sup>14,15</sup>.

#### **Article 16: Obligations concerning Rights Management Information:-**

(1) Contracting Parties shall provide adequate and effective legal remedies against any person knowingly performing any of the following acts knowing, or with respect to civil remedies having reasonable grounds to know, that it will induce, enable, facilitate, or conceal an infringement of any right covered by this Treaty:

- (i) to remove or alter any electronic rights management information without authority;
- (ii) to distribute, import for distribution, broadcast, communicate or make available to the public, without authority, performances or copies of performances fixed in

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<sup>14</sup> Agreed statement concerning Article 15 as it relates to Article 13: It is understood that nothing in this Article prevents a Contracting Party from adopting effective and necessary measures to ensure that a beneficiary may enjoy limitations and exceptions provided in that Contracting Party's national law, in accordance with Article 13, where technological measures have been applied to an audiovisual performance and the beneficiary has legal access to that performance, in circumstances such as where appropriate and effective measures have not been taken by rights holders in relation to that performance to enable the beneficiary to enjoy the limitations and exceptions under that Contracting Party's national law. Without prejudice to the legal protection of an audiovisual work in which a performance is fixed, it is further understood that the obligations under Article 15 are not applicable to performances unprotected or no longer protected under the national law giving effect to this Treaty.

<sup>15</sup> Agreed statement concerning Article 15: The expression "technological measures used by performers" should, as this is the case regarding the WPPT, be construed broadly, referring also to those acting on behalf of performers, including their representatives, licensees or assignees, including producers, service providers, and persons engaged in communication or broadcasting using performances on the basis of due authorization.

audiovisual fixations knowing that electronic rights management information has been removed or altered without authority.

(2) As used in this Article, “rights management information” means information which identifies the performer, the performance of the performer, or the owner of any right in the performance, or information about the terms and conditions of use of the performance, and any numbers or codes that represent such information, when any of these items of information is attached to a performance fixed in an audiovisual fixation<sup>16</sup>.

**Article 17: Formalities:- The enjoyment and exercise of the rights provided for in this Treaty shall not be subject to any formality.**

**2.8. Rome Convention for the Protection of Performers. Producers of Phonograms and Broadcasting Organization, 1961:** The Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations was accepted by members of BIRPI, the predecessor to the modern World Intellectual Property Organization, on 26 October 1961. The agreement extended copyright protection for the first time from the author of a work to the creators and owners of particular, physical manifestations of intellectual property, such as audiocassettes or DVDs. Nations drew up the Convention in response to new technologies like tape recorders that made the reproduction of sounds and images easier and cheaper than ever before. Whereas earlier copyright law, including international agreements like the 1886 Berne Convention, had been written to regulate the circulation of printed materials, the Rome Convention responded to the new circumstance of ideas variously represented in easily reproduced units by covering performers and producers of recordings under copyright:

1. Performers (actors, singers, musicians, dancers and other persons who perform literary or artistic works) are protected against certain acts they have not consented to. Such acts are: the broadcasting and the communication to the public of their live performance; the fixation of their live performance; the reproduction of such a

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<sup>16</sup> Agreed statement concerning Article 16: The Agreed statement concerning Article 12 (on Obligations concerning Rights Management Information) of the WCT is applicable *mutatis mutandis* also to Article 16 (on Obligations concerning Rights Management Information) of the Treaty.

fixation if the original fixation was made without their consent or if the reproduction is made for purposes different from those for which they gave their consent.

2. Producers of phonograms enjoy the right to authorize or prohibit the direct or indirect reproduction of their phonograms. Phonograms are defined in the Rome Convention as meaning any exclusively aural fixation of sounds of a performance or of other sounds. When a phonogram published for commercial purposes gives rise to secondary uses (such as broadcasting or communication to the public in any form), a single equitable remuneration must be paid by the user to the performers, or to the producers of phonograms, or to both; contracting States are free, however, not to apply this rule or to limit its application.
3. Broadcasting organizations enjoy the right to authorize or prohibit certain acts, namely: the rebroadcasting of their broadcasts; the fixation of their broadcasts; the reproduction of such fixations; the communication to the public of their television broadcasts if such communication is made in places accessible to the public against payment of an entrance fee.

The Rome Convention allows the following exceptions in national laws to the above-mentioned rights:

- private use
- use of short excerpts in connection with the reporting of current events
- ephemeral fixation by a broadcasting organization by means of its own facilities and for its own broadcasts
- use solely for the purpose of teaching or scientific research
- In any other cases—except for compulsory licenses that would be incompatible with the Berne Convention—where the national law provides exceptions to copyright in literary and artistic works.

## **2.9. Marrakesh Treaty to Facilitate Access to Published Works for Persons who are Blind, Visually Impaired or otherwise Print Disabled, 2013:**

The WIPO Diplomatic Conference concluded successfully on 28 June 2013 with the adoption of the Marrakesh Treaty to Facilitate Access to Published Works for Persons who are Blind, Visually Impaired, or otherwise Print Disabled (available [here](#)).



This Memorandum aims at providing a first legal analysis from a right holder perspective, and concludes as follows:

- The Treaty is an exceptional treaty, providing access to specifically defined beneficiaries.
- The Treaty is an access treaty rather than an exceptions and limitations Treaty.
- The Treaty leaves it to the individual country to decide whether to make the exception or limitation subject to remuneration.
- The Treaty reconfirms the role of Authorized Entities as a means to facilitate access to works in accessible formats for persons who are blind, visually impaired, or otherwise print disabled. This means that the WIPO-facilitated TIGAR and the EU-facilitated ETIN initiatives to create a network of authorized entities for the cross-border exchange of accessible format copies of works maintain their relevance.
- The Treaty includes many references to the “three-step test” and to obligations in other international treaties, providing assurance to right holders that it will be applied, de facto, to all files that are exchanged internationally.
- Even though there is no mandatory reference to “commercial availability” in the Treaty, right holders should be able to argue that the “commercial availability” requirement needs to be observed, based on the second limb of the “three-step test” (“normal exploitation”). The Treaty certainly has the flexibility to allow countries at different speeds or stages of development to take into account the level of commercially available offerings.
- Although there is a reference to “fair practices, dealings or uses” – in the specific context of exceptions and limitations in favour of blind, visually impaired, or otherwise print disabled persons, subject to international obligations – we do not interpret this as an explicit reference to the concepts of “fair use” or “fair dealing”.

For IFRRO members, the Treaty should not per se bring about changes. Countries in which RROs administer statutory licenses in respect of accessible format copies are allowed to maintain such arrangements. We also continue to encourage RROs to respond positively to requests from authors and publishers to facilitate the making and cross-border exchange of accessible format copies, including participating in the TIGAR and ETIN projects. We would like to remind

you that the IFRRO website has a specific page dedicated to these issues, which also includes tools to facilitate RRO engagement.<sup>17</sup>

The important provisions of the Treaty are as follows:

Article 3: Beneficiary Persons: - A beneficiary person is a person who:

- (a) is blind;
- (b) has a visual impairment or a perceptual or reading disability which cannot be improved to give visual function substantially equivalent to that of a person who has no such impairment or disability and so is unable to read printed works to substantially the same degree as a person without an impairment or disability; or<sup>18</sup>
- (c) is otherwise unable, through physical disability, to hold or manipulate a book or to focus or move the eyes to the extent that would be normally acceptable for reading;

regardless of any other disabilities.

Article 4: National Law Limitations and Exceptions Regarding Accessible Format Copies:-

1. (a) Contracting Parties shall provide in their national copyright laws for a limitation or exception to the right of reproduction, the right of distribution, and the right of making available to the public as provided by the WIPO Copyright Treaty (WCT), to facilitate the availability of works in accessible format copies for beneficiary persons. The limitation or exception provided in national law should permit changes needed to make the work accessible in the alternative format.

(b) Contracting Parties may also provide a limitation or exception to the right of public performance to facilitate access to works for beneficiary persons.

2. A Contracting Party may fulfill Article 4(1) for all rights identified therein by providing a limitation or exception in its national copyright law such that:

(a) Authorized entities shall be permitted, without the authorization of the copyright right holder, to make an accessible format copy of a work, obtain from another authorized entity an accessible format copy, and supply those copies to beneficiary persons by any means, including by non-commercial lending or by electronic communication by wire or wireless means, and undertake any

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<sup>17</sup> <http://www.ifrro.org/content/analysis-wipo-marrakesh-treaty>

<sup>18</sup> *Agreed statement concerning Article 3(b): Nothing in this language implies that “cannot be improved” requires the use of all possible medical diagnostic procedures and treatments.*

intermediate steps to achieve those objectives, when all of the following conditions are met:

- (i) the authorized entity wishing to undertake said activity has lawful access to that work or a copy of that work;
- (ii) the work is converted to an accessible format copy, which may include any means needed to navigate information in the accessible format, but does not introduce changes other than those needed to make the work accessible to the beneficiary person;
- (iii) such accessible format copies are supplied exclusively to be used by beneficiary persons; and
- (iv) the activity is undertaken on a non-profit basis;

and

(b) A beneficiary person, or someone acting on his or her behalf including a primary caretaker or caregiver, may make an accessible format copy of a work for the personal use of the beneficiary person or otherwise may assist the beneficiary person to make and use accessible format copies where the beneficiary person has lawful access to that work or a copy of that work.

3. A Contracting Party may fulfill Article 4(1) by providing other limitations or exceptions in its national copyright law pursuant to Articles 10 and 11<sup>19</sup>.

4. A Contracting Party may confine limitations or exceptions under this Article to works which, in the particular accessible format, cannot be obtained commercially under reasonable terms for beneficiary persons in that market. Any Contracting Party availing itself of this possibility shall so declare in a notification deposited with the Director General of WIPO at the time of ratification of, acceptance of or accession to this Treaty or at any time thereafter<sup>20</sup>.

5. It shall be a matter for national law to determine whether limitations or exceptions under this Article are subject to remuneration.

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<sup>19</sup> **Agreed statement concerning Article 4(3):** *It is understood that this paragraph neither reduces nor extends the scope of applicability of limitations and exceptions permitted under the Berne Convention, as regards the right of translation, with respect to persons with visual impairments or with other print disabilities.*

<sup>20</sup> **Agreed statement concerning Article 4(4):** *It is understood that a commercial availability requirement does not prejudice whether or not a limitation or exception under this Article is consistent with the three-step test.*

**2.10. Summary:** WIPO has played a very significant role at all level to develop the law of copyright and other Intellectual Property laws worldwide. Accordingly all countries amended their domestic legislation on the line of international treaties and instruments. In this unit the Berne Convention for the Protection of Literary and Artistic Works, 1886, Economic and Moral Rights of Authors, Universal Copyright Convention, 1952, WIPO Copyright Treaty, 1996, Rights of Authors and Copyright Treaty, 1996, Beijing Treaty on Audio Video Performances, 2012, Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organization, 1961 and Marrakesh Treaty to facilitate access to publish Works for persons who are blind, visually impaired or otherwise Print disabled, 2013 are discussed at length to understand the right of authors in global and international perspective.

**2.11. Some Useful Books:**

- A. An Introduction to Intellectual Property Rights by J.P. Mishra; Central Law Publication-Third Edition-2012
- B. Law relating to Intellectual Property Law by V.K. Ahuja; Lexis-Nexis Publication (2013)
- C. Intellectual Property Law Manual-Universal Publication (2014)
- D. Intellectual Property by W.R. Cornish; Third Edition-First Indian Reprint,2001
- E. Copyright Act, 1957-Bare Act (Universal Publication)
- F. Trade Marks Act, 1999-Bare Act (Universal Publication)
- G. The Patent Act, 1970-Bare Act (Universal Publication)
- H. Law relating to Intellectual Property by B.L. Wadehra (Universal Publication)

**2.12. Check your Progress:**

- A. Which of the following statements are true or false:
  - 1. The WIPO is an international organization dedicated to ensuring that the rights of creators and owners of intellectual property are protected worldwide.
  - 2. For photography, the Berne Convention sets a minimum term of 50 years.
  - 3. Section 57 of the Copyright Act, 1957 provides for what are termed as “Authors Special Rights”, better known as Moral Rights.
  - 4. The Universal Copyright Convention (UCC) was first created in 1952 in Geneva as an alternative to the Berne Convention.

B. Fill in the blanks:

1. WIPO is closely involved in the ongoing international debate to ..... for copyright protection.
2. The Berne Convention for the protection of Literary and Artistic Works is of the year.....
3. The Delhi High Court case.....is related to Moral Rights.
4. WIPO Copyright Treaty is of the year.....
5. Markkesh Treaty is of the year.....

### **2.13. Answer to Check Your Progress:**

A.

1. True
2. False
3. True
4. True
5. True

B.

1. Shape new standards
2. 1886
3. Amaranth Seghal v Union of India
4. 1996
5. 2013

### **2.14. Terminal Questions**

- a. What is Berne Convention for the protection of literary and Artistic Works?
- b. Discuss in detail the moral and economic rights of authors.
- c. What is WIPO Copyright Treaty, 1996?
- d. Write a note on Markkesh Treaty, 2013.
- e. Write note on Beijing Treaty, 2012.

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## Unit-3

# Assignment Related Issues in Copyright

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### **Objectives:**

After going through this unit you should be able to:

- Understand the meaning of assignment and its importance in Copyright
- Understand the procedure of assignment
- Understand the technical and legal issues related to assignment

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### **Structure:**

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- 3.1. Introduction
- 3.2. Assignment of Copyright
- 3.3. Assignment by Prospective Owner
- 3.4. Revocation of Assignment
- 3.5. Licenses
- 3.6. Difference between Assignment and License
- 3.7. Compulsory Licenses
- 3.8. Parameters for the grant of Compulsory Licenses
- 3.9. License to produce and publish translations
- 3.10. Termination of Licenses
- 3.11. Summary
- 3.12. Some Useful Books
- 3.13. Check Your Progress
- 3.14. Answer to Check your Progress
- 3.15. Terminal Questions

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### **3.1. Introduction:**

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The owner of copyright in a work is generally, at least in the first instance, the person who created the work, i.e. the author of the work. But this is not always

the case. The Berne Convention (Article 14bis) contains rules for determining initial ownership of rights in cinematographic works. Certain national laws also provide that, when a work is created by an author who is employed for the purpose of creating that work, and then the employer, not the author, is the owner of the copyright in the work. As noted above, however, moral rights always belong to the individual author of the work, whoever the owner of economic rights may be. The laws of many countries provide that the initial rights owner in a work may transfer all economic rights to a third party. (Moral rights, being personal to the author, can never be transferred). Authors may sell the rights to their works to individuals or companies best able to market the works, in return for payment. These payments are often made dependent on the actual use of the work, and are then referred to as royalties. Transfers of copyright may take one of two forms: assignments and licenses.

Under an assignment, the rights owner transfers the right to authorize or prohibit certain acts covered by one, several, or all rights under copyright. An assignment is a transfer of a property right. So if all rights are assigned, the person to whom the rights were assigned becomes the new owner of copyright. In some countries, an assignment of copyright is not legally possible, and only licensing is allowed. Licensing means that the owner of the copyright retains ownership but authorizes a third party to carry out certain acts covered by his economic rights, generally for a specific period of time and for a specific purpose. For example, the author of a novel may grant a license to a publisher to make and distribute copies of his work. At the same time, he may grant a license to a film producer to make a film based on the novel. Licenses may be exclusive, where the copyright owner agrees not to authorize any other party to carry out the licensed acts; or non-exclusive, which means that the copyright owner may authorize others to carry out the same acts. A license, unlike an assignment, does not generally convey the right to authorize others to carry out acts covered by economic rights.

Licensing may also take the form of collective administration of rights. Under collective administration, authors and other rights owners grant exclusive licenses to a single entity, which acts on their behalf to grant authorizations, to collect and distribute remuneration, to prevent and detect infringement of rights, and to seek remedies for infringement. An advantage for authors in collective administration lies in the fact that, with multiple possibilities for unauthorized use

of works resulting from new technologies, a single body can ensure that mass uses take place on the basis of authorizations which are easily obtainable from a central source.

A rights owner may also abandon the exercise of the rights, wholly or partially. The owner may, for example, post copyright protected material on the Internet and leave it free for anybody to use, or may restrict the abandonment to noncommercial use. Some very impressive cooperation projects have been organized on a model where contributors abandon certain rights as described in the licensing terms adopted for the project, such as the General Public License (GPL). They thereby leave their contributions free for others to use and to adapt, but with the condition that the subsequent users also adhere to the terms of the license. Such projects, including the open source movement, which specializes in creating computer programs, also build their business models on the existence of copyright protection, because otherwise they could not impose an obligation on subsequent users.

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### **3.2. Assignment of Copyright:<sup>21</sup>**

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An assignment of a trademark must be in writing and with the consent of the Registrar under the Trademarks Act, 1999 (hereinafter referred to as "Trademark Act"). A registered/unregistered proprietor can assign a trademark with or without goodwill. An assignment is usually required to be made for a consideration. The application, which is in a prescribed format, can be submitted by either the Assignee or together with the Assignor, before the Registrar of Trademarks for registering the title of a person who becomes entitled by assignment to a registered trademark. The Assignee, after the assignment is complete, must apply to the Registrar of Trademarks to register his/her title and the Registrar enters the name and details of the Assignee in the Register on proof of title, to his satisfaction. However, under certain circumstances an assignment cannot be enforced, namely (a) if an assignment will create multiple exclusive rights in more than one person; (b) if an assignment will create multiple exclusive rights in different parts of India.

A patentee may assign the whole or any part of the patent rights to the whole of India or any part thereof. There are three kinds of assignments: legal assignment, equitable assignment and mortgages. An assignment (or an agreement

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<sup>21</sup> <http://www.mondaq.com/india/x/87398/Trademark/Assigning+Licensing+IPR+In+India>



to assign) of an existing patent is a legal assignment, where the assignee may enter his name as the patent owner. A certain share given to another person is called an equitable assignment and a mortgage is when the patent rights are wholly or partly transferred to obtain money.

A valid assignment under the Patents Act, 1970 requires the assignment to be in writing, to be contained in a document that embodies all terms and conditions and must be submitted within six months from the commencement of the Act or the execution of the document whichever is later.

A right to assign work under the Copyright Act 1957 (hereinafter referred to as 'Copyright Act') arises naturally when the work comes into existence. However, certain rights are specific to certain types of subject matter/work. Further an author/owner is entitled to multiple rights broadly categorized as Economic and Moral<sup>4</sup> rights. The owner of a copyright may grant an interest in the copyright by a License.

The Act prescribes that a prospective owner of a copyright in future work may assign the copyright, to any person, either wholly or partially, although the assignment shall take effect only when the work comes into existence.

The requirements for an assignment to be enforced are:

- (a) It must be in writing.
- (b) It should be signed by the Assignor.
- (c) The copyrighted work must be identified and must specify the rights assigned.
- (d) It should have the terms regarding revision, royalty and termination.
- (e) It should specify the amount of royalty payable, if any, to the author or his legal heirs.
- (f) In the event the Assignee does not exercise the rights assigned to him within a period of one year, the assignment in respect of such rights is deemed to have lapsed unless otherwise specified in the Agreement.
- (g) If the period of assignment is not stated, it is deemed to be five years from the date of assignment, and if no geographical limits are specified, it shall be presumed to extend within India.

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### **3.3. Transfer of Copyright:**

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**Transfer of copyright:** The first author of the work is the owner of the work unless he assigns someone else to be the owner for a specific thing (assigning your work to be used in movies) and for a specific period of time. The owner of the copyright in an existing work may assign his work to any person the copyright either wholly or partly either for the whole term of the copyright or part of the term.

**Transfer of future copyright:** Section 18(1) of the Copyright Act also says that the any prospective owner of a future work may assign his copyright. However, the recent amendment of 2012 made it amply clear that such an assignment will not extend to those mediums or modes of exploitation which did not exist at the time of the assignment. Modes of exploitation constantly keep changing due to scientific developments. As in, in the earlier days there used to be only video cassette recorders which were played and now there is MP3 players, iPods and other music players that exist. Similarly, we cannot foresee the technological developments that are yet to come and therefore, the assignment of copyright that is made today will only cover those modes of exploitation that are available today.

This new piece of legislation has come as a relief to the authors as it strengthens their position is new modes of exploitation of their work come into existence.

**Mode of assignment:**

Section 19 of the Act clearly lays down the requirements to assign a copyright. They are as follows:

1. Unless the assignment is in writing and is signed by the assignor, the agreement will not be valid;
2. The rights assigned along with duration and territorial extent must be clearly established;
3. The amount of royalty or any other consideration payable must be clearly specified;
4. It is to be noted that if the assignee fails to exercise the rights assigned to him within one year of the date of assignment, then such assignment shall be deemed to have lapsed unless there is some provision to the contrary in the agreement;
5. If the period of assignment is not mentioned, then it shall be for 5 years;

6. Similarly, if the territorial extent is not mentioned, it shall be presumed to extend within India;

**Amendment of 2012 to Section 19:**

Three clauses have been added with respect to assignment to Section 19 which basically says that royalty has to be paid to the authors whose work has been exploited in a cinematographic film other than by way of exhibition of the film in a cinema hall. This simply means that the authors are entitled to the subsequent royalties which may arise in the course of further exploitation of the film which includes their work. For example, they will also be entitled to royalty for satellite right, home video, internet right etc. This again strengthens the position of the authors of the work as the actual owners of anything apart from their work in the cinematographic film. The second clause that has been added is for sound recording and is the same as above.

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### **3.4. Disputes with respect to assignment of copyright:**

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Section 19A of the Copyright Act, 1957: Disputes with respect to assignment of copyright.-(1) If an assignee fails to make sufficient exercise of the rights assigned to him, and such failure is not attributable to any act or omission of the assignor, then, the Copyright Board may, on receipt of a complaint from the assignor and after holding such inquiry as it may deem necessary, revoke such assignment.

(2) If any dispute arises with respect to the assignment of any copyright the Copyright Board may, on receipt of a complaint from the aggrieved party and after holding such inquiry as it considers necessary, pass such order as it may deem fit including an order for the recovery of any royalty payable:

Provided that the Copyright Board shall not pass any order under this subsection to revoke the assignment unless it is satisfied that the terms of assignment are harsh to the assignor in case the assignor is also the author:

Provided further that no order of revocation of assignment under this subsection, be made within a period of five years from the date of such assignment.

Section 20 of the Copyright Act, 1957: Transmission of copyright in manuscript by testamentary disposition.-Where under a bequest a person is entitled to the manuscript of a literary, dramatic or musical work, or to an artistic work, and

the work was not published before the death of the testator, the bequest shall, unless the contrary intention is indicated in the testator's will or any codicil thereto, be construed as including the copyright in the work in so far as the testator was the owner of the copyright immediately before his death.

**Explanation.-** In this section, the expression "manuscript" means the original document embodying the work, whether written by hand or not.

21. Right of author to relinquish copyright.-(1) The author of a work may relinquish all or any of the rights comprised in the copyright in the work by giving notice in the prescribed form to the Registrar of Copyrights and thereupon such rights shall, subject to the provisions of sub-section (3), cease to exist from the date of the notice.

(2) On receipt of a notice under sub-section (1), the Registrar of Copyrights shall cause it to be published in the Official Gazette and in such other manner as he may deem fit.

(3) The relinquishment of all or any of the rights comprised in the copyright in a work shall not affect any rights subsisting in favour of any person on the date of the notice referred to in sub-section (1).

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### **3.5. Licenses:**

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A License needs to be in writing and the Trademark Act allows the licensee to either be a registered or unregistered user. The licensee of a trademark will enjoy the same rights as that enjoyed by a registered trademark proprietor. Thus the benefit of use of the mark by an unregistered user also accrues to the registered proprietor. The Trademark Act also recognizes non-registered licensed use provided that the proprietor has licensed the right in a written agreement and all conditions of that agreement are met by the user. The registered user can institute infringement proceedings in certain circumstances, while the unregistered permitted user does not have this power under the Trademark Act. The parties to a License agreement are also free to choose the territorial scope of the agreement as well as the term of the contract.

The Patents Act, 1970 allows a patentee to grant a License under section 70. The types of licenses recognized in India are express, statutory, implied, exclusive and non-exclusive. Although the Patents Act grants the patentee a right to license

his patented invention, a limitation on this is in the nature of compulsory licensing<sup>1</sup> under special circumstances.

Compulsory License found a place in the Patents Act to prevent the abuse of patent as a monopoly and to make way for commercial exploitation of an invention by an interested person. Under this section, any person can make an application for grant of a compulsory license for a patent after three years, from the date of grant of that patent, on any of the following grounds:

(a) The reasonable requirements of the public with respect to the patented invention have not been satisfied;

(b) The patented invention is not available to the public at a reasonably affordable price.

(c) The patented invention has not worked in the territory of India.

The purpose of granting a compulsory license is that the patented inventions are worked on a commercial scale in the territory of India without undue delay and to the fullest extent that is reasonably practicable. Further, that the interests of any person for the time being working or developing an invention in the territory of India under the protection of a patent are not unfairly prejudiced.

In certain circumstances, factors such as nature of the invention, time which has elapsed since the sealing of the patent and the measures already taken by the patent or licensee to make full use of the invention, ability of the applicant to work the invention to the public advantage, capacity of the applicant to undertake the risk in providing capital and working the invention, if the application were granted are also taken into consideration by the Controller while deciding an Application filed under section 84 of the Patents Act.

Under the Copyright Act, 1957, the owner of a copyright in any existing work or the prospective owner of the copyright in any future work, may grant any interest in the right, by License in writing, signed by him or by his duly authorized agent. The requirements specified above for an assignment will apply for a License. The Copyright Board is empowered to grant compulsory licenses under certain circumstances on suitable terms and conditions in respect of 'Indian work'. The circumstances necessary for grant of such a License are as follows:

(a) the work must have been published or performed in public.

(b) the author must have refused to republish or allow the republication of the work or must have refused to allow the performance in public, that by reason of such refusal the work is withheld from the public;

(c) the author must have refused to allow communication to the public by broadcast, of such work or in the case of a sound recording the work recorded in such sound recording, on terms which the complainant considers reasonable.

The Copyright Act states that in the case of unpublished Indian work, where the author was a citizen of India or is dead, unknown or cannot be traced, under such circumstances, any person may apply to the Copyright Board for a License to publish the work or translation thereof in any language according to the procedure laid down in the Act<sup>22</sup>.

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### **3.6. Difference between Assignment and License:**

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Assignment of copy right and copyright license are two forms of contract involved in the exploitation of copyright work by a third party. Each has its own distinct characteristics. A license is an authorization of an act without which authorization would be an infringement. Licensing usually involves licensing of some of the rights and not the whole. Licenses can be exclusive or non exclusive. An assignment involves the disposal of the copyright: the author (assigner) assigns the copyright to another person (assignee) or transfer of ownership of the copyright. In the case of license only specified interest in IP is transferred not the ownership is transferred to the licensee. A license normally does not confer any right to licensee against licensor or third party but exclusive licensee has substantial rights against the licensor, even to sue the licensor. And by s.30 if the licensee in the case of future work dies before the work comes in to existence his legal representatives shall be entitled to such works, in the absence of any provision to the contrary.

Unless he joints the owner of copyrights as a party to the infringement action, he cannot take an action for infringement against third party but a purchaser in good faith and for value of the proprietors interest without notice of previous licensee is unaffected by it. The licensee can however, sue the assignor for damages for breach of contract if the latter does not protect his interest. A licensee has a right to make alterations except in so far as his license expressly or impliedly

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<sup>22</sup> <http://www.mondaq.com/india/x/87398/Trademark/Assigning+Licensing+IPR+In+India>

restricts the right. A failure to pay royalties enables the licensor to revoke the license. But in the case of assignment it is not possible. But if there are any harsh terms which affect the author can lead to revocation if a complaint is made to the copyright Board. Where the assignee of a copyright becomes entitled to any right comprised in the copyright, the assignee as respects to the rights so assigned, and the assignor as respects the rights not assigned, shall be treated for the purposes of this Act as the owner of copyright and the provisions of this Act shall have effect accordingly. The expression "assignee" as respects the assignment of the copyright in any future work includes the legal representatives of the assignee, if the assignee dies before the work comes into existence. The owner of the copyright has the power to assign his entire rights or assign only some of the rights. In case the rights are split up there is only partial assignment. Assignee will be the owner of the copyright as regard rights so assigned; the owner will be the owner of the copyright of remaining rights. The assignment could be for whole duration of the copyright or for a short duration.

**Mode of assignment:** No assignment of the copyright in any work shall be valid unless it is in writing signed by the assignor or by his duly authorized agent. It shall identify such work, specify the rights assigned, duration, territorial extent of such assignment, amount of royalty payable to the author. If the period is not stated it shall be deemed to be five years and territorial extent shall be presumed to extend within India. If the assignee does not exercise such rights within one year from the date of such assignment it shall be deemed to have lapsed unless otherwise specified in the assignment. The assignor can file a complaint to the copyright board if the assignee fails to make sufficient exercise of the rights assigned, failure not attributable to the act or omission, then copyright. Board after such enquiry as it deems necessary may revoke the assignment, this provision may be used for u/s 31 as a ground for compulsory licensing. Also regarding any dispute to assignment it follows the same procedure including an order for recovery of any royalty payable. Provided that if the terms of the assignment are harsh to the assignor (author) it shall revoke the assignment, but after five years from the date of assignment. This proviso seems to be irrational; it may not help the author to revoke within five years which means he has to suffer. s.19 & 19A are applicable in the case of licensing too. . In the case of unpublished work the

author must be a citizen of India or domiciled in India at the time of the creation of the work. Copyright in an architectural work will subsist only if the work is located in India irrespective of the nationality of the author.

**Assignment of Future Rights:** The owner of the copyright in an existing work or the prospective owner of the copyright in a future work may assign to any person the copyright, either wholly or partially and either generally or subject to limitations and either for the whole term of the copyright or any part thereof. However, in the case of the assignment of copyright in any future work, the assignment shall take effect only when the work comes into existence. when new rights are granted by the legislature on existing works due to the technological development, problem arises as to the ownership of the new rights, whether the assignor who assigned already all the existing rights on the work or the assignee is the owner of the future rights.<sup>23</sup>

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### 3.7. Compulsory Licenses:

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Section 31 of the Copyright Act, 1957: Compulsory license in works withheld from public:-

(1) If at any time during the term of copyright in any Indian work which has been published or performed in public, a complaint is made to the Copyright Board that the owner of copyright in the work- (a) has refused to republish or allow the republication of the work or has refused to allow the performance in public of the work, and by reason of such refusal the work is withheld from the public; or

(b) has refused to allow communication to the public by 76[broadcast], of such work or in the case of sound recording the work recorded in such [sound recording], on terms which the complainant considers reasonable; the Copyright Board, after giving to the owner of the copyright in the work a reasonable opportunity of being heard and after holding such inquiry as it may deem necessary, may, if it is satisfied that the grounds for such refusal are not reasonable, direct the Registrar of Copyrights to grant to the complainant a license to republish the work, perform the work in public or communicate the work to the public by broadcast, as the case may be, subject to payment to the owner of the

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<http://www.lawyersclubindia.com/articles/OWNERSHIP-AND-ASSIGNMENT-OF-COPYRIGHTS-2751.asp>



copyright of such compensation and subject to such other terms and conditions as the Copyright Board may determine; and thereupon the Registrar of Copyrights shall grant the license to the complainant in accordance with the directions of the Copyright Board, on payment of such fee as may be prescribed.

Explanation.- In this sub-section, the expression 'Indian work' includes-

- (i) an artistic work, the author of which is a citizen of India; and
- (ii) a cinematograph film or a record made or manufactured in India.

(2) Where two or more persons have made a complaint under sub-section (1), the license shall be granted to the complainant who in the opinion of the Copyright Board would best serve the interests of the general public.

Section 31A of the Copyright Act, 1957: Compulsory license in unpublished Indian works:-

(1) Where, in the case of an Indian work referred to in sub-clause (iii) of clause (a) of section 2, the author is dead or unknown or cannot be traced, or the owner of the copyright in such work cannot be found, any person may apply to the Copyright Board for a license to publish such work or a translation thereof in any language.

(2) Before making an application under sub-section (1), the applicant shall publish his proposal in one issue of a daily newspaper in the English language having circulation in the major part of the country and where the application is for the publication of a translation in any language, also in one issue of any daily newspaper in that language.

(3) Every such application shall be made in such form as may be prescribed and shall be accompanied with a copy of the advertisement issued under sub-section (2) and such fee as may be prescribed.

(4) Where an application is made to the Copyright Board under this section, it may, after holding such inquiry as may be prescribed, direct the Registrar of Copyrights to grant to the applicant a license to publish the work or a translation thereof in the language mentioned in the application subject to the payment of such royalty and subject to such other terms and conditions as the Copyright Board may determine, and thereupon the Registrar of Copyrights shall grant the license to the applicant in accordance with the direction of the Copyright Board.

(5) Where a license is granted under this section, the Registrar of Copyrights may, by order, direct the applicant to deposit the amount of the royalty determined

by the Copyright Board in the public account of India or in any other account specified by the Copyright Board so as to enable the owner of the copyright or, as the case may be, his heirs, executors or the legal representatives to claim such royalty at any time.

(6) Without prejudice to the foregoing provisions of this section, in the case of a work referred to in sub-section (1), if the original author is dead, the Central Government may, if it considers that the publication of the work is desirable in the national interest, require the heirs, executors or legal representatives of the author to publish such work within such period as may be specified by it.

(7) Where any work is not published within the period specified by the Central Government under sub-section (6), the Copyright Board may, on an application made by any person for permission to publish the work and after hearing the parties concerned, permit such publication on payment of such royalty as the Copyright Board may, in the circumstances of such case, determine in the prescribed manner.

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### **3.8. License to reproduce and publish works for certain purposes:**

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Section 32A of the Copyright Act, 1957: License to reproduce and publish works for certain purposes.-86(1) Where, after the expiration of the relevant period from the date of the first publication of an edition of a literary, scientific or artistic work,-

(a) the copies of such edition are not made available in India; or

(b) such copies have not been put on sale in India for a period of six months to the general public, or in connection with systematic instructional activities at a price reasonably related to that normally charged in India for comparable works by the owner of the right of reproduction or by any person authorized by him in this behalf, any person may apply to the Copyright Board for a license to reproduce and publish such work in printed or analogous forms of reproduction at the price at which such edition is sold or a lower price for the purposes of systematic instructional activities.

(2) Every such application shall be made in such form as may be prescribed and shall state the proposed retail price of a copy of the work to be reproduced.

(3) Every applicant for a license under this section shall, along with his application, deposit with the Registrar of Copyrights such fee as may be prescribed.

(4) Where an application is made to the Copyright Board under this section, it may, after holding such inquiry as may be prescribed, grant to the applicant a license, not being an exclusive license, to produce and publish a reproduction of the work mentioned in the application subject to the conditions that,-

(i) the applicant shall pay to the owner of the copyright in the work royalties in respect of copies of the reproduction of the work sold to the public, calculated at such rate as the Copyright Board may, in the circumstances of each case, determine in the prescribed manner;

(ii) a license granted under this section shall not extend to the export of copies of the reproduction of the work outside India and every copy of such reproduction shall contain a notice that the copy is available for distribution only in India :

Provided that no such license shall be granted unless-

(a) the applicant has proved to the satisfaction of the Copyright Board that he had requested and had been denied authorization by the owner of the copyright in the work to reproduce and publish such work or that he was, after due diligence on his part, unable to find such owner;

(b) where the applicant was unable to find the owner of the copyright, he had sent a copy of his request for such authorization by registered airmail post to the publisher whose name appears from the work not less than three months before the application for the license;

(c) the Copyright Board is satisfied that the applicant is competent to reproduce and publish an accurate reproduction of the work and possesses the means to pay to the owner of the copyright the royalties payable to him under this section;

(d) the applicant undertakes to reproduce and publish the work at such price as may be fixed by the Copyright Board, being a price reasonably related to the price normally charged in India for works of the same standard on the same or similar subjects;

(e) a period of six months in the case of application for the reproduction and publication of any work of natural science, physical science, mathematics or

technology, or a period of three months in the case of an application for the reproduction and publication of any other work, has elapsed from the date of making the request under clause (a), or where a copy of the request has been sent under clause (b), from the date of sending of a copy, and a reproduction of the work has not been published by the owner of the copyright in the work or any person authorized by him within the said period of six months or, three months, as the case may be;

(f) the name of the author and the title of the particular edition of the work proposed to be reproduced are printed on all the copies of the reproduction;

(g) the author has not withdrawn from circulation copies of the work; and

(h) an opportunity of being heard is given, wherever practicable, to the owner of the copyright in the work.

(5) No license to reproduce and publish the translation of a work shall be granted under this section unless such translation has been published by the owner of the right of translation or any person authorized by him and the translation is not in a language in general use in India.

(6) The provisions of this section shall also apply to the reproduction and publication, or translation into a language in general use in India, of any text incorporated in audio-visual fixations prepared and published solely for the purpose of systematic instructional activities. Explanation.- For the purposes of this section, "relevant period", in relation to any work, means a period of-

(a) seven years from the date of the first publication of that work, where the application is for the reproduction and publication of any work of, or relating to, fiction, poetry, drama, music or art;

(b) three years from the date of the first publication of that work, where the application is for the reproduction and publication of any work of, or relating to, natural science, physical science, mathematics or technology; and

(c) five years from the date of the first publication of that work, in any other case.

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### **3.9. License to produce and publish translations:**

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Section 32 of the Copyright Act, 1957: License to produce and publish translations:- (1) Any person may apply to the Copyright Board for a license to

produce and publish a translation of a literary or dramatic work in any language after a period of seven years from the first publication of the work.

(1A) 80 Notwithstanding anything contained in sub-section (1), any person may apply to the Copyright Board for a licence to produce and publish a translation, in printed or analogous forms of reproduction, of a literary or dramatic work, other than an Indian work, in any language in general use in India after a period of three years from the publication of such work, if such translation is required for the purposes of teaching, scholarship or research:

Provided that where such translation is in a language not in general use in any developed country, such application may be made after a period of one year from such publications.]

(2) Every application under this section shall be made in such form as may be prescribed and shall state the proposed retail price of a copy of the translation of the work.

(3) Every applicant for a license under this section shall, along with his application, deposit with the Registrar of Copyrights such fee as may be prescribed.

(4) Where an application is made to the Copyright Board under this section, it may, after holding such inquiry as may be prescribed, grant to the applicant a license, not being an exclusive license, to produce and publish a translation of the work in the language mentioned in the application-

(i) subject to the condition that the applicant shall pay to the owner of the copyright in the work royalties in respect of copies of the translation of the work sold to the public, calculated at such rate as the Copyright Board may, in the circumstances of each case, determine in the prescribed manner; and

(ii) where such license is granted on an application under sub-section (1A), subject also to the condition that the license shall not extend to the export of copies of the translation of the work outside India and every copy of such translation shall contain a notice in the language of such translation that the copy is available for distribution only in India:

Provided that nothing in clause (ii) shall apply to the export by Government or any authority under

the Government of copies of such translation in a language other than English, French or Spanish to any country if-

(1) such copies are sent to citizens of India residing outside India or to any association of such citizens outside India; or

(2) such copies are meant to be used for purposes of teaching, scholarship or research and not for any commercial purpose; and

(3) in either case, the permission for such export has been given by the Government of that country] 83[Provided further that no license under this section] shall be granted, unless-

(a) a translation of the work in the language mentioned in the application has not been published by the owner of the copyright in the work or any person authorized by him, within seven years or three years or one year, as the case may be, of the first publication of the work], or if a translation has been so published, it has been out of print;

(b) the applicant has proved to the satisfaction of the Copyright Board that he had requested and had been denied authorization by the owner of the copyright to produce and publish such translation, or that he was, after due diligence on his part, unable to find the owner of the copyright;

(c) where the applicant was unable to find the owner of the copyright, he had sent a copy of his request for such authorization by registered air mail post to the publisher whose name appears from the work, and in the case of an application for a license under sub-section (1), not less than two months before 85[such application;

(cc) a period of six months in the case of an application under sub-section (1A) (not being an application under the proviso thereto), or nine months in the case of an application under the proviso to that sub-section, has elapsed from the date of making the request under clause (b) of this proviso, or where a copy of the request has been sent under clause (c) of this proviso, from the date of sending of such copy, and the translation of the work in the language mentioned in the application

has not been published by the owner of the copyright in the work or any person authorized by him within the said period of six months or nine months, as the case may be;

(ccc) in the case of any application made under sub-section (1A),-

(i) the name of the author and the title of the particular edition of the work proposed to be translated are printed on all the copies of the translation;

(ii) if the work is composed mainly of illustrations, the provisions of section 32A are also complied with;

(d) the Copyright Board is satisfied that the applicant is competent to produce and publish a correct translation of the work and possesses the means to pay to the owner of the copyright the royalties payable to him under this section;

(e) the author has not withdrawn from circulation copies of the work; and

(f) an opportunity of being heard is given, wherever practicable, to the owner of the copyright in the work.

(5) Any broadcasting authority may apply to the Copyright Board for a license to produce and publish the translation of-

(a) a work referred to in sub-section (1A) and published in printed or analogous forms of

reproduction; or

(b) any text incorporated in audio-visual fixations prepared and published solely for the purpose of systematic instructional activities, for broadcasting such translation for the purposes of teaching or for the dissemination of the results of specialized, technical or scientific research to the experts in any particular field.

(6) The provisions of sub-sections (2) to (4) in so far as they are relatable to an application under sub-section (1A), shall, with the necessary modifications, apply to the grant of a license under subsection

(5) and such license shall not also be granted unless-

(a) the translation is made from a work lawfully acquired;

(b) the broadcast is made through the medium of sound and visual recordings;

(c) such recording has been lawfully and exclusively made for the purpose of broadcasting in India by the applicant or by any other broadcasting agency; and

(d) the translation and the broadcasting of such translation are not used for any commercial purposes .Explanation.- For the purposes of this section,-

(a) "developed country" means a country which is not a developing country;

(b) "developing country" means a country which is for the time being regarded as such in conformity with the practice of the General Assembly of the United Nations;

(c) "purposes of research" does not include purposes of industrial research, or purposes of research by bodies corporate (not being bodies corporate owned or

controlled by Government) or other associations or body of persons for commercial purposes;

(d) "purposes of teaching, research or scholarship" includes-

(i) purposes of instructional activity at all levels in educational institutions, including Schools, Colleges, Universities and tutorial institutions; and

(ii) purposes of all other types of organized educational activity.

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### **3.10. Termination of Licenses:**

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Section 32B of the Copyright Act, 1957: Termination of licenses issued under this chapter.-(1) If, at any time after the granting of a license to produce and publish the translation of a work in any language under sub-section (1A) of section 32 (hereafter in this sub-section referred to as the licensed work), the owner of the copyright in the work or any person authorized by him publishes a translation of such work in the same language and which is substantially the same in content at a price reasonably related to the price normally charged in India for the translation of works of the same standard on the same or similar subject, the license so granted shall be terminated:

Provided that no such termination shall take effect until after the expiry of a period of three months from the date of service of a notice in the prescribed manner on the person holding such license by the owner of the right of translation intimating the publication of the translation as aforesaid:

Provided further that copies of the licensed work produced and published by the person holding such license before the termination of the license takes effect may continue to be sold or distributed until the copies already produced and published are exhausted.

(2) If, at any time after the granting of a license to produce and publish the reproduction or translation of any work under section 32A, the owner of the right of reproduction or any person authorized by him sells or distributes copies of such work or a translation thereof, as the case may be, in the same language and which is substantially the same in content at a price reasonably related to the price normally charged in India for work of the same standard on the same or similar

Subject, the license so granted shall be terminated:

Provided that no such termination shall take effect until after the expiry of a period of three months from the date of service of a notice in the prescribed



manner on the person holding the license by the owner of the right of reproduction intimating the sale or distribution of the copies of the editions of work as aforesaid:

Provided further that any copies already reproduced by the licensee before such termination takes effect may continue to be sold or distributed until the copies already produced are exhausted.

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### **3.11. Summary:**

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Assignment is very important area of the copyright and dealing many issues with reference to protect author's right. In this unit the concept of assignment of copyright, assignment by prospective owner, revocation of assignment, licenses, difference between assignment and licenses, compulsory licenses, parameters for the grant of compulsory licenses, licenses to produce and publish translations and termination of licenses are discussed at length to understand the assignment related issues in copyright. The assignment is the basic requirement to transfer the right to another person.

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### **3.12. Some Useful Books:**

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- A. An Introduction to Intellectual Property Rights by J.P. Mishra; Central Law Publication-Third Edition-2012
- B. Law relating to Intellectual Property Law by V.K. Ahuja; Lexis-Nexis Publication (2013)
- C. Intellectual Property Law Manual-Universal Publication (2014)
- D. Intellectual Property by W.R. Cornish; Third Edition-First Indian Reprint,2001
- E. Copyright Act, 1957-Bare Act (Universal Publication)
- F. Trade Marks Act, 1999-Bare Act (Universal Publication)
- G. The Patent Act, 1970-Bare Act (Universal Publication)
- H. Law relating to Intellectual Property by B.L. Wadehra (Universal Publication)

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### **1.13. Check Your Progress:**

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- A. Which of the following statements are true or false:
  - f. Under an assignment, the rights owner transfers the rights to authorize or prohibit certain acts covered by one, several or all rights under copyright.
  - g. The copyright work must be identified and must specify the right assigned.

- h. Section 19A is related to disputes with respect to assignment of copyright.
- i. A license is an authorization of an act without which authorization would be infringed.
- j. Section 32 is related to compulsory licenses.

B. Fill in the blanks:

- i. .... of the Copyright Act, 1957 says that the any prospective owner of a future work may assign his copyright.
- ii. ....of the Copyright Act, 1957 is related to Mode of Assignment.
- iii. No assignment of the copyright in any work shall be valid unless it is in writing ..... or by his duly authorized agent.
- iv. .... of the Copyright Act, 1957 is related to compulsory licenses.
- v. ....of the Copyright Act, 1957 is related to produce and publish translations.

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### 1.14. Answer to Check your Progress:

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A.

- 1. True
- 2. True
- 3. True
- 4. True
- 5. False

B.

- 1. Section 18(1)
- 2. Section 19
- 3. Signed by assignor
- 4. Section 31 and 31A
- 5. Section 32

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### 1.15. Terminal Questions:

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- 1. What is assignment of copyright?

2. What is license?
3. What are the differences between assignment and licenses?
4. Discuss in detail the parameters for the grant of compulsory licenses.
5. Write a note on license to produce and publish translation.

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## Unit-4

# Jurisdiction Issues in Copyright

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### Objectives:

After going through this unit you should be able to:

- Understand the issues and subject matters related to jurisdiction in Copyright
- Understand the importance of subject matter
- Understand the technical and legal issues related to jurisdiction

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### Summary:

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- 4.1. Introduction
- 4.2. Subject Matter of Copyright
- 4.3. Original Literary Work
- 4.4. Original Computer Programmers
- 4.5. Original Dramatic Works
- 4.6. Original Musical Works
- 4.7. Original Artistic Works
- 4.8. Ownership and Term of Copyright
- 4.9. Copyright Office and Copyright Board
- 4.10. Registration of Copyright
- 4.11. Summary
- 4.12. Some Useful Books
- 4.13. Check your Progress
- 4.14. Answer to Check your Progress
- 4.15. Terminal Questions

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### Introduction:

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The question of territorial jurisdiction of the court to deal with copyright infringement was considered by the courts on several occasions. In *Caterpillar Inc v Kailash Nichani*, the plaintiff, a foreign company, was carrying

on business in several places in India including Delhi, through its Indian distributors and collaborators. The plaintiff claimed the relief of ad-interim injunction for preventing infringement of its copyright by the defendant, though the defendant was dealing in different goods. The Delhi high Court held that it was not necessary to show that the business being carried on by the plaintiff in Delhi should necessarily be in respect of footwear and articles of clothing as well. It is sufficient if the business was being carried on by the plaintiff in Delhi and further that there was an infringement of plaintiff's copyright in respect of certain goods, which were being sold by the defendant in Delhi. The court further held that section 62 of the Copyright Act makes an obvious and significant departure from the norm that the choice of jurisdiction should primarily be governed by the convenience of the defendant. The legislature in its wisdom introduced this provision laying down absolutely opposite norm than the one set out in section 20 CPC. The purpose is to expose the transgressor with inconvenience rather than compelling the sufferer to chase after the former.

In *Lachhman Das Behari Lal v Padam Trading Co*, the Delhi High Court observed that the plaintiff being a firm functioning at Delhi, the suit filed by it in the Delhi courts is maintainable and is not liable to be rejected under Order 7 Rule 11 of the CPC as prayed. The Court further observed that the plea regarding want of territorial jurisdiction is not covered by Order 7 rule 11 of CPC. The court observed that even if it is held that this court has not the territorial jurisdiction, the plaint cannot be rejected. At the most it can be returned for presentation to the proper court.

In *Exphar SA and Anr v Eupharma Laboratories Ltd & Anr*, the Supreme Court finally settled the position in this regard. The Court observed: Section 62(2) cannot be read as limiting the jurisdiction of the District Court only to cases where the person instituting the suit or other proceeding or where there are more than one such persons, any of them actually and voluntarily resides or carries on business or presently works for gain. It prescribes an additional ground for attracting the jurisdiction of a court over and above the normal grounds as laid down in Section 20 of the C.P.C. Even if the jurisdiction of the Court were restricted in the manner construed by the Division Bench, it is evident not only from the cause title but also

from the body of the plaint that the Appellant No 2 carries on business within the jurisdiction of the Delhi High Court. The Appellant No 2 certainly a person instituting the suit. The Division Bench went beyond the express words of the statute and negative the jurisdiction of the Court because it found that the Appellant No 2 had not claimed ownership of the copyright, infringement of which was claimed in the suit. The appellant No 2 may not be entitled to the relief claimed in the suit but that is no reason for holding that it was not a person who had instituted the suit within the meaning of Section 62(2) of the Act.

**Subject Matter of Copyright:** Copyright is a form of intellectual property protection granted under Indian law to the creators of original works of authorship such as literary works (including computer programs, tables and compilations including computer databases which may be expressed in words, codes, schemes or in any other form, including a machine readable medium), dramatic, musical and artistic works, cinematographic films and sound recordings.

Copyright law protects expressions of ideas rather than the ideas themselves. Under section 13 of the Copyright Act 1957, copyright protection is conferred on literary works, dramatic works, musical works, artistic works, cinematograph films and sound recording. For example, books, computer programs are protected under the Act as literary works.

Copyright refers to a bundle of exclusive rights vested in the owner of copyright by virtue of Section 14 of the Act. These rights can be exercised only by the owner of copyright or by any other person who is duly licensed in this regard by the owner of copyright. These rights include the right of adaptation, right of reproduction, right of publication, right to make translations, communication to public etc.

Copyright protection is conferred on all Original literary, artistic, musical or dramatic, cinematograph and sound recording works. Original means, that the work has not been copied from any other source. Copyright protection commences the moment a work is created, and its registration is optional. However it is always advisable to obtain a registration for a better protection. Copyright registration does not confer any rights and is merely a prima facie proof of an entry in respect

of the work in the Copyright Register maintained by the Registrar of Copyrights. As per Section 17 of the Act, the author or creator of the work is the first owner of copyright. An exception to this rule is that, the employer becomes the owner of copyright in circumstances where the employee creates a work in the course of and scope of employment.

**Original Literary Work:** Under Section 13 of the Copyright Act 1957 copyright subsists in original, literary, dramatic, musical and artistic works, cinematographic films and sound recordings. Section 2(o) of the act provides an inclusive definition of 'literary works', stating that the term "includes computer programs, tables and compilations, including computer databases", but it does not set down which works are deemed to be literary. However, the explanation to Section 2 states that the term 'literary works' is not confined to works of literature in the commonly understood sense, but must be taken to include all works expressed in writing, no matter whether they have literary merit. Thus, the definition is not exhaustive and all literary works satisfying the criterion of originality are entitled to protection under the act.

In addition to an original work created by the author, the adaptations and abridgements of that work qualify for protection as original works having independent copyright. However, copyright in an adaptive work is subordinate to the rights in the original work. Adaptation involves the transformation of a work by incorporating changes which render it unrecognizable in appearance, but which do not create a new work in substance. An abridgement preserves the substance or essence of the work in language suited to such purpose, where the language is substantially different from that of the original.

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#### **4.1. Original Computer Programmers:**

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Section 2 (o) defines 'literary work' and includes computer programs, tables and compilations including computer databases. Section 13 provides the categories of work in which the copyright subsists which includes original literary work. The author of a work is the first owner of copyright in the work. However in case of employer-employee if a work is made in course of employment under a contract of

service or apprenticeship, the employer shall be the first owner of the copyright in the above of any contract to the contrary. These provisions of the copyright law are applicable mutatis mutandis to computer software/ programmers as well.

Software contracts, like many other transactions, are governed by the common law principal as embodied in the Indian Contract Act. Contract can be in the nature of sale or assignment/ license. If the computer software is considered as a 'good', the Sale of Goods Act, 1930 will have relevance in the formation and execution of the sale contract. Section 2(7) of the Sale of Goods Act, 1930 defines 'good' as 'every kind of movable property other than actionable claims and money, and includes stock and shares, growing, crops grass...' This definition of goods includes all types of movable properties, whether tangible or intangible.

In *Tata Consultancy Services v. State of Andhra Pradesh* (271 ITR 401 (2004)), the Supreme Court considered computer software is intellectual property, whether it is conveyed in diskettes, floppy, magnetic tapes or CD ROMs, whether canned (Shrink-wrapped) or unmanned (customized), whether it comes as part of computer or independently, whether it is branded or unbranded, tangible or intangible; is a commodity capable of being transmitted, transferred, delivered, stored, processed, etc. and therefore as a 'good' liable to sale tax. The court stated that, 'it would become goods provided it has the attributes thereof having regards to (a) its ability; (b) capable of being bought and sold; and (c) capable of being transmitted, transferred, delivered, stored and possessed. If a software whether customized or no customized satisfies these attributes, the same would be goods.'

#### Infringement of Copy right and Legal Remedies for the Computer software:

Section 51 defines infringement of copyright and states that a person infringes copyright of another if he unauthorized commits any act which only the copyright holder has exclusive rights to do. Civil remedies to copyright infringement s are provided in chapter XII of Copyright Act, 1957 granting injunction and damages for copyright infringement and criminal liability provisions are provided in chapter XII of Copyright Act, 1957 wherein abetment of infringement is also unlawful and punishable with imprisonment of upto three years and a fine up to Rs. 2 Lacs (Section 63 of the Copyright Acts, 1957). A person who knowingly uses the infringing copies of Computer software commits a



criminal offence punishable with imprisonment for not for not less than seven days extendable up to three years and a fine not less than Rs. 50,000/- which may extend to Rs. 2 Lacs. Section 62 of the Copyright Act, 1957 entitles a Plaintiff to file for a suit for injunction against infringements within District Court of the jurisdiction where Plaintiff resides or carries on business or works for gain. Infact, of late Indian Courts have accepted petitions against unknown Defendants or persons identifiable through their IP Addresses in internet law related litigation. Popularly known as John Doe order in the US Courts, India had adopted the principal of accepting petitions against unknown persons in defamation cases or Intellectual property infringements including cases relating to software piracy. This is a positive legal enforcement strategy adopted by Indian Courts to resolve internet related litigation where defendants cannot be identified at stage of filing of the position.

Computer programs are a good example of a type of work which is not included in the list in the Berne Convention, but which is undoubtedly included in the notion of a production in the literary, scientific and artistic domain within the meaning of Article 2. Indeed, computer programs are protected under the copyright laws of a number of countries, as well as under the WIPO Copyright Treaty (1996). A computer program is a set of instructions, which controls the operations of a computer in order to enable it to perform a specific task, such as the storage and retrieval of information. The program is produced by one or more human authors, but in its final “mode or form of expression,” it can be understood directly only by a machine (the computer), not by humans. Multimedia productions are another example of a type of work not listed in the Berne Convention, but which clearly comes within the notion of creations in the literary, scientific and artistic domain. While no acceptable legal definition has been developed, there is a consensus that the combination of sound, text and images in a digital format, which is made accessible by a computer program, embodies an original expression of authorship sufficient to justify the protection of multimedia productions under the umbrella of copyright.

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## **4.2. Original Dramatic Works: Dramatic work-**

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**Copyright subsists in original dramatic work and its adaptation under Copyright Act:**

- It includes any piece or recitation, choreographic work
- Entertainment in dumb show
- The scenic arrangement or acting form of which is fixed in writing otherwise
- But does not include a cinematograph film.

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#### **4.3. Original Musical Works<sup>24</sup>: Musical work-**

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**Copyright subsists in original musical work and includes under Copyright Act:**

- any combination of melody and harmony, either of them reduced to writing or otherwise graphically produced or reproduced.
- An original adaptation of a musical work is also entitled to copyright.
- There is no copyright in a song. A song has its words written by one man and its music by another; its words have a literary copyright, and so has its music. These two copyrights are entirely different and cannot be merged.
- In cases where the word and music are written by the same person, or where they are owned by the same person, he would own the copyright in the song.

It is important to note that there are two separate copyrightable components of any single recording of a musical work: the composition and the sound recording. The musical composition consists of the music, as written, including any accompanying words. The author of a musical composition is generally the composer and the lyricist, if there are lyrics. A musical composition can be in the form of a notated copy (for example, sheet music), or in a sound recording, such as a master recording or a phone record, such as an LP, cassette tape, CD or a digital phone record “DPD,” such as an MP3 or other digital file. See: Modernizing Music Licensing to Promote Innovative Business Models

The sound recording, on the other hand, results from the fixation of a series of musical, spoken, or other sounds into a tangible medium that can be played back.

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<sup>24</sup> <http://www.digimedia.org/issues-and-policy/copyright-and-royalties/139-copyright-in-music>

The author of a sound recording is the performer(s) whose performance is fixed, the record producer/engineer who processes the sounds and fixes them in the final recording, or both. Not the author of the underlying musical work, however. Copyright in a sound recording is not the same as, or a substitute for, copyright in the underlying musical composition.

Except for in the case of terrestrial, analog radio, a separate license must be obtained from the BOTH the copyright owner of the “musical work” AND the “sound recording” as described above, before a particular sound recording of a musical work can be used. Currently, terrestrial analog radio enjoys an exemption from the requirement to obtain a license for the sound recordings they play (they still have to get a license for the underlying musical works, however).

### Distribution and Performance of Musical Works

Section 106 of the 1976 Copyright Act gives the owner of copyright in original musical works, the exclusive right to do and to authorize others to:

- To reproduce the work in copies or phonorecords;
- To distribute copies or phonorecords of the work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- To perform the work publicly.

That means that you must obtain the authority to either 1) make or distribute copies of a musical work, or 2) to publicly perform a musical work.

### Distribution and Performance of Sound Recordings

Section 106 of the 1976 Copyright Act gives the owner of copyright in a sound recording of a musical work, the exclusive right to do and to authorize others to:

- To reproduce the work in copies or phonorecords;
- To distribute copies or phonorecords of the work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- In the case of sound recordings, to perform the work publicly by means of a digital audio transmission.

That means that you must obtain the authority to either 1) make and distribute copies of the sound recordings, or 2) to publicly perform the sound recordings, by means of a digital transmission.

In case of literary, dramatic or musical work, A copyright gives the right to do and authorize the doing of any of the following acts, namely-

- i. to reproduce the work in any material form;
- ii. to publish the work;
- iii. to perform the work in public;
- iv. to produce ,reproduce ,perform or publish any translation of the work;
- v. to make any cinematographic film or a record in respect of work;
- vi. to communicate the work by broadcast or to communicate to the public by loud-speaker or any other similar instrument the broadcast of the work;
- vii. to make any adaptation of work;
- viii. to do in relation to a translation or an adaptation of the work any of the acts specified in relation to the work in clause (i ) to (iv).

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#### **4.4. Original Artistic Works:**

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Artistic work means under Copyright Act:

- A painting,
- A sculpture,
- A drawing including a diagram, map, chart or plan,
- An engraving or a photograph, whether or not any such work possesses artistic quality;
- An architectural work of art; and any other work of artistic craftsmanship.
- The work need not possess any artistic quality but he author must have bestowed skill, judgment and effort upon the work.
- A poster used in advertisement is an artistic work. But advertisement slogans consisting of a few words only are not copyright matter.

In the case of the artistic work, a copyright gives the right to do or authorize the doing of any of the following acts, namely-

- i. to reproduce the work in any material form;
- ii. to publish the work;
- iii. to include the work in any cinematography film;
- iv. to make any adaptation of work;

- v. to do in relation to an adaptation of the work any of the acts specified in relation to the work in clauses (i) to (iii).

### **Ownership and Term of Copyright:**

The ownership in copyright may vest in different persons under different circumstances.

In *Eastern Book company v Navin J.Desai*, the question involved was whether there is any copyright in the reporting of the judgment of a court. The Delhi High court observed: It is not denied that under section 2(k) of the Copyright Act, a work which is made or published under the direction or control of any Court, tribunal or other judicial authority in India is a Government work. Under section 52(q), the reproduction or publication of any judgment or order of a court, tribunal or other judicial authority shall not constitute infringement of copyright of the government in these works. It is thus clear that it is open to everybody to reproduce and publish the government work including the judgment/ order of a court. However, in case, a person by extensive reading, careful study and comparison and with the exercise of taste and judgment has made certain comments about judgment or has written a commentary thereon, may be such a comment and commentary is entitled to protection under the Copyright Act”.

The court further observed: In terms of section 52(1)(q) of the Act, reproduction of a judgment of the court is an exception to the infringement of the Copyright. The orders and judgments of the court are in the public domain and anyone can publish them. Not only that being a Government work, no copyright exists in these orders and judgments. No one can claim copyright in these judgments and orders of the court merely on the ground that he had first published them in his book. Changes consisting of elimination, changes of spelling, elimination or addition of quotations and corrections of typographical mistakes are trivial and hence no copyright exists therein.

In *Godrej Soaps (P) Ltd v Dora Cosmetics Co*, the Delhi High Court held that where the carton was designed for valuable consideration by a person in the course of his employment for and on behalf of the plaintiff and the defendant had led no evidence in his favour, the plaintiff is the assignee and the legal owner of copyright in the carton including the logo.

### Copyright Office and Copyright Board:

The Copyright Board, a quasi-judicial body, was constituted in September 1958. The jurisdiction of the Copyright Board extends to the whole of India. The Board is entrusted with the task of adjudication of disputes pertaining to copyright registration, assignment of copyright, grant of Licenses in respect of works withheld from public, unpublished Indian works, production and publication of translations and works for certain specified purposes. It also hears cases in other miscellaneous matters instituted before it under the Copyright Act, 1957. The meetings of the Board are held in five different zones of the country. This facilitates administration of justice to authors, creators and owners of intellectual property including IP attorney's near their place of location or occupation.

Section 9 of the Copyright Act requires for establishment of an office to be called the Copyright Office for the purpose of the Act. The Copyright Office is to be under the immediate control of a Registrar of Copyrights to be appointed by the Central Government, who would act under the superintendence and directions of the Central Government. The Copyright Office is currently located at the following address:

4th Floor, Jeevan Deep Building Parliament Street New Delhi – 110001  
Telephone No. : +91-11-23362436

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## **4.5 Registration of Copyright:**

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The way in which copyright protection is secured is frequently misunderstood. Copyright is secured automatically when the work is created. A work is "created" when it is fixed into a book, tape or electronic medium for the first time. Thus, for example, a song can be fixed in sheet music or in a digital tape, or both. No publication, registration or other action in the Indian Copyright Registry is required to secure copyright. However, in order to enforce the copyright and for many other practical reasons, it will be advisable to register the copyright with the Indian Copyright Registry.

Some of the advantages of registering a copyright are the following:

- Registration establishes a public record of the copyright claim.
- Before an infringement suit may be filed in court, registration is necessary for works of U. S. origin.

- If made before or within 5 years of publication, registration establishes sufficient evidence in court concerning the validity of the copyright and the facts stated in the copyright certificate.

- If registration is made within 3 months after publication of the work or prior to an infringement of the work, statutory damages and attorney's fees will be available to the copyright owner in court actions. Otherwise, only an award of actual damages and profits is available to the copyright owner

- Registration allows the owner of the copyright to record the registration with the Indian Customs for protection against the importation of infringing copies.

**DRAFT FORMAT/FORM FOR REGISTRATION GOVERNMENT OF INDIA**

**MINISTRY OF HUMAN RESOURCE DEVELOPMENT  
(DEPARTMENT. OF EDUCATION)**

**Copyright Office**

**B-2/W-3, Curzon Road Barracks K.G. Marg, New Delhi – 110001**

**Tel : (011) 23382458; 23382549 Ext.31**

Dated :

To

Sir/Madam,

Would you kindly refer to your letter dated ..... enquiring about the procedure for the registration of Copyrights.

2. Section 44 of the Copyright Act, 1957 (14 of 1957) provide for the registration of all works in which copyright subsists.

3. Chapter IV of the Copyright Rules, 1956 sets out the procedure for the registration of a work. These Rules have been amended by the Ministry of Human Resource Development (Department of Education) Notification No.GSR 602(E) published in the Gazette of India (extraordinary) Part III, Section 3, Sub Section (i) dated 10-8-1984, copies of the Act and Rules can be obtained from the Manager of Publications, Publication Branch, Civil Lines, Delhi or his authorized dealers on payment. (The Copyright Rules have been further amended vide Gazette Notification GSR(E) dated 27th April, 1992).

The procedure for registration is as follows:

- a) Application for registration is to be made on Form IV (including Statement of Particulars and Statement of Further Particulars) as prescribed in the first schedule to the Rules, as amended;
- b) Separate applications should be made for registration of each work;
- c) Each application should be accompanied by the requisite fee prescribed in the second schedule to the Rules, as amended; and
- d) The applications should be signed by the applicant and if he has an advocate in whose favour a Vakalatnama or Power of Attorney has been executed, should also be signed by the Advocate.

Each and every column of the Statement of Particulars and Statement of Further Particulars should be replied specifically. 4. Both published and unpublished works can be registered. Copyright in works published before 21st January, 1958, i.e., before the Copyright Act, 1957 came in force, can also be registered, provided the works are still in Copyright. Three copies of published work may be sent along with the application. If the work to be registered is unpublished, a copy of the manuscript this to be sent along with the application for affixing the stamp of the Copyright Office in profit of the work having been registered. In case two copies of the manuscript are sent, one copy of the same duly stamped will be returned, while the other will be retained as far as possible in this office for record and will be kept confidential. It would also be open to the applicant to sent only extracts from the unpublished work instead of the whole manuscript and ask for the return of the extracts after being stamped with the seal of the Copyright Office.

5. When a work has been registered as Unpublished and subsequently is it published, the applicant may apply for changes in particulars entered in the Register of Copyright in Form V as prescribed in the first schedule to the Copyright Rules, 1958, along with the prescribed fee and in accordance with Rule 16 of the Copyright Rules, 1958.

6. To facilitate reference, relevant extracts from the Copyright Act, 1957 and the Copyright Rules, 1958 as amended, along with a specimen copy of the Form IV are sent herewith.



Applications may be made on plain paper in accordance with Form IV, as this office does not supply blank application forms. A copy of the instructions for filling up the forms is also enclosed.

Yours faithfully,  
Dy. Registrar of Copyrights  
Encls: As above

( Draft Format)

**EXTRACT FROM THE COPYRIGHT RULES, 1958, AS AMENDED  
(See Rule 16)**

**Form IV – Application for Registration of Copyright**

To  
The Registrar of Copyrights  
Copyright Office  
New Delhi : 110001.

Sir,

In accordance with Section 45 of the Copyright Act, 1957 (14 of 1957), I hereby apply for registration of Copyright and request you that entries may be made in the Register of Copyrights in the enclosed Statement of Particulars sent herewith in triplicate.

I also send herewith duly completed Statement of further Particulars relating to the work. (for Literary, Dramatic, Musical and Artistic works only)

2. In accordance with Rule 16 of the Copyright Rules, 1958, I have sent by prepaid registration post copies of this letter and of the enclosed Statement(s) to the other parties concerned, as shown below:

Name and address of the parties Date of dispatch (1) (2)

[See columns 7, 11,12 and 13 of the Statement of Particulars and the party referred in Col.2(e) of the Statement of Further Particulars.]

3. The prescribed fee has been paid, as per details below:

4. Communications on this subject may be addressed to:

5. I hereby declare that to the best of my knowledge and belief, no person, other than to whom a notice has been sent to as per paragraph 2 above any claim or interest or dispute to my copyright of this work or to its use by me.

6. I hereby verify that the particulars given in this Form and in the Statement of Particulars and Statement of Further Particulars are true to the best of my knowledge, belief and information and nothing has been concealed there from.

Yours faithfully,

**Signature of the applicant**

**List of enclosures:**

**Place:**

**Date:**

**(Draft Format)**

**Statement of Particulars**

**(to be send in triplicate)**

1. Registration No. (to be filled in by the Copyright Office)
2. Name, address & nationality of the Applicant:
3. Nature of the Applicant's interest in the Copyright of the work:
4. Class and description of the work:
5. Title of the work:
6. Language of the work:
7. Name, address & Nationality of the Author and if the author is deceased, the date of decease:
8. Whether the work is published or unpublished:
9. Year and Country of first publication Name, address and nationality of the publisher:
10. Years and countries of subsequent publications if any and names, addresses and nationalities of the publishers:
11. Names, addresses and nationalities of the owners of various rights comprising the copyright in the work and the extent of rights held by each, together with the particulars of assignments and license, if any:
12. Names, addresses and nationalities of other persons, if any authorized to assign or license the rights comprising the copyrights:
13. If the work is 'Artistic' the location of the original work including name and address and nationality of the person in possession of the work, (in case of an architectural work, the year of completion of the work should also be shown).
- 13A If the work is an Artistic work which is used or is capable of being used in relation to any goods, the application should be include a certification from the

Registrar of Trade Marks in terms of the proviso to Sub-Section (i) of Section 45 of the Copyright Act, 1957.

14. Remarks, if any.

**Signature of the Applicant**

**Place:**

**Date:**

**(Draft Format)**

### **Statement of Further Particulars**

**(to be sent in triplicate)**

**(For Literary, Dramatic, Musical and Artistic works only)**

1. Is the work to be registered

(a) an original work?

(b) a translation of a work in the public domain?

(c) a translation of a work in which Copyright subsists?

(d) an adaptation of a work in the public domain?

(e) an adaptation of a work in which Copyright subsists?

2. If the work is a translation or adaptation of a work in which Copyright subsists:

(a) Title of the original work

(b) Language of the original work

(c) Name, address and nationality of the author of the original work and if the author is deceased, the date of decease:

(d) Name, address and nationality of the publisher, if any or the original work

(e) Particulars of the authorization for a translation or adaptation including the name, address and nationality of the party authorizing:

3. Remarks, if any.

**Signature**

**Place:**

**Date:**

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## **4.5. Summary:**

The issue of jurisdiction is a very important aspect of the copyright in the era of information technology. In this unit the subject matter of copyright, the original

literary work, original computer programs, original dramatic works, original musical works, original artistic works, ownership and term of copyright and copyright office & copyright board are discussed at length for better understanding of the concept of jurisdiction issues in copyright.

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#### **4.6. Some Useful Books:**

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- A. An Introduction to Intellectual Property Rights by J.P. Mishra; Central Law Publication-Third Edition-2012
- B. Law relating to Intellectual Property Law by V.K. Ahuja; Lexis-Nexis Publication (2013)
- C. Intellectual Property Law Manual-Universal Publication (2014)
- D. Intellectual Property by W.R. Cornish; Third Edition-First Indian Reprint,2001
- E. Copyright Act, 1957-Bare Act (Universal Publication)
- F. Trade Marks Act, 1999-Bare Act (Universal Publication)
- G. The Patent Act, 1970-Bare Act (Universal Publication)
- H. Law relating to Intellectual Property by B.L. Wadehra (Universal Publication)

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#### **4.7. Check your Progress:**

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- A. Which of the following statements are true or false:
  - 1. Copyright law protects expressions of ideas rather than the idea themselves.
  - 2. Section 2(o) of the Copyright Act, 1957 defines ‘literary work’ and includes ‘computer programs’.
  - 3. Section 51 of the Copyright Act, 1957 is related to infringement of copyright.
  - 4. Computer programs are a good example of a type of a work which is not included in the list of Berne Convention.
  - 5. A painting is not an original Artistic Work.
- B. Fill in the blanks:
  - 1. As per ..... of the Copyright Act, 1957, the author or creator of the work is the first owner of the copyright.
  - 2. If a work is made in course of employment under a contract of service or apprenticeship, the employer shall be the..... of the copyright.

3. In Tata Consultancy Services v. State of Andhra Pradesh (2004), the Sc considered computer software as .....
4. An .....of a musical work is also entitled to copyright.
5. Copyright Board is a .....body.

---

#### **4.8. Answer to Check your Progress:**

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A.

1. True
2. True
3. True
4. True
5. False

B.

1. Section 17
2. First owner
3. Intellectual property
4. Original adaptation
5. Quasi-judicial

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#### **4.9. Terminal Questions**

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1. What is original literary work?
2. Discuss original computer programs.
3. Discuss original dramatic works.
4. Write a note on ownership and term of copyright.
5. Write a note on Copyright Board and Copyright Office.

---

## Unit-5

# Infringement and Remedies

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### Objectives:

After going through this unit you should be able to:

- Understand the issues and subject matters related to infringement of Copyright
- Understand the remedies which are available
- Understand the technical and legal issues related to infringement

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### Structure:

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- 5.1. Introduction
- 5.2. When Copyright is infringed under the Act?
- 5.3. Permitted Acts in relation to Copyright
- 5.4. Common Law Exceptions
- 5.5. Statutory Exceptions
- 5.6. Civil Remedies
- 5.7. Appeals
- 5.8. Offences
- 5.9. Offences by Companies
- 5.10. Criminal Remedies for Infringement of Neighboring Rights
- 5.11. Summary
- 5.12. Some Useful Books
- 5.13. Check your Progress
- 5.14. Answer to Check your Progress
- 5.15. Terminal Questions

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### 5.1. Introduction:

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India has an excellent Copyright Law namely, the Copyright Act of 1957 amended in 1983, 1984 and 1994. The remedies for copyright infringement are:

a) Civil

- b) Criminal, and
- c) Administrative

It is only the first two remedies, namely civil and criminal, which are of any real practical importance.

The most importance civil remedy is the grant of interlocutory injunction since most actions start with an application for some interlocutory relief and in most cases the matter never goes beyond the interlocutory stage. The other civil remedies include damages - actual and conversion; rendition of accounts of profits and delivery up.

Under Indian law, however, there is a departure made and the plaintiff, under sections 55 and 58, can seek recovery of all three remedies, namely (a) account of profits (b) compensatory damages and (c) conversion damages which are assessed on the basis of value of the article converted.

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## **5.2. When Copyright is infringed under the Act? :**

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**Section 51 of Copyright Act, 1957: When copyright infringed:-** Copyright in a work shall be deemed to be infringed

(a) when any person, without a license granted by the owner of the Copyright or the Registrar of Copyrights under this Act or in contravention of the conditions of a license so granted or of any condition imposed by a competent authority under this Act ---

( i ) does anything, the exclusive right to do which is by this Act conferred upon the owner of the copyright, or

( ii ) permits for profit any place to be used for the performance of the work in public where such performance constitutes an infringement of the copyright in the work unless he was not aware and had no reasonable ground for believing that such performance would be an infringement of copyright, or

(b) when any person ---

( i ) make for sale or hire, or sells or lets for hire, or by way of trade displays or offers for sale or hire, or

( ii ) distributes either for the purpose of trade or to such an extent as to affect prejudicially the owner of the copyright, or

( iii ) by way of trade exhibits in public, or

( iv ) imports (except for the private and domestic use of the importer) into India,  
any infringing copies of the work.

Explanation.--- For the purposes of this section, the reproduction of a literary, dramatic, musical or artistic work in the form of a cinematograph film shall be deemed to be an "infringing copy".

Copyright infringement occurs when someone other than the copyright holder copies the “expression” of a work. This means that the idea or information behind the work is not protected, but how the idea is expressed is protected. For example, there have been many movies about Pirates, but only one Jack Sparrow.

Copyright infringement can occur even if someone does not copy a work exactly. This example of copyright infringement is most easily apparent in music and art. Copyright infringement occurs if the infringing work is “substantially similar” to the copyrighted work.

Copyright infringement occurs when the copyright owner's rights are violated: To fully understand copyright infringement, you must understand what rights you hold as a copyright holder. You own more than just the rights to reproduce the work filed with the US Copyright Office.

An owner of a copyright owns a “bundle” of rights. Each of these rights can be sold or assigned separately. Copyright infringement occurs when one of those rights are used without the express consent of the copyright owner. The rights owned by the owner of a copyright include:

The Right to Reproduce the Work: This is the right to reproduce, copy, duplicate or transcribe the work in any fixed form. Copyright infringement would occur if someone other than the copyright owner made a copy of the work and resold it.

The Right to Derivative Works: This is the right to modify the work to create a new work. A new work that is based upon an existing work is a "derivative work." Copyright infringement would occur here if someone wrote a screenplay based on his favorite John Grisham book and sold or distributed the screenplay, or if someone releases or remixes one of your songs without your consent.

The Right to Distribution: This is simply the right to distribute the work to the public by sale, rental, lease or lending. The music industry lawsuits targeting file-



sharing web services claim that these services violate the right to distribution held by record labels.

**The Public Display Right:** This is the right to show a copy of the work directly to the public by hanging up a copy of the work in a public place, displaying it on a website, putting it on film or transmitting it to the public in any other way. Copyright infringement occurs here if the someone other than the copyright holder offers a work for public display.

**The Public Performance Right:** This is the right to recite, play, dance, act or show the work at a public place or to transmit it to the public. Copyright infringement would occur here if someone decided to give performances of the musical "Oliver!" without obtaining permission from the owner.

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### **5.3. Permitted Acts in relation to Copyright:**

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Subject to certain conditions, a fair deal for research, study, criticism, review and news reporting, as well as use of works in library and schools and in the legislatures, is permitted without specific permission of the copyright owners. In order to protect the interests of users, some exemptions have been prescribed in respect of specific uses of works enjoying copyright. Some of the exemptions are the uses of the work:

- i. for the purpose of research or private study,
- ii. for criticism or review,
- iii. for reporting current events,
- iv. in connection with judicial proceeding,
- v. performance by an amateur club or society if the performance is given to a non-paying audience, and
- vi. the making of sound recordings of literary, dramatic or musical works under certain conditions.

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### **5.4. Common Law Exceptions:**

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The doctrine of fair use developed over the years as courts tried to balance the rights of copyright owners with society's interest in allowing copying in certain, limited circumstances. This doctrine has at its core a fundamental belief that not all copying should be banned, particularly in socially important endeavors such as criticism, news reporting, teaching, and research.

Although the doctrine of fair use was originally created by the judiciary, it is now set forth in the Copyright Act. Under the Act, four factors are to be considered in order to determine whether a specific action is to be considered a "fair use." These factors are as follows:

the purpose and character of the use, including whether such use is of commercial nature or is for nonprofit educational purposes; the nature of the copyrighted work; the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and the effect of the use upon the potential market for or value of the copyrighted work.

Fair Use Example: It can often be difficult to determine whether or not a particular use is a "fair use". The four factors described in the statute often lead to conflicting results. This is best seen in analyzing an example fair use situation. The quotation of short passages from a novel in a negative newspaper review of that novel is generally considered a fair use. But an analysis of the four factors makes this result far from clear.

First Factor (purpose and character of the use): In analyzing the first factor, the copying party used the quotations in a for-profit newspaper (and therefore the use was for commercial gain). Generally, this would mean that the first factor weighs in favor of finding no fair use. However, the fact that the purpose of the use was to review or criticize the work is a fact favorable to a finding of fair use. While it is not clear from examining the statute, the latter fact is probably more important than the first, meaning that the first factor set forth in the Copyright Act should weigh toward a finding of fair use.

Second Factor (nature of the copyrighted work): In analyzing the second factor in our example, a novel is one of the premier examples of a work which should be protected by copyright law. As a result, the second factor weighs toward a finding of no fair use. If the novel had not yet been published, this would be even more important. It can be difficult to prove fair use in the quotation of an unpublished work. However, it is not impossible, since the unpublished status of a work is only one element in the fair use analysis.

Third Factor (amount and substantiality taken): As for the third factor, only short passages from the novel were included in the review. This generally means that the third factor is analyzed in favor of a finding of fair use. However, the "quality" of the portion taken is analyzed under this factor as well as the

"quantity." It is possible that these short passages are the most important part of the novel. If this were the case, this third factor might lead to a conclusion of no fair use.

Fourth Factor (effect on potential market for protected work): Finally, the fourth factor should be considered in our example. Courts have stated that this is the most important factor in the fair use analysis. In this case, the negative review would clearly impact the potential market for or value of the copyrighted work. However, courts have stated that this factor is to look only at the portion taken to analyze the effect on the potential market, and not at any negative comments contained in a review. Thus, the question is whether the inclusion of the short passages in the newspaper would affect the market for the novel. When only short passages are involved, courts have generally held that there is no market effect, and this factor should be analyzed in favor of a finding of fair use.

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## **5.5. Statutory Exceptions:**

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### **Section 52 of Copyright Act, 1957: Certain acts not to infringement of:-**

(1) The following acts shall not constitute an infringement of copyright, namely : --

-

(a) a fair dealing with a literary, dramatic, musical or artistic work for the purposes of ---

( i ) research or private study ;

( ii ) criticism or review, whether of that work or of any other work;

(b) a fair dealing with a literary, dramatic, musical or artistic work for the purpose of reporting current events ---

( i ) in a newspaper, magazine or similar periodical, or

( ii ) by radio-diffusion or in a cinematograph film or by means of photographs;

(c) the reproduction of a literary, dramatic, musical or artistic work for the purpose of a judicial proceeding or for the purpose of a report of a judicial proceeding;

(d) the reproduction or publication of a literary, dramatic, musical or artistic work in any work prepared by the Secretariat of a Legislature or, where the

Legislature consists of two Houses, by the Secretariat of either House of the Legislature, exclusively for the use of the members of that Legislature;

(e) the reproduction of any literary, dramatic or musical work in a certified copy made or supplied in accordance with any law for the time being in force;

(f) the reading or recitation in public of any reasonable extract from a published literary or dramatic work;

(g) the publication in a collection, mainly composed of non-copyright matter, bona fide intended for the use of educational institutions, and so described in the title and in any advertisement issued by or on behalf of the publisher, of short passages from published literary or dramatic works, not themselves published for the use of educational institutions, in which copyright subsists:

Provided that not more than two such passages from works by the same author are published by the same publisher during any period of five years.

Explanation.-In the case of a work of joint authorship, references in this clause to passages from works shall include references to passages from works by any one or more of the authors of those passages or by any one or more of those authors in collaboration with any other person;

(h) the reproduction of a literary, dramatic, musical or artistic work-

(i) by a teacher or a pupil in the course of instruction; or

(ii) as part of the questions to be answered in an examination; or

(iii) in answers to such questions;

( i ) the performance in the course of the activities of an educational institution, of a literary, dramatic or musical work by the staff and students of the institution, or of a cinematograph film or a record, if the audience is limited to such staff and students, the parents and guardians of the students and persons directly connected with the activities of the institution;

( j ) the making of records in respect of any literary dramatic or musical work, if ---

( i ) records recording that work have previously been made by, or with the license or consent of, the owner of the copyright in the work; and

( ii ) the person making the records has given the prescribed notice of his intention to make the records, and has paid in the prescribed manner to the owner of the copyright in the work royalties in respect of all such records to be made by him, at the rate fixed by the Copyright Board in this behalf :

Provided that in making the records such person shall not make any alterations in, or omission from, the work, unless records recording the work subject to similar alterations and omissions have been previously made by, or with the license or consent of, the owner of the copyright or unless such alterations and omissions are reasonably necessary for the adaptation of the work to the records in question;

(k) the causing of a recording embodied in a record to be heard in public by utilizing the record, ---

( i ) at any premises where persons reside, as part of the amenities provided exclusively or mainly for residents therein, or

( ii ) as part of the activities of a club, society or other organization which is not established or conducted for profit;

( l ) the performance of a literary, dramatic or musical work by an amateur club or society, if the performance is given to a non-paying audience, or for the benefit of a religious institution;

(m) the reproduction in a newspaper, magazine or other periodical of an article on current economic, political, social or religious topics, unless the author of such article has expressly reserved to himself the right of such reproduction;

(n) the publication in a newspaper, magazine or other periodical of a report of a lecture delivered in public;

(o) the making of not more than three copies of a book (including a pamphlet, sheet of music, map, chart or plan) by or under the direction of the person in charge of a public library for the use of the library if such books is not available for sale in India;

(p) the reproduction, for the purpose of research or private study or with a view to publication, of an unpublished literary, dramatic or musical work kept in a library, museum or other institution to which the public has access :

Provided that where the identity of the author of any such work or, in the case of a work of joint authorship, of any of the authors is known to the library, museum or other institution, as the case may be, the provisions of this clause shall apply only if such reproduction is made at a time more than fifty years from the date of the death of the author or, in the case of a work of joint authorship, from the death of the author whose identity is known or, if the identity of more authors than one is known from the death of such of those authors who dies last ;

(q) the reproduction or publication of ---

( i ) any matter which has been published in any Official Gazette except an Act of a Legislature;

( ii ) any Act of a Legislature subject to the condition that such Act is reproduced or published together with any commentary thereon or any other original matter;

( iii ) the report of any committee, commission, council, board or other like body appointed by the Government if such report has been laid on the Table of the Legislature, unless the reproduction or publication of such report is prohibited by the Government ;

( iv ) any judgment or order of a court, tribunal or other judicial authority, unless the reproduction or publication of such judgments or order is prohibited by the court, the tribunal or other judicial authority, as the case may be;

(r) the production or publication of a translation in any Indian language of an Act of a Legislature and of any rules or orders made there under ---

( i ) if no translation of such Act or rules or orders in that language has previously been produced or published by the Government; or

(ii) where a translation of such Act or rules or orders in that language has been produced or published by the Government, if the translation is not available for sale to the public :

Provided that such translation contains a statement at a prominent place to the effect that the translation has not been authorized or accepted as authentic by the Government;

(s) the making or publishing of a painting, drawing, engraving or photograph of an architectural work of art;

(t) the making or publishing of a painting, drawing, engraving or photograph of a sculpture, or other artistic work falling under sub-clause ( iii ) of clause (c) of section 2, if such work is permanently situate in a public place or any premises to which the public has access;

(u) the inclusion in a cinematograph film of ---

(i) any artistic work permanently situate in a public place or any premises to which the public has access ; or

(ii) any other artistic work, if such inclusion is only by way of background or is otherwise incidental to the principal matters presented in the film.

(v) the use by the author of an artistic work, where the author of such work is not the owner of the copyright therein, of any mould, cast, sketch, plan, model or study made by him for the purpose of the work.:

Provided that he does not thereby repeat or imitate the main design of the work;

(w) the making of an object of any description in three dimensions of an artistic work in two dimensions, if the object would not appear, to persons who are not experts in relation to objects of that description, to be a reproduction of the artistic work ;

(x) the reconstruction of a building or structure in accordance with the architectural drawings or plans by reference to which the building or structure was originally constructed :

Provided that the original construction was made with the consent or license of the owner of the copyright in such drawings and plans;

(y) in relation to literary, dramatic, or musical work recorded or reproduced in any cinematograph film, the exhibition of such film after the expiration of the term of copyright therein :

Provided that the provisions of sub-clause ( ii ) of clause (a), sub-clause ( i ) of clause (b) and clauses (d) , (f), (g), (m) and (p) shall not apply as respects any act unless that act is accompanied by an acknowledgement ---

( i ) identifying the work by its title or other description; and

( ii ) unless the work is anonymous or the author of the work has previously agreed or required that no acknowledgement of his name should be made, also identifying the author.

(2) The provisions of sub-section (1) shall apply to the doing of any act in relation to the translation of a literary, dramatic or musical work or the adaptation of a literary, dramatic, musical or artistic work as they apply in relation to the work itself.

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## **5.6. Civil Remedies:**

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**Section 54 of the Copyright Act, 1957: Definition:-** For the purposes of this Chapter, unless the context otherwise requires, the expression "owner of copyright" shall include ---

(a) an exclusive licensee;

(b) in the case of an anonymous or pseudonymous literary, dramatic, musical or artistic work, the publisher of the work, until the identity of the author or, in the case of an anonymous work of joint authorship, or a work of joint authorship published under names all of which are pseudonyms, the identity of any of the authors, is disclosed publicly by the author and the publisher or is otherwise established to the satisfaction of the Copyright Board by that author or his legal representatives.

**Section 55 of the Copyright Act, 1957: Civil remedies for infringement of copyright:-** (1) Where copyright in any work has been infringed, the owner of the copyright shall, except as otherwise provided by this Act, be entitled to all such remedies by way of injunction, damages, accounts and otherwise as are or may be conferred by law for the infringement of a right :

Provided that if the defendant proves that at the date of the infringement he was not aware and had no reasonable ground for believing that copyright subsisted in the work, the plaintiff shall not be entitled to any remedy other than an injunction in respect of the infringement and a decree for the whole or part of the profits made by the defendant by the sale of the infringing copies as the court may in circumstances deem responsible.

(2) Where, in the case of a literary, dramatic, musical or artistic work, a name purporting to be that of the author or the publisher, as the case may be, appears on copies of the work as published or in the case of an artistic work, appeared on the work when it was made, the person whose name so appears or appeared shall, in any proceeding in respect of infringement of copyright in such work, be presumed, unless the contrary is proved, to be the author or the publisher of the work, as the case may be.

(3) The costs of all parties in any proceedings in respect of the infringement of copyright shall be in the direction of the court.

**Section 56 of the Copyright Act: Protection of separate rights:-** Subject to the provisions of this Act, where the several rights comprising the copyright in any work are owned by different persons, the owner of any such right shall, to the extent of that right, be entitled to the remedies provided by this Act and may individually enforce such right by means of any suit, action or other proceeding without making the owner of any other right a party to such suit, action or proceeding.



**Section 57 of the Copyright Act, 1957: Authors special rights:-** (1)

Independently of the author's copyright and even after the assignment either wholly or partially of the said copyright, the author of a work shall have the right to claim the authorship of the work as well as the right to restrain, or claim damages in respect of, ---

(a) any distortion, mutilation or other modification of the said work; or

(b) any other action in relation to the said work which would be prejudicial to his honor or reputation.

(2) The right conferred upon an author of a work by sub-section (1), other than the right to claim authorship of the work, may be exercised by the legal representative of the author.

**Section 58 of the Copyright Act, 1957: Rights of owner against persons possessing or dealing with infringing copies:-** All infringing copies of any work in which copyright subsists, and all plates used or intended to be used for the production of such infringing copies, shall be deemed to be the property of the owner of the copyright, who accordingly may take proceedings for the recover of possession thereof or in respect of the conversion thereof :

Provided that the owner of the copyright shall not be entitled to any remedy in respect of the conversion of any infringing copies, if the opponent proves ---

(a) that he was not aware and had not reasonable ground to believe that copyright subsisted in the work of which such copies are alleged to be infringing copies; or

(b) that he had reasonable grounds for believing that such copies or plates do not involve infringement of the copyright in any work.

**Section 59 of the Copyright Act, 1957: Restriction on remedies in the case of works of architecture:-** (1) Notwithstanding anything contained in the Specific Relief Act, 1877(1 of 1877), where the construction of a building or other structure which infringes or which, if completed, would infringe the copyright in some other work has been commenced, the owner of the copyright shall not be entitled to obtain an injunction to restrain the construction of such building or structure or to order its demolition.

(2) Nothing in section 58 shall apply in respect of the construction of a building or other structures which infringe or which, if completed, would infringe the copyright in some other work.

**Section 60 of the Copyright Act, 1957: Remedy in the case of groundless threat of legal proceedings:-** Where any person claiming to be the owner of the copyright in any work, by circulars, advertisements or otherwise, threatens any other person with any legal proceedings or liability in respect of an alleged infringement of the copyright, any person aggrieved thereby may, notwithstanding anything contained in section 42 of the Specific Relief Act, 1877(1 of 1877), institute a declaratory suit that the alleged infringement to which the threats related was not in fact an infringement of any legal rights of the person making such threats and may in any such suit ---

(a) obtain an injunction against the continuance of such threats; and

(b) recover such damages, if any, as he has sustained by reason of such threats :

Provided that this section shall not apply if the person making such threats, with due diligence, commences and prosecutes an action for infringement of the copyright claimed by him.

**Section 61 of the Copyright Act: Owner of copyright to be party to the proceeding:-** (1) In every civil suit or other proceeding regarding infringement of copyright instituted by an exclusive licensee, the owner of the copyright shall, unless the court otherwise directs, be made a defendant and where such owner is made a defendant, he shall have the right to dispute the claim of the exclusive licensee.

(2) Where any civil suit or other proceeding regarding infringement of copyright instituted by an exclusive licensee is successful, no fresh suit or other proceeding in respect of the same cause of action shall lie at the instance of the owner of the copyright.

**Section 62. Jurisdiction of court over matters arising under this Chapter:-** (1) Every suit or other civil proceeding arising under this Chapter in respect of the infringement of copyright in any work or the infringement of any other right conferred by this Act shall be instituted in the direct court having jurisdiction.

(2) For the purpose of sub-section (1), a "district court having jurisdiction" shall, notwithstanding anything contained in the Code of Civil Procedure, 1908(5 of 1908), or any other law for the time being in force include a direct court within the local limits of whose jurisdiction, at the time of the institution of the suit or other proceedings, the person instituting the suit or other proceeding or, where

there are more than one such persons, any of them actually and voluntarily resides or carries on business or personally works for gain. (5 of 1908)

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## 5.7. Appeals:

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**Section 71 of the Copyright Act, 1957: Appeals against certain orders of magistrate:-** Any person aggrieved by an order under sub-section (2) of section 64 or section 66 may, within thirty days of the date of such order, appeal to the court to which appeals from the court making the order ordinarily lie, and such appellate court may direct that execution of the order be stayed pending disposal of the appeal.

**Section 72 of the Copyright Act: Appeals against orders of Registrar of Copyrights and Copyright Board:-** (1) Any person aggrieved by any final decision or order of the Registrar of Copyrights may, within three months from the date of the order or decision, appeal to the Copyright Board.

(2) Any person aggrieved by any final decision or order of the Copyright Board, not being a decision or order made in an appeal under sub-section (1), may, within three months from the date of such decision or order, appeal to the High Court within whose jurisdiction the appellant actually and voluntarily resides or carries on business or personally works for gain :

Provided that no such appeal shall lie against a decision of the Copyright Board under section 6.

(3) In calculating the period of three months provided for an appeal under this section, the time taken in granting a certified copy of the order or record of the decision appealed against shall be excluded.

**Section 73 of the Copyright Act, 1957: Procedure for appeals:-** The High Court may make rules consistent with this Act as to the procedure to be followed in respect of appeals made to it under section 72.

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## 5.8. Offences:

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**Section 63 of the Copyright Act, 1957: Offence of infringement of copyright or other rights conferred by this Act:-** Any person who knowingly infringes or abets the infringement of ---

(a) the copyright in a work, or

(b) any other right conferred by this Act,

shall be punishable with imprisonment which may extend to one year, or with fine, or with both.

Explanation.--- Construction of a building or other structure which infringes or which, if completed, would infringe the copyright in some other work shall not be an offence under this section.

**Section 64 of the Copyright Act: Power of police to seize infringing copies:-** (1) Where a magistrate has taken cognizance of any offence under section 63 in respect of the infringement of copyright in any work, it shall be lawful for any police officer, not below the rank of sub-inspector, to seize without any warrant from the magistrate, all copies of the work wherever found, which appear to him to be infringing copies of the work and all copies so seized shall, as soon as practicable, be produced before the magistrate.

(2) Any person having an interest in any copies of a work seized under subsection (1) may, within fifteen days of such seizure, make an application to the magistrate for such copies being restored to him and the magistrate, after hearing the applicant and the complainant and making such further inquiry as may be necessary, shall make such order on the application as he may deem fit.

**Section 65 of the Act, 1957: Possession of plates for purposes of making infringing copies:-** Any person who knowingly makes, or has in his possession, any plate for the purpose of making infringing copies of any work in which copyright subsists shall be punishable with imprisonment which may extend to one year, or with fine, or with both.

**Section 66 of the Copyright Act, 1957: Disposal of infringing copies or plates for purpose of making infringing copies:-** The court trying any offence under this Act may, whether the alleged offender is convicted or not, order that all copies of the work or all plates in the possession of the alleged offender, which appear to it to be infringing copies, or plates for the purpose of making infringing copies, be delivered up to the owner of the copyright.

**Section 67 of the Copyright Act: Penalty for making false entries in register, etc., for production or tendering false entries:-** Any person who, ---

(a) makes or causes to be made a false entry in the Register of Copyrights kept under this Act, or

(b) makes or causes to be made writing falsely purporting to be a copy of any entry in such register, or

(c) produces or tenders or causes to be produced or tendered as evidence any such entry or writing, knowing the same to be false,

shall be punishable with imprisonment which may extend to one year, or with fine, or with both.

**Section 68 of the Copyright Act, 1957: Penalty for making false statements for the purpose of deceiving or influencing any authority or officer:-** Any person who,

(a) with a view to deceiving any authority or officer in the execution of the provisions of this Act, or

(b) with a view to procuring or influencing the doing or omission of anything in relation to this Act or any matter there under, makes a false statement or representation knowing the same to be false, shall be punishable with imprisonment which may extend to one year, or with fine, or with both.

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## **5.9. Offences by Companies:**

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**Section 69 of the Copyright Act, 1957: Offences by companies:-** (1)

Where any offence under this Act has been committed by a company, every person who at the time the offence was committed was in charge of, and was responsible to the company for, the conduct of the business of the company, as well as the company shall be deemed to be guilty of such offence and shall be liable to be proceeded against and punished accordingly :

Provided that nothing contained in this sub-section shall render any person liable to any punishment, if he proves that the offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of such offence.

(2) Notwithstanding anything contained in sub-section (1), where an offence under this Act has been committed by a company, and it is proved that the offence was committed with the consent or connivance of, or is attributable to any negligence

on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

Explanation.--- For the purpose of this section ---

(a) "company" means anybody corporate and includes a firm or other association of persons; and

(b) "director" in relation to a firm means a partner in the firm.

**Section 70 of the Copyright Act, 1957: Cognizance of offences:-** No court inferior to that of a presidency magistrate or a magistrate of the first class shall try any offence under this Act.

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## **5.10. Criminal Remedies for Infringement of Neighboring Rights:**

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Who Can File Complaint ? : Generally speaking anyone can file unless there is a specific provision to the contrary under Sec. 4(2) & 190 of Cr.PC, a Magistrate will be competent to take cognizance of any offence specified in Sec. 190 upon receiving a complaint of facts which constitutes such offence irrespective of the qualifications or eligibilities of the complainant to file a complaint unless contrary provision is made in any Statute.

Procedure after filing of FIR in case of infringement under Copyright Act:

**1.** The investigation of a cognizable offence (as in the case of copyright infringement ) begins when a police officer in charge of a Police Station has reason to suspect the commission of the offence under the Copyright Act, after registering of FIR under Sec. 154 of CrPC. In such cases it is possible hat the suspicion may be based on any other information of the police (Sec. 157(1)).

**2.** When a reasonable suspicion of the commission of infringement of Copyright exists, the SHO, must immediately send a report of the circumstances creating the suspicion to a Magistrate having power to take cognizance of such an offence on a police report (Sec. 157(1)).

**3.** The SHO shall then proceed in person, or shall depute his sub-ordinate officer ( not lower the rank of Sub-Inspector) to proceed to the spot, to investigate the facts and circumstances of the case, and to take measures for the discovery and seizure.

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### 5.11. Summary:

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The copyright infringement is very common now a day. The strict penal provisions incorporated by the legislature in national laws as well in international instruments. In this unit permitted acts in relation to copyright, common law exception, statutory exceptions, civil remedies, offences by companies and by individuals, and criminal remedies for infringement of neighboring rights are discussed at length for better understanding of the issues related to the Infringement and Remedies.

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### 5.12. Some Useful Books:

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- A. An Introduction to Intellectual Property Rights by J.P. Mishra; Central Law Publication-Third Edition-2012
- B. Law relating to Intellectual Property Law by V.K. Ahuja; Lexis-Nexis Publication (2013)
- C. Intellectual Property Law Manual-Universal Publication (2014)
- D. Intellectual Property by W.R. Cornish; Third Edition-First Indian Reprint,2001
- E. Copyright Act, 1957-Bare Act (Universal Publication)
- F. Trade Marks Act, 1999-Bare Act (Universal Publication)
- G. The Patent Act, 1970-Bare Act (Universal Publication)
- H. Law relating to Intellectual Property by B.L. Wadehra (Universal Publication)

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### 5.13. Check your Progress:

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- A. Which of the following statements are true or false:
- 1. The civil and criminal remedies are available in case of copyright infringement.
  - 2. Copyright infringement occurs if the infringing work is “substantially similar” to the copyrighted work.
  - 3. Section 54 of the Copyright Act, 1957 is related to certain acts not to fall under infringement.
  - 4. A fair dealing with a literary, dramatic, musical or artistic work for the purposes of research or private study in an exception.
  - 5. Section 57 of the Copyright Act, 1957 is related to author’s special right.

B. Fill in the blanks:

1. Infringement of copyright exist when any person, without a licence granted ..... of the copyright published any work.
2. The doctrine of ..... developed over the year as courts tried to balance the rights of copyright owners with society's interest is allowing coping in certain, limited circumstances.
3. .... of the Copyright Act, 1957 is related to statutory exceptions.
4. ....of the Copyright Act, 1957 is related to civil remedies for infringement of copyright.
5. .... of the Copyright Act, 1957 is related to right of owner against persons possession or dealing with infringing copies.

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#### **5.14. Answer to Check your Progress:**

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A.

1. True
2. True
3. False
4. True
5. True

B.

1. By the owner
2. Fair Use
3. Section 52
4. Section 55
5. Section 58

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#### **5.15. Terminal Questions:**

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1. When copyright is infringed under the Act, 1957?
2. What are statutory exceptions under the Copyright Act, 1957?
3. What are civil remedies are available under the Act, 1957?
4. What are criminal remedies for infringement of neighboring rights?
5. Write a note on offences by the companies.



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# Unit-6

## Software Piracy

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### Objectives:

After going through this unit you should be able to:

- Understand the issues and subject matters related to Software Piracy
- Understand the remedies which are available against Software Piracy
- Understand the technical and legal issues related to Software Piracy

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### Summary:

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- 6.1. Introduction
- 6.2. Software Piracy-Definition
- 6.3. Software Piracy an Economic Offence
- 6.4. Types of Software Piracy
- 6.5. Legal Aspects of Software Piracy-Infringement of Copyright
- 6.6. Why Software Piracy?
- 6.7. Case Study of Microsoft against KK Software
- 6.8. Case Study of V.T. Thomas v Malaya Manorama (AIR 1988 Ker. 49)
- 6.9. Case Study of Tata Consultancy Services v State of Andhra Pradesh (271 ITR 401 2004)
- 6.10. Software Contracts
- 6.11. Summary
- 6.12. Some Useful Books
- 6.13. Check your Progress
- 6.14. Answer to Check your Progress
- 6.15. Terminal Questions

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### 6.1. Introduction:

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Software piracy can be defined as "copying and using commercial software purchased by someone else". Software piracy is illegal. Each pirated piece of software takes away from company profits, reducing funds for further software development initiatives. The roots of software piracy may lie in the early 1960s, when computer programs were freely distributed with mainframe hardware by hardware manufacturers (e.g. AT&T, Chase Manhattan Bank, General Electric and General Motors). In the late 1960s, manufacturers began selling their software separately from the required hardware. Current illegal software in the US accounts for 25 - 50% of the software in use (see web sites below for further detail). Other countries often have levels of piracy well beyond that of the US. For example, Carol Bartz, the president and chairman of Autodesk, Inc. ([www.autodesk.com](http://www.autodesk.com)) reports that one of their flagship products, AutoCAD, has 90% of the computer-aided design (CAD) market in China, yet sales are virtually negligible due to the widespread acceptance of software piracy (Fighting Computer Crime: A New Framework for Protecting Information, Donn B. Parker, 1998). A number of annotated web sites at the end of this document contain information regarding estimates of software piracy throughout the world. Bartz also states that many software companies are reluctant to pursue the educational market due to concerns that several copies of purchased software may lead to millions of copies of illegal software, produced "in the name of educating children" (Parker, 1998)<sup>25</sup>.

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## **6.2. Software Piracy-Definition:**

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The piracy in computer software simply means copying and distribution of computer programmers without the copyright holder's permission. The software industry, generally, consists of creation and distribution of computer programmers. Creation of computer program is similar to writing a novel or other literary works and it requires intellectual skill and training in software programming. Though software can be written by individual programmer, most of the major software's are the outcome of group efforts, where medium to large sized teams spend months or even years to write a complete program .

In general the meaning of the software piracy is unauthorized copying of software. Most retail programs are licensed for use at just

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<sup>25</sup> <http://education.illinois.edu/wp/Crime/piracy.htm>

one computer site or for use by only one user at any time. By buying the software, you become a *licensed user* rather than an owner (see *EULA*). You are allowed to make copies of the program for backup purposes, but it is against the law to give copies to friends and colleagues. Software piracy is all but impossible to stop, although software companies are launching more and more lawsuits against major in factors. Originally, software companies tried to stop software piracy by copy-protecting their software. This strategy failed, however, because it was inconvenient for users and was not 100 percent foolproof. Most software now requires some sort of registration, which may discourage would-be pirates, but doesn't really stop software piracy.

Some common types of software piracy include counterfeit software, OEM unbundling, soft lifting, hard disk loading, corporate software piracy, and Internet software piracy.

Software piracy is illegal. Ironically, many who pirate software are fully aware of the legalities, though they are able to rationalize continuing the practice. Some have difficulty understanding the distinction between freeware, shareware and commercial software. Others believe students won't be able to take advantage of the many technology-based educational opportunities without access to unaffordable software. Since software budgeting is often inadequate, and occasional upgrade of hardware makes older versions of software obsolete after several years, some think the only "solution" to the problem is to pirate newer versions of past purchased software. Finally, some people don't believe that software piracy is truly stealing because there is no loss of a tangible product involved in the act of piracy.

Both the US government and software companies are actively involved in efforts to eliminate piracy. The two major groups of software manufacturers involved in this effort are the Software Publishers Association (<http://www.spa.org>) and the Business Software Alliance (<http://www.bsa.org/index.html>). These organizations regularly bring suit against companies involved in piracy, provide a hotline for reporting software piracy and provide web pages for online reporting of software piracy. The US government's FBI has a Computer Crime Squad, who has raided numerous homes and offices, confiscated computers and shutdown numerous nationwide software piracy rings over the last several years.

Identifying pirated software is not an easy task. This is primarily for two reasons. First, as mentioned earlier there is hardly any difference between original software and pirated software, once it is copied onto a hardware. Second, detection of piracy requires access to software or hardware or both, which may not be feasible in many cases. However, there are some ways through which an unauthorised copy of software can be identified. Many a times publishers supply software's in packaged form which contain software on diskettes with printed labels giving manufacturer's name, full product name, version number, trade mark and copyright notices. Besides these, the packages also typically, contain professionally printed documentation, a keyboard template, end user license and registration cards and other printed materials pursuant to a standard bill of materials that would apply to all packages of that particular product. In such cases, the most simple pirated copies may be spotted easily on "black disks", which do not contain manufacture's label but rather type written, hand-written or crudely printed labels indicating the programmers contained on the diskettes. In case of installed software it is more difficult to identify a pirated copy. Once a computer is searched, the programmers copied onto it can be found and identified. Then users can be asked to produce the proof of original possession (e.g. original packages, documentation, purchase record, license cards etc.) of such programmes. If users fail to do so, there is a prima facie case of infringement. In some cases even test purchases can be made to secure evidence of piracy.

### **6.3. Software Piracy an Economic Offence:**

The extent of software piracy and losses due to such piracy cannot be given in exact quantitative terms though it is believed that piracy in this sector is wide spread. In Europe alone the software industries lose an estimated \$ 6 billion a year. In fact, Europe holds the dubious distinction of accounting for about 50 per cent of world wide losses from software piracy, more than any other region including the number two Asia. According to a study of Software Publishers Association, a US based body, losses due to piracy of personal computer business application software's nearly equaled revenues earned by the global software industry. In 1996, piracy casted the software industry US \$ 11.2 billion, a 16 percent decrease over the estimated losses of Us \$ 13.3 billion in 1995. The country-specific data

show that in 1996 Vietnam and Indonesia had the highest piracy rate of 99 per cent and 97 percent respectively, followed by China (96%), Russia (91%), Thailand (80%) etc. In India software piracy is costing the IT industry quite dear. According to a survey conducted jointly by Business Software Alliance (BSA) and NASSCOM in May 1996, total losses due to software piracy in India stood at a staggering figure of about Rs. 500 crores (US \$ 151.3 million) showing about 60 per cent piracy rate in India.

The computer software industry is one of the great business success stories in the recent past; with healthy increases in both hardware and software sales around the world. However, software piracy threatens the industry's future. Legitimate companies receive nothing from the sale of pirated software, and this loss of revenue often leads to layoffs within the software and related industries. In addition, the profits from the sale of counterfeit software don't help expand the economy by providing jobs, taxes, and wages. There is also a good chance that these profits may be funding additional, illegitimate businesses. The software industry loses more than \$33 billion annually worldwide due to software piracy. That is, it costs the IT sector almost a \$1000 every second. The software pirates neither pay tax, provide jobs nor pay salaries, on the other hand the legitimate sale of software will have a cascading effect on the economy. The software industry is growing more rapidly than the traditional industries in India, therefore the impact of piracy on the Indian economy will be substantial. As India is moving towards a knowledge based economy protection of knowledge capital becomes essential for future growth. Software piracy also affects the Government by way of loss of tax revenue and wrath of the IT industry etc<sup>26</sup>.

#### Extent of Violation and Economic Loss:

Brief about the Film Industry: India produces the largest number of feature films in the world. During the years 1931 to 1996, India has produced 27809 feature films in various languages. The share of Hindi Films was about 29 per cent while that of Tamil and Telugu films, was about 18 and 17 per cent respectively. These three languages accounted for nearly two-thirds of the total films produced till now. About a fourth (25%) of the films produced were in Bengali, Kannada and Malayalam. During 1996, of the total 683 films produced, 126 (18 percent) were in

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<sup>26</sup> [http://www.csi-india.org/c/document\\_library/get\\_file?uuid=769686a0-9a60-4371-958e-3604303f8659&groupId=10157](http://www.csi-india.org/c/document_library/get_file?uuid=769686a0-9a60-4371-958e-3604303f8659&groupId=10157)

Hindi, 154 (22.5 cent) were in Tamil, 138 (20.2 percent) were in Telugu, 85 (12.4 percent) were in Kannada, and 65 (9.5 percent) were in Malayalam. The total turnover of the film industry during 1996 was about Rs.2500 crores. This turnover is worked out only from the films shown in the cinema houses. As per the official statistics, there are 12623 cinema houses spread all over the country with an audience of about nine to ten crores per week. Taking the audience of about 9 crores per week, number of persons visiting the cinema houses annually work out to be 468 crores. Even if we take a conservative estimate of only Rs. 5 per seat on an average this works out to be about Rs.2340 crores, i.e. to say about Rs.2500 crores. A 30 percent entertainment tax, would yield about Rs. 750 crores as tax revenue to the authorities.

#### Copyright Violation by cable operators in India:

Brief about Indian Cable Industry: With the liberalization of the economy, Indian Television was also thrown open to other satellite channels. With this the home entertainment industry has gone through revolutionary changes. The satellite channels are clamoring for an increase in their viewership and are offering varieties of entertainment through their channels. Added to this are the cable networks which have been instrumental in bringing these satellite channels to the homes. Since it is cost prohibitive for an individual to get connection of the satellite channels through dish antenna the households are receiving the satellite channels through cable network only. There are no reliable estimates of cable and satellite (C & S) households connection in the country. Generally cable operators underplay their figures in order to conceal their revenue earned from the fees collected from their connected households. According to the studies conducted by Margsat, NRS '95, IRS '96 for Zee Television, it was estimated that there were about 20.8 million cable households in India as on 1996, covering about 12 percent of the total households in the country. Because of the high returns compared to the investments made, large industrial groups including multinationals are showing great interest in cable industry. This may be the reason behind most of the small independent operators which existed about 2 years back had ceased to operate or had become franchisees (sub operators) of large cable operators like Siticable and In cable in all major cities, the exception being Chennai and relatively small cities.

#### Cable Right Violations:

There are only a few companies which buy cable right from the producers (in case of Hindi films, there are two main companies). These companies after procuring the rights produce the video cassettes, which, in turn, rented out to the cable operators on a license fee basis. On an average they charge Rs.5 per connection per month for 30 movies. These cassettes can not be bought from the market. The cable right violations of movies can be classified into following categories;

i. Movies for which cable rights are not sold at all sometimes get transmitted in the cable network.

ii. Movies for which only home video rights are sold are relayed to the public in cable network (quite common among the small independent operators and the franchisees of big operators).

iii. Someone buys cable rights and after producing the cassettes sends them to his members/subscribers on a license fee basis. Some cable operators do not subscribe to this but continue to show these movies in their cable network by borrowing from video libraries/buying cassettes from market which are only for home viewing.

iv. Infringed home video copies (popularly known as duplicate video cassettes) are also relayed in the cable network. The estimate of 20.8 million cable and satellite (C&S) households by Zee Television works out to be about 49.6 percent of the total urban households in India as on 1997. This seems to be a tall order. It was observed that 28.5 per cent households in Delhi, 40.8 percent households in Mumbai and 25 percent households in Chennai have cable connections. This shows that Zee Television estimation on C&S households for all India is higher than even cities like Mumbai and Delhi where it is believed that the concentration of cable viewership is maximum in the country. Therefore, for estimation of cable piracy and associated economic loss we opt for an alternative measure of cable households in the country. Our estimation is based on the percentage of total urban households in India on the assumption that only urban households have access to cable television.

The estimation is worked out for the cities having population of one million or more. The assumption is that it is only in these cities there exist severe competition among the cable operators. As a result, the cable operators try to woo as many customers as possible by providing various programmes through their

VCR channels. Many of the franchisees and small independent cable operators offer the new releases for which cable rights or in some cases even home video rights are not sold at all. As per the Census 1991, 23 cities each had a population of one million or more. Based on an average size of 5 persons per household and the above information and assumptions on cable connectivity in the country, it can be estimated that during 1997 about 50 lakhs of households located in 27 cities had cable connection.

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## **6.4. Types of Software Piracy:**

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Like other copyright based industries, the software industry also faces several forms of piracy. In fact, piracy in software is more than in others because it is relatively easy to copy a software in computers especially in PCs and for all practical purposes the pirated version looks and performs in an identical manner as the original. The five principal types of software piracy involve (1) counterfeiters (2) resellers (3) mail order houses (4) bulletin boards and (5) end-user piracy. Counterfeiters are relatively new phenomenon in the software industry and most flagrant software counterfeiters produce disks, documentation and packaging that look very similar to those of the software publisher. Reseller piracy occurs in the software distribution channel, when distributors or dealers either make copies of software onto floppy disks, or the internal storage device or the "hard disk" of computers that they are selling, without authorization from the software publisher. Mail-order piracy consists of the unauthorized copying of software onto diskettes, CDs, or other media and distribution of such software by post. Bulletin board pirates engage in unauthorized reproduction and distribution of software via telecommunication. Typically, this involves an individual computer user who has installed a number of software programmes on his computer, and who allows other users to connect to his computer through the telephone line via modem and copy the programmes onto discs. The pirate in most cases has copied the programme onto his own computer without authorization of the copyright holder's consent is also a copyright violation. End-user piracy takes place when a user copying software onto hard disks of more computers than the number authorized by the publisher. This form of piracy perhaps takes place on a wider scale than other forms because end-users often make substantial copies of the software's possessed by them and then distribute or exchange the same. Though this harms the interests



of right holders, end users definitely gain out of it because this leads to obvious economic advantages for them.

These are the most prevalent types of software piracy today:

- Soft lifting: purchasing a single licensed copy of software and loading it onto several computers contrary to the license terms. For example, sharing software with friends, co-workers and others.
- Uploading and downloading: making unauthorized copies of copyrighted software available to end users connected by modem to online service providers and/or the Internet.

Software counterfeiting: This type of piracy is the illegal duplication, distribution and/or sale of copyrighted material with the intent of imitating the copyrighted product. In the case of packaged software, it is common to find counterfeit copies of the compact discs incorporating the software programs, as well as related packaging, manuals, license agreements, labels, registration cards and security features.

- OEM unbundling: selling standalone software that was intended to be bundled with specific accompanying hardware
- Hard disk loading: installing unauthorized copies of software onto the hard disks of personal computers, often as an incentive for the end user to buy the hardware from that particular hardware dealer
- Renting: unauthorized selling of software for temporary use, like you would a video.

Internet Piracy: This occurs when software is downloaded from the Internet. The same purchasing rules apply to on-line software purchases as for those bought in compact disc format. Common Internet piracy techniques are:

- Websites that make software available for free download or in exchange for others
- Internet auction sites that offer counterfeit or out-of-channel software
- Peer-to-peer networks that enable unauthorized transfer of copyrighted programs

End User Piracy: This occurs when an individual reproduces copies of software without authorization. These include:

- Using one licensed copy to install a program on multiple computers
- Copying discs for installation or distribution
- Taking advantage of upgrade offers without having a legal copy of the version to be upgraded

- Acquiring academic or other restricted or non-retail software without a proper license
- Swapping discs in or outside the workplace

Client-Server Overuse: This type of piracy occurs when too many users on a network are using a central copy of a program at the same time. If you have a local-area network and install programs on the server for several people to use, you have to be sure your license entitles you to do so. If you have more users than allowed by the license, that's "overuse".

Hard-Disk Loading: This occurs when a business sells new computers with illegal copies of software loaded onto the hard disks to make the purchase of the machines more attractive.

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## **6.5. Legal Aspects of Software Piracy-Infringement of Copyright:**

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The amendments to the Copyright Act in 1994 included the definition of Computer Programs and Computer Databases. The Copyright (Amendment) Act 1994, clearly explains the rights of copyright holder, position on rentals of software, the rights of the user to make backup copies and the heavy punishment and fines for infringements on copyrighted software. According to Section 63 of the Act, there is a minimum jail term of 6 months for copyright infringement. The section also provides for fines up to 2,00,000 and jail term up to three years or both. Any person or company who indulges in unauthorized copying, sale, downloading or loading of software is punishable under this section. Section 63-B of Copyright Act is applicable against those who knowingly use infringing copies of computer programs. Any person, individual or company, using pirated software is liable under this section. Section 64 of the Copyright Act empowers any police officer of the rank of Sub Inspector or above to seize without warrant infringing copies as well as the material that is being used for the purpose of making such copies. Those accused who are indulging in software counterfeiting are doing it in an organized manner by conspiring with each other to cheat both the government in general and copyright owner as well as the public in particular, hence they are liable for prosecution under Section 120 B r/w 420 IPC. A counterfeit product is basically a forged electronic document prepared for the purpose of cheating and it is also sold to the public as genuine, hence the counterfeiters are punishable under

Sections 468 and 471 IPC. There are many pirate websites on internet which make software available for free download or in exchange for uploaded programs. There are also many online auction sites which offer counterfeit or infringing copyright software. The webmasters of these websites are punishable under Section 120B IPC r/w Sec 63 of Copyright Act as they are part of the conspiracy by way of abetting copyright violations and enabling people to gain access to copyrighted software. Those people who are abetting infringement (like the webmasters & the illegal replicators) as well as those who are using pirated software are doing so knowing full well that they are causing wrongful loss or damage to the copyrighted owner. They are also diminishing the value of such software by making illegal copies. All such people are committing offences under Section 66 of Information Technology Act, 2000 and are therefore punishable under Section 66 of the Information Technology Act. Apart from prosecution under Section 66 of IT Act, 2000, all the accused who are providing assistance to any person to facilitate access or those who are illegally downloading/copying/extracting software are also liable to pay damages to the affected party per section 43 of the IT Act, 2000. The Modus Operandi like Client-Server overuse, Hard-disk loading, Pre-installed software and End-user piracy are generally adopted by companies or firms or by an association of individuals. In such cases the company/firm as well as its in charge are liable under section 85 of the Information Technology Act, 2000. The counterfeit products which are replicated & packaged abroad are illegally brought into India through various seaports and airports; hence Section 132 of Customs Act can be applied against such importers. It is also suspected that these counterfeit products are being smuggled into India in active connivance with some officials of Customs Department These officials can be booked under Section 13(2) r/w 13(1)(d) of P.C. Act, 1988. Hence a case u/s 120B r/w 420, 468, 471 of IPC, u/s 63, 63B of Copyright Act 1957, u/s 66, 85 of IT Act 2000, u/s 13(2) r/w 13(1)(d) of PC Act 1988 and u/s 132 of Customs Act and substantive offences thereof can be made out against the suspects. The relevance of the above mentioned sections has to be decided based on the verification.<sup>27</sup>

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## **6.6. Why Software Piracy? :**

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<sup>27</sup> [http://www.csi-india.org/c/document\\_library/get\\_file?uuid=769686a0-9a60-4371-958e-3604303f8659&groupId=10157](http://www.csi-india.org/c/document_library/get_file?uuid=769686a0-9a60-4371-958e-3604303f8659&groupId=10157)

The main reason of software piracy is the large difference in price of the original software vis-a-vis the pirated software. With technological development copying the packaged software into a CD-ROM has been an easy and inexpensive proposition. The counterfeiting of software in India is virtually negligible as compared to other developing countries of Asia. In India, software's are basically copied from the legal ones and are installed in different machines. Based on discussions with some of the country distributors of imported software's, it was observed that the multinational companies generally dictate the price and they are not flexible with respect to licensing policies. Multinational companies also charge the same rate for software's in developing countries like India as would be prevailing in their own country. As such they do not have any differential price rate based on average purchasing power of a country. Besides, these companies also do not generally give corporate license for using particular packaged software and as such each PC has to have one legal software. There are no commitments on the part of the chief executives of many user companies regarding the use of legal software's. The chief executive of the organization should give direction in buying legal software. In this direction, the companies themselves should carryout regular audit of the software. The raids by police personnel or by any other means to combat piracy particularly in software will not be much helpful if the users themselves are not disciplined.

Software Piracy-Indian Scenario: National Association of Software and Service Companies (NASSCOM) is doing pioneering work in the field of combating computer software piracy. Besides, promoting the concept and advantages of using legalized software, the Association is actively involved in educating the end users, law enforcing authorities and, if need be, helping the police in conducting raids in the premises of sellers of illegal software's to their customers. NASSCOM also estimates the software piracy in the case of India based on BSA/SPA Piracy study Methodology. Based on NASSCOM, BSA/SPA estimate of 60 per cent piracy rates during 1996, revenue loss to the software companies due to this works out to be about Rs.545 crores (US \$ 151.3 million). Based on the methodology adopted by BSA/SPA, it is estimated that total value of installed software's (both legal and illegal) works out to be about Rs.908 crores. Therefore, only Rs.363 cores worth of legal software has been installed in India.

This works out to be only about 21.7 per cent of the total domestic software market which was Rs.1670 crores during the year 1995-96.

It can easily be assumed that the entire amount of Rs. 363 crores worth legal software installed in India belong to the imported software's especially belonging to the seven member companies of BSA. It has also been reported in the official statistics of Ministry of Commerce that during 1995-96, Rs.374.1 crores worth of computer software's were imported. This is basically related to packaged software since figures provided by the Ministry refers only to those which are cleared through customs. As such work done by foreign companies through satellite communications and services rendered by them are not reflected in the import figures. From the discussions with some of the leading computer software companies, it was observed that the copyright violations with respect to Indian software are negligible. This is because Indian companies are mostly involved in customized software's rather than packaged software's. Though few companies are releasing packaged software's in the field of accounting, antivirus etc., but their sales in the domestic market is negligible as compared to other imported packaged software's in the field of Word Processing, Data Base Management Systems, Statistics, Graphics, etc. They are also of the view that copyright violation with respect to imported package software is relatively much higher. However, Government of India has lost import duty worth of about Rs. 54 crores (10% duty) which would have been collected if Rs.545 crores would have been spent on importing the packaged software's.

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## **6.7. Case Study of Microsoft against KK Software:**

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Microsoft has filed a copyright case against Kamlesh Kumar Jha, the owner of New Delhi-based KK Software Solutions, and other defendants for allegedly indulging in software piracy and counterfeiting Microsoft products, in the Delhi High Court for permanent injunction and damages. The company in a statement said that in the civil case filed last month, it has claimed a loss of Rs 5.71 crore, which is the value of the illegal and infringing Microsoft software seized by the Central Bureau of Investigation (CBI) during the raids carried out at the premises of the defendants in December 2009, following a criminal complaint filed by Microsoft.

The multi-city and multi-state raids conducted by CBI had led to the seizure of large quantity of counterfeit Microsoft software and a bulk of unauthorized packaging and printing material, blank Certificate of Authenticity (COA) stickers, and other infringing evidences.

CBI concluded its investigations and filed charge sheet against KK Jha and others before the court of Chief Metropolitan Magistrate (CBI Cases), New Delhi in December 2011 citing violations of the Copyright Act 1957, the Information Technology Act 2000 and the Indian Penal Code 1860. This criminal case is currently awaiting framing of charges by the court, according to Microsoft.

Microsoft informed that at the hearing of the civil case on January 7, 2013, the Delhi High Court after examining the case has issued an ex-parte ad interim injunction restraining the defendants from undertaking any further reproduction, storage, installation and/or usage of infringing/unlicensed software of Microsoft.

In view of the high volume and value of the infringing activity, the Judge hearing the case has also directed KK Jha and other defendants to disclose the details of their assets on affidavit. The court has also restrained the defendants from alienating their assets or creating any third-party rights in respect of the same.

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## **6.8. Case Study of V.T. Thomas v Malaya Manorama (AIR 1988 Ker. 49):**

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The Kerala High Court in *Malayala Manorama v. V T Thomas* [AIR 1989 Ker 49] where a publishing house was enjoined from claiming ownership over the characters created by the cartoonist before joining the publishing house and the Court held that the publishing house could not restrain the cartoonist from continuing to draw the cartoons after leaving employment. This is because the characters had been created by V T Thomas before joining Malayala Manorama and the publishing house had no role in the creation of the characters. The publishing house was also restrained from drawing the cartoons after terminating V.T. Thomas' employment.

The Kerala High Court did not directly address the issue of copyright ability of characters but it decided the issue of ownership of copyright on character; one may therefore conclude that copyright on character could be claimed successfully by the cartoonist.

An important distinction made by the Court was between ownership of the characters per se and ownership of the cartoon strips made by V T Thomas while he was gainfully employed by the publishing house; while the former was a right vesting in the cartoonist, the latter would be considered property of the publishing house.

The character delineation test' (popularly known as Nichols test) laid down in Nichols v. Universal Pictures is a yardstick to determine copyright ability of a character in United States. The test is to see whether a character is sufficiently evolved in the mind of the reader/viewer so as to warrant legal protection, i.e., the character must be distinct and must not be a "stock character" (typical characters such as 'girl next door', 'angry young man' etc).

One might also argue that the public notice such as the one that Viacom18 issued also violates article 19(1)(g) of the Indian Constitution; this is because, in restraining the artist from replicating Gutthi on any other show, Viacom18 is interfering with the artist's right to livelihood.

Though this case is extraordinary with arguments equally strong both for and against the rights of the artist, the decisive element is the additional fact that Gutthi had already been played by Sunil Grover prior to Comedy Nights with Kapil. This means that the producers did not play a role in the creation of the character and therefore, would most likely not be able to claim ownership over Gutthi.

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## **6.9. Case Study of Tata Consultancy Services v State of Andhra Pradesh<sup>28</sup> (271 ITR 401 2004):**

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Whether an intellectual property contained in floppies, disks or CD- ROMs would be 'goods' within the meaning of Andhra Pradesh General Sales Tax Act, 1957 (hereinafter called as 'the Act') is the question involved in this appeal which arises out of a judgment and order dated 12th December, 1996 passed by the Andhra Pradesh High Court.

"Goods" : Meaning The said expression has been defined in Section 2(b) to, inter alia, mean all kinds of moveable property and includes all materials, articles

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<sup>28</sup> <http://indiankanoon.org/doc/153638/>

and commodities. The amplitude of the said expression is required to be considered with a view to answer the question involved in this appeal. The expression 'goods' is not a term of art. Its meaning varies from statute to statute. The term 'goods' had been defined in the Act as also in Clause (12) of Article 366 of the Constitution to include all materials, commodities and articles. Commodity is an expression of wide connotation and includes everything of use or value which can be an object of trade and commerce.

In *Jagir Singh and Others Vs. State of Bihar and another, etc. etc.*, AIR 1976 SC 997] it is stated:

"20. The general rule of construction is not only to look at the words but to look at the context, the collocation and the object of such words relating to such matter and interpret the meaning according to what would appear to be the meaning intended to be conveyed by the use of the words under the circumstances. Sometimes definition clauses create qualification by expressions like "unless the context otherwise requires"; or "unless the contrary intention appears"; or "if not inconsistent with the context or subject-matter". "Parliament would legislate to little purpose", said Lord Macnaghten in *Netherseal Co. v. Bourne*, (1889) 14 AC 228, "if the objects of its care might supplement or undo the work of legislation by making a definition clause of their own. People cannot escape from the obligation of a statute by putting a private interpretation on its language." The courts will always examine the real nature of the transaction by which it is sought to evade the tax."

Copyright Act and the Sales Tax Act are also not statutes in *pari materia* and as such the definition contained in the former should not be applied in the latter.

In *Advent Systems Ltd. vs. Unisys Corpn*, 925 F. 2d 670 (3rd Cir. 1991), relied on by Mr. Sorabjee, the court was concerned with interpretation of uniform civil code which "applied to transactions in goods". The goods therein were defined as "all things (including specially manufactured goods) which are moveable at the time of the identification for sale". It was held :

"Computer programs are the product of an intellectual process, but once implanted in a medium are widely distributed to computer owners. An analogy can be drawn to a compact disc recording of an orchestral rendition. The music is produced by the artistry of musicians and in itself is not a "good," but when transferred to a laser-readable disc becomes a readily merchantable commodity.



Similarly, when a professor delivers a lecture, it is not a good, but, when transcribed as a book, it becomes a good. That a computer program may be copyrightable as intellectual property does not alter the fact that once in the form of a floppy disc or other medium, the program is tangible, moveable and available in the marketplace. The fact that some programs may be tailored for specific purposes need not alter their status as "goods" because the Code definition includes "specially manufactured goods."

The topic has stimulated academic commentary with the majority espousing the view that software fits within the definition of a "good" in the U.C.C. Applying the U.C.C. to computer software transactions offers substantial benefits to litigants and the courts. The Code offers a uniform body of law on a wide range of questions likely to arise in computer software disputes: implied warranties, consequential damages, disclaimers of liability, the statute of limitations, to name a few. The importance of software to the commercial world and the advantages to be gained by the uniformity inherent in the U.C.C. are strong policy arguments favoring inclusion. The contrary arguments are not persuasive, and we hold that software is a "good" within the definition in the Code."

In *Compuserve, INC vs. Lingley* [535 N.E. 2d 360], the court disagreed with the opinions contained in the earlier judgments and stated the law in the following terms :

"Thus, the essence of the transaction in the sale of computer software was the purchase of nontaxable intangible information. The Missouri Supreme Court in *James* and the Texas Court of Civil Appeals in *First National Bank of Fort Worth* also used an essence-or- purpose-of- the-transaction test to determine that computer software is intangible property.

The Supreme Court of Ohio in *Interactive Information Systems, Inc. vs. Limbach* (1985), 18 Ohio st. 3d 309, 311, 18 OBR 356, 357-358, 480 N.E. 2d 1124, 1126, in determining the taxability of computer hardware also recognized that computer programs are intangible property when the court stated :

"Prior to encoding the tape, the appellee is dealing with intangibles-ideas, plans, procedures, formulas, etc.; and, although these intangibles are in some respects transformed or converted (or 'organized') into a different state or form, such transformation or conversion is not 'manufacturing' because no 'material or thing' has been transformed or converted." (Emphasis sic.) The Supreme Court of

Ohio also distinguished that the tapes were tangible, while the computer information was intangible.

The courts that have found computer software to be tangible have based their decisions on the fact that the computer program was coded on a tangible medium, such as a computer tape. See *Citizens & Southern Systems, Inc. vs. South Carolina Tax Comm.* (1984), 280 S.C. 138, 311 S.E. 2d 717; *Hasbro Industries, Inc. vs. Norberg* (R.I. 1985), 487 A.2d 124; *Chittenden Trust Co. v. King* (1983), 143 Vt. 271, 465 A.2d 1100; and *Comptroller of the Treasury v. Equitable Trust Co.* (1983), 296 Md. 459, 464 A.2d 248 (finding that only no customized computer software is tangible property)." the court found that the computer software developed by the appellants therein was intangible property, but a perusal of the said judgment shows the other views of the other courts were noticed therein wherein computer software was held to be a tangible property on the ground that the computer programme was coded on a tangible medium such as a computer tape.

The definition of goods in the said Act does not merely include personal chattels but all articles, commodities and materials. The definition of goods in the said Act was wider in term than in Sale of Goods Act, 1979 and the Supply of Goods and Services Act 1982. Furthermore, here, we are not concerned with a programme which is not a part of the disk but a programme contained in a disk. Strict Interpretation or Literal Interpretation: We, in this case, are not concerned with the technical meaning of computer and computer programme as in a fiscal statute plain meaning rule is applied. [Partington Vs. Attorney-General, (1869) LR 4 HL 100, p. 122] In interpreting an expression used in a legal sense, the courts are required to ascertain the precise connotation which it possesses in law.

Software may be intellectual property but such personal intellectual property contained in a medium is bought and sold. It is an article of value. It is sold in various forms like floppies, disks, CD-ROMs, punch cards, magnetic tapes, etc. Each one of the mediums in which the intellectual property is contained is a marketable commodity. They are visible to senses. They may be a medium through which the intellectual property is transferred but for the purpose of determining the question as regard livability of the tax under a fiscal statute, it may not make a difference. A programme containing instructions in computer language is subject matter of a license. It has its value to the buyer. It is useful to the person who

intends to use the hardware, viz., the computer in an effective manner so as to enable him to obtain the desired results. It indisputably becomes an object of trade and commerce. These mediums containing the intellectual property are not only easily available in the market for a price but are circulated as a commodity in the market. Only because an instruction manual designed to instruct use and installation of the supplier programme is supplied with the software, the same would not necessarily mean that it would cease to be a 'goods'. Such instructions contained in the manual are supplied with several other goods including electronic ones. What is essential for an article to become goods is its marketability.

At this juncture, we may notice the meaning of canned software as under:

"(7) 'Canned ?software'? means that is not specifically created for a particular consumer. The sale or lease of, or granting a license to use, canned software is not automatic data processing and computer services, but is the sale of tangible personal property. When a vendor, in a single transaction, sells canned software that has been modified or customized for that particular consumer, the transaction will be considered the sale of tangible personal property if the charge for the modification constitutes no more than half of the price of the sale."

[See STATE-CASE APP-CT,OH-TAXRPTR 402-978 Ohio Board of Tax Appeals, Aeroquip Cop. Page 9 of 12] The software marketed by the Appellants herein indisputably is canned software and, thus, as would appear from the discussions made hereinbefore, would be eligible to sales tax.

It is not in dispute that when a programme is created it is necessary to encode it, upload the same and thereafter unloaded. Indian law, as noticed by my learned Brother, Variava, J., does not make any distinction between tangible property and intangible property. A 'goods' may be a tangible property or an intangible one. It would become goods provided it has the attributes thereof having regard to (a) its utility; (b) capable of being bought and sold; and (c) capable of transmitted, transferred, delivered, stored and possessed. If a software whether customized or non-customized satisfies these attributes, the same would be goods. Unlike the American Courts, Supreme Court of India has also not gone into the question of severability.

Recently, in Commissioner Of Central Excise, Pondicherry Vs. M/s. ACER India Ltd. [2004 (8) SCALE 169] this Court has held that operational software loaded in the hard disk does not lose its character as tangible goods.

If a canned software otherwise is 'goods', the Court cannot say it is not because it is an intellectual property which would tantamount to rewriting the judgment. In *Madan Lal Fakirchand Dudhediya vs. Shree Changdeo Sugar Mills Ltd.* [(1962) Suppl. 3 SCR 973], this Court held that the court cannot rewrite the provisions of law which clearly is the function of the Legislature which interprets them.

I respectfully agree with the opinion of Variava, J. that the appellant herein is liable to pay sales tax on the softwares marketed by it and the appeals should be dismissed.

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## **6.10. Software Contracts:**

Custom-software development agreement that stipulates the rights and responsibilities of a programmer (or vendor) and a principal or customer. It typically comprises of a non-exclusive license to use the software and includes provisions whereby (1) a copy of the source code is kept with an escrow agent for release to the customer should the programmer (or vendor) fail to comply with terms of the software development, and (2) insertion of special code in the software through which the programmer (or vendor) may remotely disable the program in case the customer fails to comply with his or her part of the contract.

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## **6.11. Summary:**

The incidences of software piracy are continuously increasing day by day but there is no proper check on them. In this unit the meaning& definition, software piracy as an economic offence, types of software piracy, legal aspect of software piracy-infringement of copyright, some important case studies related to software piracy and its related issues and software contracts discussed at length. The question arise that, why software piracy? This question also answered in light of recent legal and technological developments at national and international levels.

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## **6.12. Some Useful Books:**

- A. An Introduction to Intellectual Property Rights by J.P. Mishra; Central Law Publication-Third Edition-2012

- B. Law relating to Intellectual Property Law by V.K. Ahuja; Lexis-Nexis Publication (2013)
- C. Intellectual Property Law Manual-Universal Publication (2014)
- D. Intellectual Property by W.R. Cornish; Third Edition-First Indian Reprint,2001
- E. Copyright Act, 1957-Bare Act (Universal Publication)
- F. Trade Marks Act, 1999-Bare Act (Universal Publication)
- G. The Patent Act, 1970-Bare Act (Universal Publication)
- H. Law relating to Intellectual Property by B.L. Wadehra (Universal Publication)

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### **6.13. Check your Progress:**

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- A. Which of the following statements are true or false:
  - 1. Software piracy can be defined as “copying and using commercial software purchased by someone else”.
  - 2. Software piracy is illegal.
  - 3. Software piracy is an economic offence.
  - 4. Uploading and downloading is also one type of software piracy.
  - 5. Under Section 63 of the Copyright Act, 1957 there is a provision of 5, 00,000 fine.
- B. Fill in the blank:
  - 1. In general the meaning of the software piracy is .....of software.
  - 2. ....is the most prevalent type of software piracy today.
  - 3. ....means illegal duplication and/or sale of copyrighted material with the intent of imitating the copyrighted product.
  - 4. According to .....of the Copyright Act, 1957 there is minimum jail term of .....for copyright infringement.
  - 5. ....is doing pioneering work in the field of combating computer software piracy.

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### **6.14. Answer to Check your Progress:**

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- A.
  - 1. True
  - 2. True
  - 3. True
  - 4. True
  - 5. True

B.

1. Unauthorized Copying
2. Soft Lifting
3. Software counterfeiting
4. Section 63 and 6 Months
5. NASSCOM

### **6.15. Terminal Questions**

1. What is software piracy?
2. What are the types of software piracy?
3. What are the legal implications of software piracy?
4. Why software piracy?
5. Discuss one case study at length.

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# Unit-7

## Copyright on Internet

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### Objectives:

After going through this unit you should be able to:

- Understand the issues and subject matters related to Copyright in Internet
- Understand the remedies which are available against Infringement
- Understand the technical and legal issues related to Copyright in Internet

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### Summary:

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- 7.1. Introduction
- 7.2. Role of Internet Intermediaries in Online Copyright Infringement
- 7.3. Basic limits to Copy Internet Contents/Fair Use
- 7.4. WIPO Internet Treaties
- 7.5. Licence: Implied and Express
- 7.6. Online Copyright Issues
- 7.7. Hyper Linking
- 7.8. Copyright in Images and Photograph
- 7.9. Consequence of Copyright Infringement on Internet
- 7.10. Free Speech and Internet
- 7.11. Summary
- 7.12. Some Useful Books
- 7.13. Check your Progress
- 7.14. Answer to Check your Progress
- 7.15. Terminal Questions

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### 7.1. Introduction:

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Whenever you are using information or material from the Internet, it is important to remember that, unless explicitly stated otherwise, the majority of such resources

will be subject to copyright restrictions and will be the property of the copyright holder. Even if there is no copyright statement on the material you are looking at, you must not assume that it is copyright-free.

- Always look for copyright notices or terms and conditions of use stated on resources themselves.
- Just because it is easy to access, you must not assume that information posted on the Internet is freely available to be used in any way you choose.
- You must not assume that, if there is no copyright notice on the material, it can be copied freely.
- Copying someone else's web page to be adapted for your own purposes is a copyright infringement unless permission is obtained.
- Copyright applies to logos and illustrations as well as to text – do not use these without permission.<sup>29</sup>

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## 7.2. **Role of Internet Intermediaries in Online Copyright Infringement<sup>30</sup>:**

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The role and responsibility of internet intermediaries in the protection of copyright is under debate in several policy forum and often brings up issues such as privacy, access to knowledge, and freedom of expression. A panel was organized last week at the World Intellectual Property Organization to explore the viewpoints of several but not all stakeholders on this issue.

The quest for an effective response to copyright infringement on the internet is a difficult one to address and several legislations, such as in France, are involving internet intermediaries in the surveillance of internet users, and the blocking of content, or access. The discussion was held on 22 June, as a side event to the 22nd session of the WIPO Standing Committee on Copyright and Related Rights. It was organized jointly by WIPO and the Internet Society. According to Lilian Edwards, professor of e-governance at the University of Strathclyde, Glasgow, United Kingdom, online intermediaries are key to the internet economy,

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<sup>29</sup> <http://www.library.dmu.ac.uk/Support/Copyright/index.php?page=425>

<sup>30</sup> <http://www.ip-watch.org/2011/07/01/wipo-panel-weighs-role-of-internet-intermediaries-in-online-copyright-infringement/>



including new internet intermediaries providing new functionalities such as search, aggregation, and social networking.

The “takedown notice” solution was seen as a good solution for infringing content, she said, until peer-to-peer (P2P) sharing since sites did not physically host the infringing content anymore. This situation led to alternative strategies, such as suing users, torrent sites, suing internet service providers (ISPs) to block torrent sites, and control access of users to infringing content, he said. Advantages of the graduated response, or “three-strikes-and-you’re-out” approach have been described as been quick and cheap for industries, being a deterrent because of the threat of being caught, and having an educational purpose since the user gets several warnings before being sanctioned, according to Edwards.

Problems have been noticed, however, such as due process, harvesting IP addresses and matching them with ISP subscribers can be error-prone, and establishing a collective punishment as an IP address only identifies the subscriber and not the actual file-sharer. The graduated response also poses fundamental rights such as privacy, freedom of expression, and proportionality of sanction. The presentation of Edwards can be downloaded [here](#). Solutions imposing fewer costs on users and respecting the public interest should be adopted first, she said, and empirically monitored to see if they prove sufficient. She also advised that the international community discuss legal steps that should be taken to set up new business models for monetizing digital content.

For Pranesh Prakash, programme manager at the India-based Center for Internet and Society, attacking ISPs is like “shooting the messenger.” If ISPs do not encourage infringement or control editorial content, they should not be held liable, he said. Would a library be held responsible for a book that is placed on a shelf by an individual without the library’s encouragement? he asked. Infringement is easier on internet, but so is the search for the infringers, he added.

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### **7.3. Basic limits to Copy Internet Contents/ Fair Use:**

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For those of us who would appreciate a clear, crisp answer to that one, we're in luck. The Center for Social Media and Washington School of Law at American University are sponsoring development of a growing number of Fair Use Best Practices statements that inform a fresh approach to the subject and make it easier

than ever to know what's fair. The Best Practices statements follow recent trends in court decisions in collapsing the Fair Use Statute's four factors into two questions: **Is the use you want to make of another's work transformative -- that is, does it add value to and repurpose the work for a new audience -- and is the amount of material you want to use appropriate to achieve your transformative purpose?** Transformative uses that repurpose no more of a work than is needed to make the point, or achieve the purpose, are generally fair use.

But what if your purpose is not transformative? For example, what if you want to copy several chapters from a textbook for your students to read? Textbooks are created for an educational audience. When we are the intended audience for materials, or when we use a work in the same way that the author intended it to be used when she created it, we are not "repurposing" the work for a new audience. Or what if you are repurposing the work for a new audience and adding value to it by comparing it, critiquing it or otherwise commenting on it, but you want to use a lot more than is really necessary to make your point?

In cases like these we also look at whether the copyright owner makes licenses to use her work available on the open market -- whether there is an efficient and effective way to get a license that lets us do what we want to do. If not, the lack of the kind of license we need to use the materials supports our relying on fair use due to the market's failure to meet our needs. However, that fair use exists within a larger context. When we create materials in an educational setting, fair use is part of a web of authority we rely on to use others' works. No one strategy is enough today. Our libraries license millions of dollars' worth of academic resources for our use every year. And there are millions of Creative Commons licensed works available online. We rely on implied licenses to make reasonable academic uses of the works we find freely available on the open Web. And we rely on fair use. If you can't find what you want to use among your libraries' offerings, or on the Web or through Creative Commons, and your use doesn't qualify as fair use, getting permission is becoming easier every day. The Copyright Clearance Center now offers both transactional (item-by-item) licenses and subscription licenses to colleges and universities. And if you conclude that your use is not fair, but you can't license access to the work, circle back around to fair use again, because the lack of availability of a license weights in favor of fair use.

Unprotected Work: Copyright does not protect, and anyone may freely use:

- Works that lack originality
  - logical, comprehensive compilations (like the phone book)
  - unoriginal reprints of public domain works
- Works in the public domain
- US Government works
- Facts
- Ideas, processes, methods, and systems described in copyrighted works

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#### **7.4. WIPO Internet Treaties:**

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The field of copyright and related rights has expanded enormously with the technological progress of the last several decades, which has brought new ways of spreading creations by such forms of worldwide communication as satellite broadcast and compact discs. Dissemination of works via the Internet is but the latest development which raises new questions concerning copyright. WIPO is deeply involved in the ongoing international debate to shape new standards for copyright protection in cyberspace. The organization administers the WIPO Copyright Treaty and the WIPO Performances and Phonogram Treaty (known together as the "Internet Treaties"), which set down international norms aimed at preventing unauthorized access to and use of creative works on the Internet or other digital networks.

The WCT deals with protection for authors of literary and artistic works, such as writings and computer programs; original databases; musical works; audiovisual works; works of fine art and photographs; whereas the WPPT deals with protection for authors rights of performers and producers of phonograms. The purpose of the two treaties is to update and supplement the major existing WIPO treaties on copyright and related rights, primarily in order to respond to developments in technology and in the marketplace. Since the Berne Convention and the Rome Convention were adopted or lastly revised more than a quarter century ago, new types of works, new markets, and new methods of use and dissemination have evolved. Among other things, both the WCT and the WPPT address the challenges posed by today's digital technologies, in particular

the dissemination of protected material over digital networks such as the Internet. For this reason, they are often referred to as the "Internet treaties."

Both treaties require countries to provide a framework of basic rights, allowing creators to control and/or be compensated for the various ways in which their creations are used and enjoyed by others. Most importantly, the treaties ensure that the owners of those rights will continue to be adequately and effectively protected when their works are disseminated through new technologies and communications systems such as the Internet. The treaties thus clarify that existing rights continue to apply in the digital environment. They also create new online rights. To maintain a fair balance of interests between the owners of rights and the general public, the treaties further clarify that countries have reasonable flexibility in establishing exceptions or limitations to rights in the digital environment. Countries may, in appropriate circumstances, grant exceptions for uses deemed to be in the public interest, such as for non-profit educational and research purposes.

The treaties also require countries to provide not only the rights themselves, but also two types of technological adjuncts to the rights. These are intended to ensure that right holders can effectively use technology to protect their rights and to license their works online. The first, known as the "anti-circumvention" provision, tackles the problem of "hacking": it requires countries to provide adequate legal protection and effective remedies against the circumvention of technological measures (such as encryption) used by right holders to protect their rights. The second type of technological adjuncts safeguards the reliability and integrity of the online marketplace by requiring countries to prohibit the deliberate alteration or deletion of electronic "rights management information": that is, information which accompanies any protected material, and which identifies the work, its creators, performer, or owner, and the terms and conditions for its use.<sup>31</sup>

The World Intellectual Property Organization is a specialized agency within the United Nations tasked with creating and administering international treaties on recognition and protection of intellectual property rights. Liability for Network Service Providers for copyright infringement was discussed during the Diplomatic Conference on the 1996 WIPO Copyright Treaty (WCT) and the WIPO

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<sup>31</sup> [http://www.wipo.int/copyright/en/activities/internet\\_treaties.html](http://www.wipo.int/copyright/en/activities/internet_treaties.html)

Performances and Phonograms Treaty (WPPT). Article 8 of the WCT created an exclusive right for copyright holders to authorize communication to the public of their works by wire or wireless means. Articles 10 and 14 of the WPPT created a parallel right of making available for fixed performances and phonograms. Policymakers at the diplomatic conference that led to the adoption of the Treaties were aware that these rights would implicate Internet intermediaries that transmit packets across their networks. A U.S. proposal for the draft Basic Proposal for the WCT would have required countries to impose strict liability for Internet intermediaries for the content of communications on their networks and platforms. Member States did not agree to this, and instead adopted an Agreed Statement on the scope of the communication to the public right in Article 8 of the WCT, reflecting the international agreement that Internet intermediaries should not be held liable for merely providing physical facilities for enabling or making a communication.

It is understood that the mere provision of physical facilities for enabling or making a communication does not in itself amount to communication within the meaning of this Treaty or the Berne Convention. It is further understood that nothing in Article 8 precludes a Contracting Party from applying Article 11bis(2)

As there is no requirement for recognition of Internet intermediary liability in existing international intellectual property treaties, and no harmonized principles for secondary copyright liability across countries, until recently WIPO has not been in the forefront of developments on Internet intermediary liability and Three Strikes regimes.

As this website documents, Graduated Response or Three Strikes regimes have been developed in national laws, agreements, and policies, and trans-nationally via plurilateral trade agreements (the Anti-Counterfeiting Trade Agreement and the Trans-Pacific Partnership Agreement that is currently being negotiated). From civil society's perspective, the multi stakeholder policy dialogues about online IP enforcement regimes and the roles and responsibilities of Internet intermediaries have taken place at the OECD and at the annual Internet Governance Forum meetings.

However, in recent years there have been increasing calls for WIPO to take a role in creating harmonized principles for Internet intermediary liability. In relation to copyright secondary liability, the WIPO Secretariat proposed the Responsibility

of Internet Service Providers as a topic for future work of the WIPO Standing Committee on Copyright and Related Rights in 2002. In recent years, both the EU and US delegations have expressed interest in secondary/ indirect liability for online copyright infringement as a topic for future work of WIPO's Copyright Committee. In December 2011 the Russian Federation delegation proposed that the WIPO Advisory Committee on Enforcement look at Internet intermediary liability and measures to combat online copyright. WIPO Secretariat staff has commissioned leading copyright scholars to produce reports on Internet intermediary liability issues in 1999, 2005, and 2011. WIPO has hosted seminars on these topics in 1999, 2005 and 2011.

The issue of limitations on copyright liability for Internet intermediaries is currently being considered at the SCCR as part of the important discussion on copyright exceptions to facilitate cross-border education and research. (See "Provisional Working Document towards an Appropriate International Legal Instrument (in whatever form) on Limitations and Exceptions for Educational, Teaching and Research Institutions and Persons with other Disabilities containing Comments and Textual Suggestions", SCCR/24/8 Prov, July 31, 2012 at paragraph 77).

WIPO has also expressed interest in working on harmonized standards for Internet intermediary liability for trademark infringement. In a February 2011 report on Trademarks and the Internet, the WIPO Secretariat proposed that the Standing Committee on Trademarks work on "developing agreed standards with respect to the primary liability of Internet intermediaries for the infringement of third parties' trademarks" (paragraph 69), or alternatively, on:

"attempting to develop agreed standards for the determination of the presence or absence of secondary liability of Internet intermediaries. Such standards would offer an opportunity for stakeholders to achieve a degree of legal and transactional predictability, for example through developing safe harbors provisions. In such an approach, consideration could be given to issues such as the role played by the Internet intermediary in relation to alleged trademark infringement, the degree of knowledge and control by the Internet intermediary with respect to the allegedly infringing activity by a user of its services, and the

modalities of any response by the Internet intermediary when informed of such activity.” (paragraph 70) <sup>32</sup>

### **License: Implied and Express:**

Licenses implied in fact: Fair use allows limited uses of another's work without approval, but other uses may be approved by implication. For example, when a message is posted to a public email list, both forwarding and archiving seem to be impliedly allowed. It is reasonable to assume that such liberties are okay if not explicitly forbidden. However, when forwarding, archiving or, say, using part of a prior message to respond to an earlier message, be careful not to change the original meaning. No one impliedly authorizes another to attribute to them an embarrassing (or worse) message they did not write!

One web site confidently asserts that all list owners must approve before email can be forwarded. Yet, absent rules governing particular lists, I am aware of no legal basis for it. Why would the power of approval be implicitly given to list owners? Beyond that, few who post to public lists would object if their messages are forwarded to others apt to be interested.

In the same vein, it seems that few authors would object to having messages archived. That serves the interests of list members who may want to revisit topics addressed earlier. Indeed, most would prefer archives to seeing old topics rehashed -- why one often sees lists of frequently asked questions (FAQs), with answers.

Can people revoke implied permission once granted? Circumstances allowing that seem rare. Courts are, at best, reluctant to allow someone to impose a difficult burden on others. Email authors should be careful. Inadvertent messages could be removed from archives, but list owners -- particularly if they are not paid to maintain the list -- may have other things to do than correct members' mistakes. Worse, it may well be impossible to recall inadvertent postings after distribution.

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## **7.5. Online Copyright Issues:**

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WIPO organizes events that aim to facilitate discussion of the copyright issues related to Internet intermediaries among member states, stakeholders and civil society as a whole. WIPO also actively participates in other forum that

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<sup>32</sup> <https://globalchokepoints.org/world-intellectual-property-organization-wipo>

address this theme. During the World Summit on the Information Society (WSIS) Forum, a Joint WIPO-ISOC Thematic Workshop on “Internet intermediaries in the Field of Copyright” took place in Geneva on May 18, 2011. The Forum also presented the partial results of the WIPO studies. The WIPO Asia Regional Seminar on Copyright and Internet Intermediaries, held in Bangkok, Thailand on May 25 and 26, 2011, featured extensive discussions on this issue among Member States and stakeholders in the region. The issue was also discussed at the side event organized jointly with the Internet Society (ISOC), which took place on June 22, 2011. Professor Lilian Edwards, author of one of the WIPO studies, made a presentation on the framework and current alternatives in the field of online copyright infringement. Several Member States also presented alternative approaches to address this issue. WIPO jointly organized with ISOC a workshop during the Internet Governance Forum (IGF), which was held in Nairobi, Kenya, from September 27 to 30, 2011, which also addressed the issue. The event has reached a wide array of stakeholders. Internet intermediaries are key drivers in the development of the Internet as well as in distributing creative content. They host, locate and search for content and facilitate its distribution. Their increasing influence in recent years, as well as their evolving role has led to a debate regarding their liability in relation to online copyright infringement. This controversy is a direct result of the Internet’s phenomenal development – the web 2.0, user-generated content (UGC) websites, the wide spread of online streaming websites, and free hosting of large files are just some of the many examples of the constantly evolving online environment. Internet intermediaries play a key role in both considerations of web content responsibility as well as in developing new ways to offer users legal access to copyright content – whether paying or free.

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## **7.6. Hyper Linking:**

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It is common practice for web pages to include links to external web sites, and this does not usually cause a problem, but there are some risks involved if care is not taken. It is good practice to check for any conditions that might apply to a particular web site, and if in doubt to contact the copyright owner. In particular, it is wise to avoid the practice of “deep-linking”, that is to say hyper-linking directly to material in someone else’s site and by-passing the home page. In doing so, there



is a danger that you remove the identification of the owner/creator of the original site, and appear to claim the content as your own.

When creating hyperlinks remember:

- It is advisable to create a link to the home page of a web site rather than linking to a deep level of the site: this helps to avoid the issues of referring to information out of context, or seeming to pass information off as your own.
- Clearly label links with the name of the web site and the individual or corporate author: this will help inform your users of what they are looking at and avoid the issue of passing the information off as your own.
- When you are creating hypertext links you should be careful not to authorize users to make copies of the site you are referencing unless this is expressly permitted.
- Take care that you do not quote or link to another site in a derogatory manner, by quoting out of context or making an inference that is not directly supported by evidence.
- Avoid the use of frames and do not link from frames to another external site without the specific permission of the owner of the site you wish to link to. If you do link to an external web site make sure that it opens in a separate frame to avoid any confusion or possible misinterpretation.<sup>33</sup>

Images on the internet are not copyright free, and care should be taken in their use. There are a number of sources of royalty-free images and pictures on the internet, and these sites will state quite clearly the terms and conditions of their use. Many will allow their work to be copied for non-commercial purposes (for example, using the Creative Commons license). If it is not clear from the site that the rights holder is happy for the image to be used for your particular purpose, you should always seek permission before you do so.

- Always acknowledge your source;
- Never alter the image.

There may well be multiple copyrights in screenshots, including fonts, graphics etc. If using these for learning and teaching purposes you must avoid any alteration to the original, and any misleading labeling.

Care must be taken with use of company logos, particularly where these are used to click through to a web page. Such use, without permission, would infringe

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<sup>33</sup> <http://www.library.dmu.ac.uk/Support/Copyright/index.php?page=425>

the company's trademark. There have been several high-profile legal suits resulting from such uses.<sup>34</sup>

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## 7.7. Copyright in Images and Photograph:

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The basics In short, most images and photos are likely to be protected by copyright. This means that a user will usually need the permission of the copyright owner(s) if they want to copy the image or share it on the internet.

References to “images” in this Copyright Notice include:

- digital photos taken on mobile phones and digital cameras;
- images that were first generated on photographic film and any digital images created from them; and
- images such as diagrams and illustrations.

Please note that some of the issues raised in this Copyright Notice will only apply to photos.

Who owns copyright in an image?: The person who creates an image (“the creator”), such as somebody who takes a photo, will generally be the owner of the original copyright. However, if it was created as part of the creator's job, the employer will generally own the copyright.

A creator can license the work directly themselves. They can also “assign” (transfer) the copyright to another person or allow that other person to license the work on their behalf. Licensing is giving another person or organization permission to use a work such as an image, often in return for payment and/or on certain conditions.

What if there is more than one copyright owner?: An image might have multiple copyright owners if there was more than one creator. An example might be a cartoon created by a number of artists and illustrators, who then license use to a website owner. Images on the web may also be in a “chain”. For example, if you wanted to use image ‘A’ which also contains image ‘B’, then you would need permission from both owners of image ‘A’ and ‘B’. Simply creating copies of an image won't create a new copyright in the new item, but when an analogue image is digitized lawfully (that is, with permission from the copyright owner), then in principle a new copyright could be created if there was sufficient skill and

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<sup>34</sup> <http://www.library.dmu.ac.uk/Support/Copyright/index.php?page=425>

creativity to alter the analogue image enough for it to be a new and original work. Opinions differ on how much of a change would be needed. Generally speaking, if you are just making minor changes, then the only copyright would still be that which belongs to the person who created the original image. Some images which appear on the internet are controlled by picture libraries which either own the copyright in the images or have the copyright owners' permission to sell rights to use the images. The picture libraries sometimes restrict how the copies of the photos are used as part of their contract terms when they allow people to use the images. The restrictions may not arise out of copyright law: an image library can set terms and conditions of use in respect of images it supplies, including ones which are out of copyright, through a contract.

How long does copyright in images or photos last?: The length of the copyright period will depend on when the image was created. Generally speaking, copyright in images lasts for the life of the creator plus 70 years from the end of the calendar year of their death. That means that images less than 70 years old are still in copyright, and older ones may well be, depending on when the creator died. For old images or photos, you may never be entirely sure if something is in copyright, but knowing the age of the photo will be a good guide to make an educated guess whether the photo is likely to be protected by copyright. There may be material in the image which helps to date it. For instance, a photo of a particular brand of motorcar may be evidence that the photograph could have been taken after the first year of manufacture. Also, in the case of an old image where copyright appears to have expired in the UK, you will need to find out whether the image was in copyright elsewhere in the EU on 1 July 1995. If it was, the standard copyright period is the life of the creator plus 70 years from the end of the calendar year of their death (regardless of whether it was protected under historic UK copyright law).

Is permission always required to copy or use an image?: Sometimes permission is not required to copy the image. For example, if:

- the user of the image also created it and owns the copyright in the image;
- the image is used for specific acts permitted by law (“permitted acts”) in respect of which people can use copyright works without permission from the copyright owner, such as for private study or noncommercial research; or
- the image is no longer in copyright.

If permission is required to use an image, permission will need to be obtained from all the copyright owners, whether it is a single image with numerous creators, a licensed image, or an image of other copyright works, for example. The key point is that using an image requires obtaining permission from the owners of all the rights in that image. Sometimes there will be one person or organization that can authorize permission for all the rights in that image; in other cases separate permission may be needed from several individual rights owners.<sup>35</sup>

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## 7.8. Consequences of Copyright Infringement on Internet:

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When someone infringes copyright, there are various courses of action which could be taken by the individual or organization which owns the copyright. The user of the image may be asked to purchase a license, and a commercial arrangement might be reached after which no further action is taken. However, legal action might be taken by bringing a claim in court which could result in having to go to court for a hearing. Court cases can be expensive, as they may result in the user of the image paying the cost to use the photo, legal costs of themselves and the copyright owner and possibly other financial compensation for copyright infringement. This could amount to more than the cost of a licence to use the image. Further, the user of the infringing copy could also be asked to take down the image from websites as well, for example. Deliberate infringement of copyright on a commercial scale may also lead to a criminal prosecution. Even in situations where people may think their copyright infringement will not be detected, they run the risk of being discovered and consequently being pursued through the courts.<sup>36</sup>

Sharing or posting a simple web link to images posted publicly online by the copyright owner is usually not restricted by copyright. The Court of Justice of the European Union has ruled that internet users should be free to share links to material, for example photos or videos, providing the material itself has been published freely online with the permission of the rights holder. The right to share

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[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/305165/c-notice-201401.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/305165/c-notice-201401.pdf)

<sup>36</sup>

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/305165/c-notice-201401.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/305165/c-notice-201401.pdf)

links however doesn't go as far as allowing users to share links that are designed to circumvent pay walls or other subscription only services. Copying images and then hosting them on another website however will usually amount to copyright infringement. You should ask permission from the copyright owner before using images in this way. You may also infringe copyright if you use image tags to insert images hosted elsewhere into your webpage (even without copying and hosting the images yourself). This is more likely if the original images are posted behind a pay wall or in some other restricted access environment such as a private forum. Examples of activities in this vein that may require permission include blogging other people's images or using aggregator services which embed images into new web pages.

If you are using an image commercially, you will need to seek permission before you do so. There are licenses which you can obtain to use images for commercial purposes, such as advertising your business on a website, and usually you will have to pay a higher fee than for non-commercial use. Be aware that some Creative Commons licenses are for non-commercial use only, so it is important to check the license terms if using Creative Commons-licensed material.<sup>37</sup>

Free Speech and Internet<sup>38</sup>:

### **Free Speech and the Internet**

The first amendment to the U.S. Constitution guarantees the right to free speech. But there are instances when that can provoke a lawsuit. The four main causes of action against speech on the internet is:

Defamation: "A published intentional false communication that injures a person or company's reputation"

Breach of Contract: If an employee signs a confidentiality agreement and then posts information about products, sales, management, other employees, or rumors, than he may have breached his confidence and trust to the company and be held in Breach of Contract.

Tortious Interference with Business: To file tortious interference there must be an existing contract or business relationship, intentional interference between

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[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/305165/c-notice-201401.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/305165/c-notice-201401.pdf)

<sup>38</sup> [http://www.offthepagecreations.com/legal\\_issues\\_internet.php](http://www.offthepagecreations.com/legal_issues_internet.php)

the company and the business relationship, an effect caused by the action, and damage as a result to the action

Securities Fraud: Attempts to manipulate the price of stock by giving false information or talking it up, so that the stock price goes up, and then selling it (Pump and Dump Schemes), is illegal

If you are looking for a Free Speech Attorney, I recommend Lexero Law Firm.

### **Children and the Internet**

The Child Online Protection Act (COPA) makes it a crime to publish "any communication for commercial purposes that includes sexual material that is harmful to minors, without restricting access to such material by minors."

### **Online Harassment**

When a harasser uses the internet to cause substantial emotional distress to his or her victim, this is considered Online Harassment. It can take the form of email, chat rooms, instant messaging, newsgroup posts, or message board posts. The largest amount of online harassment occurs by teenagers who often do not yet understand the impact of their actions and are not yet able to control their emotions.

Online harassment is a crime in some states. If you are harassed online, you should archive the conversation and report them to the ISP and local law enforcement.

### **Blogs**

When writing in a blog or posting to a message board, keep in mind that you can not write things about people that are not true. You can write something bad about a person, but you can't write something that is untrue and may affect his or her reputation. Truth is a defense to a charge of libel (written) or slander (spoken), if it can be proven true.

Blogs can feel like a personal diary, but one should keep in mind when writing in it, that it's not just a way to vent feelings. The world can read it. There have been many instances of employees getting fired because the boss didn't like being embarrassed in the blog, even if it is on the employees personal computer in their own time. Courts weigh freedom of speech with the right to protect the company's public image. Companies should add blogging policies to clarify this to employees on hiring and avoid the confusion.

### **Hate Speech**

Hate speech is protected under the first amendment in the U.S. except when hate speech crosses into threats and intimidation, racial slurs, or racial hostility. Hate speech is prohibited in most other countries. Unfortunately the U.S. has become a safe harbor for hate group websites. Civil lawsuits are a powerful remedy that can financially cripple a hate group organization.

### **Communism and the Internet**

Web speech under Communism is difficult to control. Communist China government has 11 agencies overseeing Internet use. They have taken actions to block certain keyword searches and websites, they keep records of users and the web pages they visit. There is video cameras and high tech software in the internet cafés and bars to prevent customers from viewing the 'forbidden' sites. A user must enter an id number in order to use an internet cafe computer. A blogger is required to sign up under his or her real name, although they can write under a pseudonym. Examples of banned websites are: a pornographic site, a superstitious site, or websites that criticize government or the Communist Party. Dozens of people have been sent to prison for posting or downloading from such sites.

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## **7.9. Summary:**

The issue of copyright on internet is most debatable and controversial one. There is lack of clarity and conflict of laws due to jurisdictional issues. In this unit the role of intermediaries in online copyright infringement, basic limits to copy internet contents, fair use, WIPO internet treaties, licence-implied and express online copyright issues, hyper linking, copyright in image and photography, consequence of copyright infringement on internet, and free speech & Internet are discussed in local and global perspective.

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## **7.10. Some Useful Books:**

- A. An Introduction to Intellectual Property Rights by J.P. Mishra; Central Law Publication-Third Edition-2012
- B. Law relating to Intellectual Property Law by V.K. Ahuja; Lexis-Nexis Publication (2013)
- C. Intellectual Property Law Manual-Universal Publication (2014)
- D. Intellectual Property by W.R. Cornish; Third Edition-First Indian Reprint,2001

- E. Copyright Act, 1957-Bare Act (Universal Publication)
- F. Trade Marks Act, 1999-Bare Act (Universal Publication)
- G. The Patent Act, 1970-Bare Act (Universal Publication)
- H. Law relating to Intellectual Property by B.L. Wadehra (Universal Publication)

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### 7.11. Check your Progress:

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A.

1. On internet always look for copyright notices or terms and conditions of use stated on resources themselves.
2. Online intermediaries are key to the internet economy including new internet intermediaries.
3. WIPO Copyright Treaty and WIPO Performance and Phonogram Treaty known together as ‘Internet Treaties’.
4. WIPO has hosted seminars on “Copyright on Internet” and related issues in 1999, 2005 and 2011.
5. It is advisable to create a link to the home page of a website rather than a linking to a deep level of the site.

B.

1. Copyright applies to logo and illustrations as well as to text-do not use these .....
2. The works that lacks .....may freely use by any one.
3. Images on internet are not ..... and care should be taken in their use.
4. Copyright in images lasts for the life of the creator plus .....
5. Sharing or posting a simple web link to images posted publically online by the copyright owner is usually.....by copyright.

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### 7.12. Answer to Check your Progress:

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A.

1. True
2. True
3. True
4. True
5. True

B.



1. Without permission
2. Originality
3. Copyright free
4. 70 years
5. Not restricted

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### **7.13. Terminal Questions:**

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1. What happens if there is more than one copyright owner?
2. What is the role of internet intermediaries in online copyright infringement?
3. Write a note on basic limits to copy internet contents/Fair use.
4. What is hyper linking?
5. Discuss copyright in images and photography.

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## Unit-8

# Understanding of Patents: Indian Perspectives (Patents Act, 1970)

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### Objectives:

After going through this unit you should be able to:

- Understand the issues and subject matters related to Patents in Indian Perspective
- Understand the procedure for Patent
- Understand the technical and legal issues related to Patent

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### Summary:

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- 8.1 Introduction
- 8.2 Meaning of Patent
- 8.3 What are not inventions?
- 8.4 Infringement of Patents
- 8.5 Defenses in Suits for Infringements
- 8.6 Appointment of Scientific Advisor to assist the Court
- 8.7 Power of Controller
- 8.8 Appeals
- 8.9 Penalties
- 8.10 Patent Agents
- 8.11 Summary
- 8.12 Some Useful Books
- 8.13 Check your Progress
- 8.14 Answer to Check your Progress
- 8.15 Terminal Questions

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### 8.1 Introduction:

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The first legislation in India relating to patents was the Act VI of 1856. The objective of this legislation was to encourage inventions of new and useful manufactures and to induce inventors to disclose secret of their inventions. The Act was subsequently repealed by Act IX of 1857 since it had been enacted without the approval of the British Crown . Fresh legislation for granting ‘exclusive privileges’ was introduced in 1859 as Act XV of 1859. This legislation contained certain modifications of the earlier legislation, namely, grant of exclusive privileges to useful inventions only and extension of priority period from 6 months to 12 months. This Act excluded importers from the definition of inventor. This Act was based on the United Kingdom Act of 1852 with certain departures which include allowing assignees to make application in India and also taking prior public use or publication in India or United Kingdom for the purpose of ascertaining novelty.

In 1872, the Act of 1859 was consolidated to provide protection relating to designs. It was renamed as “The Patterns and Designs Protection Act” under Act XIII of 1872. The Act of 1872 was further amended in 1883 (XVI of 1883) to introduce a provision to protect novelty of the invention, which prior to making application for their protection were disclosed in the Exhibition of India. A grace period of 6 months was provided for filing such applications after the date of the opening of such Exhibition. This Act remained in force for about 30 years without any change but in the year 1883, certain modifications in the patent law were made in United Kingdom and it was considered that those modifications should also be incorporated in the Indian law. In 1888, an Act was introduced to consolidate and amend the law relating to invention and designs in conformity with the amendments made in the U.K. law. The Indian Patents and Designs Act, 1911, (Act II of 1911) replaced all the previous Acts. This Act brought patent administration under the management of Controller of Patents for the first time. This Act was further amended in 1920 to enter into reciprocal arrangements with UK and other countries for securing priority. In 1930, further amendments were made to incorporate, inter-alia, provisions relating to grant of secret patents, patent of addition, use of invention by Government, powers of the Controller to rectify register of patent and increase of term of the patent from 14 years to 16 years. In 1945, an amendment was made to provide for filing of provisional specification and submission of complete specification within nine months.

After Independence, it was felt that the Indian Patents & Designs Act, 1911 was not fulfilling its objective. It was found desirable to enact comprehensive patent law owing to substantial changes in political and economic conditions in the country. Accordingly, the Government of India constituted a committee under the Chairmanship of Justice (Dr.) Bakshi Tek Chand, a retired Judge of Lahore High Court, in 1949 to review the patent law in India in order to ensure that the patent system is conducive to the national interest. The terms of reference included—

- to survey and report on the working of the patent system in India;
- to examine the existing patent legislation in India and to make recommendations for improving it, particularly with reference to the provisions concerned with the prevention of abuse of patent rights;
- to consider whether any special restrictions should be imposed on patent regarding food and medicine;
- to suggest steps for ensuring effective publicity to the patent system and to patent literature, particularly as regards patents obtained by Indian inventors;
- to consider the necessity and feasibility of setting up a National Patents Trust;
- to consider the desirability or otherwise of regulating the profession of patent agents
- to examine the working of the Patent Office and the services rendered by it to the public and make suitable recommendations for improvement; and
- to report generally on any improvement that the Committee thinks fit to recommend for enabling the Indian Patent System to be more conducive to national interest by encouraging invention and the commercial development and use of inventions.

The committee submitted its interim report on 4th August, 1949 with recommendations for prevention of misuse or abuse of patent right in India and suggested amendments to sections 22, 23 & 23A of the Patents & Designs Act, 1911 on the lines of the United Kingdom Acts 1919 and 1949. The committee also observed that the Patents Act should contain clear indication to ensure that food and medicine and surgical and curative devices are made available to the public at the cheapest price commensurate with giving reasonable compensation to the patentee.

Based on the above recommendation of the Committee, the 1911 Act was amended in 1950 (Act XXXII of 1950) in relation to working of inventions and

compulsory license/revocation. Other provisions were related to endorsement of the patent with the words 'license of right' on an application by the Government so that the Controller could grant licenses. In 1952 (Act LXX of 1952) an amendment was made to provide compulsory license in relation to patents in respect of food and medicines, insecticide, germicide or fungicide and a process for producing substance or any invention relating to surgical or curative devices. The compulsory license was also available on notification by the Central Government. Based on the recommendations of the Committee, a bill was introduced in the Parliament in 1953 (Bill No.59 of 1953). However, the Government did not press for the consideration of the bill and it was allowed to lapse.

In 1957, the Government of India appointed Justice N. Rajagopala Ayyangar Committee to examine the question of revision of the Patent Law and advise government accordingly. The report of the Committee, which comprised of two parts, was submitted in September, 1959. The first part dealt with general aspects of the Patent Law and the second part gave detailed note on the several clauses of the lapsed bills 1953. The first part also dealt with evils of the patent system and solution with recommendations in regards to the law. The committee recommended retention of the Patent System, despite its shortcomings. This report recommended major changes in the law which formed the basis of the introduction of the Patents Bill, 1965. This bill was introduced in the Lok Sabha on 21st September, 1965, which however lapsed. In 1967, again an amended bill was introduced which was referred to a Joint Parliamentary Committee and on the final recommendation of the Committee, the Patents Act, 1970 was passed. This Act repealed and replaced the 1911 Act so far as the patents law was concerned. However, the 1911 Act continued to be applicable to designs. Most of the provisions of the 1970 Act were brought into force on 20<sup>th</sup> April 1972 with publication of the Patent Rules, 1972.

This Act remained in force for about 24 years without any change till December 1994. An ordinance effecting certain changes in the Act was issued on 31<sup>st</sup> December 1994, which ceased to operate after six months. Subsequently, another ordinance was issued in 1999. This ordinance was subsequently replaced by the Patents (Amendment) Act, 1999 that was brought into force retrospectively from 1<sup>st</sup> January, 1995. The amended Act provided for filing of applications for product patents in the areas of drugs, pharmaceuticals and agro chemicals though

such patents were not allowed. However, such applications were to be examined only after 31-12-2004. Meanwhile, the applicants could be allowed Exclusive Marketing Rights (EMR) to sell or distribute these products in India, subject to fulfillment of certain conditions.

The second amendment to the 1970 Act was made through the Patents (Amendment) Act, 2002 (Act 38 Of 2002). This Act came into force on 20<sup>th</sup> May 2003 with the introduction of the new Patent Rules, 2003 by replacing the earlier Patents Rules, 1972. The third amendment to the Patents Act 1970 was introduced through the Patents (Amendment) Ordinance, 2004 w.e.f. 1<sup>st</sup> January, 2005. This Ordinance was later replaced by the Patents (Amendment) Act 2005 (Act 15 Of 2005 ) on 4<sup>th</sup> April, 2005 which was brought into force from 1-1-2005.<sup>39</sup>

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## 8.2 Meaning of Patent:

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A patent is a legal monopoly granted for a limited time to the owner of an invention. It empowers the owner of an invention to prevent others from manufacturing, using, importing or selling the patented invention. Patent Act, 1970 as amended in the years 1998 and 1999 along with Patent Rules, 1972 govern patents in India. Patent is a monopoly granted by statute of a country for a limited term over a new and useful invention that involves inventive step. Invention may either for a product or process. The rights enjoyed by owner of the patent are proprietary in nature and the patentee or his agent or licensees has the exclusive right to use and have the benefits of patented invention and prevent unauthorized use, during the period of patent protection. Period during which the owner enjoys the benefits is called term of the patent. Registration is a prerequisite for patent protection and the protection granted is territorial in nature i.e., patent granted in a country will give the owner of the patent right only within that country.

The law governing Patents in India is Patent Act, 1970 as amended in the years 1995 and 1999, along with the patent rules, 1972. Patent Act do not define the term '*Patent*' [s.2 (m)], it simply states that 'Patent' means a patent granted under this Act and includes for the purposes of sections 44, 49, 50, 51, 52, 54, 55, 56, 57, 58, 63, 65, 66, 68, 69, 70, 78, 134, 140, 153, 154 and 156 and Chapter XVI, XVII & XVIII, and a Patent granted under the Indian

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<sup>39</sup> <http://ipindia.nic.in/ipr/PatentHistory.htm>

Patents and design Act, 1911 (2 of 1911); the Patents (Second Amendment) Bill, 1999 states that “Patent means a patent granted under this Act”.

Patent Act 1970 envisages that 'any *invention* that has a commercial application and which are not exempted under the Act are eligible for grant of patent. S.2 (j) the Act defines ‘invention’ as:

Any new and useful –

- art, process, method or manner of manufacture;
- machine apparatus or other Articles;
- substance produced by manufacture, and includes any new and useful improvement of any of them, and an alleged invention;

The Second Amendment Bill, 1999 has introduced a new definition of *invention* as against 1970, Act, i.e., 2(j) in 1999 Bill:

“invention means a new product or process involving an invention step and capable of industrial application”.

Section 3 speaks about *invention not patentable*. Inventions which are 'frivolous, contrary to Natural Law, Contrary to Law or morality or injurious to public health or formulation of an abstract theory, discovery of any new property or new use for a known substance or a substance obtained out of a mere admixture or it is a mere arrangement or re-arrangement or duplication or horticulture, or any process for the medicinal, surgical, curative, prophylactic or other treatment of human beings', are not patentable.

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### **8.3 What are not inventions? :**

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Section 3 of the Patent Act, 1970: The following are not inventions within the meaning of this Act,—

(a) an invention which is frivolous or which claims anything obviously contrary to well established natural laws;

(b) an invention the primary or intended use or commercial exploitation of which could be contrary public order or morality or which causes serious prejudice to human, animal or plant life or health or to the environment;

(c) the mere discovery of a scientific principle or the formulation of an abstract theory or discovery of any living thing or non-living substance occurring in nature;

(d) the mere discovery of a new form of a known substance which does not result in the enhancement of the known efficacy of that substance or the mere discovery of any new property or new use for a known substance or of the mere use of a known process, machine or apparatus unless such known process results in a new product or employs at least one new reactant.

Explanation.—For the purposes of this clause, salts, esters, ethers, polymorphs,

metabolites, pure form, particle size, isomers, mixtures of isomers, complexes, combinations and other derivatives of known substance shall be considered to be the same substance, unless they differ significantly in properties with regard to efficacy;

(e) 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;

(f) the mere arrangement or re-arrangement or duplication of known devices each functioning independently of one another in a known way;

(g) Omitted by the Patents (Amendment) Act, 2002

(h) a method of agriculture or horticulture;

(i) any process for the medicinal, surgical, curative, prophylactic diagnostic, therapeutic or other treatment of human beings or any process for a similar treatment of animals to render them free of disease or to increase their economic value or that of their products.

(j) plants and animals in whole or any part thereof other than micro organisms but including seeds, varieties and species and essentially biological processes for production or propagation of plants and animals;

(k) a mathematical or business method or a computer programme per se or algorithms;

(l) a literary, dramatic, musical or artistic work or any other aesthetic creation whatsoever including cinematographic works and television productions;

(m) a mere scheme or rule or method of performing mental act or method of playing game;

(n) a presentation of information;



(o) topography of integrated circuits;

(p) an invention which in effect, is traditional knowledge or which is an aggregation or duplication of known properties of traditionally known component or components.

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## **8.4 Infringement of Patents:**

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Section 104 of the Patent Act, 1970: Jurisdiction.—No suit for a declaration under section 105 or for any relief under section 106 or for infringement of a patent shall be instituted in any court inferior to a district court having jurisdiction to try the suit:

Provided that where a counter-claim for revocation of the patent is made by the defendant, the suit, along with the counter-claim, shall be transferred to the High Court for decision.

Section 104A of the Patent Act, 1970: Burden of proof in case of suits concerning infringement.—(1) In any suit for infringement of a patent, where the subject matter of patent is a process for obtaining a product, the court may direct the defendant to prove that the process used by him to obtain the product, identical to the product of the patented process, is different from the patented process if,-

(a) the subject matter of the patent is a process for obtaining a new product; or

(b) there is a substantial likelihood that the identical product is made by the process, and the patentee or a person deriving title or interest in the patent from him, has been unable through reasonable efforts to determine the process actually used:

Provided that the patentee or a person deriving title or interest in the patent from him first proves that the product is identical to the product directly obtained by the patented process.

(2) In considering whether a party has discharged the burden imposed upon him by subsection (1), the court shall not require him to disclose any manufacturing or commercial secrets, if it appears to the court that it would be unreasonable to do so.

105. Power of court to make declaration as to non-infringement.— (1) Notwithstanding anything contained in section 34 of the Specific Relief Act, 1963 (47 of 1963), any person may institute a suit for a declaration that the use by him

of any process, or the making, use or sale of any article by him does not, or would not, constitute an infringement of a claim of a patent against the patentee or the holder of an exclusive license under the patent, notwithstanding that no assertion to the contrary has been made by the patentee or the licensee, if it is shown—

(a) that the plaintiff has applied in writing to the patentee or exclusive licensee for a written acknowledgements to the effect of the declaration claimed and has furnished him with full particulars in writing of the process or article in question; and

(b) that the patentee or licensee has refused or neglected to give such an acknowledgement.

(2) The costs of all parties in a suit for a declaration brought by virtue of this section shall, unless for special reasons the court thinks fit to order otherwise, be paid by the plaintiff.

(3) The validity of a claim of the specification of a patent shall not be called in question in a suit for a declaration brought by virtue of this section, and accordingly the making or refusal of such a declaration in the case of a patent shall not be deemed to imply that the patent is valid or invalid.

(4) A suit for a declaration may be brought by virtue of this section at any time after the publication or grant of a patent, and references in this section to the patentee shall be construed accordingly.

Section 106 of the Patent Act, 1970: Power of court to grant relief in cases of groundless threats of infringement proceedings:-

(1) Where any person (whether entitled to or interested in a patent or an application for patent or not) threatens any other person by circulars or advertisements or by communications, oral or in writing addressed to that or any other person, with proceedings for infringement of a patent, any person aggrieved thereby may bring a suit against him praying for the following reliefs, that is to say—

(a) a declaration to the effect that the threats are unjustifiable;

(b) an injunction against the continuance of the threats; and

(c) such damages, if any, as he has sustained thereby.

(2) Unless in such suit the defendant proves that the acts in respect of which the proceedings were threatened constitute or, if done, would constitute, an infringement of a patent or of rights arising from the publication of a complete

specification in respect of a claim of the specification not shown by the plaintiff to be invalid the court may grant to the plaintiff all or any of the reliefs prayed for.

Explanation.—A mere notification of the existence of a patent does not constitute a threat of proceeding within the meaning of this section.

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## **8.5 Defenses in Suits for Infringements:**

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Section 107 of the Patent Act, 1970: Defenses, etc., in suits for infringement:

(1) In any suit for infringement of a patent every ground on which it may be revoked under section 64 shall be available as a ground for defense.

(2) In any suit for infringement of a patent by the making, using or importation of any machine, apparatus of other article or by the using of any process or by the importation, use or distribution of any medicine or drug, it shall be a ground for defense that such making, using, importation or distribution is in accordance with any one or more of the conditions specified in section 47.

Section 107A of the Patent Act, 1970: Certain acts not to be considered as infringement: For the purposes of this Act,—

(a) any act of making, constructing, using, selling or importing a patented invention solely for uses reasonably related to the development and submission of information required under any law for the time being in force, in India, or in a country other than India, that regulates the manufacture, construction, use, sale or import of any product;

(b) importation of patented products by any person from a person who is duly authorized under the law to produce and sell or distribute the product, shall not be considered as an infringement of patent rights.

Section 108 of the Patent Act, 1970: Reliefs in suit for infringement.—(1) The reliefs which a court may grant in any suit for infringement include an injunction (subject to such terms, if any, as the court thinks fit) and, at the option of the plaintiff, either damages or an account of profits.

(2) The court may also order that the goods which are found to be infringing and materials and implements, the predominant use of which is in the creation of infringing goods shall be seized, forfeited or destroyed, as the court deems fit under the circumstances of the case without payment of any compensation.

Section 109 of the Patent Act: Right of exclusive licensee to take proceedings against infringement.—(1) The holder of an exclusive license shall have the like right as the patentee to institute a suit in respect of any infringement of the patent committed after the date of the license, and in awarding damages or an account of profits or granting any other relief in any such suit the court shall take into consideration any loss suffered or likely to be suffered by the exclusive licensee as such or, as the case may be, the profits earned by means of the infringement so far as it constitutes an infringement of the rights of the exclusive licensee as such.

(2) In any suit for infringement of a patent by the holder of an exclusive license under subsection (1), the patentee shall, unless he has joined as a plaintiff in the suit, be added as a defendant, but a patentee so added as defendant shall not be liable for any costs unless he enters an appearance and takes part in the proceedings.

Section 110 of the Patent Act, 1970: Right of licensee under section 84 to take proceedings against infringement.—Any person to whom a license has been granted under section 84 shall be entitled to call upon the patentee to take proceedings to prevent any infringement of the patent, and, if the patentee refuses or neglects to do so within two months after being so called upon, the licensee may institute proceedings for the infringement in his own name as though he were the patentee, making the patentee a defendant; but a patentee so added as defendant shall not be liable for any costs unless he enters an appearance and takes part in the proceedings.

Section 111 of the Patent Act, 1970: Restriction on power of court to grant damages or account of profits for infringement:

(1) In a suit for infringement of patent, damages or an account of profits shall not be granted against the defendant who proves that at the date of the infringement he was not aware and had no reasonable grounds for believing that the patent existed.

Explanation.—A person shall not be deemed to have been aware or to have had reasonable grounds for believing that a patent exists by reason only of the application to an article of the word "patent", "patented" or any word or words expressing or implying that a patent has been obtained for the article, unless the number of the patent accompanies the word or words in question.

(2) In any suit for infringement of a patent the court may, if it thinks fit, refuse to grant any damages or an account of profits in respect of any infringement committed after a failure to pay any renewal fee with the prescribed period and before any extension of that period.

(3) Where an amendment of a specification by way of disclaimer, correction or explanation has been allowed under this Act after the publication of the specification, no damages or account of profits shall be granted in any proceeding in respect of the use of the invention before the date of the decision allowing the amendment, unless the court is satisfied that the specification as originally published was framed in good faith and with reasonable skill and knowledge.

(4) Nothing in this section shall affect the power of the court to grant an injunction in any suit for infringement of a patent.

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## **8.6 Appointment of Scientific Advisor to assist the Court:**

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Section 115 of the Patent Act, 1970: Scientific advisers.—(1) In any suit for infringement or in any proceeding before a court under this Act, the court may at any time, and whether or not an application has been made by any party for that purpose, appoint an independent scientific adviser, to assist the court or to inquire and report upon any such question of fact or of opinion (not involving a question of interpretation of law) as it may formulate for the purpose.

(2) The remuneration of the scientific adviser shall be fixed by the court and shall include the costs of making a report and a proper daily fee for any day on which the scientific adviser may be required to attend before the court, and such remuneration shall be defrayed out of moneys provided by Parliament by law for the purpose.

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## **8.7 Power of Controller:**

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Section 19 of the Patent Act, 1970: Powers of Controller in case of potential infringement:- (1) If, in consequence of the investigations required under this Act, it appears to the Controller that an invention in respect of which an application for a patent has been made cannot be performed without substantial risk of infringement of a claim of any other patent, he may direct that a reference to that other patent shall be inserted in the applicant's complete specification by way of notice to the public, unless within such time as may be prescribed—

- (a) the applicant shows to the satisfaction of the Controller that there are reasonable grounds for contesting the validity of the said claim of the other patent; or
- (b) the complete specification is amended to the satisfaction of the Controller.

(2) Where, after a reference to another patent has been inserted in a complete specification in pursuance of a direction under sub-section (1)—

- (a) that other patent is revoked or otherwise ceases to be in force; or
- (b) the specification of that other patent is amended by the deletion of the relevant claim; or
- (c) it is found, in proceedings before the court or the Controller, that the relevant claim of that other patent is invalid or is not infringed by any working of the applicant's invention, the Controller may, on the application of the applicant, delete the reference to that other patent.

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## **8.8 Appeals:**

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Section 116 of the Patent Act, 1970: Appellate Board.—(1) Subject to the provisions of this Act, the Appellate Board established under section 83 of the Trade Marks Act, 1999 shall be the Appellate Board for the purposes of this Act and the said Appellate Board shall exercise the jurisdiction, power and authority conferred on it by or under this Act:

Provided that the Technical Member of the Appellate Board for the purposes of this Act shall have the qualifications specified in sub-section (2).

(2) A person shall not be qualified for appointment as a Technical Member for the purposes of this Act unless he—

- (a) has, at least five years held the post of Controller under this Act or has exercised the functions of the Controller under this Act for at least five years; or
- (b) has, for at least ten years functioned as a Registered Patent Agent and possesses a degree in engineering or technology or a masters degree in science from any University established under law for the time being in force or equivalent; or

Section 117A. Appeals to Appellate Board.—(1) Save as otherwise expressly provided in sub-section ; (2), no appeal shall lie from any decision, order or direction made or issued under this Act by the Central Government, or from any

act or order of the Controller for the purpose of giving effect to any such decision, order or direction.

(2) An appeal shall lie to the Appellate Board from any decision, order or direction of the Controller or Central Government under section 15, section 16, section 17, section 18, section 19, section 20, sub-section (4) of section 25, section 28, section 51, section 54, section 57, section 60, section 61, section 63, section 66, sub-section (3) of section 69, section 78, sub-sections (1) to (5) of section 84, section 85, section 88, section 91, section 92 and section 94.

(3) Every appeal under this section shall be in the prescribed form and shall be verified in such manner as may be prescribed and shall be accompanied by a copy of the decision, order or direction appealed against and by such fees as may be prescribed.

(4) Every appeal shall be made within three months from the date of the decision, order or direction, as the case may be, of the Controller or the Central Government or within such further time as the Appellate Board may, in accordance with the rules made by it.

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## **8.9 Penalties:**

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Section 118 of the Patent Act, 1970: Contravention of secrecy provisions relating to certain inventions:-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.

Section 119 of the Patent Act, 1970: Falsification of entries in register, etc:-If any person makes, or causes to be made, a false entry in any register kept under this Act, or a writing falsely purporting to be a copy of an entry in such a register, or produces or tenders, or causes to be produced or tendered, in evidence any such writing knowing the entry or writing to be false, he shall be punishable with imprisonment for a term which may extend to two years, or with fine, or with both.

Section 120 of the Patent Act, 1970: Unauthorized claim of patent rights:-If any person falsely represents that any article sold by him is patented in India or is the subject of an application for a patent in India, he shall be punishable with fine which may extend to one lakh rupees.

Explanation 1: For the purposes of this section, a person shall be deemed to represent— (a) that an article is patented in India if there is stamped, engraved or impressed on, or otherwise applied to, the article the word "patent" or "patented" or some other word expressing or implying that a patent for the article has been obtained in India;

(b) that an article is the subject of an application for a patent in India, if there are stamped, engraved or impressed on, or otherwise applied to, the article the words "patent applied for", "patent pending", or some other words implying that an application for a patent for the article has been made in India.

Explanation 2.—The use of words "patent", "patented", "patent applied for", "patent pending" or other words expressing or implying that an article is patented or that a patent has been applied for shall be deemed to refer to a patent in force in India, or to a pending application for a patent in India, as the case may be, unless there is an accompanying indication that the patent has been obtained or applied for in any country outside India.

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## **8.10 Patent Agents:**

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### **Patent Agents**

- A. A patent application can be filed and prosecuted by an Applicant himself or through a registered Indian patent agent. The Register of Patent Agents containing the names and addresses of all the registered patent agents is available at: [www.ipindia.nic.in](http://www.ipindia.nic.in)
- B. The Patents Act read with the Patents Rules prescribe the qualifications and the eligibility for becoming a patent agent. In order to get registered as a patent agent one has to pass an examination conducted by the Controller General of Patents annually. The notification concerning the examination is published in the official website [www.ipindia.nic.in](http://www.ipindia.nic.in) and also in at least one prominent newspaper.
- C. In order to apply for registration as a patent agent, one has to be a citizen of India, above the age of 21, and should have a Bachelor's degree in Science or Engineering from a recognized Indian University or possesses such other equivalent qualifications as the Central Government may specify in this behalf.
- D. All matters relating to registration and subsequent procedures are dealt with in the Office of The Controller General of Patents, Designs and Trademarks, Mumbai.



Disqualifications for registration as a patent agent:

A person shall not be eligible to be registered as a patent agent, if he -

- a) has been adjudged by a competent court to be of unsound mind;
- b) is an undercharged insolvent;
- c) being a discharged insolvent, has not obtained from the court a certificate to the effect that his insolvency was caused by misfortune without any misconduct on his part;
- d) has been convicted by a competent court, whether within or outside India of an offence to undergo a term of imprisonment, unless the offence of which he has been convicted has been pardoned or unless on an application made by him, the Central Government has, by order in this behalf, removed the disability;
- e) being a legal practitioner has been guilty of professional misconduct; or
- f) being a chartered accountant, has been guilty of negligence or misconduct.

Rights of patent agents: A patent agent is entitled-

- A. to practice before the Controller; and
- B. to prepare all documents, transact all business and discharge such other functions as may be prescribed in connection with any proceedings before the Controller under this Act.

Restrictions on Practice as Patent Agents: Only a person registered as a patent agent is authorized to practice. In the case of a partnership, the firm may be described or held out as Patent Agent, only if all of the partners of the Firm are registered as patent agents. No company or other body corporate shall practice, describe itself or hold itself out as Patent Agents or permit itself to be so described or held out. Each person in the associate group if any constituted should be a registered Agent and duly authorized by the concerned person on behalf they act.

Power of Controller to refuse to deal with certain agents: The Controller may refuse to recognize as agent in respect of any business under this Act:

- a) any individual whose name has been removed from, and not restored to, the register;
- b) any person who has been convicted of an offence under section 123;
- c) any person, not being registered as a patent agent, who in the opinion of the Controller is engaged wholly or mainly in acting as agent in applying for

patents in India or elsewhere in the name or for the benefit of the person by whom he is employed;

- d) any company or firm, if any person whom the Controller could refuse to recognize as agent in respect of any business under this Act, is acting as a director or manager of the company or is a partner in the firm.
- e) any person who neither resides nor has a place of business in India.

#### Power of Controller to remove the name of a Patent Agent:

- a. The name of any person from the Register can be removed if the Controller is satisfied that: –
  - i. his/her name has been entered in the Register by error on account of misrepresentation or suppression of material fact; or
  - ii. he/she has been convicted of any offence and sentenced to a term of imprisonment or has been guilty of misconduct in his professional capacity which in the opinion of the Controller renders him unfit to be kept in the register.
- b. The Controller shall take such decision after giving that person a reasonable opportunity of being heard and after any further inquiry, as he thinks fit to make.
- c. Besides, the name of the Patent agent can be removed also when:
  - i. request has been received from the Patent Agent to that effect; or
  - ii. he/she is dead; or
  - iii. if he/she has defaulted in the payment of fees specified in the First Schedule by more than three months after they are due.
- d. The decision of the removal of the name of any person from the Register of Patent Agents shall be published and will be communicated to the person concerned.

#### Restoration of names of Patent Agents:

- a. Restoration of names of persons removed from the register of Patent Agents can be made by the Controller, on Application made in form 23 within two months from the date of such removal.
- b. The restoration of name to the register shall be published and communicated to the person concerned.

- c. If the name of a person is entered in the register of Patents Agents, his name shall be continued therein for a period of one year from the date on which his last annual fee became due.

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### **8.11 Summary:**

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The issue of patent is well addressed in India through the Patent Act, 1970 and later on amendments made on the line of international conventions and treaties. In this unit meaning of patent, inventions, infringement of patents, defenses in suit for infringements, appointment of scientific advisors to assist the court, power of controller, appeals, penalties and patent agents are discussed with the help of relevant legal provisions of the Patent Act, 1970.

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### **8.12 Some Useful Books:**

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- A. An Introduction to Intellectual Property Rights by J.P. Mishra; Central Law Publication-Third Edition-2012
- B. Law relating to Intellectual Property Law by V.K. Ahuja; Lexis-Nexis Publication (2013)
- C. Intellectual Property Law Manual-Universal Publication (2014)
- D. Intellectual Property by W.R. Cornish; Third Edition-First Indian Reprint,2001
- E. Copyright Act, 1957-Bare Act (Universal Publication)
- F. Trade Marks Act, 1999-Bare Act (Universal Publication)
- G. The Patent Act, 1970-Bare Act (Universal Publication)
- H. Law relating to Intellectual Property by B.L. Wadehra (Universal Publication)

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### **8.13 Check your Progress:**

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- A. Which of the following statements are true or false:
  - k. The first legislation in India relating to patents was the Act VI of 1856.
  - l. In 1957, the Government of India appointed Justice Rajagopala Ayyapan Committee to examine the question of revision of the Patent Law.
  - m. Invention means a new product or process involving an invention step and capable of industrial application.

- n. The mere discovery of scientific principle or the formulation of an abstract theory is not an invention.
- o. Section 104A of the Patent Act, 1970 is related to the burden of proof in case of suits concerning infringement.

B. Fill in the blanks:

- i. A patent is a .....granted for a limited time to the owner of an invention.
- ii. ....of the Patent Act, 1970 is related to the jurisdiction.
- iii. .... of the Patent Act, 1970 is related to the certain acts not to be considered as infringement.
- iv. .... of the Patent Act, 1970 is related to the scientific advisors.
- v. Under Section 120 of the Patent Act, 1970 the person shall be punishable with fine which may extend to .....

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## 8.14 Answer to Check your Progress:

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A.

- 1. True
- 2. True
- 3. True
- 4. True
- 5. True

B.

- a. Legal monopoly
- b. Section 104
- c. Section 107A
- d. Section 115
- e. One Lakh Rupees

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## 8.15 Terminal Questions:

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1. What is Patent?

- 2. What are not inventions?**
- 3. Write a note on infringement of patent.**
- 4. Discuss defenses in suit for infringement.**
- 5. What are the power of controller?**

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## Unit-9

# Understanding of Patents: Global Perspectives

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### Objectives:

After going through this unit you should be able to:

- Understand the issues and subject matters related to Patents in Global Perspective
- Understand the procedure for Global Patent
- Understand the technical and legal issues related to Global Patent

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### Summary:

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- 9.1. Introduction
- 9.2. Paris Convention for the Protection of Industrial Property, 1883
- 9.3. Patent Cooperation Treaty, 1970
- 9.4. Strasbourg Agreement Concerning the International Patent Classification, 1971
- 9.5. Budapest Treaty on International Recognition of the Deposit of Microorganism for the Purposes of Patent Procedure, 1977
- 9.6. Patent Law Treaty, 2000
- 9.7. Standardization of requirements for obtaining a filing date
- 9.8. Standardization of formal requirements for National and Regional Applications
- 9.9. Simplification of Procedure before the National Patent Offices
- 9.10. Procedure for the avoidance of unintentional loss of substantive rights
- 9.11. Summary
- 9.12. Some Useful Books
- 9.13. Check your Progress
- 9.14. Answer to Check your Progress
- 9.15. Terminal Questions

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### 9.1. Introduction:

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Patent is territorial in nature. As businesses often cross the boundaries, they need to protect their invention through patent in the countries where they wish to operate. The patent systems in different countries are not the same, which often create problems for them. They often shy away from the countries where protection is weak or nil for their invention. So neither the business nor the country enjoys the benefit of patent. "There are good reasons behind each country having their own different systems. These include the history of a nation, its social conditions, economic situation and so forth that go beyond merely technical issues, sometimes involving political issues as well. But today, however, when the major part of economic activity has become globalized, different local rules would become a constraint on economic development. A close look at the details of each nation's rules will doubtless reveal differences, but at the same time, many similarities can be found as well. And many of the differences can well be overcome through cooperation and effort<sup>40</sup>."

A truly global patent system, with one central office issuing patents valid in any country in the world, has long been a dream among transnational corporations and patent system strategists. Before the World Trade Organization's Trade-Related Intellectual Property Rights Agreement (TRIPS), it was regarded as an impossible dream, because the complete harmonization necessary did not appear politically achievable. WIPO had repeatedly tried and failed, most recently during the 1980s. This was why industry persuaded governments to move the patent issues to the WTO negotiations, where political pressure could be organised on a much higher level than at WIPO, which is a technical body with limited political clout or savvy.

Moving patent issues to WTO was a roaring success from the point of view of transnational corporations, the primary users and beneficiaries of patents. By establishing a new, much higher harmonization floor, enforced through the WTO's trade sanction system, TRIPS imposed developed-country patenting standards on the whole developing world in one blow. Patents on pharmaceuticals and living organisms became mandatory, while the possibility of adding on development incentives, such as a requirement for local working of the patent, were radically curtailed.

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<sup>40</sup> [http://www.ipindia.nic.in/research\\_studies/mohanty\\_report\\_oct\\_mar\\_2008.pdf](http://www.ipindia.nic.in/research_studies/mohanty_report_oct_mar_2008.pdf)

This far-reaching harmonization was ‘sold’ to reluctant developing countries on the grounds that a multilateral agreement on patents would mean an end to bilateral pressure from rich countries to further strengthen their domestic patent systems. In practice, quite the opposite has happened. TRIPS have sparked a new wave of more extreme bilateral demands from the US, the EU and other developed countries. Today, as soon as a trade, investment or development cooperation agreement is negotiated between a rich country and a poor one, clauses demanding “TRIPS-plus” patent protection are brought forward as a condition for market access, direct investment or even development assistance.

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## **9.2. Paris Convention for the Protection of Industrial Property, 1883:**

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The Paris Convention applies to industrial property in the widest sense, including patents, trademarks, industrial designs, utility models (a kind of "small-scale patent" provided for by the laws of some countries), service marks, trade names (designations under which an industrial or commercial activity is carried out), geographical indications (indications of source and appellations of origin) and the repression of unfair competition. The substantive provisions of the Convention fall into three main categories: national treatment, right of priority, common rules.

(1) Under the provisions on national treatment, the Convention provides that, as regards the protection of industrial property, each Contracting State must grant the same protection to nationals of other Contracting States that it grants to its own nationals. Nationals of non-Contracting States are also entitled to national treatment under the Convention if they are domiciled or have a real and effective industrial or commercial establishment in a Contracting State.

(2) The Convention provides for the right of priority in the case of patents (and utility models where they exist), marks and industrial designs. This right means that, on the basis of a regular first application filed in one of the Contracting States, the applicant may, within a certain period of time (12 months for patents and utility models; 6 months for industrial designs and marks), apply for protection in any of the other Contracting States. These subsequent applications will be regarded as if they had been filed on the same day as the first application. In other words, they will have priority (hence the expression "right of priority")



over applications filed by others during the said period of time for the same invention, utility model, mark or industrial design. Moreover, these subsequent applications, being based on the first application, will not be affected by any event that takes place in the interval, such as the publication of an invention or the sale of articles bearing a mark or incorporating an industrial design. One of the great practical advantages of this provision is that applicants seeking protection in several countries are not required to present all of their applications at the same time but have 6 or 12 months to decide in which countries they wish to seek protection, and to organize with due care the steps necessary for securing protection.

(3) The Convention lays down a few common rules that all Contracting States must follow. The most important are:

a) Patents. Patents granted in different Contracting States for the same invention are independent of each other: the granting of a patent in one Contracting State does not oblige other Contracting States to grant a patent; a patent cannot be refused, annulled or terminated in any Contracting State on the ground that it has been refused or annulled or has terminated in any other Contracting State.

The inventor has the right to be named as such in the patent.

The grant of a patent may not be refused, and a patent may not be invalidated, on the ground that the sale of the patented product, or of a product obtained by means of the patented process, is subject to restrictions or limitations resulting from the domestic law.

Each Contracting State that takes legislative measures providing for the grant of compulsory licenses to prevent the abuses which might result from the exclusive rights conferred by a patent may do so only under certain conditions. A compulsory license (a license not granted by the owner of the patent but by a public authority of the State concerned), based on failure to work or insufficient working of the patented invention, may only be granted pursuant to a request filed after three years from the grant of the patent or four years from the filing date of the patent application, and it must be refused if the patentee gives legitimate reasons to justify this inaction. Furthermore, forfeiture of a patent may not be provided for, except in cases where the grant of a compulsory license would not have been sufficient to prevent the abuse. In the latter case, proceedings for

forfeiture of a patent may be instituted, but only after the expiration of two years from the grant of the first compulsory license.

(b) Marks. The Paris Convention does not regulate the conditions for the filing and registration of marks which are determined in each Contracting State by domestic law. Consequently, no application for the registration of a mark filed by a national of a Contracting State may be refused, nor may a registration be invalidated, on the ground that filing, registration or renewal has not been effected in the country of origin. The registration of a mark obtained in one Contracting State is independent of its possible registration in any other country, including the country of origin; consequently, the lapse or annulment of the registration of a mark in one Contracting State will not affect the validity of the registration in other Contracting States.

Where a mark has been duly registered in the country of origin, it must, on request, be accepted for filing and protected in its original form in the other Contracting States. Nevertheless, registration may be refused in well-defined cases, such as where the mark would infringe the acquired rights of third parties; where it is devoid of distinctive character; where it is contrary to morality or public order; or where it is of such a nature as to be liable to deceive the public.

If, in any Contracting State, the use of a registered mark is compulsory, the registration cannot be canceled for non-use until after a reasonable period, and then only if the owner cannot justify this inaction.

Each Contracting State must refuse registration and prohibit the use of marks that constitute a reproduction, imitation or translation, liable to create confusion, of a mark used for identical and similar goods and considered by the competent authority of that State to be well known in that State and to already belong to a person entitled to the benefits of the Convention.

Each Contracting State must likewise refuse registration and prohibit the use of marks that consist of or contain, without authorization, armorial bearings, State emblems and official signs and hallmarks of Contracting States, provided they have been communicated through the International Bureau of WIPO. The same provisions apply to armorial bearings, flags, other emblems, abbreviations and names of certain intergovernmental organizations.

Collective marks must be granted protection.

(c) Industrial Designs. Industrial designs must be protected in each Contracting State, and protection may not be forfeited on the ground that articles incorporating the design are not manufactured in that State.

(d) Trade Names. Protection must be granted to trade names in each Contracting State without there being an obligation to file or register the names.

(e) Indications of Source. Measures must be taken by each Contracting State against direct or indirect use of a false indication of the source of goods or the identity of their producer, manufacturer or trader.

(f) Unfair competition. Each Contracting State must provide for effective protection against unfair competition.

The Paris Union, established by the Convention, has an Assembly and an Executive Committee. Every State that is a member of the Union and has adhered to at least the administrative and final provisions of the Stockholm Act (1967) is a member of the Assembly. The members of the Executive Committee are elected from among the members of the Union, except for Switzerland, which is a member ex officio. The establishment of the biennial program and budget of the WIPO Secretariat – as far as the Paris Union is concerned – is the task of its Assembly.

The Paris Convention, concluded in 1883, was revised at Brussels in 1900, at Washington in 1911, at The Hague in 1925, at London in 1934, at Lisbon in 1958 and at Stockholm in 1967, and was amended in 1979.

The Convention is open to all States. Instruments of ratification or accession must be deposited with the Director General of WIPO.

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### **9.3 Patent Cooperation Treaty, 1970:**

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The PCT was concluded in 1970, amended in 1979, and modified in 1984 and 2001. It is open to States party to the Paris Convention for the Protection of Industrial Property (1883). Instruments of ratification or accession must be deposited with the Director General of WIPO.

The Treaty makes it possible to seek patent protection for an invention simultaneously in each of a large number of countries [PDF] by filing an "international" patent application. Such an application may be filed by anyone who is a national or resident of a Contracting State. It may generally be filed with the

national patent office of the Contracting State of which the applicant is a national or resident or, at the applicant's option, with the International Bureau of WIPO in Geneva. If the applicant is a national or resident of a Contracting State which is party to the European Patent Convention, the Harare Protocol on Patents and Industrial Designs (Harare Protocol), the revised Bangui Agreement Relating to the Creation of an African Intellectual Property Organization or the Eurasian Patent Convention, the international application may also be filed with the European Patent Office (EPO), the African Regional Industrial Property Organization (ARIPO), the African Intellectual Property Organization (OAPI) or the Eurasian Patent Office (EAPO), respectively.

The international application is then subjected to what is called an "international search." That search is carried out by one of the major patent offices appointed by the PCT Assembly as an International Searching Authority (ISA). The said search results in an "international search report," that is, a listing of the citations of such published documents that might affect the patentability of the invention claimed in the international application. At the same time, the ISA prepares a written opinion on patentability.

The international search report and the written opinion are communicated by the ISA to the applicant who may decide to withdraw his application, in particular where the said report or opinion makes the granting of patents unlikely. If the international application is not withdrawn, it is, together with the international search report, published by the International Bureau. The procedure under the PCT has great advantages for the applicant, the patent offices and the general public:

(i) the applicant has up to 18 months more than he has in a procedure outside the PCT to reflect on the desirability of seeking protection in foreign countries, to appoint local patent agents in each foreign country, to prepare the necessary translations and to pay the national fees; he is assured that, if his international application is in the form prescribed by the PCT, it cannot be rejected on formal grounds by any designated Office during the national phase of the processing of the application; on the basis of the international search report or the written opinion, he can evaluate with reasonable probability the chances of his invention being patented; and the applicant has the possibility during the international preliminary examination to amend the international application to put it in order before processing by the designated Offices;

(ii) the search and examination work of patent offices can be considerably reduced or virtually eliminated thanks to the international search report, the written opinion and, where applicable, the international preliminary examination report that accompany the international application;

(iii) since each international application is published together with an international search report, third parties are in a better position to formulate a well-founded opinion about the patentability of the claimed invention.

The PCT created a Union. The Union has an Assembly. Every State party to the PCT is a member of the Assembly. Among the most important tasks of the Assembly are the amendment of the Regulations issued under the Treaty, the adoption of the biennial program and budget of the Union and the fixing of certain fees connected with the use of the PCT system.

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#### **9.4 Strasbourg Agreement Concerning the International Patent Classification, 1971:**

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The Contracting Parties, Considering that the universal adoption of a uniform system of classification of patents, inventors' certificates, utility models and utility certificates is in the general interest and is likely to establish closer international cooperation in the industrial property field, and to contribute to the harmonization of national legislation in that field,

Recognizing the importance of the European Convention on the International Classification of Patents for Invention, of December 19, 1954, under which the Council of Europe created the International Classification of Patents for Invention,

Having regard to the universal value of this Classification, and to its importance to all countries party to the Paris Convention for the Protection of Industrial Property,

Having regard to the importance to developing countries of this Classification, which gives them easier access to the ever-expanding volume of modern technology,

Having regard to Article 19 of the Paris Convention for the Protection of Industrial Property of March 20, 1883, as revised at Brussels on December 14, 1900, at Washington on June 2, 1911, at The Hague on November 6, 1925, at

London on June 2, 1934, at Lisbon on October 31, 1958, and at Stockholm on July 14, 1967.

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## **9.5 Budapest Treaty on International Recognition of the Deposit of Microorganism for the Purposes of Patent Procedure, 1977:**

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The main feature of the Treaty is that a contracting State which allows or requires the deposit of microorganisms for the purposes of patent procedure must recognize, for such purposes, the deposit of a microorganism with any "international depositary authority", irrespective of whether such authority is on or outside the territory of the said State.

Disclosure of the invention is a requirement for the grant of patents. Normally, an invention is disclosed by means of a written description. Where an invention involves a microorganism or the use of a microorganism, disclosure is not possible in writing but can only be effected by the deposit, with a specialized institution, of a sample of the microorganism. In practice, the term "microorganism" is interpreted in a broad sense, covering biological material, the deposit of which is necessary for the purposes of disclosure, in particular regarding inventions relating to the food and pharmaceutical fields. It is in order to eliminate the need to deposit in each country in which protection is sought, that the Treaty provides that the deposit of a microorganism with any "international depositary authority" suffices for the purposes of patent procedure before the national patent offices of all of the contracting States and before any regional patent office (if such a regional office declares that it recognizes the effects of the Treaty). The European Patent Office (EPO), the Eurasian Patent Organization (EAPO) and the African Regional Intellectual Property Organization (ARIPO) have made such declarations. What the Treaty calls an "international depositary authority" is a scientific institution - typically a "culture collection" - which is capable of storing microorganisms. Such an institution acquires the status of "international depositary authority" through the furnishing by the contracting State in the territory of which it is located of assurances to the Director General of WIPO to the effect that the said institution complies and will continue to comply with certain requirements of the Treaty.

On March 15, 2014, there were 42 such authorities: seven in the United Kingdom, three in the Russian Federation, in the Republic of Korea, and in the United States of America, two each in Australia, China, India, Italy, Japan, Poland, and in Spain, and one each in Belgium, Bulgaria, Canada, Chile, the Czech Republic, Finland, France, Germany, Hungary, Latvia, the Netherlands and Slovakia. The Treaty is primarily advantageous to the depositor who is an applicant for patents in several countries; the deposit of a microorganism under the procedures provided for in the Treaty will reduce his costs and increase his security. It will reduce his costs because, instead of depositing the microorganism in each and every contracting State in which he files a patent application referring to that microorganism, he will deposit it only once, with one depositary authority. The Treaty increases the security of the depositor because it establishes a uniform system of deposit, recognition and furnishing of samples of microorganisms. The Treaty does not provide for the institution of a budget but it does create a Union and an Assembly whose members are the States which are party to the Treaty. The main tasks of the Assembly are to deal with all matters concerning the maintenance and development of the Union and the implementation of the Treaty, including the powers to amend certain provisions of the Treaty and the Regulations, and to take away or limit the status of any given international depositary authority.

The Treaty contains no financial provisions. No State can be requested to pay contributions to the International Bureau of WIPO on account of its membership in the Budapest Union or to establish an "international depositary authority". The Budapest Treaty was concluded in 1977 and is open to States party to the Paris Convention for the Protection of Industrial Property (1883). Instruments of ratification or accession must be deposited with the Director General of WIPO. On March 15, 2014, 79 States were party to the Treaty.

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## **9.6 Patent Law Treaty, 2000:**

The Patent Law Treaty (PLT) aims at harmonizing national patent formalities throughout the world. It is designed to streamline and harmonize formal requirements set by national or regional Patent Offices with respect to the filing of national or regional patent applications and the maintenance of patents and certain additional requirements related to patents or patent applications, for example,

communications, representation or recordation of changes concerning patents and patent applications. According to an impact assessment, the implementation of the PLT was considered to have positive impacts on users, particularly in terms of simplification of procedures.

The PLT provides, in particular:

- filing date requirements, and procedures to avoid a loss of the filing date because of a failure to comply with formalities;
- a single internationally standardized set of formal requirements for national and regional offices, which are in line with the formal requirements under the Patent Cooperation Treaty (PCT);
- standardized forms which shall be accepted by all offices;
- simplified procedures before patent offices;
- mechanisms to avoid the unintentional loss of rights as a result of failure to comply with time limits; and
- basic principles for the implementation of electronic filing.

Advantages: Inventors, applicants, and patent attorneys from Contracting Parties - both developed and developing countries – as well as third parties and national or regional offices can benefit from the PLT. According to an impact assessment, the implementation of the PLT has positive impact on users, particularly in terms of simplification of procedures .

- Standardized forms and simplified procedures reduce the risk of errors and thereby result in less frequent loss of rights.
- A predictable maximum set of patent formalities in all Countries Parties results in easier access to foreign patent systems.
- The Model International Forms that must be accepted by each Contracting Party also facilitate the filing of applications and various communications abroad.
- Legal certainty for applicants filing in their home country and abroad, and reduction of costs for inventors, applicants and patent attorneys.
- The streamlined procedures results in increased efficiency of patent offices in handling national and international applications and a consequent reduction of their operating costs.



- In countries where a license or a security interest can be recorded, such recordal is facilitated by simplified procedures.

Each Contracting Party is free to prescribe any substantive requirements under its national/regional law, taking into account its development and public policy considerations. No financial obligations are imposed on a Contracting Party.

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## **9.7 Standardization of requirements for obtaining a filing date :**

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The aim of the Patent Law Treaty (PLT) is to harmonize and streamline formal procedures in respect of national and regional patent applications and patents and, thus, to make such procedures more user friendly. With the significant exception of filing date requirements, the PLT provides the maximum sets of requirements the office of a Contracting Party may apply. This means that a Contracting Party is free to provide for requirements that are more generous from the viewpoint of applicants and owners, but that the requirements under the PLT are mandatory as to the maximum an office can require from applicants or owners. The Treaty contains, in particular, provisions on the following issues:

- Requirements for obtaining a filing date were standardized in order to minimize the risks that applicants could inadvertently lose the filing date, which is of utmost importance in the patent procedure. The PLT requires that the office of any Contracting Party must accord a filing date to an application upon compliance with three simple formal requirements: first, an indication that the elements received by the office are intended to be an application for a patent for an invention; second, indications that would allow the office to identify or to contact the applicant (however, a Contracting Party is allowed to require indications on both); third, a part which appears to be a description of the invention. No additional elements can be required for according a filing date. In particular, a Contracting Party cannot include one or more claims or a filing fee in a filing date requirement. As mentioned above, these requirements are not maximum requirements but constitute absolute requirements, so that a Contracting Party would not be allowed to accord a filing date unless all those requirements are complied with.
- A set of formal requirements for national and regional applications was standardized by incorporating into the PLT the requirements relating to form or

content of international applications under the PCT, including the contents of the PCT request Form and the use of that request Form accompanied by an indication that the application is to be treated as a national application. This eliminates or reduces procedural gaps between national, regional and international patent systems.

- The standardized Model International Forms that have to be accepted by the offices of all Contracting Parties were established.
- A number of procedures before patent offices were simplified, which contributes to a reduction in costs for applicants as well as for offices. Examples of such procedures are exceptions from mandatory representation, the restriction on requiring evidence on a systematic basis, the requirement that offices accept a single communication covering more than one application or patent in certain cases (e.g., a single power of attorney) or the restriction on the requirement to submit a copy of an earlier application and a translation thereof.
- The PLT provides procedures for avoiding the unintentional loss of substantive rights resulting from failure to comply with formality requirements or time limits. These include the obligation that offices notify the applicant or other concerned person, extensions of time limits, continued processing, reinstatement of rights, and restrictions on revocation/invalidation of a patent for formal defects, where they were not noticed by the office during the application stage.
- The implementation of electronic filing is facilitated, while ensuring the co-existence of both paper and electronic communications. The PLT provides that Contracting Parties were allowed to exclude paper communications and to fully switch to electronic communications as of June 2, 2005. However, even after that date, they have to accept paper communications for the purpose of obtaining a filing date and for meeting a time limit. In this connection, the Agreed Statement stipulates that industrialized countries will continue to furnish support to developing countries and countries in transition in relation to the introduction of electronic filing.

The PLT was concluded in 2000, and entered into force in 2005.

The PLT is open to States members of WIPO and/or States party to the Paris Convention for the Protection of Industrial Property (1883). It is also open to certain intergovernmental organizations. Instruments of ratification or accession must be deposited with the Director General of WIPO.

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## **9.8      Standardization of formal requirements for National and Regional Applications :**

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PCT applicants generally pay three types of fees when they file their international applications:

- (a) an international filing fee of 1,330 Swiss francs<sup>2</sup>,
- (b) a search fee which can vary from approximately 150 to 2,300 Swiss francs depending on the ISA chosen, and
- (c) a small transmittal fee which varies depending on the receiving Office.

Because an international patent application is effective in all PCT Contracting States, you do not incur, at this stage in the procedure, the costs that would arise if you prepared and filed separate applications at national and regional Offices. Further information about PCT fees can be obtained from the receiving Offices.

The fees you will need to pay as you enter the national phase represent the most significant pre-grant costs. They can include fees for translations of your application, national (or regional) Office filing fees and fees for acquiring the services of local patent agents or attorneys. In several Offices however, national filing fees are lower for international patent applications than they are for direct national applications in recognition of the work already done during the international phase. You should also remember that in the case of all granted patents, whether or not the PCT is used to obtain them, you will need to pay maintenance fees in each country in order to keep the patents alive.

PCT fee reductions are available to all applicants who file electronically, based on the type of filing and the format of the application submitted. In addition, to encourage the use of the PCT System by applicants from developing countries fee reductions of 90% for certain fees, including the international filing fee, are available to natural persons.<sup>3</sup> This same 90% reduction applies to any person, whether a natural person or not, who is a national of and resides in a State that is classed as a least developed country by the United Nations. If there are several applicants, each must satisfy those criteria.

Some ISAs also provide for a reduction of the international search fee if the applicant or applicants are nationals or residents from certain countries . Some

national or regional Offices provide for fee reductions for natural persons, universities, not-for-profit research institutes and small and medium-sized enterprises (SMEs) for the fees you will need to pay as you enter the national phase

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## **9.9 Simplification of Procedure before the National Patent Offices:**

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The PCT System has many advantages for you as an applicant, for the patent Offices and for the general public:

- (a) you have up to 18 months more than if you had not used the PCT to reflect on the desirability of seeking protection in foreign countries, to appoint local patent agents in each foreign country, to prepare the necessary translations and to pay the national fees;
- (b) if your international application is in the form prescribed by the PCT, it cannot be rejected on formal grounds by any PCT Contracting State patent Office during the national phase of the processing of the application;
- (c) the international search report and written opinion contain important information about the potential patentability of your invention, providing a strong basis for you to make business decisions about how to proceed;
- (d) you have the possibility during the optional international preliminary examination to amend the international application, enter into dialogue with the examiner to fully argue your case and put the application in order before processing by the various national patent Offices;
- (e) the search and examination work of patent Offices in the national phase can be considerably reduced thanks to the international search report, the written opinion and, where applicable, the international preliminary report on patentability that accompany the international application;
- (f) you may be able to fast-track examination procedures in the national phase in Contracting States that have PCT-Patent Prosecution Highway (PCT-PPH) agreements or similar arrangements;
- (g) since each international application is published together with an international search report, third parties are in a better position to evaluate the potential patentability of the claimed invention;

- (h) for you as an applicant, international publication online puts the world on notice of your invention. You may also highlight your interest in concluding licensing agreements on PATENTSCOPE, which can be an effective means of advertising and looking for potential licensees;
- (i) you also achieve other savings in document preparation, communication and translations because the work done during the international processing is generally not repeated before each Office (for example, you submit only one copy of the priority document instead of having to submit several copies); and
- (j) if your invention appears to be not patentable at the end of the international phase, you may abandon the PCT application and you will have saved the costs you would otherwise have incurred by directly seeking protection in foreign countries, appointing local patent agents in each foreign country, preparing the necessary translations and paying the national fees.

Ultimately, the PCT:

- brings the world within reach;
- streamlines the process of fulfilling diverse formality requirements;
- postpones the major costs associated with seeking multinational patent protection;
- provides a strong basis for patenting decisions; and
- is used by the world's major corporations, research institutions and universities when they seek multinational patent protection.

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## **9.10 Procedure for the avoidance of unintentional loss of substantive rights:**

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The measure challenges before the harmonization of the patent law is the diversities found in the patent laws. The other challenge is the unevenness in the economic, social and industrial development of the countries. There is also fear that by joining the treaty the government will lose their ability to use patent as tool for technological and economical policy. There is also concern by some countries about the misappropriation of genetic materials and traditional knowledge by the firms from developed countries. Those countries wish to introduce clauses relating to disclosure of origin, prior consent from the owner and benefit sharing regarding the genetic sources and traditional knowledge in the substantive patent law treaty. Which is not acceptable to the developed nations?

Further as per article 7 of the TRIPS article, one of the objectives of TRIPS is technology transfer. So there should be discussions on technology transfer too. So the countries discussing for the harmonization have their own agenda and priorities. This is also one of the major challenges for the Harmonization.

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### **9.11 Summary:**

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The issue of patent is global in nature. The European Union through common law dealing this issue in the interest of inventors. The various treaties and agreements on this also playing a very important role to address the different legal questions. In this unit Paris Convention for the protection of Industrial Property, 1883, Patent Cooperation Treaty, 1970, Strasbourg agreement concerning the international patent classification, 1971, Budapest Treaty, 1977, Patent Law Treaty, 2000, Standardization of formal requirement for obtaining a filing date, Standardization of formal requirements for national and regional application, Simplification of procedure before National Patent Offices, and Procedure for the avoidance of unintentional loss of substantive rights are discussed to clarify the global perspective with the help of these international treaties and agreements.

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### **9.12 Some Useful Books:**

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- A. An Introduction to Intellectual Property Rights by J.P. Mishra; Central Law Publication-Third Edition-2012
- B. Law relating to Intellectual Property Law by V.K. Ahuja; Lexis-Nexis Publication (2013)
- C. Intellectual Property Law Manual-Universal Publication (2014)
- D. Intellectual Property by W.R. Cornish; Third Edition-First Indian Reprint, 2001
- E. Copyright Act, 1957-Bare Act (Universal Publication)
- F. Trade Marks Act, 1999-Bare Act (Universal Publication)
- G. The Patent Act, 1970-Bare Act (Universal Publication)
- H. Law relating to Intellectual Property by B.L. Wadehra (Universal Publication)

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### **9.13 Check your Progress:**

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- A. Which of the following statements are true or false:

- a) Patent is territorial in nature.
- b) The Paris Convention, 1883 applies to the industrial property in widest sense, including patents, trademarks, industrial designs, utility work etc.
- c) The international search is carried out by one of the major patent offices appointed by the PCT Assembly as an International Searching Authority.
- d) Normally, an invention is disclosed by means of a written description.
- e) Standardized forms and simplified procedures reduce the risk of errors and thereby results in less frequent loss of rights.;

B. Fill in the blanks:

- I. Paris Convention Treaty is of the year.....
- II. .... aims at harmonizing patent formalities.
- III. Budapest Treaty is of the year.....
- IV. Instruments of ratification or accession must be deposited with the ..... of WIPO.
- V. .... of the TRIPs, one of the objective of TRIPs is technology transfer.

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### **9.14 Answer to Check your Progress:**

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A.

- 1. True
- 2. True
- 3. True
- 4. True
- 5. True

B.

- a) 1970
  - b) The Patent Law Treaty, 2000
  - c) 1977
  - d) Director General
  - e) Article 7
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### **9.15 Terminal Questions:**

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1. What is Paris Convention?
2. Discuss Patent Cooperation Treaty, 1970?
3. Write a note on Budapest Treaty.
4. What is Patent Law Treaty?
5. Discuss Strasbourg Agreement concerning the International Patent Classification.



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# Unit-10

## Patent Registration and Other Authorities

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### Objectives:

After going through this unit you should be able to:

- Understand the issues and subject matters related to Patents Registration
- Understand the procedure for Patent Registration
- Understand the technical and legal issues related to Patent Registration

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### Summary:

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- 10.1. Introduction
- 10.2. Application for Patent
- 10.3. Publication and Examination of Patent
- 10.4. Representation and Opposition
- 10.5. Secrecy of Invention
- 10.6. Grant of Patent and Rights of Patentee
- 10.7. Amendment of Applications and Specifications
- 10.8. Restoration of Lapsed Patent
- 10.9. Surrender and Revocation of Patent
- 10.10. Use of Inventions for Government purposes
- 10.11. Summary
- 10.12. Some Useful Books
- 10.13. Check your Progress
- 10.14. Answer to Check your Progress
- 10.15. Terminal Questions

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### 10.1. Introduction:

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The history of Patent law in India starts from 1911 when the Indian Patents and Designs Act, 1911 was enacted. The present Patents Act, 1970 came into force in the year 1972, amending and consolidating the existing law relating to Patents in India. The Patents Act, 1970 was again amended by the Patents (Amendment) Act, 2005, wherein product patent was extended to all fields of technology including food, drugs, chemicals and micro organisms. After the amendment, the provisions relating to Exclusive Marketing Rights (EMRs) have been repealed, and a provision for enabling grant of compulsory license has been introduced. The provisions relating to pre-grant and post-grant opposition have been also introduced. An invention relating to a product or a process that is new, involving inventive step and capable of industrial application can be patented in India. However, it must not fall into the category of inventions that are non-patentable as provided under Section 3 and 4 of the (Indian) Patents Act, 1970. In India, a patent application can be filed, either alone or jointly, by true and first inventor or his assignee.

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## **10.2. Application for Patent:**

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Application is required to be filed according to the territorial limits where the applicant or the first mentioned applicant in case of joint applicants for a patent normally resides or has domicile or has a place of business or the place from where the invention actually originated. If the applicant for the patent or party in a proceeding having no business, place or domicile in India., the appropriate office will be according to the address of service in India given by the applicant or party in a proceeding.

Documents required for filing an application:

Application form in triplicate.

Provisional or complete specification in triplicate. If the provisional specification is filed it must be followed by complete specification within 12 months (15 months with extension).

Drawing in triplicate (if necessary).

Abstract of the invention (in triplicate).

Information and undertaking listing the number, filing date and current status of each foreign patent application in duplicate.

Priority document (if priority date is claimed).

Declaration of inventor ship where provisional specification is followed by complete specification or in case of convention application.

Power of attorney (if filed through Patent Agent).

Fee in cash/by local cheque/by demand draft

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### **10.3. Publication and Examination of Patent:**

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Section 11A of the Patent Act, 1970: Publication of applications :

-(1) Save as otherwise provided, no application for patent shall ordinarily be open to the public for such period as may be prescribed.

(2) The applicant may, in the prescribed manner, request the Controller to publish his application at any time before the expiry of the period prescribed under sub section (1) and subject to the provisions of sub-section (3), the Controller shall publish such application as soon as possible.

(3) Every application for a patent shall, on the expiry of the period specified under sub-section (1), be published, except in cases where the application-

(a) in which secrecy direction is imposed under section 35; or

(b) has been abandoned under sub-section (1) of section 9; or

(c) has been withdrawn three months prior to the period specified under sub-section (1).

(4) In case a secrecy direction has been given in respect of an application under section 35, then it shall be published after the expiry of the period prescribed under sub-section (1) or when the secrecy direction has ceased to operate, whichever is later.

(5) The publication, of every application under this section shall include the particulars of the date of application, number of application, name and address of the applicant identifying the application and an abstract.

(6) Upon publication of an application for a patent under this section-

(a) the depository institution shall make the biological material mentioned in the specification available to the public;

(b) the patent office may, on payment of such fee as may be prescribed, make the specification and drawings, if any, of such application available to the public.

(7) On and from the date of publication of the application for patent and until the date of grant of a patent in respect of such application, the applicant shall have

the like privileges and rights as if a patent for the invention had been granted on the date of publication of the application:

Provided that the applicant shall not be entitled to institute any proceedings for infringement until the patent has been granted:

Provided further that the rights of a patentee in respect of applications made under sub-section (2) of section 5 before the 1st day of January, 2005 shall accrue from the date of grant of the patent:

Provided also that after a patent is granted in respect of applications made under sub-section (2) of section 5, the patent-holder shall only be entitled to receive reasonable royalty from such enterprises which have made significant investment and were producing and marketing the concerned product prior to the 1st day of January, 2005 and which continue to manufacture the product covered by the patent on the date of grant of the patent and no infringement proceedings shall be instituted against such enterprises.

Section 11B of the Patent Act, 1970: Request for examination:-(1) No application for a patent shall be examined unless the applicant or any other interested person makes a request in the prescribed manner for such examination within the prescribed period.

(3) In case of an application in respect of a claim for a patent filed under sub-section (2) of section 5 before the 1st day of January, 2005 a request for its examination shall be made in the prescribed manner and within the prescribed period by the applicant or any other interested person.

(4) In case the applicant or any other interested person does not make a request for

examination of the application for a patent within the period as specified under subsection (1) or sub-section (3), the application shall be treated as withdrawn by the applicant:

Provided that-

(i) the applicant may, at any time after filing the application but before the grant of a patent, withdraw the application by making a request in the prescribed manner; and

(ii) in a case where secrecy direction has been issued under section 35, the request for examination may be made within the prescribed period from the date of revocation of the secrecy direction.

Section 12 of the Patent Act, 1970: Examination of application :-(1) when a request for examination has been made in respect of an application for a patent in the prescribed manner under sub-section (1) or sub-section (3) of section 11B, the application and specification and other documents related thereto shall be referred at the earliest by the Controller to an examiner for making a report to him in respect of the following matters, namely:-

(a) whether the application and the specification and other documents relating thereto are in accordance with the requirements of this Act and of any rules made thereunder;

(b) whether there is any lawful ground of objection to the grant of the patent under this Act in pursuance of the application;

(c) the result of investigations made under section 13; and

(d) any other matter which may be prescribed.

(2) The examiner to whom the application and the specification and other documents relating thereto are referred under sub-section (1) shall ordinarily make the report to the Controller within such period as may be prescribed.

Section 13 of the Patent Act, 1970: Search for anticipation by previous publication and by prior claim:-(1) The examiner to whom an application for a patent is referred under section 12 shall make investigation for the purpose of ascertaining whether the invention so far as claimed in any claim of the complete specification—

(a) has been anticipated by publication before the date of filing of the applicant's complete specification in any specification filed in pursuance of an application for a patent made in India and dated on or after the 1st day of January, 1912;

(b) is claimed in any claim of any other complete specification published on or after the date of filing of the applicant's complete specification, being a specification filed in pursuance of an application for a patent made in India and dated before or claiming the priority date earlier than that date.

(2) The examiner shall, in addition, make such investigation for the purpose of ascertaining whether the invention, so far as claimed in any claim of the complete specification, has been anticipated by publication in India or elsewhere in any document other than those mentioned in sub-section (1) before the date of filing of the applicant's complete specification.

(3) Where a complete specification is amended under the provisions of this Act before the grant of patent, the amended specification shall be examined and investigated in like manner as the original specification.

(4) The examination and investigations required under section 12 and this section shall not be deemed in any way to warrant the validity of any patent, and no liability shall be incurred by the Central Government or any officer thereof by reason of, or in connection with, any such examination or investigation or any report or other proceedings consequent thereon.

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## **10.4. Representation and Opposition:**

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Section 25 of the Patent Act, 1970: Opposition to the patent:-(1) Where an application for a patent has been published but a patent has not been granted, any person may, in writing, represent by way of opposition to the Controller against the grant of patent on the ground-

(a) that the applicant for the patent or the person under or through whom he claims,

wrongfully obtained the invention or any part thereof from him or from a person under or through whom he claims;

(b) that the invention so far as claimed in any claim of the complete specification has been published before the priority date of the claim-

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

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

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

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

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

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

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

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

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

(h) that the applicant has failed to disclose to the Controller the information required by section 8 or has furnished the information which in any material particular was false to his knowledge;

(i) that in the case of a convention application, the application was not made within twelve months from the date of the first application for protection for the invention made in a convention country by the applicant or a person from whom he derives title;

(j) that the complete specification does not disclose or wrongly mentions the source or geographical origin of biological material used for the invention;

(k) that the invention so far as claimed in any claim of the complete specification is anticipated having regard to the knowledge, oral or otherwise, available within any local or indigenous community in India or elsewhere, but on no other ground, and the Controller shall, if requested by such person for being heard, hear him and dispose of such representation in such manner and within such period as may be prescribed.

(2) At any time after the grant of patent but before the expiry of a period of one year from the date of publication of grant of a patent, any person interested

may give notice of opposition to the Controller in the prescribed manner on any of the following grounds, namely:-

(a) that the patentee or the person under or through whom he claims, wrongfully obtained the invention or any part thereof from him or from a person under or through whom he claims;

(b) that the invention so far as claimed in any claim of the complete specification has been published before the priority date of the claim-

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

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

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

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

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

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

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

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

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



(h) that the patentee has failed to disclose to the Controller the information required by section 8 or has furnished the information which in any material particular was false to his knowledge;

(i) that in the case of a patent granted on a convention application, the application for patent was not made within twelve months from the date of the first application for protection for the invention made in a convention country or in India by the patentee or a person from whom he derives title;

(j) that the complete specification does not disclose or wrongly mentions the source and geographical origin of biological material used for the invention;

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

(3) (a) Where any such notice of opposition is duly given under sub- section (2), the Controller shall notify the patentee.

(b) On receipt of such notice of opposition, the Controller shall, by order in writing, constitute a Board to be known as the Opposition Board consisting of such officers as he may determine and refer such notice of opposition along with the documents to that Board for examination and submission of its recommendations to the Controller.

(c) Every Opposition Board constituted under clause (b) shall conduct the examination in accordance with such procedure as may be prescribed.

(4) On receipt of the recommendation of the Opposition Board and after giving the patentee and the opponent an opportunity of being heard, the Controller shall order either to maintain or to amend or to revoke the patent.

(5) While passing an order under sub-section (4) in respect of the ground mentioned in clause(d) or clause (e) of sub-section (2), the Controller shall not take into account any personal document or secret trial or secret use.

(6) In case the Controller issues an order under sub-section (4) that the patent shall be maintained subject to amendment of the specification or any other document, the patent shall stand amended accordingly.

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## **10.5. Secrecy of Invention:**

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Section 35 of the Patent Act, 1970: Secrecy directions relating to inventions relevant for defence purposes:-(1) Where, in respect of an application made before or after the commencement of this Act for a patent, it appears to the Controller that the invention is one of a class notified to him by the Central Government as relevant for defence purposes, or, where otherwise the invention appears to him to be so relevant, he may give directions for prohibiting or restricting the publication of information with respect to the invention or the communication of such information.

(2) Where the Controller gives any such directions as are referred to in subsection (1), he shall give notice of the application and of the directions to the Central Government, and the Central Government shall, upon receipt of such notice, consider whether the publication of the invention would be prejudicial to the defence of India, and if upon such consideration, it appears to it that the publication of the invention would not so prejudice, give notice to the Controller to that effect, who shall thereupon revoke the directions and notify the applicant accordingly.

(3) Without prejudice to the provisions contained in sub-section (1), where the Central Government is of opinion that an invention in respect of which the Controller has not given any directions under sub-section (1), is relevant for defence purposes, it may at any time before grant of patent notify the Controller to that effect, and thereupon the provisions of that sub-section shall apply as if the invention were one of the class notified by the Central Government, and accordingly the Controller shall give notice to the Central Government of the directions issued by him.

Section 36 of the Patent Act, 1970: Secrecy directions to be periodically reviewed:-(1) The question whether an invention in respect of which directions have been given under section 35 continues to be relevant for defence purposes shall be reconsidered by the Central Government at intervals of six months or on a request made by the applicant which is found to be reasonable by the Controller and if, on such reconsideration it appears to the Central Government that the publication of the invention would no longer be prejudicial to the defence of India or in case of an application filed by a foreign applicant it is found that the invention is published outside India it shall forthwith give notice to the Controller

to revoke the direction and the Controllers shall thereupon revoke the directions previously given by him.

(2) The result of every re-consideration under sub-section (1), shall be communicated to the applicant within such time and in such manner as may be prescribed.

Section 37 of the Patent Act, 1970: Consequences of secrecy directions:-

(1) So long as any directions under section 35 are in force in respect of an application-

(a) the Controller shall not pass an order refusing to grant the same; and

(b) notwithstanding anything contained in this Act, no appeal shall lie from any order of the Controller passed in respect thereof:

Provided that the application may, subject to the directions, proceed up to the stage of grant of the patent, but the application and the specification found to be in order for grant of the patent shall not be published, and no patent shall be granted in pursuance of that application.

(2) Where a complete specification filed in pursuance of an application for a patent for an invention in respect of which directions have been given under section 35 is found to be in order for grant of the patent during the continuance in force of the directions, then-

(a) if, during the continuance in force of the directions, any use of the invention is made by or on behalf of, or to the order of the Government, the provisions of sections 100, 101 and 103 shall apply in relation to that use as if the patent had been granted for the invention; and

(b) if it appears to the Central Government that the applicant for the patent has suffered hardship by reason of the continuance in force of the directions, the Central Government may make to him such payment (if any) by way of solatium as appears to the Central Government to be reasonable having regard to the novelty and utility of the invention and the purpose for which it is designed, and to any other relevant circumstances.

(3) Where a patent is granted in pursuance of an application in respect of which directions have been given under section 35, no renewal fee shall be payable in respect of any period during which those directions were in force.

Section 38 of the Patent Act, 1970: Revocation of secrecy directions and extension of time:-When any direction given under section 35 is revoked by the

Controller, then, notwithstanding any provision of this Act specifying the time within which any step should be taken or any act done in connection with an application for the patent, the Controller may, subject to such conditions, if any, as he thinks fit to impose, extend the time for doing anything required or authorised to be done by or under this Act in connection with the application whether or not that time has previously expired.

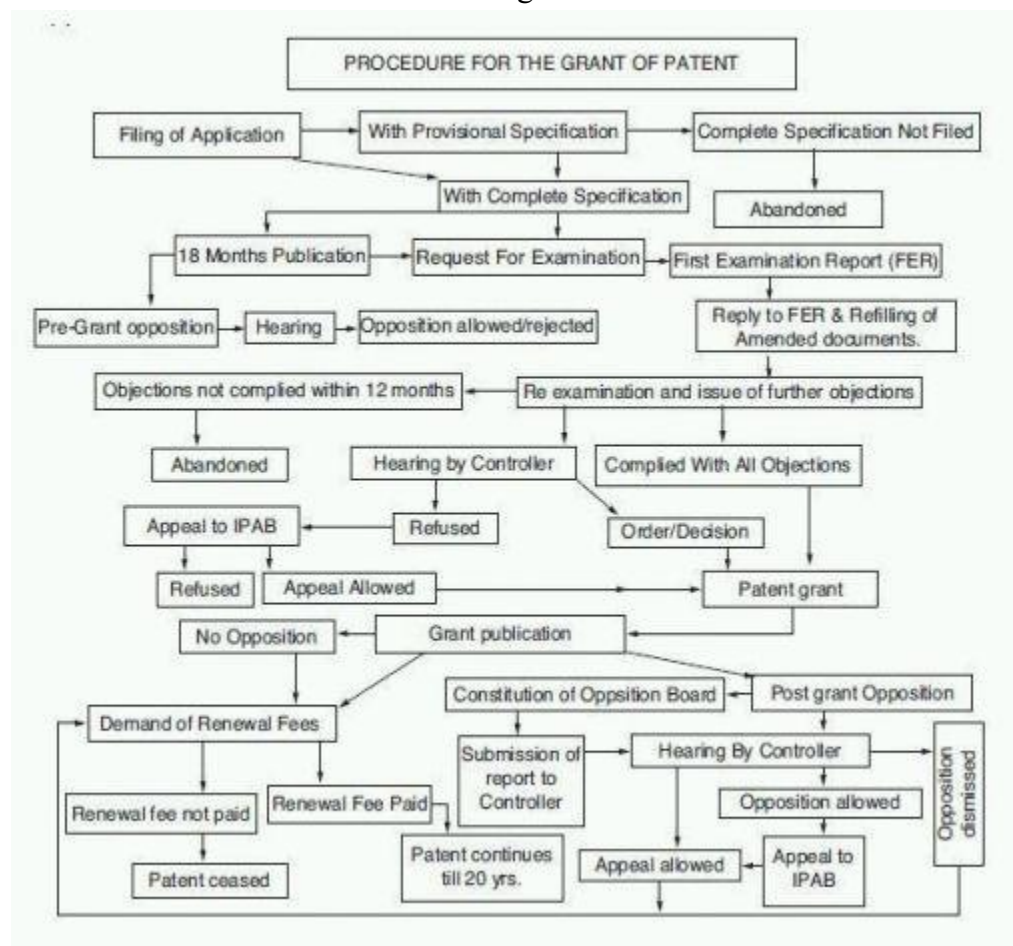
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## **10.6. Grant of Patent and Rights of Patentee:**

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After filing the application for the grant of patent, a request for examination is required to be made for examination of the application by the Indian Patent Office. After the First Examination Report is issued, the Applicant is given an opportunity to meet the objections raised in the report. The Applicant has to comply with the requirements within 12 months from the issuance of the First Examination Report. If the requirements of the first examination report are not complied with within the prescribed period of 12 months, then the application is treated to have been abandoned by the applicant. After the removal of objections and compliance of requirements, the patent is granted and notified in the Patent Office Journal. The process of the grant of patent in India can also be understood

from the following flow chart :



Filing of Application for Grant of Patent in India by Foreigners: India being a signatory to the Paris Convention for the Protection of Industrial Property, 1883 and the Patent Cooperation Treaty (PCT), 1970, a foreign entity can adopt any of the aforesaid routes for filing of application for grant of patent in India. Where an application for grant of patent in respect of an invention in a Convention Country has been filed, then similar application can also be filed in India for grant of patent by such applicant or the legal representative or assignee of such person within twelve months from the date on which the basic application was made in the Convention Country i.e. the home country. The priority date in such a case is considered as the date of making of the basic application

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## 10.7. Amendment of Applications and Specifications:

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Section 57 of the Patent Act, 1970: Amendment of application and specification or any document relating thereto before Controller:-

(1) Subject to the provisions of section 59, the Controller may, upon application made under this section in the prescribed manner by an applicant for a patent or by a patentee, allow the application for the patent or the complete specification or any document relating thereto to be amended subject to such conditions, if any, as the Controller thinks fit:

Provided that the Controller shall not pass any order allowing or refusing an application to amend an application for a patent or a specification or any document relating thereto under this section while any suit before a court for the infringement of the patent or any proceeding before the High Court for the revocation of the patent is pending, whether the suit or proceeding commenced before or after the filing of the application to amend.

(2) Every application for leave to amend an application for a patent or a complete specification or any document relating thereto under this section shall state the nature of the proposed amendment, and shall give full particulars of the reasons for which the application is made.

(3) Any application for leave to amend an application for a patent or a complete specification or a document related thereto under this section made after the grant of patent and the nature of the proposed amendment may be published.

(4) Where an application is published under sub-section (3), any person interested may, within the prescribed period after the publication thereof, give notice to the Controller of opposition thereto; and where such a notice is given within the period aforesaid, the Controller shall notify the person by whom the application under this section is made and shall give to that person and to the opponent an opportunity to be heard before he decides the case.

(5) An amendment under this section of a complete specification may be, or include, an amendment of the priority date of a claim.

(6) The provisions of this section shall be without prejudice to the right of an applicant for a patent to amend his specification or any other document related thereto to comply with the directions of the Controller issued before the grant of a patent.

58. Amendment of specification before Appellate Board or High Court.— (1) In any proceeding before the Appellate Board or the High Court for the revocation

of a patent, the Appellate Board or the High Court, as the case may be, may, subject to the provisions contained in section 59, allow the patentee to amend his complete specification in such manner and subject to such terms as to costs, advertisement or otherwise, as the Appellate Board or the High Court may think fit, and if, in any proceedings for revocation the Appellate Board or the High Court decides that the patent is invalid, it may allow the specification to be amended under this section instead of revoking the patent.

(2) Where an application for an order under this section is made to the Appellate Board or the High Court, the applicant shall give notice of the application to the Controller, and the Controller shall be entitled to appear and be heard, and shall appear if so directed by the Appellate Board or the High Court.

(3) Copies of all orders of the Appellate Board or the High Court allowing the patentee to amend the specification shall be transmitted by the Appellate Board or the High Court to the Controller who shall, on receipt thereof, cause an entry thereof and reference thereto to be made in the register.

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## **10.8. Restoration of Lapsed Patent:**

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Section 60 of the Patent Act, 1970: Applications for restorations of lapsed patents: (1) 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 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.

(3) An application under this section shall contain a statement, verified in the prescribed manner, fully setting out the circumstances which led to the failure to pay the prescribed fee, and the Controller may require from the applicant such further evidence as he may think necessary.

Section 61 of the Patent Act: Procedure for disposal of applications for restoration of lapsed patents:-(1) If, after hearing the applicant in cases where the Applicant so desires or the Controller thinks fit, the Controller is prima facie satisfied that the failure to pay the renewal fee was unintentional and that there has

been no undue delay in the making of the application, he shall publish the application in the prescribed manner; and within the prescribed period any person interested may give notice to the Controller of opposition thereto on either or both of the following grounds, that is to say:-

- (a) that the failure to pay the renewal fee was not unintentional; or
- (b) that there has been undue delay in the making of the application.

(2) If notice of opposition is given within the period aforesaid, the Controller shall notify the applicant, and shall give to him and to the opponent an opportunity to be heard before he decides the case.

(3) If no notice of opposition is given within the period aforesaid or if in the case of opposition, the decision of the Controller is in favour of the applicant, the Controller shall, upon payment of any unpaid renewal fee and such additional fee as may be prescribed, restore the patent and any patent of addition specified in the application which has ceased to have effect on the cesser of that patent.

(4) The Controller may, if he thinks fit as a condition of restoring the patent, require that an entry shall be made in the register of any document or matter which, under the provisions of this Act, has to be entered in the register but which has not been so entered.

Section 62 of the Patent Act, 1970: Rights of patentees of lapsed patents which have been restored: (1) Where a patent is restored, the rights of the patentee shall be subject to such provisions as may be prescribed and to such other provisions as the Controller thinks fit to impose for the protection or compensation of persons who may have begun to avail themselves of, or have taken definite steps by contract or otherwise to avail themselves of, the patented invention between the date when the patent ceased to have effect and the date of publication of the application for restoration of the patent under this Chapter.

(2) No suit or other proceeding shall be commenced or prosecuted in respect of an infringement of a patent committed between the date on which the patent ceased to have effect and the date of the publication of the application for restoration of the patent.

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## **10.9. Surrender and Revocation of Patent:**

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Section 63 of the Patent Act, 1970: Surrender of patents :-(1) A patentee may, at any time by giving notice in the prescribed manner to the Controller, offer to surrender his patent.

(2) Where such an offer is made, the Controller shall publish the offer in the prescribed manner, and also notify every person other than the patentee whose name appears in the register as having an interest in the patent.

(3) Any person interested may, within the prescribed period after such publication, give notice to the Controller of opposition to the surrender, and where any such notice is given the Controller shall notify the patentee.

(4) If the Controller is satisfied after hearing the patentee and any opponent, if desirous of being heard, that the patent may properly be surrendered, he may accept the offer and, by order, revoke the patent.

Section 64 of the Patent Act, 1970: Revocation of patents:-

(1) Subject to the provisions contained in this Act, a patent, whether granted before or after the commencement of this Act, may, be revoked on a petition of any person interested or of the Central Government by the Appellate Board or on a counter-claim in a suit for infringement of the patent by the High Court on any of the following grounds, that is to say—

(a) that the invention, so far as claimed in any claim of the complete specification, was claimed in a valid claim of earlier priority date contained in the complete specification of another patent granted in India;

(b) that the patent was granted on the application of a person not entitled under the provisions of this Act to apply therefore:

(c) that the patent was obtained wrongfully in contravention of the rights of the petitioner or any person under or through whom he claims;

(d) that the subject of any claim of the complete specification is not an invention within the meaning of this Act;

(e) that the invention so far as claimed in any claim of the complete specification is not new, having regard to what was publicly known or publicly used in India before the priority date of the claim or to what was published in India or elsewhere in any of the documents referred to in section 13:

(f) that the invention so far as claimed in any claim of the complete specification is obvious or does not involve any inventive step, having regard to

what was publicly known or publicly used in India or what was published in India or elsewhere before the priority date of the claim:

(g) that the invention, so far as claimed in any claim of the complete specification, is not useful;

(h) that the complete specification does not sufficiently and fairly describe the invention and the method by which it is to be performed, that is to say, that the description of the method or the instructions for the working of the invention as contained in the complete specification are not by themselves sufficient to enable a person in India possessing average skill in, and average knowledge of, the art to which the invention relates, to work the invention, or that it does not disclose the best method of performing it which was known to the applicant for the patent and for which he was entitled to claim protection;

(i) that the scope of any claim of the complete specification is not sufficiently and clearly defined or that any claim of the complete specification is not fairly based on the matter disclosed in the specification;

(j) that the patent was obtained on a false suggestion or representation;

(k) that the subject of any claim of the complete specification is not patentable under this Act;

(l) that the invention so far as claimed in any claim of the complete specification was secretly used in India, otherwise than as mentioned in subsection (3), before the priority date of the claim;

(m) that the applicant for the patent has failed to disclose to the Controller the information required by section 8 or has furnished information which in any material particular was false to his knowledge;

(n) that the applicant contravened any direction for secrecy passed under section 35 or made or caused to be made an application for the grant of a patent outside India in contravention of section 39;

(o) that leave to amend the complete specification under section 57 or section 58 was obtained by fraud.

(p) that the complete specification does not disclose or wrongly mentions the source or geographical origin of biological material used for the invention;

(q) that the invention so far as claimed in any claim of the complete specification was anticipated having regard to the knowledge, oral or otherwise, available within any local or indigenous community in India or elsewhere.

(2) For the purposes of clauses (e) and (f) of sub-section (1):-

(a) no account shall be taken of personal document or secret trial or secret use; and

(b) where the patent is for a process or for a product as made by a process described or claimed, the importation into India of the product made abroad by that process shall constitute knowledge or use in India of the invention on the date of the importation, except where such importation has been for the purpose of reasonable trial or experiment only.

(3) For the purpose of clause (1) of sub-section (1), no account shall be taken of any use of the invention:-

(a) for the purpose of reasonable trial or experiment only; or

(b) by the Government or by any person authorised by the Government or by a Government undertaking, in consequence of the applicant for the patent or any person from whom he derives title having communicated or disclosed the invention directly or indirectly to the Government or person authorised as aforesaid or to the Government undertaking; or

(c) by any other person, in consequence of the applicant for the patent or any person from whom he derives title having communicated or disclosed the invention, and without the consent or acquiescence of the applicant or of any person from whom he derives title.

(4) Without prejudice to the provisions contained in sub-section (1), a patent may be revoked by the High Court on the petition of the Central Government, if the High Court is satisfied that the patentee has without reasonable cause failed to comply with the request of the Central Government to make, use or exercise the patented invention for the purposes of Government within the meaning of section 99 upon reasonable terms.

(5) A notice of any petition for revocation of a patent under this section shall be served on all persons appearing from the register to be proprietors of that patent or to have shares or interests therein and it shall not be necessary to serve a notice on any other person.

Section 65 of the Patent Act, 1970: Revocation of patent or amendment of complete specification on directions from Government in cases relating to atomic energy:-

(1) Where at any time after grant of a patent, the Central Government is satisfied that a patent is for an invention relating to atomic energy for which no patent can be granted under sub-section (1) of section 20 of the Atomic Energy Act, 1962 (33 of 1962), it may direct the Controller to revoke the patent, and thereupon the Controller, after giving notice, to the patentee and every other person whose name has been entered in the register as having an interest in the patent, and after giving them an opportunity of being heard, may revoke the patent.

(2) In any proceedings under sub-section (1), the Controller may allow the patentee to amend the complete specification in such manner as he considers necessary instead of revoking the patent.

Section 66 of the Patent Act, 1970: Revocation of patent in public interest: Where the Central Government is of opinion that a patent or the mode in which it is exercised is mischievous to the State or generally prejudicial to the public, it may, after giving the patentee an opportunity to be heard, make a declaration to that effect in the Official Gazette and thereupon the patent shall be deemed to be revoked.

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## **10.10. Use of Inventions for Government purposes:**

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Section 99 of the Patent Act, 1970: Meaning of use of invention for purposes of Government: (1) For the purposes of this Chapter, an invention is said to be used for the purposes of Government if it is made, used, exercised or vended for the purposes of the Central Government, a State Government or a Government undertaking.

(3) Nothing contained in this Chapter shall apply in respect of any such importation, making or using of any machine, apparatus or other article or of any such using of any process or of any such importation, using or distribution of any medicine or drug, as may be made by virtue of one or more of the conditions specified in section 47.

Section 100 of the Patent Act, 1970: Power of Central Government to use inventions for purposes of Government:-(1) Notwithstanding anything contained in this Act, at any time after an application for a patent has been filed at the patent office or a patent has been granted, the Central Government and any person

authorised in writing by it, may use the invention for the purposes of Government in accordance with the provisions of this Chapter.

(2) Where an invention has, before the priority date of the relevant claim of the complete specification, been duly recorded in a document, or tested or tried, by or on behalf of the Government or a Government undertaking, otherwise than in consequence of the communication of the invention directly or indirectly by the patentee or by a person from whom he derives title, any use of the invention by the Central Government or any person authorised in writing by it for the purposes of Government may be made free of any royalty or other remuneration to the patentee.

(3) If and so far as the invention has not been so recorded or tried or tested as aforesaid, any use of the invention made by the Central Government or any person authorised by it under sub-section (1), at any time after grant of the patent or in consequence of any such communication as aforesaid, shall be made upon terms as may be agreed upon either before or after the use, between the Central Government or any person authorised under sub-section (1) and the patentee, or, as may in default of agreement be determined by the High Court on a reference under section 103:

Provided that in case of any such use of any patent, the patentee shall be paid not more than adequate remuneration in the circumstances of each case, taking into account the economic value of the use of the patent.

(4) The authorisation by the Central Government in respect of an invention may be given under this section, either before or after the patent is granted and either before or after the acts in respect of which such authorisation is given or done, and may be given to any person whether or not he is authorised directly or indirectly by the applicant or the patentee to make, use, exercise or vend the invention or import the machine, apparatus or other article or medicine or drug covered by such patent.

(5) Where an invention has been used by or with the authority of the Central Government for the purposes of Government under this section, then, except in case of national emergency or other circumstances of extreme urgency or for noncommercial use, the Government shall notify the patentee as soon as practicable of the fact and furnish him with such information as to the extent of the use of the invention as he may, from time to time, reasonably require; and where

the invention has been used for the purposes of a Government undertaking, the Central Government may call for such information as may be necessary for this purpose from such undertaking.

(6) The right to make, use, exercise and vend an invention for the purposes of Government under sub-section (1) shall include the right to sell on noncommercial basis, the goods have been made in exercise of that right, and a purchaser of goods so sold, and a person claiming through him, shall have the power to deal with the goods as if the Central Government or the person authorised under sub-section (1) were the patentee of the invention.

(7) Where in respect of a patent which has been the subject of an authorisation under this section, there is an exclusive licensee as is referred to in sub-section (3) of section 101, or where such patent has been assigned to the patentee in consideration of royalties or other benefits determined by reference to the use of the invention (including payments by way of minimum royalty), the notice directed to be given under sub-section (5) shall also be given to such exclusive licensee or assignor, as the case may be, and the reference to the patentee in sub-section (3) shall be deemed to include a reference to such assignor or exclusive licensee.

Section 102 of the Patent Act, 1970: Acquisition of inventions and patents by the Central Government:-(1) The Central Government may, if satisfied that it is necessary that an invention which is the subject of an application for a patent or a patent should be acquired from the applicant or the patentee for a public purpose, publish a notification to that effect in the Official Gazette, and thereupon the invention or patent and all rights in respect of the invention or patent shall, by force of this section, stand transferred to and be vested in the Central Government.

(2) Notice of the acquisition shall be given to the applicant, and, where a patent has been granted, to the patentee and other persons, if any, appearing in the register as having an interest in the patent.

(3) The Central Government shall pay to the applicant, or, as the case may be, the patentee and other persons appearing on the register as having an interest in the patent such compensation as may be agreed upon between the Central Government and the applicant, or the patentee and other persons; or, as may, in default of agreement, be determined by the High Court on a reference under section 103 to be just having regard to the expenditure incurred in connection with

the invention and, in the case of a patent, the term thereof, the period during which and the manner in which it has already been worked (including the profits made during such period by the patentee or by his licensee whether exclusive or otherwise) and other relevant factors.

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### **10.11. Summary:**

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The Patent registration process is a very lengthy and complex one. The patent authorities are basically responsible for patent registration. In this unit application for patent, publication and examination of patent, representation and opposition, secrecy of invention, grant of patent and rights of patentee, amendments of application, restoration of lapsed patent, surrender and revocation of patent and use of inventions for government purposes discussed with the help of relevant legal provisions of Patent Act, 1970. The specific amendments made in this Act at different point of time in conformity with international instruments, treaties and agreements.

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### **10.12. Some Useful Books:**

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- A. An Introduction to Intellectual Property Rights by J.P. Mishra; Central Law Publication-Third Edition-2012
- B. Law relating to Intellectual Property Law by V.K. Ahuja; Lexis-Nexis Publication (2013)
- C. Intellectual Property Law Manual-Universal Publication (2014)
- D. Intellectual Property by W.R. Cornish; Third Edition-First Indian Reprint,2001
- E. Copyright Act, 1957-Bare Act (Universal Publication)
- F. Trade Marks Act, 1999-Bare Act (Universal Publication)
- G. The Patent Act, 1970-Bare Act (Universal Publication)
- H. Law relating to Intellectual Property by B.L. Wadehra (Universal Publication)

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### **10.13. Check your Progress:**

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A.

- a) The history of patent law in India starts from 1911 when the Indian Patents and Design Act, 1911 was enacted.
  - b) The applicant may, at any time after filling the application but before the grant of a patent, withdraw the application by making a request.
  - c) Section 35 of the Patent Act, 1970 is related to Secrecy of Invention.
  - d) Section 68 of the Patent Act, 1970 is related to the restoration of lapsed patent.
  - e) Section 63 of the Patent Act, 1970 is related to the surrender and revocation of patents.
- B. Fill in the blanks:
- I. In India, a patent application can be filed, either alone or jointly by true and .....
  - II. .... of the Patent Act, 1970 is related to publication of application of patent.
  - III. .... of the Patent Act, 1970 is related to opposition to the Patent.
  - IV. ....of the Patent Act, 1970 is related to amendment of application and specification or any document relating thereto before Controller.
  - V. ....of the Patent Act, 1970 is related to revocation of patents or amendments of complete specification on direction from government in cases to atomic energy.

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#### **10.14. Answer to Check your Progress:**

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- A.
  - 1. True
  - 2. True
  - 3. True
  - 4. False
  - 5. True
- B.
  - a) First inventor or his assignee
  - b) Section 11A
  - c) Section 25
  - d) Section 57
  - e) Section 65



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**10.15. Terminal Questions:**

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1. Discuss in detail application for patent.
2. Write a note on representation and opposition.
3. What are the rights of patentee and grant of patent?
4. When government can use inventions for government purposes?
5. Discuss restoration of lapsed patent.

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# Unit-11

## Computer related Patent: European & US Position

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### Objectives:

After going through this unit you should be able to:

- Understand the issues and subject matters related to Computer related Patent with reference to European and Us
- Understand the remedies which are available against Infringement
- Understand the technical and legal issues related to Computer related Patent

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### Summary:

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- 11.1. Introduction
- 11.2. European Patent Convention
- 11.3. Policy Development in US and European Union-I
- 11.4. Policy Development in US and European Union-II
- 11.5. Policy Development in US and European Union-III
- 11.6. Software Patent in U.S.
- 11.7. Development in the US
- 11.8. The Debate in Europe
- 11.9. US Patent Office
- 11.10. European Union Patent Office
- 11.11. Summary
- 11.12. Some Useful Books
- 11.13. Check your Progress
- 11.14. Answer to Check your Progress
- 11.15. Terminal Questions

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### 11.1. Introduction:

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Modern society relies heavily on computer technology. Without software, a computer cannot operate. Software and hardware work in tandem in today's information society. So it is no wonder that intellectual property protection of software is crucial not only for the software industry, but for other businesses as well. The intellectual property protection of computer software has been highly debated at the national and international level. For example, in the European Union (EU), a draft Directive on the Patentability of Computer-implemented Inventions has been discussed in order to harmonize the interpretation of the national patentability requirements for computer software-related inventions, including the business methods carried out via the computer. These discussions show divergent views among stakeholders in Europe. Furthermore, the Internet raises complex issues regarding the enforcement of patents, as patent protection is provided on a country-by-country basis, and the patent law of each country only takes effect within its own borders.

In many countries, computer programs, whether in source or object code, are protected under copyright. The major advantage of copyright protection lies in its simplicity. Copyright protection does not depend on any formalities such as registration or the deposit of copies in the 151 countries party to the Berne Convention for the Protection of Literary and Artistic Works. This means that international copyright protection is automatic - it begins as soon as a work is created. Also, a copyright owner enjoys a relatively long period of protection, which lasts, in general, for the life of the author plus 50 or, in certain countries, 70 years after the author's death.

In contrast, a patent must be applied for, in principle, in each country in which you seek patent protection. In order to enjoy patent protection, an application for a patent shall comply with both formal and substantive requirements, and a patented invention shall be disclosed to the public. These requirements can be legally and technically complex, and their compliance often requires a legal expert's assistance. Compared with copyright protection, the term of protection is much shorter, namely, in general, 20 years from the filing date of the application.

Then why do many people seek to patent their software-related inventions? The answers are manifold. But one of the strongest reasons is that copyright protection extends only to expressions and not to ideas, procedures, and methods

of operation or mathematical concepts as such. Although copyright protects the “literal expression” of computer programs, it does not protect the “ideas” underlying the computer program, which often has considerable commercial value. However, due to the complex requirements for the grant of patents, the costs for obtaining and enforcing a patent may be costly. Unless you have important financial resources, it may be worth considering whether patenting your software-related innovation is the best way to protect your product.

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## 11.2. European Patent Convention :

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The European Patent Convention (EPC) is the legal text of the European patent system. The EPC was established 1973 by the diplomatic conference in Munich. EPC consists of four parts; **a** preamble, articles, implementing regulations (rules) **and** protocols. The EPC is written in the three official EPO languages, English, German and French. The three texts have equal validity.

The EPC, with exception of the rules, can only be changed at diplomatic conference with qualified majority. The Administrative Council are allowed to revise the rules. The periods set in the articles are “hard periods” and the only available remedy for a missed period is re-establishment of rights. On the other hand, in most cases, the periods set in the rules allows both further processing and re-establishment of rights.

The interpretation of the EPC is based on the following provisions. The preamble defines that the EPC is a special agreement valid according to the Paris convention (PC) and a regional patent treaty within the meaning of the Patent Cooperation Treaty (PCT). Accordingly, a European application may claim priority from an earlier application and a European application is allowed to be filed subsequent to an international application. Furthermore, the EPC contains references to the Rule relating to fees and the **EU Directive on legal protection of biotechnical inventions**. The Protocol on the Interpretation of Article 69 EPC is an important document that provides guidance on the scope of protection of a patent.

The EPC uses three unwritten legal principles; firstly, the principle of **equality of all parties** in a proceeding; Secondly, the **narrow interpretation regarding exclusion of subject matter from patentability**, and thirdly, the so called “**good faith**” principle, where the parties of the procedure shall have a

reasonable legal expectation on the outcome of the proceedings. Thereby, an error caused by the EPO resulting in the loss of rights can after a remark from the applicant be restored. However, note that it is the responsibility of the applicant to make appropriate amendments of the application as well as respecting the provision of the EPC.

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### **11.3. Policy Development in US and European Union-I<sup>41</sup> :**

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Despite the prominence and interconnectedness of these themes, patent policy remains a backwater legal domain only loosely connected to mainstream economic discussion on innovation. Intellectual property is recognized as important, to be sure, but there is little effort to come to grips with specific policy problems such as the scope of patentable subject matter. Patent policy evolves within a narrow legal framework that does not acknowledge differences among technologies, economic or otherwise. It has been promulgated almost entirely by court decisions based on interpretation of statutes and prior case law.

The legal and institutional complexity of the patent system makes it difficult for outsiders to understand and endows the system with immense inertia. There are periodic calls for rethinking intellectual property policy, but these calls are answered with skepticism by most patent professionals, who see no crisis worthy of study. Despite empirical evidence that patents are of limited significance for most industries, claims are often heard that the patent system is responsible for America's technological preeminence.

The principal axis of patent politics in the U.S. is defined by the debate over reform and harmonization, in which positions are expressed with ideological conviction. Independent inventors and university licensing offices have fiercely resisted efforts by the patent establishment (large companies and the patent bar) to move to first-to-file, early publication, expanded re-examination, and prior user rights. They see first-to-file as inherently biased towards large companies that are able to crank out patents quickly and easily. A recent effort to achieve more modest goals on other reforms culminated in the American Inventors Protection

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<sup>41</sup> <http://firstmonday.org/ojs/index.php/fm/article/view/1036/957>

Act of 1999, at the cost of last-minute compromises that limited the Act's effectiveness.

Europe lacks a vocal small inventor community. Instead, Europe is politically focused on developing an integrated, low-cost regional patent system as part of a broader push towards market integration and promotion of innovation. Europeans are also concerned with how much it should embrace the expanded scope and intensity of the U.S. system, which is variously portrayed as a promoter of investment, an indicator of American competitive advantage — or as a quagmire of low-quality patents, litigation, intimidation, and opportunism. Much debate centers around the value of patents to small firms (SMEs): Do patents provide effective protection against large predators or do patents make them vulnerable to portfolio-wielding multinationals — or both? Anecdotal evidence points to cases (such as *Stac v. Microsoft*) where a patent has worked for a small firm against a large rival, but it appears that, on the whole, small firms are disadvantaged by patents. While they may win battles over individual patents, they lose the war over portfolios.

The intense debate in Europe owes much to the active political role played by the open source software developers, including companies with complementary business models, in opposing the expansion of the patent system. Open source development as a voluntary enterprise is compatible with copyright rules against direct appropriation, and in fact copyright is used to enforce open source licenses. However, the high overhead of the patent system, the exposure to unforeseen liability, and the impossibility of free distribution if royalties must be paid all work against the open source model. Individual contributors can warrant that they have not copied code, but they cannot warrant with confidence that their contribution does not infringe patents.

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## **11.4. Policy Development in US and European Union-II<sup>42</sup>:**

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The case for open source software as an alternative to Microsoft is more compelling in Europe than the U.S. Despite deep ambivalence within the U.S. towards Microsoft, the company is a symbol of American technology preeminence — a national champion in the laissez-faire tradition. From a European perspective,

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<sup>42</sup> <http://firstmonday.org/ojs/index.php/fm/article/view/1036/957>

it is easy to see Microsoft as an emblem of foreign domination over basic tools of the Information Society. Open source software, which has proved itself on Web servers, appears to offer the only credible alternative to a Microsoft-dominated future, an opportunity for European advantage, or at least a commoditized platform that helps close the technology gap between the U.S. and Europe.

Vocal, motivated, and surprisingly organized, the European open source community has concretized the software debate by claiming that the patent system favors the traditional proprietary closed-source model over the open source model. In the U.S., by contrast, there has been virtually no organized opposition to the expansion of the patent system. While concerned about software patents, the open source movement in the U.S. has not been politically organized. Of course, the patentability of software is regarded as settled in the U.S. There has been no political opening for organizing the open source community as there has been in Europe with the EC efforts to create a true European community patent or the recent attempt by the European Patent Organization (the governing body of the European Patent Office) to abolish the computer program exception in Article 52 of the European Patent Convention.

In the U.S., limits on patentable subject matter were eroded piecemeal through a series of judicial decisions by the specialized appellate court, the Court of Appeals for the Federal Circuit. This expansion of scope of the patent system took place over a seventeen-year period from the 1981 case of *Diamond v. Diehr*, the last word of the U.S. Supreme Court on the subject, to *State Street Bank and Trust v. Signature Systems* in 1998. During this period, the only sustained organized opposition to software patents came from the League for Programming Freedom (LPF), associated with Richard Stallman and the free software movement. (While the open source movement has roots in the free software movement, the free software movement had and still has a strong moral orientation that is sometimes at odds with the more inclusive, pragmatic, and business-minded open source community.) The LPF remained a loose collection of high-minded programmers that did not engage the pure-play software companies opposed to software patents.

Today the political capacity and posture of the open source movement in the U.S. is complicated by the economically important involvement of large computer companies, including IBM, Sun, HP, Apple, and Intel. Despite indications that

patents play a relatively minor role in the computer industry, computer companies have supported software patents in principle and sought them aggressively in the 1980s before software publishers started applying for patents. While these companies support open source as a non-proprietary alternative to Microsoft's technology, they want to preserve their patent portfolios, which protect key business lines against new entrants and, following the IBM model, are increasingly seen as significant sources of revenue.

These tensions have played out in the recent debate in the World Wide Consortium (W3C) over whether to allow standards that incorporate patented technology if payment is required for the use of the technology. A license would have to be available on reasonable and non-discriminatory terms — referred to as "RAND" licensing, but not necessarily on a royalty-free or "RF" basis. Most standards bodies accept RAND licensing (although they may have a preference for RF); however, any fee-based licensing imposes a barrier to the free distribution of open source software. A few days before the W3C comment period was due to close, members of the open source community sounded an alarm, and the W3C was deluged by an outpouring of sentiment against RAND licensing from around the globe. IBM and Microsoft supported a pro-RAND policy, while Apple, Sun, and HP were pro-RF.

A year later, W3C emerged with a policy that strongly rejects the incorporation of RAND or any fee-based technology on core Web standards, and with this apparent victory, the open source community will likely play a more significant role in the W3C and other standards development organizations. W3C patent policy is not public policy. Yet W3C is a global, private sector-led standards development organization with offices at MIT in the U.S., INRIA in France, and Keio University in Japan. It represents the kind of private-sector led policy development espoused by the Clinton Administration's Framework for Global Electronic Commerce as an alternative to governmental policy-making.

For now, the opportunity for informed public policy development is clearly greater in Europe than in the U.S. The debate in Europe began within a narrow framework, but has since become open-ended and public, as well as broader and deeper. As such, it has moved closer to the central questions about the nature of innovation and competition in the knowledge-based digital economy, as well as how to respond to the U.S. challenge.



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## 11.5. Policy Development in US and European Union-III<sup>43</sup>:

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In the U.S., the expansion of patentable subject matter, while still controversial, is considered *fait accompli*. As explained by former Commissioner of Patents and Trademarks Bruce Lehman:

While legislation has been introduced and Congressional hearings may be held, the weight of opinion among patent professionals in the United States is overwhelmingly against any legislative intervention to restrict the subject matter of patents. Therefore, change is unlikely, and anyone doing business in the United States is well advised to consider measures to adjust to these new conditions.

Remarkably, there was absolutely no pressure on Congress to allow patents on business methods before the *State Street* decision. Yet today, despite the guarded opposition of IBM and a few other companies, there is no organized opposition to business method patents. Patent professionals have a keen economic interest in maintaining an expanded system, and the *State Street* decision has created a constituency in those who have or expect to receive business method patents.

Few companies develop patent policy in concerted systematic way. Most are content to develop policy through patent associations, specifically Intellectual Property Owners Association (IPO), or patent committees within broader associations like National Association of Manufacturers (NAM). For example, in response to the PTO's recent solicitation of comments on harmonization of substantive patent law, IBM was the only major company to offer comments of its own. Patent policy is driven by individuals or small companies with patent-intensive business models, large companies with evolved and sophisticated patent strategies, and professional intermediaries, whether inside companies or on their own. The uniform, one-size-fits-all nature of the patent system works to limit policy input, because any prospect of change must overcome the inertia and self-interest of the system as a whole, as well as the interests of the industries for whom the system is most valuable.

This resistance to outside influence and change is reinforced by the complexity and insularity of patent law. Patent lawyers must have a technical

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<sup>43</sup> <http://firstmonday.org/ojs/index.php/fm/article/view/1036/957>

education in addition to a law degree and must pass a special exam; the subject matter of each patent is usually highly specialized technical knowledge; examination involves a unique ex parte process; and, the application of patent law is intricate and demanding. The extreme costs of litigation and practical problems of both enforcement and infringement avoidance make practice diverge from strict application of the law, so despite the one-size-fits-all ideology, practice may be highly specific to industry conditions.

Since only patent practitioners have a deep understanding of how the system works in theory and in practice, companies look to them for guidance on policy. Accordingly, it is difficult to determine the extent to which patent policy positions stated by trade associations really represent the considered judgment of the member companies or whether the views are colored by the interests of patent professionals. In an April 2001 House Subcommittee hearing on business method patents, IPO testified that the members of its task force were unanimously opposed to legislation restricting the scope of patentable subject matter. Yet one of the major companies represented, General Electric, opposed non-technical patents on business methods in the European Commission's consultation. Another member, IBM, opposed patents on business methods in its comments on harmonization of substantive patent law.

The capture of the patent policy by the patent community is also manifest in the institutions: the Patent and Trademark Office and the specialized patent appeals court, the Court of Appeals for the Federal Circuit (CAFC). The most conspicuous evidence of capture at the PTO is its notorious mission statement: "The mission of the Patents Business is to help customers get patents". Until 2002, the PTO's performance goal was explicitly expansionist: "Help protect, promote and expand intellectual property rights systems throughout the United States and abroad".

Although established to promote consistency and discourage forum shopping across different appellate circuits, the CAFC has proved pro-patentee in many important respects. It has dramatically increased the scope of patentable subject matter, raised the presumption of patent validity, lowered the standard of non-obviousness, upheld patent validity and findings of infringement at a higher rate, and allowed for increased damages. As Judge Richard Posner recently observed, "a specialized court tends to see itself as a booster of its specialty".

Widespread discontent with Internet-related patents (software and business methods) has been expressed in terms of patent quality, which in turn has played into the matter of fee diversion. This is an interesting side event in which the House Appropriations Committee, with the support of the Office of Management and Budget, has regularly diverted some of the uses fees paid to the PTO to other purposes. The fee diversion issue pits the House Judiciary Committee, which oversees intellectual property, against the House Appropriations Committee. Attempts by the Judiciary Committee to outlaw the fee diversion have been unsuccessful, and the chairman of the Subcommittee on Courts, the Internet, and Intellectual Property has acknowledged that the PTO must make an effort to address quality in a more formal manner.

The USPTO has openly sought input on improving quality but has not attempted any independent or systematic analysis of the problem. The March 2000 business method initiative reportedly reduced allowances in Class 705 from 56 percent to 36 percent, which indicates substantial benefits from enhanced examination. It also suggests a serious over patenting problem that may not be limited to business method patents and the need for more objective analysis of the costs and benefits of improving quality. The USPTO recently announced a "21st Century Strategic Plan" that introduces a number of process reforms, including the "second set of eyes" review begun under the initiative on business method patents and, more controversially, plans to allow for the outsourcing of searching for prior art.

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## **11.6. Software Patent in U.S.:**

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The early history of software patents is the same on both sides of the Atlantic. In the U.S., the 1966 Report of the President's Commission on the Patent System recommended against patents for computer programs, and the unanimous 1972 Supreme Court decision, *Gottschalk v. Benson*, seemed to preclude patents on software by ruling against patents on mathematical algorithms. Section 52 of the 1973 European Patent Convention, which precluded patents on computer programs "as such," echoed the then prevailing wisdom in the U.S. The hostility toward granting patents on computer programs that prevailed in the 1960s and 70s then gradually gave way in the 1980s and 90s — not through public deliberation but by judicial or quasi-judicial decision-making.

The last word on the subject from the U.S. Supreme Court was the 1981 decision of *Diamond v. Diehr*, which held that the presence of a computer program within an otherwise patentable physical process (curing rubber) did not render the process unpatentable. Since it was created in 1983, the specialized patent appeals court, the Court of Appeals for the Federal Circuit (CAFC), has been responsible for shaping U.S. policy, and its many decisions on the scope of patentable subject matter have never been reviewed by the Supreme Court.

The number of issued software patents grew exponentially in the U.S. beginning in the early 1980s. Industry concern over software patents peaked with the infamous Compton's New Media patent on basic multimedia processes in 1993-94. USPTO Commissioner Lehman undertook a re-examination of the patent on his own initiative, an unusual step, and the Office ultimately rejected it. Early in 1994, the USPTO held hearings on software patents in San Jose and Crystal City that demonstrated the lack of consensus on policy, and the Commissioner lamented that the great research universities in the Bay Area offered no insight into the issue. At that time, computer companies and patent lawyers supported software patents; most software companies, with the notable exception of Microsoft, opposed them. Software trade associations were internally divided and unable to take positions on fundamental policy.

Compared to the sudden abolition of the rule against business method patents, the path to software patents was constrained by Supreme Court decisions that were not easily discounted. For a while the decisions seemed to point one way then another depending on which judges served on the panel. However, the 1998 *State Street* decision conclusively abolished limitations on software as well as the judicial rule against patents on methods of doing business. Henceforth, the only exceptions to patentable subject would be "laws of nature, natural phenomena, and abstract ideas" that did not produce a "useful, concrete and tangible result." This undefined standard indicates there are no longer limits on subject matter other than the novelty, utility, and non-obviousness.

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## **11.7. Development in the US<sup>44</sup>:**

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<sup>44</sup> <http://firstmonday.org/ojs/index.php/fm/article/view/1036/957>

Whatever the limitations of the European Commission's analysis, it should be noted that there was no published analysis or expression of administration policy on software patents in the U.S. until the summary mention in the 1997 Framework for Global Electronic Commerce:

"Development of the GII will both depend upon and stimulate innovation in many fields of technology, including computer software, computer hardware, and telecommunications. An effectively functioning patent system that encourages and protects patentable innovations in these fields is important for the overall success of commerce over the Internet. Consistent with this objective, the U.S. Patent and Trademark Office (PTO) will (1) significantly enhance its collaboration with the private sector to assemble a larger, more complete collection of prior art (both patent and non-patent publications), and provide its patent examiners better access to prior art in GII-related technologies; (2) train its patent examiners in GII-related technologies to raise and maintain their level of technical expertise; and (3) support legislative proposals for early publication of pending patent applications, particularly in areas involving fast moving technology.

However, that the U.S. statement does not address software patents as an issue but simply sweeps software in with hardware and telecommunications. It makes no mention of business methods, which were still assumed to be unpatentable. The statement makes the basic argument that importance merits protection. It does not argue for expansion because there was no perceived need to do so. The principal point of the first paragraph is to promise improved quality, an issue that had surfaced again in comments on the December 1996 public draft of the Framework. By using the term "patentable subject matter" the statement acknowledges subject matter limitations, although these would be swept aside by the State Street Bank decision a year later.

Like the European documents from the 1990s, the 1997 Framework does not suggest that there are competing interests at stake or that the matter might merit study and analysis. In the U.S., there has never been an administration study to inform policy on software or business method patents. The White House Office of Science and Technology Policy commissioned a study on software patent quality and business effect by the Science and Technology Policy Institute at RAND in early 1998. However, it was suspended at the request of a U.S. multinational company concerned that the study would undercut efforts to secure greater

international acceptance of software patents. The penultimate Senate draft of the American Inventors Protection Act of 1999 mandated a General Accounting Office study of business method patents, but this was removed at the behest of the patent bar. Despite calls by the 1999 National Research Council report, *Digital Dilemma*, for research on the effects of software patents, no studies have been commissioned, nor has the National Science Foundation supported any empirical research on the subject.

The global reach of software and electronic commerce strongly suggests the desirability of informed, harmonized policy development as advocated in the Framework for Global Electronic Commerce. Yet despite voluminous debate on many aspects of electronic commerce, there has been no public engagement on patents for electronic commerce at an international level. U.S. trade negotiators have successfully argued for business method patents in bilateral negotiations, as shown by the recent agreement with Jordan, which explicitly requires Jordan to allow such patents. As noted above, the U.S. now argues against a technical effect standard in the WIPO initiative to harmonize patent laws, but not in a public manner.

In early 2002, the Federal Trade Commission (FTC) and the U.S. Department of Justice (DOJ) initiated a major series of hearings on intellectual property and competition. These hearings were not limited to the interface between patent law and antitrust but included a review of the patent system as a whole, occasioned by concerns that the system might be operating to disfavor the role of competition in spurring innovation. The agencies held hearings throughout the year on a wide variety of topics, including two half days in February devoted to business perspectives on patents in the ICT sector. The hearings demonstrate problems not just in software but throughout the ICT sector, although they may be most severe for software. These include a high degree of uncertainty and risk, patent inflation, widespread inadvertent infringement, inability to manage patent information, cross-licensing at the portfolio level (to the detriment of new entrants), and practical failure of the disclosure function.

The Commission acknowledges the issue of inadvertent infringement in the Frequently Asked Questions released with the directive but summarily dismisses it. Yet there was abundant testimony at the FTC/DOJ hearings that the inadvertent infringement is commonplace — and in many areas of ICT, not just software.

Widespread inadvertent infringement is one of the hallmarks of the over patenting phenomenon noted by the Institute for Information Law study commissioned for the European Parliament. The problem reflects a fundamental tension between patent and copyright. As a legal matter, patent and copyright cover different aspects of software, but as a practical matter the advent of a patent regime for software diminishes the value of copyright. Copyright only proscribes certain behavior, whereas patent law presumes perfect knowledge of patents granted, as well as applications that will be granted in the future. Under copyright, developers have confidence in their ownership of what they create, whereas patents undermine confidence in the ownership of original programming. The FTC/DOJ hearings make clear that knowledge about the ICT patent environment is costly and impractical to acquire — even knowledge about one's own portfolio. Among larger players the problem is resolved by the cross-licensing of portfolios; however, this works against small players and especially new entrants, who may find it difficult just to identify the licenses they need to participate.

Despite continued controversy about the value and effects of software, as well as continued hostility among software developers, there is acceptance that software patents are here to stay. There may be greater business acceptance than in the early 1990s because of the greater stratification of the industry and the protection individual patents appear to offer against Microsoft. However, there is still widespread dissatisfaction with the functioning of the system. Quality problems persist, and it is commonly thought that most software patents will not stand up if sufficient resources can be brought to bear against them.

The costs of defending against patents, even bad patents, are notorious and potentially crippling for small companies. The 2001 AIPLA Economic Report shows that, when the amount in controversy is less than US\$1 million, each side will face average attorney's fees of US\$499,000. This figure is up 25 percent from the 1999 report, which is consistent with reported increases for other patent attorney services. The figures do not include costs of experts; time spent by management and technical staff, and opportunity costs. Diversion of key staff, time, and attention is especially damaging for small companies, especially if they are operating in fast changing markets such as software or electronic commerce. Well-known tactics for exerting pressure include filing suit shortly just before an initial public offering or threatening action against the company's customers. By

offering licenses for US\$15,000 or less, patentees can strong-arm small companies, since the company knows that it may cost that much just to get a patent attorney to do an initial assessment of patent validity and infringement.

Because infringement notices and settlements are not a matter of public record, it is impossible to know just how widespread such practices are. The trade press recently reported an exceptionally broad attack initiated by Pangea Intellectual Properties with broad patents potentially applicable to "millions" of e-commerce Web sites, as claimed by Pangea's attorney. Pangea sued 50 small businesses with Web sites, all of whom are based far from the court in California where the company has filed suit. As Pangea's attorney explained, "the patent and trademark laws don't say you have to go after the biggest fish first".

In the U.S., small company patentees have an offensive advantage in that it is possible find law firms that will work on a contingency basis or technology licensing companies willing to acquire an ownership interest and take the lead in litigation. In a number of large U.S. companies, the management and licensing of patent portfolios has become a profit center distinct from R&D. Instead of viewing intellectual property primarily as protection, these units seek to maximize returns to the intellectual property. For example, in the 1990s IBM began to aggressively exploit intellectual property licensing as a profit center, so that licensing income doubled from US\$0.8 to US\$1.7 billion in the four years between 1996 to 2000. Along with Texas Instruments, Lucent, and AT&T, the company has developed a reputation for systematically approaching companies with the weight of its vast portfolio and negotiating substantial licensing fees.

By contrast, Microsoft has restrained from asserting the patent arsenal it has built up very aggressively ever since IBM negotiated an estimated US\$20-30 million in patent license fees from Microsoft when their OS/2 partnership broke up in 1990. However, there is considerable anxiety within the developer community, especially open source developers, that Microsoft will assert patents when it becomes strategically desirable and politically possible to do so.

There is widespread fear that Microsoft will use patents to control de facto standards and preclude open source alternatives to Microsoft technologies. This builds on growing concern among standards development organizations that patents are slowing and, in some cases, threatening their work. In the wake of high-profile problems involving Dell and Rambus, standards development organizations



have become more careful about disclosure obligations and more specific about policies with respect to intellectual property licensing. However, they remain vulnerable to ambush by third parties, who are not constrained by the terms of participation. Ironically, the more public the standards process, the more vulnerable it becomes to third-party patentees, who by following the process can adjust patent applications to track the standard.

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## **11.8. The Debate in Europe:**

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Administrative and judicial decision-making has been the rule in Europe as well. However, the European Commission's most recent effort to create a single European patent has engendered unexpectedly vigorous public debate on fundamental benefits and costs of software patents. This debate is colored by perceptions that European innovation generally lags behind that of the U.S., and that new steps must be taken to incent investments in innovation and promote openness to risk.

Patents provide such an incentive, but since patents issued by the European must be registered and enforced separately in each country where protection is desired, the cost of patent protection is substantially higher than in the U.S. Hence the push to reform the present balkanized and costly European system to encourage greater use of patents. At the same time, there is deep concern over the market dominance of U.S. companies in information technology and, by extension, U.S. hegemony over an increasingly globalized digital economy. The initial reaction of the Commission was to emulate the expansion of the patent system in the U.S. to embrace software and electronic commerce on the assumption that expanded patent protection was partly responsible for America's technological prowess.

The erosion of limits on patentability appears has taken place more gradually in Europe than the U.S. — because of the explicit language in the Convention and parallel national laws, and because it has been slowed by the traditional views of patentable subject matter held by some courts of broader jurisdiction. An expensive, decentralized system and a less aggressive patent community also meant less pressure for expanding the scope of the system. Nonetheless, by 1999 the European Patent Office had issued an estimated 13,000 software patents despite the ambiguous exclusionary language in the EPC — nearly half the number reputedly granted in the U.S. Patent lawyers commonly claim that software patents

have been just as available in Europe as in the U.S. although more attention to form is required.

The directive on the legal protection of computer programmes that the Council of the European Union adopted in 1991 ignored patent issues. Six years later, the European Commission first raised the issue of software patents in the course of a Green Paper resurrecting the idea of a European Community patent. Mindful of the failure of a treaty-based approach that began in the 1980s; the 1997 Green Paper resurrected the goal of a European Community patent system but proposed to proceed by internal market regulation instead of through a convention and intergovernmental agreement. This required harmonization of substantive law, including inconsistencies in interpreting the EPC.

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## **11.9. US Patent Office:**

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Patent and Trademark Resource Centers (PTRCs) are a nationwide network of public, state and academic libraries that are designated by the USPTO to disseminate patent and trademark information and to support the diverse intellectual property needs of the public. Accessing the patent and trademark information at a PTRC with the help of a trained specialist, you may be able to determine if someone else has already patented your invention or obtained a federal registration for a trademark on goods or services. PTRCs also have access to PubWEST and PubEAST, examiner-based search systems. These trained specialists may also help you with specific questions regarding the patent and trademark processes, but they will not provide legal advice. To be designated, a library must meet the specific requirements and promise to fulfill the obligation in the information brochure entitled Notes on Becoming a Patent and Trademark Resource Center. Resources and hours vary so it is best to call ahead of your visit for hours of operation and services.

### **A Brief History of the Patent and Trademark Resource Center Program**

The Patent and Trademark Resource Center Program began in 1871 when federal statute (35 USC 12) first provided for the distribution of printed patents to libraries for use by the public. During the Program's early years, twenty-two libraries, mostly public and all but several located east of the Mississippi River, elected to participate. Since 1977 the PTRC network has grown to four times its original size. Currently, about half of the membership is academic libraries with

nearly as many public libraries. There are also several state libraries and one special research library. All libraries regardless of size or mission must meet the same PTRC requirements and obligations.

#### The Importance of Patent and Trademark Information

The dissemination of patents to the public has long been one of the primary missions of the U.S. Patent and Trademark Office. The premise of our patent system lies in its mutual benefit to both the inventor and our country. In return for full public disclosure, a U.S. patent offers certain rights to an inventor for up to twenty years, during which time the inventor may exclude all others from making, using, importing or selling his or her invention. The patent is published and disseminated to the public so that others may study the invention and improve upon it. The constant evolution of science and technology, spurred by the monetary incentive the U.S. patent system offers to inventors, strengthens our nation's economy. New inventions lead to new technologies, create new jobs, and improve our quality of life.

Strong trademark protection can be as important as a strong patent portfolio to a successful business. Unlike patents, trademark registrations are renewable for as long as the product or service they identify is offered for sale. The rise of global communication networks and easily accessible commercial markets significantly increases the importance of obtaining trademark protection for even the smallest companies.

#### Benefits of Becoming a Patent and Trademark Resource Center

Many states value the presence of a PTRC because it is a rich local resource for small businesses, research and development firms, university and governmental laboratories, and independent inventors and entrepreneurs. An active PTRC brings the newest technology in the form of patents to a myriad of potential users in a city, state or entire region. Patents also provide a unique body of scientific and technical literature that adds value and stature to a library's resources. Access to trademark information provides a service in high demand by local businesses. The availability of high quality patent and trademark information services often attracts new communities of library users with the potential for new sources of library support. For more information on being designated as a PTRC, consult the information brochure entitled Notes on Becoming a Patent and Trademark Resource Center.

### Additional Services and Products Provided to Program Members

A paramount concern among member libraries and those exploring the possibility of becoming a PTRC is the ability to provide high quality services to their patent and trademark clientele. The Patent and Trademark Resource Centers Program Office offers the following principle forms of assistance and resources to all member libraries:

- A toll-free telephone line to the PTRC Program Office (for use by PTRC staff only) — a vital link to USPTO experts.
- Membership in the PTRC Program List — an e-mail link to other PTRC network members and the Program Office.
- PTRC Web pages — your online source for PTRC Program publications and information.
- Accessing Patent and Trademark Information — public and staff training seminars conducted on location by USPTO employees.
- The Librarian Fellowship Program — an opportunity for PTRC librarians to work in the PTRC Program Office of the USPTO located in Alexandria, Virginia.
- Training — on-going opportunities, including an annual in-depth training seminar held on site at the U.S. Patent and Trademark Office in Alexandria, Virginia for representatives from each PTRC.
- Access to official USPTO manuals, handbooks, search tools, forms and unpublished materials to provide state of the art service to patent and trademark clientele.
- Access to miscellaneous materials provided by the European Patent Office, Japan Patent Office and World Intellectual Property Organization (WIPO) plus other commercial and non-profit publishers of intellectual property information.<sup>45</sup>

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## **11.10. European Union Patent Office:**

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Over 20 states met at a diplomatic conference in Munich in 1973 to discuss the introduction of a European patent grant procedure. The European Patent Office (EPO) offers inventors a uniform application procedure which enables them to seek patent protection in up to 40 European countries. Supervised by the Administrative Council, the Office is the executive arm of the European Patent

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<sup>45</sup> <http://www.uspto.gov/products/library/ptdl/background/>

Organisation. The mission and vision of the EPO is to support innovation, competitiveness and economic growth across Europe through a commitment to high quality and efficient services delivered under the European Patent Convention. The Office's core activity is the examination of patent applications and the grant of European patents. They also provide patent information and training services.

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### **11.11. Summary:**

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By rejecting U.S.-style business methods, Europe is resisting an open-ended commitment to "catching up" to a U.S. system that sophisticated practitioners are expanding in complex and unforeseen ways. However, as long as Europe proceeds by political compromise rather than by aggressively coming to grips with the systemic problems, it will remain handicapped. It must reduce the burden of the system not only on those seeking patents but also on those who wish to avoid patents. The copyright system does not disadvantage Europe or SMEs, and policy makers will want to ensure that the patent system does not do so. The divergence in patent policy between the U.S. and Europe is a healthy development in that it opens up patent policy to new perspectives and new questions. For too long, patent policy has been formulated and promulgated by a narrow community in which the interests of professional intermediaries and specific industries, especially pharmaceuticals and biotech, are disproportionately represented.

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### **11.12. Some Useful Books:**

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- A. An Introduction to Intellectual Property Rights by J.P. Mishra; Central Law Publication-Third Edition-2012
- B. Law relating to Intellectual Property Law by V.K. Ahuja; Lexis-Nexis Publication (2013)
- C. Intellectual Property Law Manual-Universal Publication (2014)
- D. Intellectual Property by W.R. Cornish; Third Edition-First Indian Reprint,2001
- E. Copyright Act, 1957-Bare Act (Universal Publication)
- F. Trade Marks Act, 1999-Bare Act (Universal Publication)
- G. The Patent Act, 1970-Bare Act (Universal Publication)
- Law relating to Intellectual Property by B.L. Wadehra (Universal Publication)

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**11.13. Check your Progress:**

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- A. Which of the following statements are true or false:
1. In many countries, computer programs, whether in source or object code, are protected under copyright.
  2. The European Patent Convention (EPC) is the legal text of the European Patent System.
  3. The legal and institutional complexity of the patent system makes it difficult for outsiders to understand.
  4. The open source movement in the US has not been politically organized.
  5. The early history of software patents is the same on both sides of the Atlantic.
- B. Fill in the blanks:
1. W3C means.....
  2. In early 2002, the ..... and the .....initiated a major series of hearings of Intellectual Property and competition.
  3. There is widespread fear that Microsoft will .....to control de facto standards and preclude open source alternatives to Microsoft Technologies.
  4. Over .....met a diplomatic conference in Munich in 1973 to discuss the introduction of a European Patent grant procedure.
  5. The mission and vision of the EPO is to support innovation, competitiveness and economic growth .....

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**11.14. Answer to Check your Progress:**

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- A.
1. True
  2. True
  3. True
  4. True
  5. True
- B.
1. World Wide Consortium
  2. Federal Trade Commission and US Department of Justice
  3. Use Patents
  4. 20 States

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**11.15. Terminal Questions:**

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1. What is European Patent Convention?
2. Discuss in detail policy development in Patent.
3. Discuss software patent in US.
4. Write a note on US and EU Patent Office.
5. Write a note on the development of Patent in US.

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# Unit-12

## Computer Related Patent: Indian Perspective

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### Objectives:

After going through this unit you should be able to:

- Understand the issues and subject matters related to Copyright in Internet
- Understand the remedies which are available against Infringement
- Understand the technical and legal issues related to Copyright in Internet

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### Summary:

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- 12.1. Introduction
- 12.2. Indian Patent Law and Definition of Important Terms
- 12.3. Computer Programmes “per se”
- 12.4. A mathematical or business method or a computer programme per se or algorithms are not inventions and hence not patentable
- 12.5. Functions of Indian Patent Office as Receiving Office
- 12.6. Computer related Patent Applications
- 12.7. PCT Search Authority
- 12.8. Examination Process
- 12.9. Legal Provisions
- 12.10. Offences and Remedies
- 12.11. Summary
- 12.12. Some Useful Books
- 12.13. Check your Progress
- 12.14. Answer to Check your Progress
- 12.15. Terminal Questions

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### 12.1. Introduction:

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Information Technology has gained special significance in the past two decades. It has emerged as a vital tool for scientific development. The term



“Information Technology” encompasses the whole gamut of inputting, storing, retrieving, transmitting and managing data through the use of computers and various other networks, hardware, software, electronics and telecommunication equipments. Industry has witnessed rapid growth due to the computerization of activities which were hitherto carried out manually or mechanically. With the advent of internet and the World Wide Web (www), international boundaries have been shrinking virtually. The core elements in the application of Information Technology are computers and its peripherals. Intellectual Property creators in the domain of Computer Related Inventions (CRIs) have consistently tried for stricter protection. The traditional patent regime has to cope with the challenges of these emerging technologies and has been a subject of international attention in the recent past. The major patent offices across the world are confronted with the issue of patentability of CRIs. They have developed examination guidelines/ manuals for the use of examination divisions in these areas of technologies so as to achieve uniform examination practices<sup>46</sup>.

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## **12.2. Indian Patent Law and Definition of Important Terms:**

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Prior to the implementation of Patents (Amendment) Act 2002 (No. 38 of 2002), the definition of invention<sup>1</sup> was as under: "Invention means any new and useful-

- (i) art, process, method or manner of manufacture;
- (ii) machine, apparatus or other article;
- (iii) substance produced by manufacture,

and includes any new and useful improvement of any of them, and an alleged invention;”

There was no explicit exclusion from patentability in the statute for inventions in the field of computer related inventions. The inventions from any field of science and technology, if falling under any of the above categories, were considered patentable on fulfillment of the novelty and usefulness criteria. The inventions relating to “method” or “process” were limited to ‘manner of manufacture’. For any ‘method’ to be considered patentable, it had to undergo the scrutiny of examiners whether or not that method is a ‘manner of manufacture’.

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<sup>46</sup> Guidelines for Examination of Computer related Inventions, Office of the Controller General of Patent, Design and Trademark, Government of India.

Subject matters relating to mental acts, mathematical methods, business methods, algorithms and computer programmes did not fall under the category of ‘manner of manufacture’, and hence were not held as inventions and therefore were not patentable.

The Patents (Amendment) Act 2002 (No. 38 of 2002) came into effect on 20th May, 2003. It amended the definition of inventions under section 2(1)(j) as “Invention” means a new product or process involving an inventive step and capable of industrial application; and as per section 2(1)(ja)-

"inventive step" means a feature of an invention that involves technical advance as compared to the existing knowledge or having economic significance or both and that makes the invention not obvious to a person skilled in the art;

Further, section 2(1)(ac) states that ““capable of industrial application”, in relation to an invention, means that the invention is capable of being made or used in an industry;” 2.3 It further introduced explicit exclusions from patentability with

regard to Computer Related Inventions (CRIs) under section 3: (k) a mathematical or business method or a computer programme per se or algorithms;

(l) a literary, dramatic, musical or artistic work or any other aesthetic creation whatsoever including cinematographic works and television productions;

(m) a mere scheme or rule or method of performing mental act or method of playing game;

(n) a presentation of information;”

2.4 The exclusions under section 3 (k) were amended through the Patents (Amendment) Act, 2004 (No. 7 of 2004) as: k) a computer programme per se other than its technical application to industry or a combination with hardware; (ka) a mathematical method or business method or algorithms;

However, through the enactment of the Patents (Amendment) Act, 2005 (No. 15 of 2005), which did not include these amended provisions of the ordinance, the position of 2002 amendments were restored automatically.

Therefore, the re-instatement of the original phraseology of section 3 (k) clearly indicates that the legislature intended to retain the original scope of exclusion and did not approve its widening under this sub-section as attempted through the ordinance.

Computer- a) The term “computer” is defined in The Information Technology Act, 2000 (No. 21 of 2000) as “any electronic magnetic, optical or

other high-speed data processing device or system which performs logical, arithmetic, and memory functions by manipulations of electronic, magnetic or optical impulses, and includes all input, output, processing, storage, computer software, or communication facilities which are connected or related to the computer in a computer system or computer network.”

b) and under Section 2 (ffb) of the Copyright Act 1957, as "Computer" includes any electronic or similar device having information processing capabilities;

Computer Network-The term “computer network” is defined in The Information

Technology Act, 2000 (No. 21 of 2000) as “the interconnection of one or more computers through -

(i) the use of satellite, microwave, terrestrial line or other communication media; and

(ii) terminals or a complex consisting of two or more interconnected computers whether or not the interconnection is continuously maintained.

Computer System- The term “computer system” is defined in The Information

Technology Act, 2000 (No. 21 of 2000) as “a device or collection of devices, including input and output support devices and excluding calculators which are not programmable and capable of being used in conjunction with external files, which

contain computer programmes, electronic instructions, input data and output data, that performs logic, arithmetic, data storage and retrieval, communication control and other functions;”

Computer related inventions: This phraseology has not been defined in any of the Indian statutes and it is construed to mean for the purpose of these guidelines as any invention which involves the use of computers, computer networks or other programmable apparatus and includes such inventions, one or more features of which are realized wholly or partially by means of a computer programme/programmes.

Data- The term “data” is defined in the Information Technology Act, 2000 (No. 21 of 2000) as “a representation of information, knowledge, facts, concepts or instructions which are being prepared or have been prepared in a formalized

manner, and is intended to be processed, is being processed or has been processed in a computer system or computer network, and may be in any form (including computer printouts, magnetic or optical storage media, punched cards, punched tapes) or stored internally in the memory of the computer;”

Computer Program- The term computer programme has been defined in the Copyright Act 1957 under Section 2 (ffc) as “computer programme” means a set of instructions expressed in words, codes, schemes or in any other form, including a machine readable medium, capable of causing a computer to perform a particular task or achieve a particular result.

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### 12.3. Computer Programmes “per se”:

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To comply Section 3 (k) of Indian Patent Act and Berne Convention, in which India is a signed party, the Indian Patent Office objects to allow the software per se patent application as a patentable subject matter. Sec 3(k) can be read as "a mathematical method or business method or a **computer program per se** or algorithms" is not patentable subject matter. And Berne Convention says that "Software is protected as works of literature" i.e. software is protected under copyright (amended Indian Copyright Act, 1994). Hence, to avoid the dual nature in legal protection, software per se patent applications have not been allowed in India. The draft manual of Amended Patent Act in 2005, for the first time introduces patentability criteria in the computer related patent application. The said criteria include the legal boundary of the word "software or computer program per se" i.e. under what extend a software or computer program related invention falls in the patentable subject matter. With this move, India has joined the league of countries in the market economies of software industry.<sup>47</sup>

"Software per se" is not patentable in India whereas, software related inventions or computer related invention accompanied by a novel and non-obvious technical application to the industry is patentable subject matter. Method claims should include technically enable matter to produce technical effect and System claims of the invention should comprise software embedded with hardware components. The method or process based software related invention is patentable

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<sup>47</sup> [http://www.hkindia.com/news\\_letter/patent/3/patent%20issue-3.html](http://www.hkindia.com/news_letter/patent/3/patent%20issue-3.html)

only if the claims of the invention involve, the following steps such as process to have a novel and inventive technical effect or in other words, it should solve a technical problem in the prior art, it should comprise a method to incorporate the details regarding the mode of the implementation of the invention via Hardware, for better clarity, it should comprise a process or method required to be defined in relation with the particular hardware components and it should have hardware or machine limitation.<sup>48</sup>

A method of controlling an information processing apparatus by means of communicating via the Internet with an external apparatus. Here, though a network is involved an external apparatus and information processing apparatus are however involved to carry out the methods and hence, such types of methods involving technical features accompanied with the hardware parts are allowed. And whereas, a System or apparatus type software related invention is patentable only if the claims of the invention involve, a clearly defined inventive constructional hardware features along with the software and a "Process limitation" for an apparatus or system, where "limitation" means defining the specific application and not the general application. A system for converting graphical display of a starting language to that of a selected language and said the said system comprising a microprocessor, a display apparatus having a display panel and a display control having control programs, a text store chip comprising alphanumerical identification expressions having associated alphanumerical message character strings in the selected language. Such types of system claims have been allowed recently by the Indian Patent Office.<sup>49</sup>

Computer program product: The claims relating to computer program product are nothing but computer program per se simply expressed on a computer readable storage medium (CD, DVD, Signal etc.) and as such are not allowable.

Example: A computer program product for feeding back information from a receiver to a transmitter, the program comprising code which when executed on a processor of the receiver receives signals from the transmitter over a wireless multiple-input multiple- output channel; based on the received signals, transmits a plurality of reports back from the receiver to the transmitter in a periodic sequence of respective time intervals, the reports of each period comprising at least an

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<sup>48</sup> Ibid

<sup>49</sup> Ibid

indication of a pre-coding matrix and an indication of a rank of the pre-coding matrix in response to an event, omits the report comprising the rank indications from one of said periods; determines a subsequent report comprising an indication of a pre-coding matrix on the basis of a predetermined default rank, and transmits that report to the transmitter

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#### **12.4. A mathematical or business method or a computer programme per se or algorithms are not inventions and hence not patentable:**

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a. Under this provision, mathematical methods, business methods, computer programmes per se and algorithms are not considered as patentable subject matter.

b. ‘Mathematical methods’ are considered to be acts of mental skill. A method of calculation, formulation of equations, finding square roots, cube roots and all other methods directly involving mathematical methods are therefore not patentable. With the development in computer technology, mathematical methods are used for writing algorithms and computer programs for different applications and the claimed invention is sometimes camouflaged as one relating to the technological development rather than the mathematical method itself. These methods, claimed in any form, are considered to be not patentable.

c. “Business Methods” claimed in any form are not patentable subject matter. The term ‘Business Methods’ involves whole gamut of activities in a commercial or industrial enterprise relating to transaction of goods or services. With the development of technology, business activities have grown tremendously through e-commerce and related B2B and B2C business transactions. The claims are at times drafted not directly as business methods but apparently with some technical features such as internet, networks, satellites, tele-communications etc. This exclusion applies to all business methods and, therefore, if in substance the claims relate to business methods, even with the help of technology, they are not considered to be a patentable subject matter.

d. Algorithms in all forms including but not limited to, a set of rules or procedures or any sequence of steps or any method expressed by way of a finite list of defined instructions, whether for solving a problem or otherwise, and whether

employing a logical, arithmetical or computational method, recursive or otherwise, are excluded from patentability.

e. Patent applications, with computer programme as a subject matter, are first examined with respect to (b), (c) and (d) above. If the subject matter of an application does not fall under these categories, then, the subject matter is examined with a view to decide whether it is a computer programme per se.

f. If the claimed subject matter in a patent application is only a computer programme, it is considered as a computer programme per se and hence not patentable. Claims directed at 'computer programme products' are computer programmes per se stored in a computer readable medium and as such are not allowable. Even if the claims, inter alia, contain a subject matter which is not a computer programme, it is examined whether such subject matter is sufficiently disclosed in the specification and forms an essential part of the invention.

g. If the subject matter of a patent application is not found excluded under the foregoing provisions, it shall be examined with respect to other criteria of patentability.

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## **12.5. Functions of Indian Patent Office as Receiving Office:**

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1. Patent Office receives the PCT International Application from the applicant or from his authorized Agent.
2. The Office accords the date of receipt of international application as the international filing date, provided that the Office has found that, at the time of receipt:
  - i. The applicant does not obviously lack, for reasons of residence or nationality, the right to file an international application with the Office.
  - ii. The international application is in the prescribed language.
  - iii. The international application contains at least the following elements:
    - an indication that it is intended as an international application,
    - the designation of at least one contracting state,
    - the name of applicant, as prescribed,
    - a part which on the face of it appears to be a description, a part which on the face of it appears to be claim(s).

3. (a) If the Office finds that the international application did not, at the time of receipt, fulfill the requirement listed in para 2 above, the Office, as provided in the regulations, invites the applicant to file the required correction.  
(b) If the applicant complies with the invitation, as provided in the regulations, the Office accords the date of receipt of the required correction as the international filing date.
4. (a) Then the Office checks whether the International Application contains any of the following defects:
  - i. it is not signed as provided in the regulations,
  - ii. it does not contain the prescribed indications concerning the applicant,
  - iii. it does not contain a title,
  - iv. it does not contain an abstract,
  - v. it does not comply to the extent provided in the regulations with the prescribed physical requirements.(b) If the Office finds any of the above defects, it invites the applicant to correct the international application as soon as possible, ordinarily within one month from the date of filing, giving a time limit of two months for correction. If the applicant fails to make correction within the prescribed time limit of two months or the time limit as extended by the Office, the application shall be considered withdrawn and the Office declares so.
- (c) If the international application refers to drawings which, in fact, are not included in that application, the Office notifies the applicant accordingly and if the applicant furnishes the same within two months or within the time limit as may be extended by the Office, the international filing date shall be the date on which the drawings are received by the Office. Otherwise, any reference to the said drawings shall be considered non-existent.
- (d) If the Office finds that within the prescribed time limits the fee prescribed under Art.3(4)(iv) has not been paid, or no fee prescribed under Art.4(2) has been paid in respect of any of the designated states, the international application shall be considered to be withdrawn and the Office declares so.
- (e) If the Office finds that fee prescribed under Art.4(2) has been paid in respect of one or more (but less than all) designated states within the prescribed time limit, the designation of those states in respect of which it has not been paid within the prescribed time limit shall be considered and the Office declares so.



- (f) If, after having accorded an international filing date to the international application, the Office finds, within the prescribed time limit, that any of the requirement listed in 2(i to iii) above, was not complied with at that date, the application shall be considered as withdrawn and the Office declares so.
5. If the language of filing of the International Application is the one acceptable to the Office but not acceptable by the International Searching Authority to carry out International search, the applicant is required to furnish, within one month from the filing date of the Application, the translation into a language among the following:
    - a language accepted by the International Searching Authority to carry out International search;
    - a language of publication by IB (Arabic, Chinese, English, French, German, Japanese, Korean, Portuguese, Russian or Spanish)
  6. In cases, where the applicant fails to furnish, within the applicable time limit, a translation for the purpose of International search, the Office invites the applicant to furnish the missing translation. Where the applicant does not furnish the missing translation within the time limit fixed in the invitation, the International Application will be considered withdrawn and the Office declares so.
  7. Not all the requirements of the International Application are required to be examined by the Office. For instance, the Office does not deal with substantive questions such as, whether the disclosure of the invention in the Application is sufficient and whether the requirement of unity of invention is complied with. It also does not check all the many detailed physical requirements of the International Application.
  8. Those requirements are only checked to the extent that compliance with such requirements is necessary for the purpose of reasonably informed International publication.
  9. Typical examples of defects, which may be corrected without affecting the International filing date, are:
    - Non-payment or partial payment of fees;
    - Lack of signature in the request;
    - Lack of a title of the invention;
    - Lack of an abstract;
    - Physical defects.

However, in all such cases, non-correction within the prescribed time limit may lead to the Application being considered withdrawn as mentioned in the foregoing paragraphs.

10. All the actions as regards to non compliance of the requirements of the International PCT application are subject to strict observance by the Patent Office of the PCT Receiving Office Guidelines.
11. The Office then transmits the “*record copy*” of the International Application to the International Bureau and the “*search copy*” to the International Searching Authority. The Office keeps a third copy, the “*home copy*”. The transmittals do not take place if, and as long as, national prescriptions concerning national security apply and the provisions of Section 35 follow.
12. The Office then mails the record copy promptly to the International Bureau and in any case not later than five days prior to the expiration of the 13th month from the priority date.
13. The search copy must be transmitted by the Office to the International Searching Authority at the time of transmittal of the record copy to the International Bureau except, where the search fees has not been paid on time, in which case, the transmittal of search copy takes place after that fees has been paid.

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## **12.6. Computer related Patent Applications:**

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Practical application of computer related innovation is patentable. Though software's, per se, are not patentable, specific software products that have a useful practical application are patentable, like software used in devices like pacemakers. Utilities of invention must be within the technological arts. A computer program is eligible for patenting if it makes technical contribution to the known art. If a program can make a system work faster or efficiently, then it is eligible for patenting. Only a claim having a practical application in the technological arts is statutory and hence patentable. Some typical software patents are:

- Ideas, systems, methods, algorithms and functions in software products
- Editing functions, user-interface features, compiling techniques
- OS functions
- Program algorithms
- Menu arrangements
- Display presentations/arrangements

- Program language translations

US recognizes methods of doing business patentable now and this brought a range of process like e-commerce, e-gambling and online stock trading as patentable.

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## **12.7. PCT Search Authority:**

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The Indian Patent Office and the International Bureau of the World Intellectual Property Organization, Considering that the PCT Assembly, having heard the advice of the PCT Committee for Technical Cooperation, has appointed the Indian Patent Office as an International Searching and Preliminary Examining Authority under the Patent Cooperation Treaty and approved this Agreement in accordance with Articles 16(3) and 32(3).

Basic Obligations: (1) The Authority shall carry out international search and international preliminary examination in accordance with, and perform such other functions of an International Searching Authority and International Preliminary Examining Authority as are provided under, the Treaty, the Regulations, the Administrative Instructions and this Agreement.

(2) In carrying out international search and international preliminary examination, the Authority shall apply and observe all the common rules of international search and of international preliminary examination and, in particular, shall be guided by the PCT International Search and Preliminary Examination Guidelines.

(3) The Authority shall maintain a quality management system in compliance with the requirements set out in the PCT International Search and Preliminary Examination Guidelines.

(4) The Authority and the International Bureau shall, having regard to their respective functions under the Treaty, the Regulations, the Administrative Instructions and this Agreement, render, to the extent considered to be appropriate by both the Authority and the International Bureau, mutual assistance in the performance of their functions there under.

Competence of Authority:

(1) The Authority shall act as International Searching Authority for any international application filed with the receiving Office of, or acting for, any Contracting State specified in Annex A to this Agreement, provided that the

receiving Office specifies the Authority for that purpose, that such application, or a translation thereof furnished for the purposes of international search, is in the language or one of the languages specified in Annex A to this Agreement and, where applicable, that the Authority has been chosen by the applicant.

(2) The Authority shall act as International Preliminary Examining Authority for any international application filed with the receiving Office of, or acting for, any Contracting State specified in Annex A to this Agreement, provided that the receiving Office specifies the Authority for that purpose, that such application, or a translation thereof furnished for the purposes of international preliminary examination, is in the language or one of the languages specified.

(3) Where an international application is filed with the International Bureau as receiving Office under Rule 19.1(a)(iii), paragraphs (1) and (2) apply as if that application had been filed with a receiving Office which would have been competent under Rule 19.1(a)(i) or (ii), (b) or (c) or Rule 19.2(i).

Termination:

(1) This Agreement shall terminate before December 31, 2017:

(i) if the Indian Patent Office gives the Director General of the World Intellectual Property Organization written notice to terminate this Agreement; or  
(ii) if the Director General of the World Intellectual Property Organization gives the Indian Patent Office written notice to terminate this Agreement.

(2) The termination of this Agreement under paragraph (1) shall take effect one year after receipt of the notice by the other party, unless a longer period is specified in such notice or unless both parties agree on a shorter period.

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## **12.8. Examination Process :**

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The mere arrangement or re-arrangement or duplication of known devices each functioning independently of one another in a known way is not an invention: In order to be patentable, an improvement on something known before or a combination of different matters already known, should be something more than a mere workshop improvement; and must independently satisfy the test of invention or an 'inventive step'. To be patentable, the improvement or the combination must produce a new result, or a new article or a better or cheaper article than before. A combination of old known integers may be so combined that by their working inter-relation, they produce a new process or an improved result. Mere collocation

of more than one integers or things, not involving the exercise of any inventive faculty, does not qualify for the grant of a patent. (Biswanath Prasad Radhey Shyam Vs. Hindustan Metal Industries(1979) 2 SCC, 511).

A new and useful application of an old principle may be good subject-matter. An improvement on something known may also afford subject-matter; so also a different combination of matters already known. A patentable combination is one in which the component elements are so combined as to produce a new result or arrive at an old result in a better or more expeditious or more economical manner. If the result produced by the combination is either a new article or a better or cheaper article than before, the combination may afford subject-matter of a patent. (Lallubhai Chakubhai Vs. Chimanlal and Co. (AIR 1936 Bom 99.)

An invention claiming a mere juxtaposition of known devices in which each device functions independently is not considered patentable. Merely placing side-by-side old integers so that each performs its own function independently of the others is not a patentable combination. [As for example: a flour mill provided with sieving means]. However, where the old integers when placed together have some working interrelation, producing a new or improved result, then there could be a patentable subject matter in the working interrelation brought about by the collection of the integers.

When two or more features of an apparatus or device are known, and they are juxtaposed without any inter-dependence on their functioning, they should be held to have been already known. (Rampratap v. Bhabha Atomic Research Center, 1976 IPLR 28 P. 35), e.g., an umbrella with fan (388/Bom/73), bucket fitted with torch, clock and transistor in a single cabinet. These are not patentable, since they are nothing but mere arrangement and rearrangement of items without having any working interrelationship between them and are devices capable of functioning independently of each other.

As for instance, in the case of an application for a patent in respect of an apparatus for producing metallic bellows, the hydraulic machine and the roll forming machine disclosed therein were functioning as separate machines independently of each other and as such had no novel feature. Hence, there is no

invention when a claim is made on known types of hydraulic forming and roll forming machines functioning independently of each other.

A new combination may be the subject matter of a patent although every part of the combination, per se, is old, for here the new article is not the parts themselves but the assembling and working of the parts, together. The merit of a new combination very much depends upon the result produced. Where a slight alteration turns that which was practically useless into what is useful and important, it is fit subject matter for a patent. (Lallubhai Chakkubhai v. Shamaldas Sankalchand Shah, AIR 1934 Bom 407).

**Sufficiency of Disclosure<sup>50</sup>:** Sufficiency of disclosure is yet another aspect, which is checked by the Examiner while examining a patent application. The Examiner will look for whether:

- a. the specification is properly titled.
- b. the subject matter is fully and particularly described in the specification.
- c. the claims define the scope of the invention properly.
- d. the Specification describes the best method of performing the invention or not.
- e. the source and geographical origin, in case of inventions related to biological materials, has been disclosed.
- f. approval obtained from Biodiversity Authority, wherever applicable.
- g. accession number and other details of the depository are given, if applicable

**Unity of Invention<sup>51</sup>:**

- a) The Claims of a Specification shall relate to a single inventive concept. In case, an application comprises a plurality of inventive concepts the examiner refers to the same in his report. The application may be divided in order to meet the objection of plurality of distinct inventions.
- b) The determination whether a group of inventions is so linked as to form a single inventive concept shall be made without regard to whether the inventions are claimed in separate claims or as alternatives within a single claim.

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<sup>50</sup> <http://www.ipindia.nic.in/ipr/patent/manual>

<sup>51</sup> <http://www.ipindia.nic.in/ipr/patent/manual>

- c) Unity of invention between process and apparatus or means requires that the apparatus or means have been specifically designed for carrying out the process, or at least a step of the process.
- d) Independent claims of different categories may relate to a single inventive concept. For example:
  - 1. Claims for a product and process specially adapted for manufacture of the product.
  - 2. Claims for a process and apparatus or means specifically designed for carrying out the process.
  - 3. A mould for casting an article, a method of making that mould, a process of casting the article by using the said mould will constitute a single invention.
  - 4. A locking system containing plug and socket wherein separate independent claims for a plug and socket may constitute a single inventive concept.
  - 5. A broadcasting system comprising transmitter and receiver.
  - 6. If an invention relates to a new type of spray bottle, claims may be directed to the spray bottle itself (a product) and a method of making the spray bottle (a process).
  - 7. In case of a genetically modified Gene Sequence/ Amino Acid Sequence claims may be directed to a Gene sequence / Amino Acid sequence, a method of expressing the sequence, an antibody against that protein / sequence, a kit containing such antibody / sequence.
  - 8. In case of a drug or pharmaceutical product, claims may be directed to a drug or pharmaceutical product, a process of making the product, a composition containing the drug.

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## **12.9. Legal Provisions:**

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Software Patent law in India: The Indian Patent Law does not contain any specific provision regarding the protection of computer software. There are no guidelines or office procedures followed by the Indian patent office regarding computer software (Anna Elizabeth Kuruvilla, 2003). Although, computer programs are not patentable per se, however a claim to a manner of manufacture, which results in a tangible product, which requires the application of an algorithm or a particular computer program, may be patentable. India has recently prepared itself for providing patent registrations on software.

Copyrights: Copyright violations can occur in literal and non-literal sense. In literal sense one copies the actual work or text or source code. Non-literal copying pertains to elements such as structure, sequences, functions, interfaces, methodologies etc. Both literal and non-literal expressions are protected – either in parts as whole work.

An example of this is Lotus123 V/s VP-Planner (Asit Narayan and Thakur, 2000). The VP-Planner copied overall structure, screen display and user interfaces as in Lotus123, but developed the software using different code. This may not be a copyright violation as methods of operation are not protectable but the two line moving cursor of LOTUS is protected and hence VP-Planner is treated as the copyright violation.

Making import, sale, hire of devices specifically designed to circumvent copy protection of a work in electronic form are treated as copyright infringement. Furthermore, publishing information to enable circumvent copy protection is similarly treated. For example, purchasing a CD recorder is legal but copying software without authorization is an illegal use. Recording a TV production and using it later also infringes copyright law. However, if not done purposefully it cannot be a violation, but the accused has to prove innocence.

Software copyright law in India: The Indian government has been an active participant in protecting the rights of Copyright holder. Both Department of electronics and Ministry of Human resource Development have actively helped in bringing amendments to the Indian Copyright Act (Naavi, 2003b). Indian copyright act of 1957 is amended to extend its coverage to computer software also. Computer programs received statutory recognition as a 'literary work' in 1984 and the definition has been amended and made more specific and precise in the Copyright Amendment Act of 1994. India was one of the first countries in the world to provide statutory protection to computer software and is one of the toughest in the world. Major changes to Indian Copyright Law introduced in June 1994 include :

- the definition of computer program,
- explains the rights of copyright holder,
- position on rentals of software,
- the rights of the user to make backup copies, and
- punishment and fines on infringement.



According to Section 14 of the Copyright Act, it is illegal to make or distribute copies of copyrighted software without proper or specific authorization. The only exception is provided by the act, which allows a back up copy purely as a temporary protection against loss, distribution or damage to the original copy.

The act prohibits the sale or to give on hire, or offer for sale or hire, any copy of the computer program without specific authorization of the Copyright holder. In this regard software copyright is different from copyright of literary work as they can be resold. Software is licensed to use in a particular machine. Indian law prohibits unauthorised duplication of software for use by different users or machines within an organisation. The copyright infringer may be tried under both civil and criminal law. The Act provides for jail term of 7 days to three years and fines ranging between Rs 50,000 to Rs.2,00,000 and or both (Nasscom, 2003).

As per Indian law, it is not necessary to register with the Copyright Office to get copyright protection. As per the Berne Convention for protection of literary and artistic works- to which India is a signatory- copyright of any work in the member countries is protected in all the signatory countries. Though registration of copyright is optional, it is however, a good idea to incorporate a copyright notice, as it is helpful in an infringement suit. Copyright protection, is automatic from the moment the work is embodied in some medium like CDRom, magnetic tape, diskette or paper. For registration, one has to send three complete copies of works whether published or unpublished along with fee of Rs 10 to the Registrar of Copyrights, New Delhi.

Internet or Cyber Space: Any information placed on internet is considered as public domain knowledge. This gives right to others to use it but does not give rights for commercial purposes. One has to be careful in using the information available on net for commercial purposes. The origin of broadcast and actual use can be different in different geographic locations and jurisdictions. Normally any misuse is treated as offence at place where offence took place. For placing information on net one has to be careful about laws of all jurisdiction where the site can be accessed through the Internet. Unlike newspapers, Internet cannot have control on distribution even if intended.

Cyber Laws: Cyber space is theoretically subjected to jurisdiction of all of the world legal systems. By its nature, Internet makes territorial application of

national laws obsolete. There are moves to develop a separate law for cyberspace, which will become applicable anywhere with certain flexibility in terms of limits while making territorial laws. India is one of the first few countries to enact the IT law in 2000 which is broadly in the lines of model law on electronic commerce adopted by United Nations commission on international trade law in the year 1997. As per the law most IP items can be used fearlessly for academic and research purposes without any commercial intent.

Cyber Crimes: The IT Act 2000 address the question of cyber crimes by defining what is a crime and the penalties there of. Broad outline of the cyber crime as per law are (Vivekanadan, 2003b):

- Unauthorized access to information systems
- Disruption of information systems (Denial of access)
- Damage due to introduction of viruses
- Interception of communications
- Malicious misrepresentation (defamation, impersonation, cheating)
- Hacking (tampering, fraud, stalking, spam)
- Providing assistance to others for doing unlawful things

Electronic Publishing: Electronic journals are good examples of electronic publishing. In such items licensing agreements are very important, as any use beyond scope of license will be a copyright violation. Facilitators need to be careful on who are accessing and the type of use. The facilitators are vulnerable if they are not careful on agreements while subscriptions are made. One way to minimize the risk is to post warning notices and educate the users about copyright law. Nevertheless, one should carefully check the indemnity clauses of contract.

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## **12.10. Offences and Remedies:**

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The law specifies the penalties, power to investigate offences and proper law of jurisdiction specific to each violation. The violations are punishable by civil, criminal and administrative means. The owner of the IP can decide on the nature and type of law and redress needed as per the situation and magnitude of infringement or violation.

In India, there are few IT related IP cases of international nature. Indian courts judge infringements based on 'cause of action' test (Krishna Kumar, 2001). Besides, Indian courts respect decrees by foreign courts on IP violations by Indian

citizens owing to India's commitment to various international treaties. It is, therefore, not enough to be mindful of local laws alone. In the developed world there is extensive case law largely because of magnitude of litigation and overall IT penetration in those countries. On this count, internet poses potential risk, especially to commercial enterprises and individuals doing business through net in India, as the violations are punishable either by the country's law or by the law of the foreign country from where the business web is hosted.

Compliance of conditions under the Act: The Patent is granted as expeditiously as possible when

1. the application has not been refused by the Controller by virtue of any power vested in him by this Act, or
2. the application has not been found to be in contravention of any of the provisions of the Act, or

For instance,

- a. All objections raised by the examiner have been met and documents returned with the FER have been resubmitted after complying with the requirements, within 12 months from the date of the FER.
- b. In cases where the FER contains reference to a prior art which was published before the date of filing of complete specification but after the date of priority of the application, the applicant will have to prove that the priority date of the claim of his complete specification is earlier than the date on which the relevant document was published. The priority date of such claim is the date on which the matter was first disclosed in the relevant specification. In the alternative, the applicant may amend his complete specification to overcome the objection in respect of such document. In the absence of above mentioned proof or amendment, the application is liable to be refused, after following the procedure elaborated in Rule 28, 28-A
- c. In cases where the FER contains reference to a prior art which was published after the date of filing of his complete specification but claiming an earlier priority date, the applicant will have to prove that the priority date of the claim of his complete specification is earlier than the date on which such document was published. The priority date of such claim is the date on which the matter was first disclosed in the relevant specification. In the alternative, the applicant may amend his complete specification to overcome the objection in respect of such document. In the

absence of above mentioned proof or amendment, a reference to the other specification shall be inserted by way of notice to the public in the applicant's specification, after following the procedure elaborated in Rule 29-31.

- d. When there is no pre-grant representation pending before the grant of Patent or when the Pre-Grant Opposition has been disposed of in favor of the applicant, the date of grant of patent is the date on which the patent is granted by the Controller in the file. The patent number is simultaneously generated. As the Patent Office has moved to complete electronic processing, the fact of grant of Patent by the Controller and the Patent Number is reflected on the official website on real time basis.

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### **12.11. Summary:**

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The issues related to computer patent are a very debating now a day. There are so many efforts at international level to deal this very complex issue. In this unit Indian patent law and definition of important terms, computer programmes 'per se', A mathematical or business method or a computer program per se or algorithms are not inventions and hence not patentable, functions of Indian Patent Office as receiving office, Computer related patent applications, PCT search Authority, Examination Process, Legal Provisions and Offences and Penalties are discussed at length through the important legal provisions in Indian perspective at length.

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### **12.12. Some Useful Books:**

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- A. An Introduction to Intellectual Property Rights by J.P. Mishra; Central Law Publication-Third Edition-2012
- B. Law relating to Intellectual Property Law by V.K. Ahuja; Lexis-Nexis Publication (2013)
- C. Intellectual Property Law Manual-Universal Publication (2014)
- D. Intellectual Property by W.R. Cornish; Third Edition-First Indian Reprint,2001
- E. Copyright Act, 1957-Bare Act (Universal Publication)
- F. Trade Marks Act, 1999-Bare Act (Universal Publication)
- G. The Patent Act, 1970-Bare Act (Universal Publication)
- H. Law relating to Intellectual Property by B.L. Wadehra (Universal Publication)

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**12.13. Check your Progress:**

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- A. Which of the following statements are true or false:
1. The invention relating to “method” or “processes” were limited to “manner of manufacture”.
  2. A computer program per se other than its technical application to industry or a combination with hardware.
  3. Section 2 (ffb) of the Copyright Act, 1957 is related to ‘computer’.
  4. “Computer network” is not defined under Information Technology Act, 2000.
  5. Berne Convention says that software is protected as work of literature.
- B. Fill in the blanks:
1. Section 3(k) of the Patent Act was amended in the year 2004 through.....
  2. The term “computer” is defined in the .....
  3. “Mathematical methods” are considered to be acts of .....
  4. A computer program is eligible for patenting if it makes .....to the known art.
  5. The mere arrangement or re-arrangement or duplication of known devices each functioning independently of one another in a known way is not .....

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**12.14. Answer to Check your Progress:**

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- A.
1. True
  2. True
  3. True
  4. False
  5. True
- B.
1. Patents (Amendments) Act, 2004
  2. Information Technology Act, 2000
  3. Mental Skill
  4. Technical Contribution
  5. An invention

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**12.15. Terminal Questions:**

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1. What are important terms related to computer program?
2. What is the importance of computer program “per se”?
3. What are the functions of the Indian Patent Office as receiving office?
4. Discuss computer related patent application.
5. Write a note on offences or remedies.

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# Unit-13

## Understanding of Trademark

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### Objectives:

After going through this unit you should be able to:

- Understand the issues and subject matters related to Trademark
- Understand the remedies which are available against Trademark Infringement
- Understand the technical and legal issues related to Trademark

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### Summary:

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- 13.1. Introduction
- 13.2. Functions and Objectives of Trademark
- 13.3. Historical Background of Trademark Law in India
- 13.4. Meaning and Definition of Trademark
- 13.5. Classification of Trademark
- 13.6. The International Nature of Trademark Law
- 13.7. Trademark and Goodwill
- 13.8. Trademark Law-US Position
- 13.9. Assignment of Trademark
- 13.10. Existence of Trademark without Registrations
- 13.11. Summary
- 13.12. Some Useful Books
- 13.13. Check your Progress
- 13.14. Answer to Check your Progress
- 13.15. Terminal Questions

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### 13.1. Introduction:

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The origin of trademarks can be traced back as far as the beginning of the circulation of goods. The history of marks is nearly as old as the histories of mankind and religion. Scientists have come across excavated artifacts from places

such as ancient Egypt with various symbols carved thereon for religious and superstitious reasons. "Potters marks" appeared in relics left from the Greek and Roman periods and were used to identify the maker (potter) of a particular vessel). Among those who specialize in researching the cultural heritage of marks, the studies surrounding "potters marks" are famous. It would be difficult, however, to say that these marks are trademarks in the sense of the modern meaning.

Around the 10th century, a mark called a "merchants mark," appeared, and symbols among traders and merchants increased significantly. These marks, which can be considered one kind of "proprietary mark," essentially were used to prove ownership rights of goods whose owners were missing due to shipwrecks, pirates, and other disasters. Even now, in every part of the world, horses, sheep, and other animals are still branded with a mark identifying the owner. In Japan, a symbol is affixed to lumber that is tied onto a raft and sent down a river to its mouth. These types of marks are reminiscent of the "merchant's mark" of the past.

In guilds of the middle ages, craftsmen and merchants affixed marks to goods in order to distinguish their work from the makers of low quality goods and to maintain trust in the guilds. These marks, known as "production marks," served to punish the manufacturers of low quality goods for not meeting the guild's standards and to maintain monopolies by the guild's members. These production marks helped consumers to identify and assign responsibility for inferior products, such as, goods short in weight, goods comprised of poor quality materials, and goods made with inferior craftsmanship. Because these marks were affixed out of compulsion or obligation, rather than one's own self-interest, they also became known as "police marks" or "responsibility marks". They acted not only to distinguish between sources of goods, but to serve as an indicator of quality as well. While modern marks work to ensure the quality and superiority of certain goods, the obligatory marks served to uncover defective goods. "Responsibility marks" were more burdensome than real property, and could not be changed easily once the mark had been adopted.

Furthermore, it is thought that this type of mark did no more than simply guarantee minimum quality. Finally, these symbols were different from modern marks in that they emerged to benefit the guilds, and were not for the benefit of the production mark owner. From the Middle Ages, through "police marks" and "responsibility marks," modern trademarks slowly developed as the Industrial



Revolution sparked the advent of what is now modern-day capitalism. Gradually, the guild systems disintegrated, and free business was established. Marks began to actively identify the source of goods rather than obligatory guild membership. About this time, special criminal laws protecting trademarks were also developed out of early forgery, counterfeiting, and fraud laws. Civil protection was gradually and systematically established against those who would use another's mark without permission ("infringers").

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## **13.2. Functions and Objectives of Trademark:**

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Trademarks serve as a vehicle for the creation and retention of custom by their use, as they indicate the origin of goods and services. The Supreme Court in the case of *Satyam Infoway v Sify Net Solutions* (2004) 28 PTC 566, 569 (SC) has outlined the purpose of trademarks as follows:

‘The function of a trademark is to give an indication to the purchaser or possible purchaser as to the manufacture or the quality of the goods, to give an indication to his eye of the trade source or trade hands through which they pass on their way to the market.’

Thus, the purpose of a trademark is to focus attention on the origin of goods, not the proprietor of the goods. The U.S. Supreme Court said it best. The basic objectives of trademark law are as follows:

"Trademark law, by preventing others from copying a source-identifying mark, 'reduce[s] the customer's cost's of shopping and making purchasing decisions,' for it quickly and easily assures a potential customer that the this item -- the item with this mark -- is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past. At the same time, the law helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product." *Qualitex Co. v. Jacobson Products Co*, U.S. Supreme Court (1995).

Trademarks protect consumers from being misled. They ensure free competition by protecting the goodwill of the entity that owns the mark. Unlike copyrights that deal with the marketplace of expressive ideas, trademarks deal with the marketplace of goods and services.

A trademark represents the goodwill of a business or a particular manufacturer or producer. Trademark symbols provide powerful source-identifying cues that allow us to make value judgments about the quality of certain goods before we sample them. For example, when we see (and hear) Leo the Lion and the phrase "Ars Gratia Artis" at the beginning of a motion picture, we immediately associate this trademark with "MGM Studios," home of Garbo, Crawford, Gable Tracy and Hepburn, Mickey Rooney and Judy Garland. Similarly, when you see the distinctive shape of a bottle of "Coca-Cola" you know, without having to read the label, what is inside.

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### **13.3. Historical Background of Trademark Law in India:**

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Trademark laws in India: While some form of proprietary protection for marks in India dates back several millennia, India's statutory Trademarks Law dates back to 1860. Prior to 1940 there was no official trademark Law in India. Numerous problems arose on infringement, law of passing off etc and these were solved by application of section 54 of the specific relief act 1877 and the registration was obviously adjudicated by obtaining a declaration as to the ownership of a trademark under Indian Registration Act 1908. To overcome the aforesaid difficulties the Indian Trademarks Act was passed in 1940, this corresponded with the English Trademarks Act. After this there was an increasing need for more protection of Trademarks as there was a major growth in Trade and Commerce. The replacement to this act was the Trademark and Merchandise Act 1958. This Act was to provide for registration and better protection of Trademarks and for prevention of the use of fraudulent marks on merchandise. This Law also enables the registration of trademarks so that the proprietor of the trademark gets legal right to the exclusive use of the trademark. The objective of this act was easy registration and better protection of trademarks and to prevent fraud. The reappellation of the Trademarks and Merchandise Act gave rise to the Trademark Act 1999; this was done by the Government of India so that the Indian Trademark Law is in compliance with the TRIPS obligation on the recommendation of the World Trade Organization. The object of the 1999 Act is to confer the protection to the user of the trademark on his goods and prescribe conditions on acquisition, and legal remedies for enforcement of trademark rights.

It will for the first time protect service marks and give provision of registration for collective marks, it will also differentiate between well known trademarks and trademarks in general, and also special treatment and rights are envisaged for well known trademarks. The act of 1999 also gives police the right to arrest in case of infringement. There are some points of changes that are present between the 1958 act and 1999 act, it can be said that the 1999 act is a modification of the 1958 act, it has provided exhaustive definitions of terms frequently used, enhanced punishment for offenders, increased the period of registration, registration of non- traditional trademarks. The rules of this act are called as Trademark Rules 2002. Both the Act and its set of rules came to effect on September 15th 2003. The trademark act 1999 and its trademark rules 2002 presently govern Indian Trademark Laws in India. Laws of trademarks are based on distinctiveness and deceptive similarity. If distinct signs are freely used the brand equity created by one person will be freely used by another. The value of distinctive sign depends on sales volume and public association of sign with quality.

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#### **13.4. Meaning and Definition of Trademark:**

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A trademark is any sign that individualizes the goods of a given enterprise and distinguishes them from goods of its competitors. Marketing of a particular good or service by the producer is much better off as by trademark because recognition becomes easier and quality is assured. The owner of the mark can prevent the use of similar or identical signs by competitors if such marks can lead to confusion. By this way similar low quality substitutes will be prevented from replacing good quality ones. A trademark is a word or symbol or combination thereof used by manufacturer or vendor in connection with a product or service. The distinctiveness is maintained as well as sales are much smoother as people are able to identify with that particular commodity or service. The Trade Mark Act, 1999 defines “well Known Trade mark” as a mark in relation to any goods and services which has become so to the substantial segment which uses such goods or receives such services that the use of such mark in relation to other goods or services would be likely to be taken as indicating a connection in course of trade or rendering of services between those goods or services and a person using the mark in relation to the first mentioned goods or services.

It is said that a trademark is a valuable business asset and a marketing tool which could help in financing of the business in a way. A brand is always a trademark but a trademark is not always a brand. This is quoted because there is often confusion between trademarks and brands, a brand is simply a name, logo or symbol whereas a trademark is a distinctive sign or indicator of some kind in a business organization, because of these trademarks has a wider connotation than brands. A trademark may also function to symbolize or guarantee the quality of goods which bear the trademark. People are often induced to buy a particular product due to its distinctive trademark that denotes quality .Trademark symbolizes the value or goodwill associated with the goods and which can be assessed by the extent to its perception in the public mind with regards to its quality and specific source.

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### **13.5. Classification of Trademark:**

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There are basically four types of trademarks they are

- Service Mark
- Collective Mark
- Certification Mark
- Trade Dress

All these types of Trademarks are equally important and promote activity as well as maintain the distinctiveness of the product.

**Service Marks:** A service Mark is any word, name, symbol, device, or any combination used or intended to be used in commerce to identify and distinguish the services of one provider by others and to indicate the source of services. It is basically useful in distinguishing one service provider from the other. Service Marks do not cover physical goods but only the provision of services. Service marks are used to identify a service, as Trademarks are used for protection of goods Service Marks are used in a number of day to day services some examples of them are:-

- ☐ Management and investment services
- ☐ Housing development services
- ☐ Advertising Promotional services
- ☐ Sponsorship

- ☐ Speed reading instruction
- ☐ Hotel and motel services
- ☐ Entertainment services rendered by individual , group or theatre

A service mark is generally adopted so that it can play a crucial role in marketing, promoting and sales of a product or service, it also plays the role of referring to a particular quality or standard for which the service mark is used.

Service mark is denoted by the letters SM. “Mark” may sometimes be used to refer to both a trademark and a service mark, because the terms are nearly but not completely interchangeable. Like trademark when choosing a name for a service mark a full research has to be conducted to make sure no other firm is using the same name.

**Collective Mark:** A collective Mark is one used by members of a cooperative association, union or other collective group or other group or organization to identify source the of goods or services. A collective mark means a mark which is utilized for goods and services with same characteristics which are to be traded by one or more person acting jointly or legal entity for differentiation with other goods or services of same kind. There are two types of Collective Marks or legal entity for differentiation with other goods or services of same kind. They are:-

1. **Collective Membership Mark :** These marks are not used to indicate source of goods or services but they indicate that the seller is part of a defined group.

2. **Collective Trademarks and collective Service marks:** These are used to indicate the source. Such collective marks are used by a group to indicate that the goods or services offered by each individual member of the group are products or services of the collective.

A collective mark is for use by the individual members of an organization but is registered as a whole. That is a collective mark may be used by the collective association that owns the mark. This provision was added to the Trademark Revision Act 1988, which came into effect on November 16th 1989 in the United States, so the collective is the owner of the mark, a conceptual problem may arise when an association is unincorporated because an unincorporated association does not have legal personality and so cannot normally own property itself.

**Certification Mark:** A certificate is evidence or probative matter providing assurance that some act has or has not been done or some event occurred or some

legal formality has been complied with. A certification Mark is a mark which indicates that certain qualities of goods or services in connection with which the mark are used is certified. A certification mark is thus defined in the Trademarks Act 1994, Section 50 as a mark indicating that the goods or services in connection with which it is used are certified by the proprietor of the mark in respect of origin, material, and mode of manufacture of goods or performance of services, quality, accuracy, or other characteristics. Registration of Certification Mark is done according to the Trademarks Act 1994. An important requirement for registration of certification mark is that entity which applies for registration is “competent to certify” the products concerned. Thus owner of certification mark must be representative of products to which certification mark applies. An authorized user of a certification Mark is expressly likened to a license of a trademark in specified circumstances, namely unauthorized application of the mark to certain material, prohibition of importation of infringing goods and order as to disposal of infringing goods. A registered mark maybe assigned according to registrar.

Trade Dress: Trade dress refers to combination of elements that make up the look, feel, or environment of a product or business; the term can refer to individual elements of a product or business image as well as to the image the combination of those elements creates as a whole. Trade Dress is non functional physical detail. Trade Dress may include a few important features like:-

- Packaging

- Size

- Shape

- Color

- Color Combination

- Texture

- Graphics

- Design

- Placement of words and decorations on a product

- Particular Sale Technique

Trade Dress can be mere coloring, surface ornamentation or a general appearance, a design patentable invention has to be a shape or appearance of a specific article which is more than a surface appearance, which relates to the overall appearance of the article and which is different enough to be considered

unobvious. Trade Dress may be protected under Lanham Act. It is advisable for every manufacturer to protect his trade dress as it can be easily copied.

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### **13.6. The International Nature of Trademark law:**

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Even though trademarks are regulated by each country independently, because goods travel beyond country borderlines and bear trademarks, trademark law has international implications. In Japan, the first trademark regulations were enacted in 1884, prior to the enactment of the Japanese Constitution and civil law. The reason behind enacting such a law was not only because of the Meiji government's commitment to strengthen Japan's industry and military, but also because of the strong international influence exerted by the countries that had signed commercial treaties with Japan. They demanded that Japan regulate trademarks. However, most people consider 1899 to be the start of internationalization of Japanese trademark law, when Japan joined the Industrial Property Rights Protection Alliance Treaty, also known as the Paris Convention. The Paris Convention was concluded in 1883 and its interpretation was supplemented in Madrid. It further underwent several amendments in 1900 (Brussels), 1911 (Washington, D.C.), 1925 (The Hague), 1934 (London), 1958 (Lisbon), and 1967 (Stockholm). It was revised in 1979 to the form as we know it today. Japan joined the treaty in 1899. Japan became a member of the treaty amended in Lisbon in 1965, and the treaty amended in Stockholm in 1975.

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### **13.7. Trademark and Goodwill:**

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Goodwill is also an intangible asset which cannot be easily defined. In the words of Lord Macnaghten, in case of *Commissioner of Inland Revenue v Muller & co's Margarine Ltd* can be described as *"it is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force which brings in customers. It is the one thing which distinguishes an old established business from a new business at its first start. The goodwill of a business must emanate from a particular centre or source. However widely extended or diffused its influence may be, goodwill is worth nothing unless it has power of attraction sufficient to bring customers home to the source from which it emanates."*

Goodwill of a trademark is local in character and divisible like in case of business of a brand situated in different countries. In every country business holds a separate goodwill related to the particular brand although some part of that goodwill is dependent upon the overall working of the business around the world. Business of a brand may be closed in a particular country but closing of that business would not affect the overall goodwill of the business. While the element of goodwill may be based primarily on earnings, such factors as the prestige and renown of the business, the ownership of a trade or brand name, and a record of successful operation over a prolonged period in a particular locality, also may furnish support for the inclusion of intangible value. This shows that goodwill is inclusive of brand value and based on number of other factors. While trademark get its value from goodwill associated with products or services.<sup>52</sup>

In case of assignment with goodwill, assigner transfer absolute rights i.e. all the rights and values associated with trademark which give absolute authority to transferee to control, to sell or to improvise or change the quality or structure or completely stop the services of such products. It is basically that transferor is replaced by transferee in terms of authority, control & rights & after assignment transferor is completely barred from using such trademark associated with any products & services in kind. Whereas trademark assigned without goodwill means the right to use trademark associated with the specific products or services of transferor is transferred to the transferee & rest of the goodwill lies with transferor. Accordingly, transferee can use such trademark for specific products & services as per agreement unless and until it is likely to deceive or create confusion it does not create multiple rights in the same goods or services or if they are associated with each other.

*In Associated Electronics & Electrical Pvt. Ltd.v. DCIT ( IT(SS)A No. 9/Bang/2000)* , Income Tax Appellate Tribunal held that trademark and goodwill are two different concepts and transfer of trademark does not mean transfer of goodwill. Therefore, both Goodwill and trademark are different assets.

*Similarly in Kwaliti Biscuit v. Assistant CIT, Bangalore (2012(3) TMI 209)* Income Tax Appellate Tribunal court held that right to manufacture biscuits was independent, separate and distinct right from right to market, distribute and sell

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<http://www.mondaq.com/india/x/310330/Trademark/Role+Of+Goodwill+In+Transfer+Of+Trademark>



biscuits under the brand name 'kwaliti', That means right to manufacture is still with assignor and will continue in the same business but under different brand name. Trademark and goodwill is separable<sup>53</sup>.

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### **13.8. Trademark Law-US Position:**

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American trademark law was initially influenced strongly by English trademark law. In the U.S., various avenues are available for seeking a remedy. The state courts will adjudicate based on state registration or common law right; the federal courts will adjudicate based on federal registration. The trademarks in the U.S. that are owned by Japanese companies are primarily federally registered trademarks. On July 8, 1870, the Federal Trade Mark Act was enacted as the first U.S. federal law to protect trademarks. In 1879, however, the U.S. Supreme Court held the law was unconstitutional due to a conflict with the provision on patents in the U.S. Constitution. It was therefore abolished. In its place, a trademark law was enacted on March 3, 1881 that targeted trademarks used in interstate commerce (and in the commerce with Indian tribes) based on the interstate commerce clause in the U.S. Constitution (art. 1, sec. 8, cl. 3). This law, however, was unable to accommodate the development of the American economy and underwent a major amendment in 1905. It underwent further partial revisions occasionally during subsequent years. Upon the enactment of the Lanham Act on July 5, 1946, American trademark law came to rank equally with English or German trademark laws. The Act was named after a congressman who had devoted himself to its creation in accordance with American traditions. The Lanham Act is similar to English trademark law because it adopted use based principles as its foundation. The Act, however, put much more emphasis on use than the English law did initially, requiring not merely an intention to use the mark, but an actual use of the mark in order for the mark to be registered. This emphasis, however, was later altered in response to changes made internationally. In response to international pressure, the House of Representatives passed an amendment to the Act on October 19, 1988, and the Senate approved it the following day. It was signed into law on November 16, 1988. The amended Act still requires use of a mark; however, an intent to use is now sufficient to apply for trademark registration. The

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American trademark law also differs from English trademark law by protecting marks under state trademark law in addition to the federal trademark law. The Lanham Act adopted the principle of examination and included a publication requirement for applications. Further, it was the first United States trademark law which approved the registration of service marks.

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### **13.9. Assignment of Trademark<sup>54</sup>:**

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Assignment is the legal term for transfer of ownership which simply means any act of parties by which interest or rights associated with property of any kind can be transferred from one party to another party.

Trade mark can be assignable or transmissible by three Modes

- By legal operation;
- Inheritance; and
- Giving authority to other party.

The assignee will become the subsequent proprietor of the trademark assigned whether in part or in full based on the conditions agreed between the parties.

As per The Indian Trade Marks Act, 1999 (hereinafter "Act"), a trademark can be assignable with or without of goodwill of the business either in respect of all the goods or services or part thereof. Indian law according to Sec. 37 of the Act recognize the right of proprietor in trademark & in Sec. 38, 39 of the Act by which registered or unregistered trademark can be assignable and transmissible with or without goodwill subject to restrictions laid down in Sec. 40 of Trade Marks Act, 1999. On the other hand, U.S. legislation under Sec. 10 of Trademark act (Lanhman Act) 1946, recognize only assignment of trademark with goodwill and assignment without goodwill is termed as assignment in gross and invalid, therefore assignee acquire no rights in such transfer.

To assign the trademark, application under sec 45(1) of the Act shall be required to be filed with the Registrar of Trademark and shall be made either in form TM 24(by assignee only) or TM 23 (if applied by assignor & assignee both) with duly stamped original documents or attested copies of instrument. The important points that needs consideration are as follows:

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When application is made for transfer of trademark along with goodwill, it must contain a statement by assignor stating that all the rights vested in trademark with rights to use, sell, assign, transfer, modify, delete or stop such or any kind of products or services in respect of that trademark are completely transferred to assignee with no reservation. The Assignment deed should specifically include the clause related to transfer of goodwill along with trademark and it should also mention the amount of consideration for the transfer.

If the application is made for transfer of trademark without goodwill, then assignment agreement should state that assignor has reserved his rights in respect of such trademark in particular goods or services & has not absolutely transferred the trademark in all goods or services<sup>55</sup>. This means that assignor & assignee both can use the same trademark but in dissimilar goods or services. The assignee has to apply to the Registrar for his direction for publication of the assignment within six months from the date of assignment other wise same would be treated as null. After being satisfied with all the conditions the Registrar would allow the assignment to be advertised for the public. After publication the assignee will apply for the registration of assignment and leave a copy of direction of Registrar for the publication together with a copy of publication at the Trademark Office. After considering all the facts and circumstance the Registrar may allow the assignment and enter the particular in the Register.

An affidavit for no legal proceeding pending against the trademark assigned from the assignee or its representative shall also be required to be filed for the assignment.

As the registration of trademark is optional, likewise the registration of assignment is also optional and non registration of assignment does not affect the validity of assignment but registration of assignment would be a valid proof in case of dispute related to the trademark.

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### **13.10. Existence of Trademark without Registrations<sup>55</sup>:**

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When you register your trademark with the U.S. Patent and Trademark Office, you get automatic legal protection against the use of your mark without your permission, an act known as "infringement." However, a trademark doesn't

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<sup>55</sup> <http://info.legalzoom.com/registered-vs-unregistered-trademark-21089.html>

have to be registered with the USPTO to qualify for legal protection. If you're the owner of an original, unregistered trademark, you might be able to take legal action against an infringer. If you win an infringement case, you're entitled to money damages from the other party.

### **Registered**

You can register a trademark using an online legal document preparation service; the fee depends on the application type. Once your trademark is approved and registered, you may legally use the registered trademark symbol -- an encircled letter 'R' -- when you use your trademark. The symbol informs everyone who looks at your trademark of its registration. You can sue another party who is using your mark without your consent, no matter what state the infringement occurs in.

### **Unregistered**

Trademark registration isn't necessary for legal protection against unauthorized use. If you create and use an original mark, it becomes a form of intellectual property: a distinct creation of your mind. If you want to protect your trademark but don't want to register, you may use the unregistered trademark symbol -- the letters 'TM'. Using the unregistered trademark symbol indicates you haven't registered the mark but are giving notice of your rights.

### **Considerations**

Although you don't need to register a trademark, doing so gives you an immediate legal right to defend against misuse. For example, an owner of a registered trademark can ask U.S. Customs and Border Protection to prevent the import of products using a registered trademark without permission, but the owner of an unregistered mark can't. You have a higher burden of proof if you have to take an unregistered trademark infringer to court; you must prove to the court the mark is unique, your creation and being used in a way that violates trademark law. A registered trademark owner doesn't have to prove the mark is unique or his. You will have difficulty enforcing your rights in a state you're not using the trademark in. Registration is recognized nationwide, but an unregistered mark is usually only recognized in the area you're using it in. If you've created a trademark but haven't registered it or displayed it to the public yet, you can't stop another party from using it. An unregistered trademark is eligible for protection only when it's being used in connection with sales to the public.

### **Infringement**

Even if you're not registering your mark, you still need to check the database of trademarks registered with the USPTO to make sure your mark isn't the same as or very close to an already registered mark. The online preparation service you use likely provides a trademark search for this purpose. If your unregistered mark is the same as or close to a registered mark, the registered mark's owner may sue you for infringement if you use it. If you register your mark but don't use the registered trademark symbol or identify the registration, an infringer may use that fact as part of his defense. If an infringer uses a registered trademark but claims he didn't know the mark was registered because you didn't identify the registration, it may affect any damages you receive in court.

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### **13.11. Summary:**

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Trademark is an age old phenomenon. The Trademark develops gradually in the modern form with the help of international organizations globally. In this unit functions and objectives of trademark, historical background of trademark law in India, meaning and definition of Trademark, Classification of Trademark, The international nature of Trademark Law, Trademark and Goodwill, The position of trademark law in US, assignment of Trademark, and existence of trademark without registration are discussed at length.

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### **13.12. Some Useful Books:**

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- A. An Introduction to Intellectual Property Rights by J.P. Mishra; Central Law Publication-Third Edition-2012
- B. Law relating to Intellectual Property Law by V.K. Ahuja; Lexis-Nexis Publication (2013)
- C. Intellectual Property Law Manual-Universal Publication (2014)
- D. Intellectual Property by W.R. Cornish; Third Edition-First Indian Reprint,2001
- E. Copyright Act, 1957-Bare Act (Universal Publication)
- F. Trade Marks Act, 1999-Bare Act (Universal Publication)
- G. The Patent Act, 1970-Bare Act (Universal Publication)
- H. Law relating to Intellectual Property by B.L. Wadehra (Universal Publication)

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### **13.13. Check your Progress:**

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A. Which of the following statements are true or false:

1. The history of marks is nearly as old as the histories of mankind and religion.
2. Trademarks serve as a vehicle for the creation and retention of custom by their use, as they indicate the origin of goods and services.
3. A Trademark represents the goodwill of a business or a particular manufacturer or producer.
4. A Trademark may also function to symbolize or guarantee the quality of goods which bear the trademark.
5. American Trademark Law was initially not initially influenced by English Trademark Law.

B. Fill in the blanks:

1. Around the 10<sup>th</sup> century, a mark called a .....
2. The objective of the Trademark Act, 1999 is to .....and .....for enforcement of trademark right.
3. Goodwill of a trademark law is .....
4. In case of assignment with goodwill, assigner transfer.....
5. Assignment is the legal term for .....

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### **13.14. Answer to Check your Progress:**

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A.

1. True
2. True
3. True
4. True
5. False

B.

1. Merchant Marks
2. Confer the Protection and Legal Remedies
3. Local in Character
4. Absolute Right
5. Transfer of Ownership

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### **13.15. Terminal Questions:**

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1. Discuss function, objectives and historical background of trademark.
2. Discuss meaning, definition and classification of trademark.
3. Write a note on international nature of trademark law.
4. What is assignment of trademark?
5. Write a note on existence of trademark without registration.

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# Unit-14

## Trademark Law in India-I

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### Objectives:

After going through this unit you should be able to:

- Understand the issues and subject matters related to Trademark
- Understand the remedies which are available against Infringement
- Understand the technical and legal issues related to Trademark under the Act

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### Summary:

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- 14.1. Introduction
- 14.2. Registrar of Trademark and Trademark Registry
- 14.3. Absolute Grounds for Refusal of Registration
- 14.4. Relative Grounds for Refusal of Registration
- 14.5. Identity with or Similarity to well known Trademark
- 14.6. Procedure for Registration under the Trademark Act, 1999
- 14.7. Effect of Registration
- 14.8. Infringement of Trademark
- 14.9. Passing Off
- 14.10. Assignment and Transmission
- 14.11. Summary
- 14.12. Some Useful Books
- 14.13. Check your Progress
- 14.14. Answer to Check your Progress
- 14.15. Terminal Questions

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### 14.1. Introduction:

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India's obligations under the TRIPS Agreement for protection of trademarks, inter alia, include protection to distinguishing marks, recognition of service marks,



indefinite periodical renewal of registration, abolition of compulsory licensing of trademarks, etc. With the globalization of trade, brand names, trade names, marks, etc. have attained an immense value that require uniform minimum standards of protection and efficient procedures for enforcement as were recognized under the TRIPS. In view of the same, extensive review and consequential amendment of the old Indian Trade and Merchandise Marks Act, 1958 was carried out and the new Trade Marks Act, 1999 was enacted. The said Act of 1999, with subsequent amendments, conforms to the TRIPS and is in accordance with the international systems and practices. The Trade Marks Act provides, inter alia, for registration of service marks, filing of multiclass applications, increasing the term of registration of a trademark to ten years as well as recognition of the concept of well-known marks, etc. The Indian judiciary has been proactive in the protection of trademarks, and it has extended the protection under the trademarks law to Domain Names as demonstrated in landmark cases of *Tata Sons Ltd. v. Manu Kosuri & Ors*, [90 (2001) DLT 659] and *Yahoo Inc. v. Akash Arora* [1999 PTC 201]. India, being a common law country, follows not only the codified law, but also common law principles, and as such provides for infringement as well as passing off actions against violation of trademarks. Section 135 of the Trade Marks Act recognizes both infringement as well as passing off actions<sup>56</sup>.

The Parliament enacted the Trade Marks Act, 1999, replacing the Trade and Merchandise Marks Act, 1958. The new Act was put into effect from September, 2003. The new law takes into account the changes which have taken place in the economy and business practices and it would provide better protection to trade marks. The thrust for its hurried enactment in December 1999, however, lay in the commitments made by India as signatory to the Trade related to intellectual Property (TRIPS) agreement under the General Agreement on Trade and Tariff (GATT). India was obliged to give effect to its obligation by the end of 1999. If the Act of 1958 was ‘nationalist’ in reducing the presence of foreign trade marks and guarding marks of domestic firms, the new law, understandably, has reversed to give overwhelming protection to foreign trade marks.<sup>57</sup>

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[http://www.vaishlaw.com/article/indian\\_intellectual\\_property\\_laws/trademark\\_law\\_in\\_india](http://www.vaishlaw.com/article/indian_intellectual_property_laws/trademark_law_in_india)

<sup>57</sup> <http://www.iimahd.ernet.in/publications/data/2004-04-04pathak.pdf>

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## **14.2. Registrar of Trademark and Trademark Registry :**

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**Section 6 of the Trademark Act, 1999: The Register of Trade Marks:** For the purposes of this Act, a record called the Register of Trade Mark shall be kept at the head office of the Trade Marks Registry, wherein shall be entered all registered trade mark with the names, addresses and description of the proprietors, notifications of assignment and transmissions, the name, addresses and description of registered users, conditions, limitations and such other matters relating to registered trade mark as may be prescribed.

Notwithstanding anything contained in sub-section (1) it shall be lawful for the Registrar to keep the records wholly or partly in computer floppies diskettes or in any other electronic form subject to such safeguards as may be prescribed.

Where such register is maintained wholly or partly on computer under sub-section (2) any reference in this Act to entry in the register shall be construed as the reference to any entry as maintained on computer or in any other electronic form.

No notice of any trust, express or implied or constructive, shall be entered in the register and no such notice shall be receivable by the Registrar.

The register shall be kept under the control and management of the Registrar.

There shall be kept at each branch office of the Trade Marks Registry a copy of the register and such of the other documents mentioned in section 148 as the Central Government may, by notification in the Official Gazette, direct.

The Register of Trade Marks, both Part A and Part B, existing at the commencement of this Act, shall be incorporated in and from part of the register under this Act.

**Section 5 of the Trademark Act, 1999: Trade Marks Registry and officers thereof:**

For the purposes of this Act, there shall be a trade marks registry and the Trade Marks Registry established under the Trade and Merchandise Marks Act, 1958 (43 of 1958) shall be the Trade Marks Registry under this Act.

The head office of the Trade Marks Registry shall be at such place as the Central Government may specify, and for the purpose of facilitating the registration of trademarks, there may be established at such places as the Central Government may think fit branch offices of the Trade Marks Registry.

The Central Government may, by notification in the Official Gazette, define the territorial limits within which an office of the Trade Marks Registry may exercise its functions.

There shall be a seal of the Trade Mark Registry.

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### **14.3. Absolute Grounds for Refusal of Registration:**

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#### **Section 9 of the Trademark Act, 1999: Absolute grounds for refusal of registration:**

(1) The trade marks -

- a) Which are devoid of any distinctive character, that is to say, not capable of distinguishing the good or services of one person from those of another person.
- b) Which consist exclusively of marks or indications which may serve in trade to designate the kind, quality, quantity, intended purpose, values, geographical origin or the time of production of the goods or rendering of the service or other characteristics of the goods or service.
- c) Which consist exclusively of marks or indications which have become customary in the current language or in the bona fide and established practices of the trade.

Shall not be registered :

Provided that a trade mark shall not be refused registration if before the date of application for registration it has acquired a distinctive character as a result of the use made of it or is a well-known trade mark.

1. A mark shall not be registered as a trade mark if-

- a) It is of such nature as to deceive the public or cause confusion.
- b) It contains or comprises of any matter likely to hurt the religious susceptibilities of any class or section of the citizens of India.
- c) It comprises or contains scandalous or obscene matter.
- d) Its use is prohibited under the Emblems and Names (Prevention of Improper Use) Act, 1950 (12 of 1950).

- 1. A mark shall not be registered as a trade mark if it consists exclusively of-
- 2. The shape of goods which results from the nature of the goods themselves. Or
  - (a) the shape of good which is necessary to obtain a technical result, or
  - (b) the shape which gives substantial value of the goods.

**Explanation:** For the purposes of this section, the nature of goods or services in relation to which the trade mark is used to proposed to be used shall not be a ground for refusal of registration.

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## **14.4. Relative Grounds for Refusal of Registration:**

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### **Section 11 Of the Trademark Act, 1999: Relative grounds for refusal of registration:**

(1) Save as provided in section 12, trade mark shall not be registered if, because of-

(a) its identity with an earlier trade mark and similarly of goods or services covered by the trade mark, or

(b) its similarity to an earlier trade mark and the identity or similarity of the goods of services covered by the trade mark.

There exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the earlier trade mark.

(2) A trade mark which –

(a) is identical with or similar to an earlier trade mark, and

(b) is to be registered for goods or services which are not similar to those for which the earlier trade mark is registered in the name of a different proprietor.

Shall not be registered if or to the extent the earlier trade mark is a well-known trade mark in India and use of the later mark without due cause would take unfair advantage of or be detrimental to the distinctive character or repute of the earlier trade mark.

(3) A trade mark shall not be registered if, or to the extent that, its use in India is liable to be prevented –

(a) by virtue of any law in particular the law of passing off protecting an unregistered trade mark used in the course of trade, or

(b) by virtue of law of copyright.

(4) Nothing in this section shall prevent the registration of a trade mark where the proprietor of the earlier trade mark or other earlier right consents to the registration, and in such case the Registrar may register the mark under special circumstances under section 12.

**Explanation.-** For the purposes of this section, earlier trade mark means-

(a) a registered trade mark or convention application referred to in section 154 which has a date of application earlier than that of the trade mark in question, taking account, where appropriate, of the priorities claimed in respect of the trade marks.

(b) a trade mark which, on the date of the application for registration of the trade mark in question, or where appropriate, of the priority claimed in respect of the application, was entitled to protection as a well-known trade mark.

(5) A trade mark shall not be refused registration on the grounds specified in sub-section (2) and (3), unless objection on any one or more of those grounds is raised in opposition proceedings by the proprietor of the earlier trade mark.

(6) The Registrar shall, while determining whether a trade mark is a well-known trade mark, take into account any fact which he considers relevant for determining a trade mark as a well-known trade mark including –

- i. the knowledge or recognition of that trade mark in the relevant section of the public including knowledge in India obtained as a result of promotion of the trade mark.
- ii. the duration, extent and geographical area of any use of that trade mark.
- iii. the duration, extent and geographical area of any promotion of the trade mark, including advertising or publicity and presentation, at fairs or exhibition of the goods or services to which the trade mark applies.
- iv. the duration and geographical area of any registration of or any publication for registration of that trade mark under this Act to the extent they reflect the use or recognition of the trade mark.
- v. the record of successful enforcement of the rights in that trade mark, in particular, the extent to which the trade mark has been recognized as a well-known trade mark by any court or Registrar under that record.

(7) The Registrar shall, while determining as to whether a trade mark is known or recognized in a relevant section of the public for the purposes of sub-section (6), take into account.

- i. the number of actual or potential consumers of the goods or services.
  - ii. the number of persons involved in the channels of distribution of the goods or services.
  - iii. the business circles dealing with the goods or services.
- To which that trade mark applies.

(8) Where a trade mark has been determined to be well-known in at least one relevant section of the public in India by any court or Registrar, the Registrar shall consider that trade mark as a well-known trade mark for registration under this Act.

(9) The Registrar shall not require as a condition, for determining whether a trade mark is a well-known trade mark, the any of the following, namely:-

(i) that the trade mark has been used in India,

(ii) that the trade mark has been registered.

(iii) that the application for registration of the trade mark has been filed in India.

(IV) that the trade mark –

(a) is well known in ; or

(b) has been registered in; or

(c) in respect of which an application for registration has been filed in, any jurisdiction other than India; or

(v) that the trade mark is well known to the public at large in India.

(10) While considering an application for registration of a trade mark and opposition filed in respect thereof, the Registrar shall—

(i) protect a well known trade mark against the identical or similar trade marks ;

(ii) take into consideration the bad faith involved either of the applicant or the opponent affecting the right relating to the trade mark.

(11) Where a trade mark has been registered in good faith disclosing the material information's to the Registrar of where right to a trade mark has been acquired through use in good faith before the commencement of this Act, then, nothing in this Act shall prejudice the validity of the registration of the trade mark or right to use that trade mark on the ground that such trade mark is identical with or similar to a well known trade mark.

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## **14.5. Identity with or Similarity to well known Trademark:**

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India recognizes the concept of the "Well-known Trademark" and the "Principle of Trans Border Reputation". A well-known Trademark in relation to any goods or services means a mark that has become so to the substantial segment of the public, which uses such goods or receives such services such that the use of such a mark in relation to other goods and services is likely to be taken as

indicating a connection between the two marks. Trans Border Reputation concept was recognized and discussed by the Apex Indian Court in the landmark case of N. R. Dongre v. Whirlpool (1996) 5SCC 714. The Trademark "WHIRLPOOL" was held to have acquired reputation and goodwill in India. The Mark "WHIRLPOOL" was also held to have become associated in the minds of the public with Whirlpool Corporation on account of circulation of the advertisements in the magazines despite no evidence of actual sale. Hence, the trademark WHIRLPOOL was held to have acquired trans-border reputation which enjoys protection in India, irrespective of its actual user or registration in India.

**Section 33 of the Trademark Act, 1999: Effect of acquiescence:-**

- (1) Where the proprietor of an earlier trade mark has acquiesced for a continuous period of five years in the use of a registered trade mark, being aware of that use, he shall no longer be entitled on the basis of that earlier trade mark-
- (a) to apply for a declaration that the registration of the later trade mark is invalid, or
  - (b) to oppose the use of the later trade mark in relation to the goods or services in relation to which it has been so used, unless the registration of the later trade mark was not applied in good faith.
- (2) Where sub-section (1) applies, the proprietor of the later trade mark is not entitled to oppose the use of the earlier trade mark, or as the case may be, the exploitation of the earlier right, notwithstanding that the earlier mark may no longer be invoked against his later trade mark.

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## **14.6. Procedure for Registration under the Trademark Act, 1999:**

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**Section 18 of the Trademark Act, 1999: Application for registration:**

- (1) Any person claiming to be the proprietor of a trade mark used or proposed to be used by him, who is desirous of registering it, shall apply in writing to the Registrar in the prescribed manner for the registration of his trade mark.
- (2) A single application may be made for registration of a trade mark for different classes of goods and services and fee payable therefore shall be in respect of each such class of goods or services.
- (3) Every application under sub-section (1) shall be filed in the office of the Trade Mark Registry within whose territorial limits the principal place of business in India of the applicant or in the case of joint applicants the principal place of

business in India of the applicant whose name is first mentioned in the application as having a place of business in India, is situate:

(4) Subject to the provisions of this Act, the Registrar may refuse the application or may accept it absolutely or subject to such amendments, modifications, conditions or limitations, if any, as he may think fit.

(5) In the case of a refusal or conditional acceptance of an application, the Registrar shall record in writing the grounds for such refusal or conditional acceptance and the materials used by him in arriving at his decision.

**Section 23 of the Trademark Act, 1999: Registration :-**

(1) Subject to the provisions of section 19, when an application for registration of a trade mark has been accepted and either-

(a) the application has not been opposed and the time for notice of opposition has expired, or

(b) the application has been opposed and the opposition has been decided in favor of the applicant.

The registrar shall, unless the Central Government otherwise directs, register the said trade mark and the trade mark when registered shall be registered as of the date of the making of the said application and that date shall, subject to the provisions of section 154, be deemed to be the date of registration.

(2) On the registration of a trade mark, the Registrar shall issue to the applicant a certificate in the prescribed form of the registration thereof, sealed with the seal of the Trade Marks Registry.

(3) Where registration of a trade mark, is not completed within twelve months from the date of application by reason of default on the part of the applicant, the Registrar may, after notice to the applicant in the prescribed manner, treat the application as abandoned unless it is completed within the time specified in that behalf in the notice.

(4) The Registrar may amend the register a certificate of registration for the purpose of correcting a clerical error or an obvious mistake.

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## **14.7. Effect of Registration:**

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**Section 27 of the Trademark Act, 1999: No action for infringement of unregistered trade mark:-**



(1) No person shall be entitled to institute any proceeding to prevent, or to recover damages for, the infringement of an unregistered trade mark.

(2) Nothing in this Act shall be deemed to affect rights of action against any person for passing off goods or services as the goods of another person or as services provided by another person, or the remedies in respect thereof.

**Section 28 of the Trademark Act, 1999: Rights conferred by registration:-**

(1) Subject to the other provisions of this Act, the registration of a trade mark shall, if valid, give to the registered proprietor of the trade mark the exclusive right to the use of the trade mark in relation to the goods or service in respect of which the trade mark is registered and to obtain relief in respect of infringement of the trade mark in the manner provided by this Act.

(2) The exclusive right to the use of a trade mark given under sub-section (1) shall be subject to any conditions and limitations to which the registration is subject.

(3) Where two or more persons are registered proprietors of trade marks, which are identical with or nearly resemble each other, the exclusive right to the use of any of those trade marks shall not (except so far as their respective rights are subject to any conditions or limitations entered on the register) be deemed to have been acquired by any one of those persons as against any other of those persons merely by registration of the trade marks but each of those persons have otherwise the same rights as against other persons (not being registered proprietor).

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## **14.8. Infringement of Trademark:**

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**Section 29 of the Trademark Act, 1999: Infringement of registered trademarks:**

(1) A registered trade mark is infringed by a person who, not being a registered proprietor or a person using by way of permitted use, uses in the course of trade, a mark which is identical with, or deceptively similar to, the trade mark in relation to goods or services in respect of which the trade mark is registered and in such manner as to render the use of the mark likely to be taken as being used as a trade mark.

(2) A registered trade mark is infringed by a person who, not being a registered proprietor or a person using by way of permitted use, uses in the course of trade, a mark which because of-

- (a) its identify with the registered trade mark and the similarly of the goods or services covered by such registered trade mark or,
- (b) its similarly to the registered trade mark and the identity or similarly of the goods or services covered by such registered trade mark, or
- (c) its identity with the registered trade mark and the identity of the goods or services covered by such registered trade mark, is likely to cause confusion on the part of the public, or which is likely to have an association with the registered trade mark.

(3) In any case falling under clause (c) of sub-section (2), the court shall presume that it is likely to cause confusion on the part of the public.

(4) A registered trade mark is infringed by a person who, not being a registered proprietor or a person using by way of permitted use, uses in the course of trade, a mark which-

- (a) is identical with or similar to the registered trade mark, and
- (b) is used in relation to goods or services which are not similar to those for which the trade mark is registered, and
- (c) the registered trade mark has a reputation in India and the use of the mark without due cause takes unfair advantage of or is detrimental to, the distinctive character or repute of the registered trade mark.

(5) A registered trade mark is infringed by a person if he uses such registered trade mark, as his trade name or part of his trade name, or name is his business concern or part of the name, of his business concern dealing in goods or services in respect of which the trade mark is registered.

(6) For the purposes of this section, a person uses a registered mark, if, in particular, he-

- (a) affixes it to goods or the packaging thereof,
- (b) offers or exposes goods for sale, puts them on the market, or stocks them for those purposes under the registered trade mark, or offers or supplies services under the registered trade mark.
- (c) imports or exports goods under the mark, or
- (d) uses the registered trade mark on business papers or in advertising.

(7) A registered trade mark is infringed by a person who applies such registered trade mark to a material intended to be used for labeling or packaging goods, as a business paper, or for advertising goods or services, provided such person, when he applied the mark, knew or had reason to believe that the application of the mark was not duly authorized by the proprietor or a licensee.

(8) A registered trade mark is infringed by any advertising of that trade mark if such advertising-

(a) takes unfair advantage of and is contrary to honest practices in industrial or commercial matters, or

(b) is detrimental to its distinctive character, or

(c) is against the reputation of the trade mark

(9) Where the distinctive elements of a registered trade mark consists of or include words, the trade mark may be infringed by the spoken use of those words as well as by their visual representation and reference in this section to the use of a mark shall be construed accordingly.

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## **14.9. Passing Off:**

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### **Section 135 of the Trademark Act, 1999: Relief in suits for infringement or for passing off:-**

(1) The relief which a court may grant in any suit for infringement or for passing off referred on in section 134 includes injunction (subject to such terms, if any, as the court thinks fit) and at the option of the plaintiff, either damages or an account of profits, together with or without any order of the plaintiff, either damages or an account of profits, together with or without any order for the delivery-up the infringing labels and marks for destruction or erasure.

(2) The order of injunction under sub-section (1) may include an ex parte injunction or any interlocutory order for any off the following matters, namely :-

(a) for discovery of documents.

(b) preserving of infringing goods, documents or other evidence which are related to the subject-matter of the suit.

(c) restraining the defendant from disposing of or dealing with his assets in a manner which may adversely affect plaintiff's ability to recover damages, costs or other pecuniary remedies which may be finally awarded to the plaintiff.

(3) Notwithstanding anything contained in sub-section (1), the court shall not grant relief by way of damages (other than nominal damages) or on account of profits in any case -

(a) where in a suit for infringement of a trade mark, the infringement complained of is in relation to a certification trade mark or collective mark, or

(b) where in a suit for infringement the defendant satisfies the court-

i. that at the time he commenced to use the trade mark complained of in the suit, he was unaware and had no reasonable ground for believing that the trade mark of the plaintiff was on the register or that the plaintiff was a registered user using by way of permitted use, and

ii. that when he becomes aware of the existence and nature of the plaintiff's right in the trade mark, he forthwith ceased to use the trade mark in relation to good or services in respect of which it was registered, or

(c) where in suit for passing off, the defendant satisfies the court-

iii. that at the time he commenced to sue the trade mark complained of in the suit he was unaware and had no reasonable ground for believing that the trade mark of the plaintiff was in use, and

(ii) that when he became aware of the existence and nature of the plaintiff's right in the trade mark, he forthwith ceased to use the trade mark complained of.

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#### **14.10. Assignment and Transmission:**

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**Section 37 of the Trademark Act, 1999: Power of registered proprietor to assign and give receipts:**

The person for the time being entered in the register as proprietor of a trade mark shall, subject to the provisions of this Act and to any rights appearing from the register to be vested in any other person, have power to assign the trade mark, and to give effectual receipts for any consideration for such assignment.

**Section 38: Assign ability and transmissibility of registered trademarks:**

Notwithstanding anything in any other law to the contrary, a registered trade mark shall, subject to the provisions of this Chapter, be assignable and transmissible, whether with or without the goodwill of the business concerned and

in respect either of all the goods or services in respect of which the trade mark is registered or of some only of those goods or services.

**Section 39: Assign ability and transmissibility of unregistered trade marks:**

An unregistered trade mark may be assigned or transmitted with or without the goodwill of the business concerned.

**Section 40: Restriction on assignment or transmission where multiple exclusive rights would be created:**

(1) Notwithstanding anything in sections 38 and 39, a trade mark shall not be assignable or transmissible in case in which as a result of the assignment or transmission there would in the circumstance subsist, whether under this Act or any other law, exclusive rights in more than one of the persons concerned to the use, in relation to-

(a) same goods or services

(b) same description of goods or services

(c) goods or services or description of goods or services which are associated with each other.

Of trade marks nearly resembling each other or of identical trade mark, if having regard to the similarity of the goods and services and to the similarity of the trade marks, the use of the trade marks in exercise of those rights would be likely to deceive or cause confusion.

Provided that an assignment or transmission shall not be deemed to be invalid under this sub-section if the exclusive rights subsisting as a result thereof in the persons concerned respectively are, having regard to limitations imposed thereon, such as not to be exercisable by two or more of those persons in relation to goods to be sold, or otherwise traded in, within India otherwise than for export there from, or in relation to good to be exported to the same market outside India or in relation to services for use at any place in India or any place outside India in relation to services available for acceptance in India.

(2) The proprietor of a registered trade mark who proposes to assign it may submit to the Registrar in the prescribed manner a statement of case setting out the circumstances and the Registrar may issue to him a certificate stating whether, having regard to the similarity of the goods or services and of the trade marks referred to in the case, the proposed assignment would or would not be invalid

under sub-section (1), and a certificate so issued shall, subject to appeal and unless it is shown that the certificate was obtained by fraud or misrepresentation, be conclusive as to the validity or invalidity under sub-section (1) of the assignment insofar as such validity or invalidity depends upon the facts set out in the case, but as regards a certificate in favor of validity, only if application for the registration under section 45 of the title of the person becoming entitled is made within six months from the date of which the certificate is issued.

**Section 42: Conditions for assignment otherwise than in connection with the goodwill of a business:**

When an assignment of trade mark, whether registered or unregistered is made otherwise than in connection with the goodwill of the business in which the mark has been or is used, the assignment shall not take effect unless the assignee, not or within such extended period, if any, not exceeding three months in the aggregate, as the Registrar may allow, applies to the Registrar for directions with respect to the advertisement of the assignment and advertises it in such form and manner and within such period as the Registrar may direct.

Explanation: For the purpose of this section, an assignment of a trade mark of the following description shall not be deemed to be an assignment made otherwise than in connection with the goodwill of the business in which the mark is used, namely:-

(a) an assignment of a trade mark in respect only of some of the goods or services for which the trade mark is registered accompanied by the transfer of the goodwill of the business concerned in those goods or services only, or

(b) as assignment of a trade mark which is used in relation to goods exported from India or in relation to services for use outside India if the assignment is accompanied by the transfer of the goodwill of the export business only.

**Section 45: Registration of assignment and transmissions:**

(1) Where a person becomes entitled by assignment or transmission to a registered trade mark, he shall apply in the prescribed manner to the Register 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 trade mark 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 Register may refuse to register the assignment or transmission until the rights of the parties have been determined by a competent court.

(2) Except for the purpose of an application before the Registrar under sub-section (1) or an appeal from an order thereon, or an application under section 57 or an appeal from an order thereon, a document or instrument in respect of which no entry has been made in the register in accordance with sub-section (1) shall not be admitted in evidence by the Registrar or the Appellate Board or any court in proof of title to the trade mark by assignment or transmission unless the Registrar or the Appellate Board or the court as the case may be, otherwise directs.

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#### **14.11. Summary:**

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There are four strands to the Trademark Act, 1999. One aspect is reiterating the principles of trade mark protection which have been formulated more than 100 years back by common law. The second aspect is incorporation of more and more aspects of what was 'passing off' in the domain of trade mark infringement. The third aspect is taking stock of emergent business practices, for example, in introducing service marks, collective marks and enhanced definition of trade marks. These are interesting areas of development for businesses to put to its advantage and courts to expound on the provisions. However, it is in the reversal of the Act of 1958 in giving protection to foreign trade marks through the category of 'well known trade marks' that would be most challenging.

In this unit Registrar of Trademark and Trademark Registry, absolute grounds of refusal of registration, relative ground for refusal of registration, identity with or similarity to well known trademark, procedure for registration under the Trademark Act, 1999, effect of registration, infringement of trademark, passing-off and assignment of transmission are discussed with the help of relevant legal provisions of the Trademark Act, 1999.

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#### **14.12. Some Useful Books:**

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- A. An Introduction to Intellectual Property Rights by J.P. Mishra; Central Law Publication-Third Edition-2012

- B. Law relating to Intellectual Property Law by V.K. Ahuja; Lexis-Nexis Publication (2013)
- C. Intellectual Property Law Manual-Universal Publication (2014)
- D. Intellectual Property by W.R. Cornish; Third Edition-First Indian Reprint,2001
- E. Copyright Act, 1957-Bare Act (Universal Publication)
- F. Trade Marks Act, 1999-Bare Act (Universal Publication)
- G. The Patent Act, 1970-Bare Act (Universal Publication)
- H. Law relating to Intellectual Property by B.L. Wadehra (Universal Publication)

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**14.13. Check your Progress:**

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- A. Which of the following statements are true or false:
  - 1. The Indian judiciary is proactive in the protection of trademark.
  - 2. The Register of Trademark shall be kept under the control and management of Registrar.
  - 3. There shall be a seal of the trademark registry.
  - 4. A mark shall not be registered as a trademark if it is of such nature has to be deceiving the public or cause confusion.
  - 5. India not recognizes the concept of “well known trademark” and the “Principal of trans Border Reputation”.
- B. Fill in the blanks:
  - 1. ....of the Trademark Act, 1999 is related to the Registrar of Trademark.
  - 2. ....of the Trademark Act, 1999 is related to the absolute grounds for refusal.
  - 3. .... of the Trademark Act, 1999 is related to the relative grounds for refusal of registration.
  - 4. On the registration of a trademark,.....shall issue to the applicant a certificate in the prescribed form.
  - 5. ....of the Trademark Act, 1999 is related to infringement of registered trademark.

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**14.14. Answer to Check your Progress:**

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- A.



1. True
2. True
3. True
4. True
5. False

B.

1. Section 6
2. Section 9
3. Section 11
4. The Registration
5. Section 29

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### **14.15. Terminal Questions:**

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1. What are the Registrar of Trademark and Trademark Registry?
2. What are the absolute grounds and relative grounds for refusal of registration?
3. What is well known trademark?
4. Discuss the procedure for registration under the Trademark Act, 1999.
5. Write a note on assignment and transmission.

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## Unit-15

# Trade Mark Law in India-II

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### Objectives:

After going through this unit you should be able to:

- Understand the issues and subject matters related to Trademark
- Understand the remedies which are available against Infringement
- Understand the technical and legal issues related to Trademark under the Act

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### Summary:

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- 15.1. Introduction
- 15.2. Use of Trade Mark
- 15.3. Registered Users
- 15.4. Collective Marks
- 15.5. Certification of Trade Marks
- 15.6. Appellate Board
- 15.7. Offences under the Act, 1999
- 15.8. Penalties under the Act, 1999
- 15.9. Jurisdiction and Remedies for Infringement of Trade Marks and Passing Off
- 15.10. Miscellaneous provisions under the Act, 1999
- 15.11. Summary
- 15.12. Some Useful Books
- 15.13. Check your Progress
- 15.14. Answer to Check your Progress
- 15.15. Terminal Questions

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### 15.1 Introduction:

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A registered trademark gives its proprietor the exclusive right to use that trademark for the registered category of goods or services. For example, a pharmaceutical company selling a medicine in the market under a trademarked name or brand would be protected from other companies selling medicines under

the same name or brand. Similarly, an institution providing educational services under its trademarked name or logo would be able to prevent anyone else from taking advantage of the institution's reputation by marketing similar services under the same name or logo. Once a trademark is registered for a particular category of goods or services, no one else can obtain the same trademark for the same category. Thus, before selling any goods or services, it is advisable to ensure that no one else has registered the same trademark. There is no such thing as an international trademark. Every trademark is valid only in the specific country or countries for which it is filed. The importance of having a registered trademark was highlighted recently when a Chinese court held that the "iPad" trademark does not belong to Apple Inc. in China, as it was already registered there in the name of a Chinese company. One reaction to this might be that the Chinese company is trying to exploit the success of Apple's iPad, and has registered that name as a trademark in order to harass Apple and extract money from it. However, the facts show otherwise.<sup>58</sup>

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## **15.2 Use of Trade Mark:**

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Section 46 of the Trademark Act, 1999: Proposed use of trade mark by company to be formed, etc.:

(1) No application for the registration of a trade mark 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 trade mark if the Registrar is satisfied that-

(a) a company is about to be formed and registered under the Companies Act, 1956 (1 of 1956) and that the applicant intends to assign the trade mark to that company with a view to the 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 trade mark.

(2) The provisions of section 47 shall have effect, in relation to a trade mark registered under the powers conferred by this sub-section, as if for the reference, in clause 9a) of sub-section (1) of that section, to the intention on the part of an

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<sup>58</sup> <http://news.ncbs.res.in/story/importance-trademarks>

applicant for registration that trade mark should be used by him there were substituted a reference to the intention on his part that it should be used by the company or registered user concerned.

(3) The tribunal may, in case to which sub-section (1) applies, require the applicant to give security for the costs of any proceedings relating to any opposition or appeal, and in default of such security being duly given, may treat the application as abandoned.

(4) Where in a case to which sub-section (1) applies, a trade mark in respect of any goods or services is registered in the name of an applicant who, relies on intention to assign the trade mark 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 trade mark in respect of those goods or services, the registration shall cease of have effect in respect thereof at the expiration of that period and the Registrar shall amend the register accordingly.

Section 47 of the Trademark Act, 1999: Removal from register and imposition of limitations on ground of non-use:

(1) A register trade mark may be taken off the register in respect of the goods or services in respect of which it is registered on application made in the prescribed manner to the Registrar or the Appellate Board by any person aggrieved on the ground either-

(a) that the trade mark was registered without any bona fide intention on the part of the applicant for registration that it should be used in relation to those goods or services by him, or in a case to which the provisions of section 46 apply, by the company concerned or the registered user, as the case may be, and that there has, in fact, been no bona fide use of the trade mark in relation to those goods or services by any proprietor thereof for the time being up to a date three months before the date of the application, or

(b) that up to a date three months before the date of the application, a continuous period of five years from the date on which the trade mark is actually entered in the register or longer had elapsed during which the trade mark was registered and during which there was no bona fide use thereof in relation to those goods or services by any proprietor thereof for the time being.

Provided that except where the applicant has been permitted under section 12 to register an identical or nearly resembling trade mark in respect of the goods or services in question or where the tribunal is of opinion that the might properly be permitted so to register such a trade mark, the tribunal may refuse an application under clause

(a) or clause (b) in relation to any goods or services, if it is shown that there has been, before the relevant date or during the relevant period, as the case may be, bona fide use of the trade mark by any proprietor thereof for the time being in relation to any goods or services, if it is shown that there has been, before the relevant date on during the relevant period, as the case may be, bona fide use of the trade mark by any proprietor thereof for the time being in relation to-

(i) goods or services of the same description, or

(ii) goods or services associated with those goods or services of that description being goods or services, as the case may be, in respect of which the trade mark is registered.

(2) Where in relation to any goods or services in respect of which a trade mark is registered-

(a) the circumstances referred to in clause (b) of sub-section (1) are shown to exist so far as regards non-use of the trade mark in relation to goods to be sold, or otherwise traded in a particular place in India (otherwise than for export from India), or in relation to goods to be exported to a particular market outside India, or in relation to services for use or available for acceptance in a particular place in India or for use in a particular market outside India, and

(b) a person has been permitted under section 12 to register an identical or nearly resembling trade mark in respect of those goods, under a registration extending to use in relation to goods to be so sold, or otherwise traded in, or in relation to goods to be so exported, or in relation to services for use or available for acceptance in that country, or the tribunal is of opinion that he might property be permitted so to register such a trade mark.

On application by that person in the prescribed manner to the Appellate Board or to the Registrar, the tribunal may impose on the registration of the first-mentioned trade mark such limitation as it thinks proper for securing that registration shall cease to extend to such use.

(3) An applicant shall not be entitled to rely for the purpose of clause (b) of sub-section (1) or for the purpose of sub-section (2) on any non-sue of a trade mark which is shown to have been due to special circumstances in the trade, which includes restrictions on the use of the trade mark in India imposed by any law or regulation and not to any intention to abandon or not to use the trade mark in relation to the goods or services to which the application relates.

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### **15.3 Registered Users:**

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Section 48 of the Trademark Act, 1999: Registered users:

(1) Subject to the provisions of section 49, a person other than the registered proprietor of a trade mark may be registered as a registered user thereof in respect of any or all of the goods or services in respect of which the trade mark is registered.

(2) The permitted use of trade mark shall be deemed to be used by the proprietor thereof, and shall be deemed not to be used by a person other than the proprietor, for the purpose of section 47 or for any other purpose for which such use is material under this Act or any other law.

Section 50 of the Trademark Act, 1999: Power of Registrar for variation or cancellation of registration as registered user:-

(1) Without prejudice to the provisions of section 57, the registration of a person as registered user-

(a) may be varied by the Registrar as regards the goods or services in respect of which it has effect on the application in writing in the prescribed manner of the registered proprietor of the trade mark.

(b) may be cancelled by the Registrar on the application in writing in the prescribed manner of the registered proprietor or of the registered user or of any other registered user of the trade mark.

(c) may be cancelled by the Registrar on the application in writing in the prescribed manner of any person on any of the following grounds, namely:-

(i) that the registered user has used the trade mark otherwise than in accordance with the agreement under clause (a) of sub-section (1) of section 49 or in such way as to cause or to be likely to cause, deception or confusion.

(ii) that the proprietor or the registered user misrepresented, or failed to disclose, some fact material to the applicant for registration which if accurately represented or disclosed would not have justified the registration of the registered user.

(iii) that the circumstances have changed since the date of registration in such a way that at the date of such application for cancellation they would not have justified registration of the registered user.

(iv) that the registration ought not to have been effected having regard to rights vested in the applicant by virtue of a contract in the performance of which he is interested.

(d) may be cancelled by the Registrar on his own motion or on the application in writing in the prescribed manner by any person, on the ground that any stipulation in the agreement between the registered proprietor and the registered user regarding the quality of the goods or services in relation to which the trade mark is to be used is either not being enforced or is not being enforced or is not being complied with.

(e) may be cancelled by the Registrar in respect of any goods or services in relation to which the trade mark is no longer registered.

(2) The Registrar shall issue notice in the prescribed manner in respect of every application under this section to the registered proprietor and each registered user (not being the applicant) of the trade mark.

(3) The procedure for canceling a registration shall be such as may be prescribed.

Provided that before canceling of registration, the registered proprietor shall be given a reasonable opportunity of being heard.

Section 52 of the Trademark Act, 1999: Right to registered user to take proceedings against infringement:-

(1) Subject to any agreement subsisting between the parties, a registered user may institute proceedings for infringement in his own name as if he were the registered proprietor, making the registered proprietor a defendant and the rights and obligations of such registered user in such case being concurrent with those of the registered proprietor.

(2) Notwithstanding anything contained in any other law, a registered proprietor so added as defendant shall not be liable for any costs unless he enters an appearance and takes part in the proceedings.

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## **15.4 Collective Marks:**

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Section 61 of the Trademark Act, 1999: Special provisions for collective marks:

(1) The provisions of this Act shall apply to collective marks subject to the provisions contained in this Chapter.

(2) In relation to a collective mark the reference in clause (ZB) of sub-section (1) of section 2 to distinguishing the goods or services of one person from those of others shall be construed as a reference to distinguishing the goods or services of members of an association of persons which is the proprietor of the mark from those of others.

Section 62 of the Trademark Act, 1999: Collective mark not be misleading to character or significance:-

A collective mark shall not be registered if its is likely to deceive or cause confusion on the part of public in particular if it is likely to be taken to be something other than a collective mark, and in such case the Registrar may require that a mark in respect of which application is made for registration comprise some indication that it is a collective mark.

Section 63 of the Trademark Act, 1999: Application to be accompanied by regulations governing use of collective marks:-

(1) An application for registration of a collective mark shall be accompanied by the regulations governing the use of such collective mark.

(2) The regulations referred to in sub-section (1) shall specify the persons authorized to use the mark, the conditions of membership of the association and, the conditions of sue of the mark, including any sanctions against misuse and such other matters as may be prescribed.

Section 67 of the Trademark Act, 1999: Infringement proceedings by registered proprietor of collective mark:-

In a suit for infringement instituted by the registered proprietor of a collective mark as plaintiff the court shall take into account any loss suffered or likely to be suffered or likely to be suffered by authorized users and may give such directions as it thinks fit as to the extent to which the plaintiff shall hold the proceeds of any pecuniary remedy on behalf of such authorized users.



Section 68 of the Trademark Act, 1999: Additional grounds for removal of registration of collective mark :-

The registration of a collective mark may also be removed from the register on the ground.-

(a) that the manner in which the collective mark has been used by the proprietor or authorized user has caused it to become liable to mislead the public as a collective mark, or

(b) that the proprietor has failed to observe, or to secure the observance of the regulations governing the use of the mark, or

Explanation 1: For the purposes of this Chapter, unless the context otherwise requires "authorizes user" means a member of an association to sue the registered collective mark of the association.

Explanation II: For the purposes of this Act, use of a collective mark by an authorized user referred to in Explanation 1 shall be deemed to be the use by the registered proprietor thereof.

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## **15.5 Certification of Trade Marks:**

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Section 69 of the Trademark Act, 1999: Certain provisions of this Act not applicable to certification trademarks:-

The following provisions of this Act shall not apply to certification trademarks, that is to say,-

(a) clauses (a) and (c) of sub-section (1) of section 9

(b) sections 18, 20 and 21, except as expressly applied by this Chapter.

(c) sections 28, 29, 30n, 41, 42, 47, 47, 48, 49, 50, 52, 55 and sub-section (2) of section 56.

(d) Chapter XII, except section 107.

Section 70 of the Trademark Act, 1999: Registration of certification trademarks:

A mark shall not be registered as a certification trade mark in the name of a persons who carries on a trade in goods of the kind certified or a trade of the provision of services of the kind certified.

Section 71: Applications for registration of certification trademarks:-

(1) An application for the registration of a mark as a certification trade mark shall be made to the Registrar in the prescribed manner by the person proposed to

be registered as the proprietor thereof, and accompanied by a draft of the regulations to be deposited under section 74.

(2) Subject to the provisions of section 70, the provisions of sections 18, 19 and 22 shall apply in relation to an application under this section as they apply in relation to an application under section 18, subject to the modification that references therein to acceptance of an application shall be construed as references to authorization to proceed with an application.

(3) In dealing under the said provision with an application under this section, the tribunal shall have regard to the like considerations, so far as relevant, as if the applications were applications under section 18 and to any other consideration relevant to applications under this section, including the desirability of securing that a certification trade mark shall comprise some indication that it is a certification trade mark.

Section 75 of the Trademark Act: Infringement of certification trademarks:

The rights conferred by section 78 is infringed by any person who, not being the registered proprietor of the certification trade mark or a person authorized by him in that behalf under the regulations filed under section 74, using it in accordance therewith, uses in the course of trade, a mark, which is identical with, or deceptively similar to the certification trade mark in relation to any goods or services in respect of which it is registered, and in such manner as to render the use of the mark likely to be taken as being a use as a trade mark.

Section 76 of the Trademark Act, 1999: Acts not constituting infringement of certification trademarks:-

(1) Notwithstanding anything contained in this Act, the following acts do not constitute an infringement of the right to the use of a registered certification trade mark.

(a) where a certification trade mark is registered subject to any conditions or limitations entered on the register, the use of any such mark in any mode, in relation to goods to be sold or otherwise traded in any place, or in relation to goods to be exported to any market or in relation to services for use or available for acceptance in any place, country or territory or in any other circumstances, to which having regard to any such limitations, the registration does not extend.

(b) the use of certification trade mark in relation to goods or services certified by the proprietor of the mark if, as to those goods or services or a bulk of which they

from part, the proprietor or another in accordance with his authorization under the relevant regulations has applied the mark and has not subsequently removed or obliterated it, or the proprietor has at any time expressly or impliedly consented to the use of the mark.

(c) the use of a certification trade mark in relation to goods or services adapted to form part of, or to be accessory to, other goods in relation to which the mark has been used without infringement of the right given as aforesaid or might for the time being be so used, if the use of the mark is reasonably necessary in order to indicate that the goods or services are so adapted and neither the purpose nor the effect of the use of the mark is to indicate otherwise than in accordance with the fact that the goods or services are certified by the proprietor.

(2) Clause (b) of sub-section (1) shall not apply to the case of use consisting of the application of a certification trade mark to goods or services, notwithstanding that they are such goods or services as are mentioned in the clause if such application is contrary to the regulations referred to in that clause.

(3) Where a certification trade mark is one of two or more trademarks registered under this Act, which are identical or nearly resemble each other, the use of any of those trade marks in exercise of the right to the use of that trade mark given by registration, shall not be deemed to be an infringement of the right so given to the use of any other of those trademarks.

Section 77 of the Trademark Act, 1999: Cancellation or varying of registration of certification trade mark:

The registrar may, on the application in the prescribed manner of any person aggrieved and after giving the proprietor an opportunity of opposing the application, make such order as he thinks fit for expunging or varying and entry in the registration to a certification trade mark, on for varying the regulations, on any of the following grounds, namely:-

(a) that the proprietor is not longer competent, in the case of any of the goods or services in respect of which the mark is registered, to certify those goods or services.

(b) that the proprietor has failed to observe any provisions of the regulations to be observed on his part.

(c) that it is no longer to the public advantage that if the mark remains registered, the regulations should be varied.

Section 78 of the Trademark Act, 1999: Rights conferred by registration of certification trademarks:

(1) Subject to the provisions of section 34, 35 and 76 the registration of a person as a proprietor of certification trade mark in respect of any goods or services shall, if valid, give to that person the exclusive right to the use of the mark in relation to those goods or services.

(2) The exclusive right to the use of a certification trade mark given under sub-section (1) shall be subject to any conditions and limitations to which the registration is subject.

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## **15.6 Appellate Board:**

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Section 83 of the Trademark Act, 1999: Establishment of Appellate Board:

The Central Government shall, by notification in the Official Gazette, establish an Appellate Board to be known as the Intellectual Property Appellate Board to exercise the jurisdiction, powers and authority conferred on it by under this Act.

Section 84 of the Trademark Act, 1999: Composition of Appellate Board:

(1) The Appellate Board shall consist of a Chairman, Vice –Chairman and such number of other Members, as the Central Government may, deem fit and , subject to the other provision of this Act, the jurisdiction, powers and authority of the Appellate Board may be exercised by Benches thereof.

(2) Subject to the other provision of this Act, a bench shall consist of one Judicial Member and one Technical Member and shall sit at such place as the Central Government may, by notification in the Official Gazette, specify.

(3) Notwithstanding anything contained in sub-section (2), the Chairman -

(a) may, in addition to discharging the functions of the Judicial Member or Technical Member of the Bench to which he is appointed, discharge the functions of the Judicial Member or, as the case may be, the Technical Member, of any other Bench.

(b) may transfer a Member from one Bench to another Bench.

(c) may authorize the Vice –Chairman, the Judicial Member or the Technical Member appointed to one Bench to discharge also the functions of the Judicial Member or the Technical Member, as the case may be, of another Bench.

(4) Where any Benches are constituted, the Central Government may, from time to time, by notification, make provisions as to the distribution of the business of the Appellate Board amongst the Benches and specify the matters which may be dealt with by each Bench.

(5) If any question arises as to whether any matter falls within the purview of the business allocated to a Bench, the decision of the Chairman shall be final.

**Explanation.-** For the removal of doubts, it is hereby declared that the expression "matter" includes an appeal under section 91.

(6) If the Members of a Bench differ in opinion on any point, they shall state the point or points on which they differ, and make a reference to the Chairman who shall either hear the points himself or refer the case for hearing on such point or points by one or more of the other Member and such point or points shall be decided according to the opinion of the majority of the Members who have heard the case, including those who first heard it.

Section 85 of the Trademark Act, 1999: Qualifications for appointments as Chairman, Vice-Chairman, or other Member:-

(1) A person shall not be qualified for appointment as the Chairman unless he -

(a) is, or has been, a Judge of a High Court, or

(b) has, for at least two years, held the office of a Vice-Chairman.

(2) A person shall not be qualified for appointment as the Vice-Chairman, unless he-

(a) has, for at least two years, held the office of a Judicial Member or a Technical Member, or

(b) has been a member of the Indian Legal Services and has held a post in Grade 1 of that Service or any higher post for at least five years.

(3) A person shall be qualified for appointment as a Judicial Member, unless he -

(a) has been a member of the Indian Legal Service and has held the post in Grade 1 of that Service for at least three years, of

(b) has, for at least ten years, held a civil judicial office.

(4) A person shall not be qualified for appointment as a Technical Member, unless he or

(b) has, for at least ten years, been an advocate of a proven specialized experience in trade mark law.

(5) Subject to the provisions of sub-section (6), the Chairman, Vice-Chairman and every other Member shall be appointed by the President of India.

(6) If the Members of a Bench differ in opinion on any right, they shall state the point or points on which they differ, and make a reference to the Chairman who shall either hear the points himself or refer the case for hearing on such point or points by one or more of the other Members and such point or points shall be decided according to the opinion of the majority of the Members who have heard the case, including those who first heard it.

Section 85 of the Trademark Act, 1999: Qualifications for appointments as Chairman, Vice-Chairman, or other Member:-

(1) A person shall not be qualified for appointment as the Chairman unless he

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(a) is, or has been, a Judge of a High Court, or

(b) has, for at least two years, held the office of a Vice-Chairman.

(2) A person shall not be qualified for appointment as the Vice-Chairman, unless he-

(a) has, for at least two years, held the office of a Judicial Member or a Technical Member, or

(b) has been a member of the Indian Legal Services and has held a post in Grade 1 of that Service or any higher post for at least five years.

(3) A person shall be qualified for appointment as a Judicial Member, unless he -

(a) has been a member of the Indian Legal Service and has held the post in Grade 1 of that Service for at least three years, of

(b) has, for at least ten years, held a civil judicial office.

(4) A person shall not be qualified for appointment as a Technical Member, unless he or

(b) has, for at least ten years, been an advocate of a proven specialized experience in trade mark law.

(5) Subject to the provisions of sub-section (6), the Chairman, Vice-Chairman and every other Member shall be appointed by the President of India.

(6) If the Members of a Bench differ in opinion on any right, they shall state the point or points on which they differ, and make a reference to the Chairman who shall either hear the points himself or refer the case for hearing on such point or

points by one or more of the other Members and such point or points shall be decided according to the opinion of the majority of the Members who have heard the case, including those who first heard it.

Section 92 of the Trademark Act, 1999: Procedure and powers of Appellate Board:-

(1) The Appellate Board shall not be bound by the procedure laid down in the Code of Civil Procedure, 1908 (5 of 1908) but shall be guided by principles of natural justice and subject to such provisions of this Act and the rules made there under, the Appellate Board shall have powers to regulate its own procedure including the fixing of places and times of its hearing.

(2) The Appellate Board shall have, for the purpose of discharging its functions under this Act, the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 (5 of 1908) while trying a suit in respect of the following matters, namely:-

- (a) receiving evidence;
- (b) issuing commissions for examinations of witnesses;
- (c) requisitioning any public record, and
- (d) any other matter which may be prescribed.

(3) Any proceeding before the Appellate Board shall be deemed to be a judicial proceeding within the meaning of sections 193 and 228, and for the purpose of section 196, of the Indian Penal Code (45 of 1860), and the Appellate Board shall be (2 of 1974).

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## **15.7 Offences under the Act, 1999:**

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Section 102 of the Trademark Act, 1999: Falsifying and falsely applying trademarks:-

(1) A person shall be deemed to falsify a trade mark who, either,-

- (a) without the assent of the proprietor of the trade mark makes that trade mark or a deceptively similar mark, or
- (b) falsifies any genuine trade mark, whether by alteration, addition, effacement or otherwise.

(2) A person shall be deemed to falsely apply to goods or services a trade mark who, without the assent of the proprietor of the trade mark,-

(a) applies such trade mark or a deceptively similar mark to goods or services or any package containing goods.

(b) uses any package bearing a mark which is identical with or deceptively similar to the trade mark of such proprietor, for the purpose of packing, filling or wrapping therein any goods other than the genuine goods of the proprietor of the trade mark.

(3) Any trade mark falsified as mentioned in sub-section (1) or falsely applied as mentioned in sub section (2) is in this Act referred to as a false trade mark.

(4) In any prosecution for falsifying a trade mark or falsely applying a trade mark to goods or services, the burden of proving the assent of the proprietor shall lie on the accused.

Section 110 of the Trademark Act, 1999: No offence in certain cases:-

The provisions of sections 102, 103, 104 and 105 shall, in relation to a registered trade mark or proprietor of such mark, be subject to the rights created or recognized by this Act and no act or omission shall be deemed to be an offence under the aforesaid sections if, -

(a) the alleged offence relates to a registered trade mark and the act or omission is permitted under this Act, and

(b) and alleged offence relates to a registered or an unregistered trade mark and the act or omission is permitted under any other law for the time being in force.

Section 112 of the Trademark Act, 1999: Exemption of certain persons employed in ordinary course of business:-

Where a person accused of an offence under section 103 proves.-

(a) That in the ordinary course of his business he is employed on behalf of other persons to apply trade marks or trade descriptions, or as the case may be, to make dies, blocks, machine, plates, or other instruments for making,

or being used in making, trade marks, and

(b) that in the case which is the subject of the charge he was so employed, and was not interested in the goods or other thing by way of profit or commission dependent on the sale goods or providing of services, as the case may be, and



(c) that , having taken all reasonable precautions against committing the offence charged, he had, at the time of the commission of the alleged offence, no reason to suspect the genuineness of the trade mark or trade description, and

(d) that, on demand made by or on behalf of the prosecutor, he gave all the information in his power with respect to the person on whose behalf the trade mark or trade description was applied.

Section 114 of the Trademark Act, 1999: Offences by companies:-

(1) If the person committing an offence under this Act is a company, the company as well as every person in charge of, and responsible to, the company for the conduct of its business at the time of the commission of the offence shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

Provided that nothing contained in this sub-section shall render any such person liable to any punishment if he proves that the offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of such offence.

(2) Notwithstanding anything contained in sub-section (1), where an offence under this Act has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or that the commission of the offence is attributable to any neglect on the part of , any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

Explanation: For the purposes of this section –

(a) "company" means any body corporate and includes a firm or other association of individuals, and

(b) "director" in relation to a firm, means a partner in the firm.

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## **15.8 Penalties under the Act, 1999:**

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Section 103 of the Trademark Act, 1999: Penalty for applying false trademarks, trade descriptions, etc.:

Any person who –

(a) falsifies any trade mark, or

(b) falsely applies to goods or services any trade mark, or

(c) makes, disposes of, or has in his possession, any die, block, machine, plate or other instrument for the purpose of falsifying or of being used for falsifying, a trade mark, or.

(d) applies any false trade description to goods or services, or

(e) applies to any goods to which an indication of the country or place in which they were made or produced or the name and address of the manufacturer or person for whom the goods are manufactured is required to be applied under section 139, a false indication of such country, place, name or address, or

(f) tampers with, alters or effaces an indication of origin which has been applied to any goods to which it is required to be applied under section to be done,

(g) causes any of the things above-mentioned in this section to be done.

Shall, unless he proves that he acted, without intent to defraud, be punishable with imprisonment for a term which shall not be less than six months but which may extend to three years and with fine which shall not be less than fifty thousand rupees but which may extend to two lakh rupees.

Provided that the court may, for adequate and special reasons to be mentioned in the judgment, impose a sentence of imprisonment for a term of less than six months or a fine of less than fifty thousand rupees.

Section 104 of the Trademark Act, 1999: Penalty for selling goods or providing services to which false trade mark or false trade description is applied:

Any person who sells, lets for hire or exposes for sale, or hires or has his possession for sale, goods or things, or provides or hires services, to which any false trade mark or false trade description is applied or which, being required under section 139 to have applied to them an indication of the country or place in which they were made or produced or the name and address of the manufacturer, or person for whom the goods are manufactured or services provided, as the case may be, are without the indications so required, shall, unless he proves-

(a) that, having taken, all reasonable precautions against committing an offence against this section, he had at the time of commission of the alleged offence no reason to suspect the genuineness of the trade mark or trade description or that any offence had been committed in respect of the goods or services, or

(b) that, on demand by or on behalf of the prosecutor, he gave all the information in his power with respect to the person from whom he obtained such goods or things or services, or be punishable with imprisonment for a term which

shall not be less than six months but which may extend to three years and with fine which shall not be less than fifty thousand rupees but which may extend to two lakh rupees.

Provided that the court may, for adequate and special reasons to be mentioned in the judgment, impose a sentence of imprisonment for a term of less than six months or a fine of less than fifty thousand rupees.

Section 105 of the Trademark Act, 1999: Enhanced penalty on second or subsequent conviction:-

Whoever having already been convicted of an offence under section 103 or section 104 is again convicted of any such offence shall be punishable for the second and for every subsequent offence, with imprisonment for a term which shall not be less than one year but which may extend to three years and with fine which shall not be less than one lakh rupees but which may extend to two lakh rupees.

Provided that the court may, for adequate and special reason to be mentioned in the judgment, impose a sentence of imprisonment for a term of less than one year or a fine of less than one lakh rupees.

Provided further that for the purposes of this section, no cognizance shall be taken of any conviction made before the commencement of this Act.

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## **15.9 Jurisdiction and Remedies for Infringement of Trade Marks and Passing Off:**

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Section 135 of the Trademark Act, 1999: Relief in suits for infringement or for passing off:

(1) The relief which a court may grant in any suit for infringement or for passing off referred on in section 134 includes injunction (subject to such terms, if any, as the court thinks fit) and at the option of the plaintiff, either damages or an account of profits, together with or without any order of the plaintiff, either damages or an account of profits, together with or without any order for the delivery-up the infringing labels and marks for destruction or erasure.

(2) The order of injunction under sub-section (1) may include an ex parte injunction or any interlocutory order for any off the following matters, namely :-

(a) for discovery of documents.

(b) preserving of infringing goods, documents or other evidence which are related to the subject-matter of the suit.

(c) restraining the defendant from disposing of or dealing with his assets in a manner which may adversely affect plaintiff's ability to recover damages, costs or other pecuniary remedies which may be finally awarded to the plaintiff.

(3) Notwithstanding anything contained in sub-section (1), the court shall not grant relief by way of damages (other than nominal damages) or on account of profits in any case -

(a) where in a suit for infringement of a trade mark, the infringement complained of is in relation to a certification trade mark or collective mark, or

(b) where in a suit for infringement the defendant satisfies the court-

(i) that at the time he commenced to use the trade mark complained of in the suit, he was unaware and had no reasonable ground for believing that the trade mark of the plaintiff was on the register or that the plaintiff was a registered user using by way of permitted use, and

(ii) that when he becomes aware of the existence and nature of the plaintiff's right in the trade mark, he forthwith ceased to use the trade mark in relation to good or services in respect of which it was registered, or

(c) where in suit for passing off, the defendant satisfies the court-

(i) that at the time he commenced to sue the trade mark complained of in the suit he was unaware and had no reasonable ground for believing that the trade mark of the plaintiff was in use, and

(ii) that when he became aware of the existence and nature of the plaintiff's right in the trade mark, he forthwith ceased to use the trade mark complained of

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## **15.10 Miscellaneous provisions under the Act, 1999:**

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### **Section 122: Protection of action taken in good faith:**

No suit or other legal proceedings shall lie against any person in respect of anything which is in good faith done or intended to be done in pursuance of this Act.

### **Section 123: Certain persons to be public servants:**

Every person appointed under this Act and every Member of the Appellate Board shall be deemed to be a public servant within the meaning of section 21 of the Indian Penal Code (45 of 1860).

Section 124. Stay of proceedings where the validity of registration of the trade mark is questioned, etc.:-

(1) Where in any suit for infringement of a trade mark –

(a) the defendant pleads that registration of the plaintiff's trade mark is invalid, or

(b) the defendant raises a defense under clause (e) of sub-section (2) of section 30 and the plaintiff pleads the invalidity of registration of the defendant's trade mark.

The court trying the suit (hereinafter referred to as the court) shall,-

(i) if any proceedings for rectification of the register in relation to the plaintiffs or defendant's trade mark are pending before the Registrar or the Appellate Board, stay the suit pending the final disposal of such proceedings.

(ii) If no such proceedings are pending and the court is relation to the plaintiffs or defendant's trade mark is prima facie tenable, raise an issue regarding the same and adjourn the case for a period of three months from the date of the framing of the issue in order to enable the party concerned to apply to the Appellate Board for rectification of the register.

(2) If the party concerned proves to the court that he has made any such application as is referred to in clause (b) (ii) of sub-section (1) within the time specified therein or within such extended time as the court may for sufficient cause allow, the trial of the suit shall stand stayed until the final disposal of the rectification proceedings.

(3) If no such application as aforesaid has been made within the time specified or within such extended time as the court may allow, the issue as to the validity of the registration of the trade mark concerned shall be deemed to have been abandoned and the court shall proceed with the suit in regard to the other issues in the case.

(4) The final order made in any rectification proceedings referred to in sub-section (1) or sub-section (2) shall be binding upon the parties and the court shall dispose of the suit conformably to such order in so far as it relates to the issue as to the validity of the registration of the trade mark.

(5) The stay of a suit for the infringement of a trade mark under this section shall not preclude the court from making any interlocutory order (including any

order granting an injunction directing account to be kept, appointing a receiver or attaching any property), during the period of the stay of the suit.

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### **15.11 Summary:**

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In this unit the user of trademark, registered users, collective marks, classification of trademarks, Appellate Board, offences under the Act, penalties under the Act, Jurisdiction and Penalties for infringement of Trademarks and Passing-off and miscellaneous provisions under the Trademark Act, 1999 are discussed with the help of relevant legal provisions of the Act, 1999.

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### **15.12 Some Useful Books:**

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- A. An Introduction to Intellectual Property Rights by J.P. Mishra; Central Law Publication-Third Edition-2012
- B. Law relating to Intellectual Property Law by V.K. Ahuja; Lexis-Nexis Publication (2013)
- C. Intellectual Property Law Manual-Universal Publication (2014)
- D. Intellectual Property by W.R. Cornish; Third Edition-First Indian Reprint,2001
- E. Copyright Act, 1957-Bare Act (Universal Publication)
- F. Trade Marks Act, 1999-Bare Act (Universal Publication)
- G. The Patent Act, 1970-Bare Act (Universal Publication)
- H. Law relating to Intellectual Property by B.L. Wadehra (Universal Publication)

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### **15.13 Check your Progress:**

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- A. Which of the following statements are true or false:
  - 1. A registered trademark gives its proprietor the exclusive right to use that trademark for the registered category of goods or services.
  - 2. Section 47 of the Trademark Act, 1999 is related to removal from register and imposition of limitations on grounds of non-use.
  - 3. Power of Registrar for variation or cancellation of registration as registered users is discussed under Section 50.
  - 4. Subject to any agreement subsisting between the parties, a registered user may institute proceedings for infringement in his own name.
  - 5. Section 87 is related to cancellation or varying of registration of certification of trademark.

B. Fill in the blanks:

1. ....of the Trademark Act, 1999 is related to proposed use of trademark by company to be formed.
2. ....of the Trademark Act, 1999 is related to registered users.
3. ....not be misleading to character or significance.
4. ....of the Trademark Act, 1999 is related to acts not constituting infringement of certification trademark.
5. A person shall be deemed to falsify a trademark who falsified any genuine trademark, whether by .....

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### **15.14 Answer to Check your Progress:**

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A.

1. True
2. True
3. True
4. True
5. True

B.

1. Section 46
2. Section 48
3. Collective Mark
4. Section 76
5. Alteration, addition, effacement or otherwise

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### **15.15 Terminal Questions:**

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1. Discuss registered users in detail.
2. What is collective mark?
3. What are the offences and penalties under the Act?
4. Write a note on certification of trademark.
5. Discuss in detail about Appellate Board.

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## Unit-16

# Domain Name and Domain Name Disputes

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### Objectives:

After going through this unit you should be able to:

- Understand the issues and subject matters related to Domain Name
- Understand the remedies which are available against Infringement
- Understand the technical and legal issues related to Domain Name and Domain Disputes

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### Summary:

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- 16.1. Introduction
- 16.2. Applicability of Trade Mark Law to Domain Name
- 16.3. Distinction between Trade Mark and Domain Name
- 16.4. Uniform Domain Names Dispute Resolution Policy(UDRP)
- 16.5. Case Study-I
- 16.6. Case Study-II
- 16.7. Case Study-III
- 16.8. ICANN (The Internet Corporation for Assigned Names and Numbers)
- 16.9. Can Internet Domain Names be Registered and Protected As Trademarks or Service Marks
- 16.10. Challenge and Problems
- 16.11. Summary
- 16.12. Some Useful Books
- 16.13. Check your Progress
- 16.14. Answer to Check your Progress
- 16.15. Terminal Questions

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### 16.1. Introduction:

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Every business on the web has a domain name-a unique address in cyber space at which the website is located. Nowadays businesses both big as well as small have web pages online as the producer and consumer are distantly located as well as every business is going global the other reason is that Internet has become an indispensable tool in business. The system came to be developed as IP numbers are difficult to remember hence came up the Domain Name System (DNS). A user of the internet will find the domain name highly useful in finding the goods or services that he intended to find. But sometimes a particular name of a highly acclaimed business or person maybe appropriated and passed off as the genuine one. This has happened to Maruti, Tata, and Google. People reach a website or domain name through a website or a URL (Uniform Resource Locator) Cyber squatting or Cyber piracy generally refers to registration of another party's mark as a domain name for the purpose of either selling the domain name to a legitimate owner at a profit or for trading upon the goodwill associated with a mark. A domain name has to be relevant to the services or product offered and it has to be unique and distinct. It is advisable to hire a search firm to find out if a particular domain name is available or not. There are many trademark consultants or trademark brokers who specialize in this kind of domain name search services.

The World Intellectual Property Organisation (WIPO) Arbitration and Mediation Centre has been resolving domain name cases using online arbitration since 1999, the process is conducted by ICANN (Internet Corporation for Assigned Names and Numbers), a non profit organisation responsible for IP address allocation, protocol agreement and DNS management. While designating a domain name for a website it is advisable that it is distinct and not like any other found online. A high level of uniqueness has to be followed as no two domain names could be close in either spelling or sound as it may lead to confusion. There are two types of disputes that arise with regards with domain name the first type is that both the parties have the legitimate right to words forming the domain name in use. In this way the court decides who the original owner is and who the infringer is. The second type is cyber squatting where a party with no legitimate right challenges the real owner. In this type of issue there are number of ways by which a trademark owner can combat cyber squatters.

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## **16.2. Applicability of Trade Mark Law to Domain Name:**

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The Internet Domain Names have now become much more than mere representing the websites of different companies on the Internet. Today, in this age of well-developed information technology and worldwide businesses through Internet, these domain names have attained the status of being business identifiers and promoters. Since the commercial activities on the Internet are to go on increasing day by day, the importance and usefulness of domain names too, are to be enhanced for the purposes of greater publicity, popularity, and profitability of businesses in all economic sectors. According to Bill Gates, the founder of Microsoft, "Domains have and will continue to go up in value faster than any other commodity ever known to man". Broadly, the functions of domain names are now quite similar to the functions of a trademark or service mark, for these purposes. Ours this very informative web-article offers rich and hugely beneficial and securing information regarding the registration and protection of the domain names as trademarks, with a view to help and serve people, companies, and professions pertaining to diverse occupational and economic fields.

**Functions of a Domain Name and A Trademark:** A Domain Name is a quite user-friendly form of an Internet Protocol (IP) address; the technical IP address of this being invisible to the viewers. Addresses to the Internet Web Servers are assigned and managed through the Domain Name System (DNS), the globally distributed internet database administered by ICANN. An example of a domain name is "inta.org". The name portion of a domain name [here, inta] is called as the Second-Level Name, and this unique and scintillating name is to be created or selected by the domain name applicant. The end portion of a domain name [here,.org] is termed as the Top-Level Domain (TLD); and is further classified into the categories of the Generic Top-Level Domains (gTLDs) and the Country-Code Top-Level Domains (ccTLDs). Some of the most common and popular categories of the top-level domains are .com; .org; .gov; .net; .in; etc.

Generally, a domain name performs the same functions online, which a trademark serves in the offline business dealings and transactions. While the trademark is striking graphic signifier of your product or company, the domain name is magnificent navigator to your company on the internet, and the virtual image of your business. Duly registered and protected trademark and domain name can offer the following main benefits: -

- A trademark or service mark promotes and protects your brand name, while a registered and protected domain name provides you protection against any unauthorized use of your domain name by any person or entity.
- Trademark supports the face value of your business or profession, while a domain name increases access value of your business from any remote place of the world over.
- A trademark (or service mark) makes your any product (or service) prominent in the concerned marketplace, while a domain name can also function to deliver your product or service to your customers worldwide.

Thus, a well-protected domain name is certainly immensely helpful for security, worldwide prominence, and profitability of a business, quite like an internationally protected trademark or service mark. Hence, proper registration and protection of both the trademark and domain name are advisable and imperative.<sup>59</sup>

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### **16.3. Distinction between Trade Mark and Domain Name:**

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Trademarks or service marks are provided recognition and protection in only those national and international jurisdictions, where these are properly registered; these may not attain trademark protection worldwide. The domain names as trademarks or service marks are registered and protected at the entire global level supremely by only one organization which is ICANN [Internet Corporation for Assigned Names and Numbers], along with the national and international protection under the directly concerned national Trademark Law and diverse International Trademark Treaties of the world. Any national or international trademark law is not fully capable of protecting a domain name in countries of the world over. To meet this vital objective, the ICANN with support of the WIPO (World Intellectual Property Organization) prescribed the following two strong and strict measures --- a rigorous and censorious system of registration of domain names with accredited registrars [by ICANN]; and an efficient and efficacious dispute resolution policy, named as the Uniform Domain Name Disputes Resolution Policy (UDNDR Policy).

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<http://www.mondaq.com/india/x/327272/Trademark/Protection+of+Domain+Name+As+A+Trademark>

For a dispute resolution under the UDNDR Policy of October 1999, a person or entity may formally complain before the competent administration-dispute-resolution services providers [listed by ICANN under Rule 4(a)], that:

1. Any specified domain name is very strikingly or confusingly similar to a previously registered domain name or trademark of the complainant
2. Any accused domain name has been registered, and is blatantly being used in bad faith
3. There exists any certain case of trademark infringement against the complainant

Today, the domain name registrars duly authorized by the ICANN, operate a dispute resolution procedure under the UDNDR Policy, for the purposes of providing efficient and rigorous remedy against bad faith and abusive registration of domain names which violate the trademark rights of the complainants<sup>60</sup>.

The protection of domain names in India has been deeply felt and approved by the law courts of the country, like the protection enjoyed by the trademarks or service marks; provided that the proposed domain name fulfils all requirements to be properly registered under the Indian trademark law. Any person or business or professional entity may obtain protection to his/her/its newly created domain name in entire India under the Trade Marks Act of 1999 and the Trade Marks Rules of 2002, and all amendments made in these so far. For the purpose of worldwide protection of registered domain names, the concerned people or entity has to follow the above-mentioned system or procedure. Here, it may be reiterated that a well-protected domain name will offer to the registrant all those legitimate rights and authorities which are commonly availed by the owners of registered trademarks or services marks in India. The rights to take rigorous and drastic actions against any infringement cases connected with the registered and protected domain name within the Indian jurisdictions, are essentially covered by these rights granted to the registrant of domain name by any regional Trademarks Office of India.<sup>61</sup>

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#### **16.4. Uniform Domain Names Dispute Resolution Policy (UDRP):**

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All registrars must follow the Uniform Domain-Name Dispute-Resolution Policy (often referred to as the "UDRP"). Under the policy, most types of

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<sup>60</sup> Ibid

<sup>61</sup> Ibid

trademark-based domain-name disputes must be resolved by agreement, court action, or arbitration before a registrar will cancel, suspend, or transfer a domain name. Disputes alleged to arise from abusive registrations of domain names (for example, cyber squatting) may be addressed by expedited administrative proceedings that the holder of trademark rights initiates by filing a complaint with an approved dispute-resolution service provider. To invoke the policy, a trademark owner should either (a) file a complaint in a court of proper jurisdiction against the domain-name holder (or where appropriate an in-rem action concerning the domain name) or (b) in cases of abusive registration submit a complaint to an approved dispute-resolution service provider (see below for a list and links).

In December 1999, the WIPO Arbitration and Mediation Center began offering domain name dispute resolution services under the Uniform Domain Name Dispute Resolution Policy (UDRP). The Center's services include administering second-level domain name disputes for generic Top-Level Domains (gTLDs) to which the UDRP applies. The Center is the leading provider of dispute resolution services under the WIPO-initiated, ICANN-mandated UDRP. The Center also administers disputes under a number of specific policies, adopted by individual gTLD registries as discussed further below. The UDRP is typically applicable to second-level domain name registrations in the following gTLDs: .aero, .asia, .biz, .cat, .com, .coop, .info, .jobs, .mobi, .museum, .name, .net, .org, .pro, .tel and travel.

For information on the applicability and scope of the UDRP see the Center's guide.

Policies and procedures other than the UDRP may also be applicable to some of the above-mentioned gTLDs. For example, there are two dispute resolution policies potentially applicable to second-level domain name registrations within the .name space, one being the UDRP and the other the Eligibility Requirements Dispute Resolution Policy (ERDRP).

Some registries have also put in place Rights Protection Mechanisms (RPMs) such as a "sunrise" procedure during their pre-launch phase by which rights holders may defensively register or object to the registration of domain names in certain circumstances.

Information regarding specific gTLDs to which policies and procedures other than the UDRP may apply is set out directly below. Information regarding inactive,

registry-specific RPMs including sunrise procedures of historical interest is also set out in the individual pages below, as well as in the WIPO End Reports on Case Administration.

Further information concerning the Center's administration of domain name disputes under the UDRP, including links to the policy, applicable rules and supplemental rules, model pleadings, frequently asked questions, and other useful resources can be found at UDRP Procedures for Generic Top Level Domains (gTLDs).

#### Registry-Specific Policies and Procedures

Information regarding specific gTLD registries, and policies and procedures applicable to domain name registrations within each corresponding domain space follows.

- .aero
- .asia
- .biz
- .cat
- .coop
- .jobs
- .museum
- .name
- .pro
- .travel

#### Country Code Top-Level Domains

In addition to the above, the Center currently also provides domain name dispute resolution services for country code Top-Level Domains (ccTLDs).

#### WIPO Activities Related to New gTLDs

Following ICANN's announcement of plans to broadly expand the present number of gTLDs, WIPO has been collaborating with ICANN constituents in seeking to ensure that intellectual property, and in particular trademark law, is appropriately respected in the event the introduction of New gTLDs proceeds as envisioned by ICANN.

This collaboration has inter alia taken the form of WIPO's policy input to ICANN including proposals and further input on trademark-based dispute resolution procedures which aim to respect trademark rights while striking a balance with the practical interests and legitimate expectations of the Domain Name System actors. According to Paragraph 4(a) of the UDRP Policy, the UDRP Administrative Procedure is only available for disputes concerning an alleged abusive registration of a domain name; that is, which meet the following criteria:

- (i) the domain name registered by the domain name registrant is identical or confusingly similar to a trademark or service mark in which the complainant (the person or entity bringing the complaint) has rights; and

- (ii) the domain name registrant has no rights or legitimate interests in respect of the domain name in question; and

- (iii) the domain name has been registered and is being used in bad faith

Paragraph 4(b) of the UDRP Policy sets out the following *examples* of circumstances that will be considered by an Administrative Panel to be evidence of the bad faith registration and use of a domain name:

- (i) Circumstances indicating that the domain name was registered or acquired primarily for the purpose of selling, renting, or otherwise transferring the domain name registration to the complainant who is the owner of the trademark or service mark or to a competitor of that complainant, for valuable consideration in excess of the domain name registrant's out-of-pocket costs directly related to the domain name; or

- (ii) The domain name was registered in order to prevent the owner of the trademark or service mark from reflecting the mark in a corresponding domain name, provided that the domain name registrant has engaged in a pattern of such conduct; or

- (iii) The domain name was registered primarily for the purpose of disrupting the business of a competitor; or

- (iv) By using the domain name, the domain name registrant intentionally attempted to attract for financial gain, Internet users to the registrant's website or other on-line location, by creating a likelihood of confusion with the complainant's mark as to the source, sponsorship, affiliation, or endorsement of the registrant's website or location or of a product or service on the registrant's website or location.

The above examples are not exclusive and other circumstances may exist that demonstrate the registration and use of a domain name in bad faith.

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## 16.5. Case Study-I<sup>62</sup>:

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In *Dr Reddy's Laboratories Limited Vs Manu Kosuri and Anr 2001 (58) DRJ241* Hon'ble High Court of Delhi Court held that "It is a settled legal position that when a defendant does business under a name which is sufficiently close to the name under which the plaintiff is trading and that name has acquired a reputation the public at large is likely to be misled that the defendant's business is the business of the plaintiff or is a branch or department of the plaintiff, the defendant is liable for an action in passing off and it is always not necessary that there must be in existence goods of the plaintiff with which the defendant seeks to confuse his own domain name passing off may occur in cases where the plaintiffs do not in fact deal with the offending goods. When the plaintiffs and defendants are engaged in common or overlapping fields of activity, the competition would take place and there is grave and immense possibility for confusion and deception. The domain name serve same function as the trademark and is not a mere address or like finding number of the Internet and, Therefore, plaintiff is entitled to equal protection as trade mark. The domain name is more than a mere Internet address for it also identifies the Internet site to those who reach it. In an Internet service, a particular Internet site could be reached by anyone anywhere in the world who proposes to visit the said Internet site. In a matter where services rendered through the domain name in the Internet, a very alert vigil is necessary and a strict view needs to be taken for its easy access and reach by anyone from any corner of the world. The trademarks/domain name 'DR. REDDY'S' of the plaintiff and 'drreddyslab.com' of the defendants are almost similar except for use of the suffix 'lab.com' in the defendants domain use. The degree of the similarity of the marks usually is vitally important and significant in an action for passing off as in such a case, there is every possibility and likelihood of confusion and deception being caused. Considering both the domains' name, it is clear that two names being almost identical or similar in nature, there is every possibility of an Internet user

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being confused and deceived in believing that both the domain names belong to plaintiff although the two domain names belong to two different concerns".

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## 16.6. Case Study-II:

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In *Aqua Minerals Limited Vs Mr Pramod Borse & Anr; AIR2001Delhi 467* the Hon'ble High Court of Dehi Court has held that Unless and until a person has a credible Explanation as to why did he choose a particular name for registration as a domain name or for that purpose as a trade name which was already in long and prior existence and had established its goodwill and reputation there is no other inference to be drawn than that the said person wanted to trade in the name of the trade name he had picked up for registration or as a domain name because of its being an established name with widespread reputation and goodwill achieved at huge cost and expenses involved in the advertisement.

In *Nestle India Limited Vs Mood Hospitality Pvt Limited; 2010 (42) PTC 514 (Del)* the Hon'ble High Court of Dehi Court has held that in case of interim relief/injunction test of prima facie case as traditionally understood has been replaced, at least in trade mark matters, by the test of comparative strengths of the rival cases. This is also in keeping with the requirements of the said Act inasmuch as it not only describes what amounts to infringement (see: Section 29) but it also makes provision for what does not amount to infringement (see: Section 30).....Thus, apart from examining the case in the context of Section 29 of the said Act only from the standpoint of the respondent/ plaintiff, it was also incumbent upon the learned Single Judge to consider the relative or comparative strength of the appellant's/defendant's case both under Section 29 and Section 30 (2) (a) of the said Act.

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## 16.7. Case Study-III :

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In the case of *Yahoo! Inc. v. Akash Arora nad Anothers [1999 II AD (Delhi)]*; in which an attempt was made to use the domain name <yahooindia.com> for Internet related services as against domain name i.e. <yahoo.com>, The Court observed that usually the degree of the similarity of the marks is vitally important and significant in an action for passing off for in such a case there is every possibility and likelihood of confusion and deception being caused. When both the domain names are considered, it is crystal clear that the two names being almost

identical or similar in nature, there is every possibility of an Internet user being confused and deceived in believing that both the domain names belong to one common source and connection, although the two belongs to two different concerns.

In *Tata Sons Limited and Anr Vs fashion ID Limited (2005) 140 PLR 12*; the Hon'ble High Court of Delhi Court held that "The use of the same or similar domain name may lead to a diversion of users which could result from such users mistakenly accessing one domain name instead of another. This may occur in e-commerce with its rapid progress and instant (and the erotically limitless) accessibility to users and potential customers and particularly so in areas of specific overlap. Ordinary consumers/users seeking to locate the functions available under one domain name may be confused if they accidentally arrived at a different but similar web site which offers no such services. Such users could well conclude that the first domain name owner had mis-represented its goods or services through its promotional activities and the first domain owner would thereby lose their customer. It is apparent therefore that a domain name may have all the characteristics of a trademark and could found an action for passing off"

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## **16.8. ICANN (The Internet Corporation for Assigned Names and Numbers):**

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Dispute involving bad faith registrations are typically resolved using the Uniform Domain Name Dispute Resolution Policy (UDRP) process developed by the ICANN. Under UDRP, WIPO is the leading ICANN accredited domain name dispute resolution service provider and was established as a vehicle for promoting the protection, dissemination, and the use of intellectual property throughout the world. India is one of the 171 states of the world which are members of WIPO.

A person may complain before the administration dispute resolution service providers listed by ICANN under Rule 4 (a) that:

- (i) A domain name is "identical or confusingly similar to a trade mark or service mark" in which the complainant has rights; and
- (ii) The domain name owner/registrant has no right or legitimate interest in respect of the domain name; and
- (iii) A domain name has been registered and is being used in bad faith.

Rule 4 (b) has listed, by way of illustration, the following four circumstances as evidence of registration and the use of a domain name in bad faith:

(i) Circumstances indicating that the domain name owner/registrant has registered or acquired the domain name primarily for the purpose of selling, renting or otherwise transferring the domain name registration to the complainant who is the owner of the trade mark or service mark; or to a competitor of that complainant for valuable consideration in excess of its documented out of pocket costs, directly related to the domain name; or

(ii) The domain name owner/registrant has registered the domain name in order to prevent the owner of the trade mark or service mark from reflecting the mark in a corresponding domain name, provided that it has engaged in a pattern of such conduct; or

(iii) The domain name owner/registrant has registered the domain name primarily for the purpose of disrupting the business of a competitor; or

(iv) By using the domain name, the domain name owner/registrant has intentionally attempted to attract, for commercial gain internet users to its web site or other online location by creating a likely hood of confusion with the complainants mark as to the source, sponsorship, affiliation, or endorsement of the domain name owner/ registrant web site or location or of a product or service on its web site or location.

India has also established its own registry by the name INRegistry under the authority of National Internet Exchange of India (NIXI), wherein the dispute related to the domain name are resolved under the .IN Dispute Resolution Policy (INDRP). The Policy has been formulated in line with internationally accepted guidelines, and with the relevant provisions of the Indian Information Technology Act 2000.

Under InRegistry, disputes are resolved under .IN Domain Name Dispute Resolution Policy (INDRP) and INDRP Rules of Procedure. These rules describe how to file a complaint, fees, communications and the procedure involved.

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## **16.9. Can Internet Domain Names be Registered and Protected As Trademarks or Service Marks<sup>63</sup>?:**

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<sup>63</sup> Ibid

Yes, domain names can also be registered and protected as trademarks or service marks at the national and international levels, provided that the domain names do satisfy all conditions to be duly registered and protected like the trademark and service marks. Any unique internet domain name which is capable of identifying and distinguishing goods or services of a company from that of other companies, and can also act as a reliable source identifier for the concerned goods or services on the internet, may be registered and thus protected as trademark, if it satisfies all other rules and requirements for registration which are commonly applicable to the trademarks and service marks. Again, for proper registration of a domain name as a trademark or service mark, this must be unambiguously unique from all other domains names and well-known trademarks on the internet, so that it does not mislead, confuse, or deceive customers of other companies engaged in the same or different fields, or violate public order or morality. Such cases may give rise to instances of trademark infringement litigation. Exclusive information about registration and protection of domain names as trademarks in India and abroad is provided in the sections below.

In this connection, the following judgment of the Honorable Supreme Courts of India is worth mentioning, which was extended in the case of **Satyam Infoway Ltd. Vs Sifynet Solutions Pvt. Ltd.** [Where the matter for consideration before this Apex Court of India was whether Internet Domain Names are recognizable as other Intellectual Properties such as Trademarks]: --- "The original role of a domain name was no doubt to provide an address for computers on the internet. But the internet has developed from a mere means of communication to a mode of carrying on commercial activity. With the increase of commercial activity on the internet, a domain name is also used as a business identifier. Therefore, the domain name not only serves as an address for internet communication but also identifies the specific internet site, and distinguishes specific businesses or services of different companies. Consequently a domain name as an address must, of necessity, be peculiar and unique and where a domain name is used in connection with a business, the value of maintaining an exclusive identity becomes critical. "As more and more commercial enterprises trade or advertise their presence on the web, domain names have become more and more valuable and the potential for dispute is high."

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## **16.10. Challenge and Problems:**

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The choice of a domain name has become an important business decision. A domain name is registered by you to enable Internet users to locate your company's site on the web. Company domain names may be registered in any number of "top level domains" called "TLDs". You can choose from the "generic top level domains" ("gTLDs"), such as .com, .net, .org and .info. Or you can choose from the specialized and restricted top level domains if you qualify (e.g. .aero for air travel and transport businesses, or .biz for commercial enterprises). You can also register your domain name under a "country code top level domain" ("ccTLD"), for example, .bn for Bulgaria, .cn for China, .ch for Switzerland.

The technical management of the domain name system is in the hands of the Internet Corporation for Assigned Names and Numbers ("ICANN"). However, in the gTLDs, the registrations themselves are handled by a number of Internet registrars accredited by ICANN, that can be found at ICANN's site at <http://www.icann.org>. You can also check whether a domain name has already been registered, either by searching via a registrar's site, or by using a 'Whois' search, like that offered by UWhois, at <http://www.uwhois.com>. For registrations in the ccTLDs, you will need to contact the registration authority designated for each ccTLD. To do this, you can consult a ccTLD database set up by WIPO, that links to the web sites of 243 ccTLDs, where you can find information about their registration agreement, Whois service and dispute resolution procedures.

When you choose your company's domain name, depending on where you register, you may pick a generic or common name, but if you pick a name that is distinctive, users may more easily be able to remember and search for it. Ideally, it could also be distinctive enough to be protected under trademark law, because domain names can be protected as trademarks in some countries. If you picked a very common domain name (e.g. "Good Software"), your company could have difficulty in building up any special reputation or good will in this name and more difficulty in preventing others from using your name in competition.

You should pick a domain name that is not the trademark of another company, particularly a well-known trademark. This is because most laws treat registration of another person's trademark as a domain name as trademark infringement, also known as 'cybersquatting', and your SME might have to transfer

or cancel the domain name, and also pay damages. Also, all domain names registered in the gTLDs like .com, as well as many registered in the ccTLDs, are subject to a dispute resolution procedure (described below) that allows a trademark or service mark owner to stop the cyber squatting of their trademark. There are various databases that you can search on the web to determine if your choice of domain name is a registered trademark in a particular country. WIPO has established a Trademark Database Portal (at <http://ecommerce.wipo.int/databases/trademark/index.html>) to help you do this search.

If you find that someone else is using your trademark or service mark as a domain name, what can you do? Some unscrupulous people have made a practice of cyber squatting, usually to extract money from the rightful owner of the name or to mislead or confuse consumers. If you find that your trademark or service mark is being cyber squatted, there is a simple online procedure you can go through where an independent expert will decide whether the domain name should be returned to you, and the registrars are required to follow this decision. This Uniform Administrative Dispute Resolution Policy ("UDRP") was first recommended by WIPO as a result of its Internet Domain Name Processes and then adopted by ICANN, and you can find information about it at WIPO's site at <http://arbiter.wipo.int/domains/>. In addition to trademarks, it is wise to avoid domain names that include certain other controversial words such as geographical terms (e.g. Champagne, Beaujolais), names of famous people, generic drug names, names of international organizations, and trade names (e.g. name of another person's business), that might interfere with the rights of others or international systems of protection.<sup>64</sup>

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## **16.11. Summary:**

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The Uniform Domain Name Dispute Resolution Policy (the UDRP Policy) sets out the legal framework for the resolution of disputes between a domain name registrant and a third party (i.e., a party other than the registrar) over the abusive registration and use of an Internet domain name in the generic top level domains or gTLDs (e.g., .biz, .com, .info, .mobi, .name, .net, .org), and those country code top

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<sup>64</sup> [http://www.wipo.int/sme/en/e\\_commerce/domain\\_names.htm](http://www.wipo.int/sme/en/e_commerce/domain_names.htm)

level domains or ccTLDs that have adopted the UDRP Policy on a voluntary basis. At its meetings on August 25 and 26, 1999 in Santiago, Chile, the ICANN Board of Directors adopted the UDRP Policy, based largely on the recommendations contained in the Report of the WIPO Internet Domain Name Process, as well as comments submitted by registrars and other interested parties. All ICANN-accredited registrars that are authorized to register names in the gTLDs and the ccTLDs that have adopted the Policy have agreed to abide by and implement it for those domains. Any person or entity wishing to register a domain name in the gTLDs and ccTLDs in question is required to consent to the terms and conditions of the UDRP Policy. On October 24, 1999, the ICANN Board adopted a set of Rules for Uniform Domain Name Dispute Resolution Policy (the UDRP Rules) setting out the procedures and other requirements for each stage of the dispute resolution administrative procedure. The procedure is administered by dispute resolution service providers accredited by ICANN. The WIPO Arbitration and Mediation Center (WIPO Center) is such a dispute resolution service provider. The WIPO Center acted as technical advisors to the ICANN drafting committee charged with finalizing the UDRP Policy and Rules. It has developed WIPO Supplemental Rules for Uniform Domain Name Dispute Resolution Policy which supplement the UDRP Policy and Rules.<sup>65</sup>

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## **16.12. Some Useful Books:**

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- A. An Introduction to Intellectual Property Rights by J.P. Mishra; Central Law Publication-Third Edition-2012
- B. Law relating to Intellectual Property Law by V.K. Ahuja; Lexis-Nexis Publication (2013)
- C. Intellectual Property Law Manual-Universal Publication (2014)
- D. Intellectual Property by W.R. Cornish; Third Edition-First Indian Reprint,2001
- E. Copyright Act, 1957-Bare Act (Universal Publication)
- F. Trade Marks Act, 1999-Bare Act (Universal Publication)
- G. The Patent Act, 1970-Bare Act (Universal Publication)
- H. Law relating to Intellectual Property by B.L. Wadehra (Universal Publication)

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<sup>65</sup> <http://www.wipo.int/amc/en/domains/guide/#a>

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**16.13. Check your Progress:**

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A. Which of the following statements are true or false:

1. Every business on the Web has a domain name- a unique address in cyber space at which the website is located.
2. A domain name performs the same function online, which a trademark serves in the offline business dealing and transactions.
3. ICANN means Internet Corporation for Assigned Names and Numbers.
4. All Registrars must follow the Uniform Domain Name Dispute Resolution Policy (UDRP).
5. India is one of the 171 states of the world which are members of WIPO.

B. Fill in the blanks:

1. ....has been resolving domain name cases using online arbitration since 1999.
2. According to.....founder of Microsoft, “Domains have and will continue to go up in value faster than any other commodity ever known to man”.
3. A well protected domain name is certainly immensely helpful for.....of a business.
4. A person may complain before the administration dispute resolution service providers listed by ICANN under .....
5. Domain names can also be registered and protected as .....at the national and international levels.

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**16.14. Answer to Check your Progress:**

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A.

1. True
2. True
3. True
4. True
5. True

B.

1. WIPO Arbitration and Mediation Center
2. Bill Gates
3. Security, worldwide prominence and profitability



4. Rule 4(a)
5. Trademarks or Service Marks

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**16.15. Terminal Questions:**

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1. What is the applicability of the trademark law to domain name?
2. What are the distinction between domain name and trademark?
3. What are ICANN and UDRP?
4. Discuss the case studies related to domain name disputes?
5. Can internet domain names be registered and protected as trademarks or service marks?

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# Unit-17

## Legal Position of Database in US and Europe

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### Objectives:

After going through this unit you should be able to:

- Understand the issues and subject matters related to Database in US and Europe
- Understand the remedies which are available against Infringement
- Understand the technical and legal issues related to Database in US and Europe

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### Summary:

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- 17.1. Introduction
- 17.2. US Approaches
- 17.3. The Structure of European Union
- 17.4. EU Data Protection Directive (Directive 95/46/EC):
- 17.5. Effect of European directives
- 17.6. Copyright and Database
- 17.7. Database Right
- 17.8. Data Protection
- 17.9. Comparing the US and European Approaches
- 17.10. Constitutional Implications of Feist v. Rural Telephone
- 17.11. Summary
- 17.12. Some Useful Books
- 17.13. Check your Progress
- 17.14. Answer to Check your Progress
- 17.15. Terminal Questions

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### 17.1 Introduction:

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Throughout its history the law of intellectual property and copyright in particular, has struggled to strike a balance between the competing interests of protecting authors' rights to promote the creation of new works on the one hand

and encouraging the public dissemination and use of works of authorship on the other. In this context, compilations of data have always presented a difficult problem: while such works do not exhibit the modicum of creativity usually required for copyright ability, a great number of them have proven to be extremely useful to society. The typical example would be that of a telephone directory containing a simple alphabetical listing of subscribers in a particular geographic area: while virtually no creative effort is required on the part of the author, it would be hard to deny the substantial utility of telephone directories in modern day life and, as a result, the desirability of offering some form of protection for these works.

Even though copyright law has traditionally required a lower standard of creativity than patent law, courts have always been reluctant to grant protection to factual compilations on the grounds that facts fall inherently within the public domain. As a consequence, protection of factual compilations is routinely accorded only to the extent to which the selection and arrangement of the compilation constitutes an original creation. As in other areas of intellectual property where traditional provisions of copyright, patent or trademark law have produced unsatisfactory results, the debate over the desirability of a *sui generis* solution has been intense in the area of factual compilations. In the United States, for example, until 1991 some courts used the so-called "sweat of the brow" doctrine to provide relief to the authors of labor intensive, yet not sufficiently original, factual compilations. In stark contrast, the European Union (EU) has recently moved in the direction of *sui generis* protection of electronic databases by adopting the Proposed Council Directive on the Legal Protection of Databases. The Database Directive presents a solution much more limited in scope with respect to the "sweat of the brow" doctrine insofar as it deals only with electronic databases and provides more limited rights than would otherwise be available under copyright law. Nonetheless it represents a substantial step toward the recognition of rights in factual compilations.

The implications of the Database Directive's reciprocal treatment provisions on the US policy towards protection of electronic databases, especially in view of

the growing movement towards harmonization of intellectual property laws within the European Union.<sup>66</sup>

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## **17.2. US Approaches:**

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Under U.S. law, the eligibility for copyright protection of electronic databases depends on the interaction of two contrasting but well established principles: the non-copyright ability of facts and the copyright ability of factual compilations.

The Supreme Court of the United States dealt squarely with the issue of the copyright ability of factual compilations in *Feist Publications, Inc. v. Rural Telephone Service* ( 36 O.J. C 308/1 (1993) ). In *Feist* the Court had to decide whether the publisher of a telephone directory could preclude a competitor from incorporating the listings contained in the directory into its own regional telephone directory. The Court recognized the contrasting principles of the un copyright ability of facts and the copyright ability of factual compilations. Justice O'Connor's analysis, however, brought to bear the principle that copyright ability is ultimately dependent on the constitutional and statutory requirement of originality which, in the context of copyright, equates to the work being the intellectual creation of the author and exhibiting a modicum of creativity. Under this rationale, it is clear that facts cannot be copyrighted since they are not the fruit of the intellectual creation of the author. Compilations, however, can satisfy the originality requirement by virtue of the creative choices made by the author in the selection and arrangement of the facts. Because of the originality requirement, however, the protection of factual compilations is limited to the copyrightable elements, i.e. the selection and arrangement, and it is therefore "thin".

On this basis, the Supreme Court rejected the so-called "sweat of the brow" doctrine, which appellate courts had used to accord copyright protection to factual compilations in recognition of the substantial efforts expended in creating them. The Court found that Rural's directory, consisting of a simple alphabetical listing of telephone subscribers, did not exhibit sufficient creativity in its selection and arrangement to qualify even for "thin" copyright protection.

Applying the *Feist* rationale in the context of electronic databases raises significant issues which fall into at least three categories: (1) whether the selection

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<sup>66</sup> <http://www.jus.unitn.it/cardoza/review/students/marino1.html>

and arrangement of the data stored in the database is sufficiently original to satisfy the copyright ability standard; (2) whether the selection and arrangement of the data in the electronic database is sufficiently original to satisfy the copyright ability standard and (3) whether the results of a database query exhibit sufficient creativity in their selection and arrangement to qualify for copyright protection. The first two issues present considerable conceptual difficulties: in the first place, it may not be clear in a particular context which part of the selection and arrangement of the information lies in the organization of the underlying data and which part lies in the format in which it is incorporated in the database. A typical example would be the situation in *Mead Data Central, Inc., v. West Publishing, Corp.* Mead involved the issue of whether the "star-paging" feature of the LEXIS system infringed West's copyright in its case reporters. The court held that because the feature incorporated the page numbers of West's printed reporters, Mead had, in fact, taken copyrightable expression in the form of West's selection and arrangement of the reported opinions. The situation in Mead would seem to fall squarely within the first of our categories since the selection and arrangement found copyrightable by the court lied in the format of the reporters and not in the structure of an electronic database.

Let's suppose, however, that the issue before the court had been the alleged infringement of the copyright in WESTLAW® databases rather than in West's reporters. Clearly, the selection and arrangement of the WESTLAW® databases comprise at least two components: the selection and arrangement of the publications whose text is incorporated in individual databases and the selection and arrangement of the actual databases available on WESTLAW®. This case would fall under both the first and the second categories since, in addition to the selection and arrangement of the reporters embodied in the star paging feature, the selection and arrangement of the databases within WESTLAW® would also qualify for copyright protection.

In addition, if WESTLAW® databases did not incorporate star paging (and thus would not be protected by virtue of the selection and arrangement of West's reporters) they might still qualify for protection by virtue of the creative choices made in organizing the WESTLAW® service in distinct topical databases. This would be an example falling under the second category.

A very similar situation was presented by the recent case of CCC Information Services, Inc. v. Maclean Hunter Market Reports, Inc.. In Maclean the Second Circuit was faced with the issue of the copyright ability of the "Red Book," a periodical publication listing used car prices which the defendant had incorporated in its electronic database. The court found that because the figures contained in the publication reflected an interpretation of the underlying data on part of the authors of the "Red Book," they were sufficiently original to satisfy the Feist standard.

As in Mead, the electronic database found to be infringing in Maclean would, if created under a licensing agreement, be protected as a factual compilation by virtue of the selection and arrangement of both the underlying data (the used cars price estimates) and the database itself (arrangement of data by make, model, year, etc.).

Then, electronic databases could meet the Feist standard either by virtue of the creative choices made in the selection and arrangement of the data they incorporate or of the creative choices made in the selection and arrangement of their own structure or both.

The third category, finally, poses the question of whether the selection and arrangement ephemerally created by the user of an electronic database can become the subject of copyright protection. Data extracted from the database in response to a query (database search) will not be protected by virtue of the selection and arrangement either of the data or of the database; however, it might very well be protected by its own selection and arrangement if the query is "creative" enough to meet the Feist standard. In practice, however, virtually any database query should meet this criterion.<sup>67</sup>

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### **17.3. The Structure of European Union:**

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The European Union consists of four main bodies: the European Commission, a seventeen member executive body primarily in charge of drafting legislation; the European Council, a legislative body composed by the Heads of State and the foreign ministers of the member states, primarily in charge of reviewing and adopting proposed legislation in view of the domestic laws of the

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<sup>67</sup> <http://www.jus.unitn.it/cardoza/review/students/marino1.html>

member states; the European Parliament, an advisory supervisory body comprising directly elected representatives of the member states, in charge of reviewing and advising the Council on proposed legislation; and the European Court of Justice, a judicial body entrusted with resolving disputes resulting from the interpretation and application of European legislation in national courts throughout the Union. European legislation is generally drafted by the European Commission and submitted to the European Council which, in turn, reviews it in view of the relevant provisions of the laws of the member states. During its review, the European Council consults with the European Parliament and may require the Commission to amend its proposal to conform with its views. Ultimately, the European Council may adopt legislation in the form of Regulations, Directives or Decisions. The European Council may also give its non-binding views in the form of Recommendations or Opinions. Regulations, Directives, Decisions, Recommendations and Opinions are all forms of Secondary European legislation, in the sense that they derive their authority from Primary European legislation, i.e. the Treaty of Rome as modified by the Single European Act and the Treaty of Maastricht.

Directives require member states to enact national laws in accordance with their provisions, within specified time limits. In theory, therefore, Directives do not create direct rights and obligations for the citizens of the European Union. However, as we shall see below, this principle has been substantially eroded by a number of decisions of the European Court of Justice.<sup>68</sup>

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#### **17.4. EU Data Protection Directive (Directive 95/46/EC):**

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EU Data Protection Directive (also known as Directive 95/46/EC) is a directive adopted by the European Union designed to protect the privacy and protection of all personal data collected for or about citizens of the EU, especially as it relates to processing, using, or exchanging such data. Directive 95/46/EC encompasses all key elements from article 8 of the European Convention on Human Rights, which states its intention to respect the rights of privacy in personal and family life, as well as in the home and in personal correspondence. The Directive is based on the 1980 OECD "Recommendations of the Council

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<sup>68</sup> <http://www.jus.unitn.it/cardoza/review/students/marino1.html>

Concerning guidelines Governing the Protection of Privacy and Trans-Border Flows of Personal Data."

These recommendations are founded on seven principles, since enshrined in EU Directive 94/46/EC:

- Notice: subjects whose data is being collected should be given notice of such collection.
- Purpose: data collected should be used only for stated purpose(s) and for no other purposes.
- Consent: personal data should not be disclosed or shared with third parties without consent from its subject(s).
- Security: once collected, personal data should be kept safe and secure from potential abuse, theft, or loss.
- Disclosure: subjects whose personal data is being collected should be informed as to the party or parties collecting such data.
- Access: subjects should be granted access to their personal data and allowed to correct any inaccuracies.
- Accountability: subjects should be able to hold personal data collectors accountable for adhering to all seven of these principles.

In the context of the Directive, personal data means "any information relating to an identified or identifiable natural person ('data subject'); an identifiable person is one who can be identified, directly or indirectly, in particular by reference to an identification number or to one or more factors specific to his physical, physiological, mental, economic, cultural or social identity" (Article 2a). Data is considered personal when it enables anyone to link information to a specific person, even if the person or entity holding that data cannot make that link. Examples of such data include address, bank statements, credit card numbers, and so forth. Processing is also broadly defined and involves any manual or automatic operation on personal data, including its collection, recording, organization, storage, modification, retrieval, use, transmission, dissemination or publication, and even blocking, erasure or destruction (paraphrased from Article 2b).

These data protection rules apply not only when responsible parties (called the controller in this EU directive) is established or operates within the EU, but whenever the controller uses equipment located inside the EU to process personal



data. Thus, controllers from outside the EU who process personal data inside the EU must nevertheless comply with this directive. EU member states set up supervisory authorities whose job is to monitor data protection levels in that state, and to advise the government about related rules and regulations, and to initiate legal proceedings when data protection regulations are broken. All controllers must notify their governing authority before commencing any processing of personal information, and such notification prescribes in detail what kinds of notice is expected, including name and address of the controller or representative, purpose(s) of the processing, descriptions of the categories of data subjects and the data or categories of data to be collected, recipients to whom such data might be disclosed, any proposed transfers of data to third countries, and general description of protective measures taken to ensure safety and security of processing and related data.<sup>69</sup>

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## **17.5. Effect of European Directives:**

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Under established principles of International Law, both bilateral and multilateral treaties can be classified as either self-executing or non self-executing treaties. A self-executing treaty is a treaty that, by its terms and provisions, creates direct rights and obligations for individual citizens or subjects of the High Contracting Parties. Most treaties, however, explicitly state that the signatory nations will have to enact legislation to give effect to the relevant treaty provisions: these treaties are, thus, not self-executing.

European Directives explicitly require member states to enact national legislation in accordance with their provisions. Directives are, therefore, non self-executing and have no direct effect on the rights and obligations of the citizens of the European Union. By contrast, the European Court of Justice has recognized that Union Law (such as the provisions of the Treaty of Maastricht) can have direct effect and do, in fact, take precedence over national laws of member states in case of conflict. Generally, in order for European Laws to have direct effect, the obligations imposed on the member state must be stated in clear and unconditional terms and no discretion must be left to the member state in implementing the provisions.

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<sup>69</sup> <http://searchsecurity.techtarget.co.uk/definition/EU-Data-Protection-Directive>

Although the European Court of Justice has held that these principles may extend to Secondary European legislation as well (thus including Directives), in most cases the terms of the Directive itself will preclude direct effect. Furthermore, even in cases where such direct effect is found, it cannot be applied horizontally, i.e. the provisions do not apply as between individuals, but only between individuals and member nations. Thus, an individual seeking to avail him/herself of the rights created by the terms of a Directive cannot bring an action against another individual under the Directive itself, but only under domestic laws enacted pursuant to the Directive. However, in 1984 the Court introduced the principle of "interpretation in conformity with community law," according to which national legislation and, in particular, legislation enacting Directives' provisions is to be interpreted in accordance with the terms of Secondary Community Laws. As a result, European Directives have been deemed to have a "pseudo-horizontal effect." Thus, a national court deciding an action under the purview of a Directive would be forced to adopt the terms of the Directive as binding interpretation of the relevant domestic laws, regardless of whether textual and precedential analysis of these laws would support such position. This case would most likely arise in situations where a member state has chosen not to modify an established principle of law pursuant to the terms of a Directive, relying instead on a broad interpretation of the domestic statute. In such cases, domestic courts would have to apply the terms of the Directive in construing the domestic statute, even if that meant reaching a counter-intuitive result.

Recently, however, the European Court of Justice has recognized that member states may be liable for failure to implement a directive. In *Francovich* the ECJ refused to allow the plaintiff, who would have had a valid claim under the terms of a Directive, to recover from the defendant since the member state had failed to enact domestic legislation in accordance with the Directive, but allowed him to recover damages from the member state for its failure to implement the Directive. This principle, known as "Francovich liability," appears to be a driving force in inducing member states to enact Directives in a timely fashion.

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## **17.6. Copyright and Database<sup>70</sup>:**

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The term database is used to describe a compilation of works, data or other materials (i.e. collection of facts) arranged in a systematic or methodical way. In other words, ordered by logical principles set up by the compiler. In principle, the facts themselves cannot be protected but the order and organization can, if they show a certain level of creativity on the part of the author. When referring to databases it is necessary to distinguish between creative and non-creative databases because each is dealt with under a different set of legal rules. Differences between creative and non-creative databases: Non-creative databases, sometimes referred to as ‘sweat of the brow’ databases, are databases that are not creative but based on a certain level of effort or investment. Generally, legal systems protect databases that constitute a creative compilation under copyright law. However, the level of creativity required for copyright protection has not been defined internationally and the legal position of databases is still unclear. Some countries grant copyright protection for non-creative databases while others have created a *sui generis* right (special right) to protect non-creative databases that do not meet the required level of creativity for copyright protection but which were made with substantial investment. In some countries, such as in the USA since the Feist decision, there is no proper legal protection for non-creative databases.

Directive 96/9/EC: The European Parliament and the Council found that the differences in the legal regime of databases in EU Member States were affecting the functioning of the internal market and the development of an information market within the Community. A Directive on the legal protection of databases was therefore adopted. The 96/9/EC Directive defines databases as a “collection of independent works, data or other materials arranged in a systematic or methodical way and individually accessible by electronic or other means”.

This provides for two types of protection: First, copyright protection for “the intellectual creation involved in the selection and arrangement of materials”. That is those databases that meet the requirement for “creativity” of the work.

Second, *sui generis* protection for “an investment (in human and technical resources and effort and energy) in the obtaining, verification or presentation of the contents of the databases”. Although such databases may not be creative they require a quantitatively or qualitatively substantial investment in terms of resources and/or time spent. For this reason non-creative databases should be protected.

However, the Directive does not provide protection for software used to create the database or for material contained in the database. It is the scheme of the database that is protected.

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## **17.7. Database Right:**

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Provided a set of data comes within the definition of a database, it will qualify for protection in its own right under the Regulations (irrespective of whether it benefits from protection under copyright) if there has been a "substantial investment" in obtaining, verifying or presenting the contents of the database.

Investment includes "any investment, whether of financial, human or technical resources" and substantial means "substantial in terms of quantity or quality or a combination of both".

The maker of a database is defined as the person who "takes the initiative in obtaining, verifying or presenting the contents of a database and assumes the risk of investing in that obtaining, verification or presentation" and such person is the first owner of the database right. This definition is in contrast to that of an owner in copyright since where a database is commissioned, the commissioner will usually be the "maker" and first owner of the database right. If the database is made by an employee in the course of his employment, the employer will be regarded as the maker and therefore the owner of the database right subject to any agreement to the contrary.

A person infringes a database right if they extract or re-utilize all or a substantial part of the contents of a protected database without the consent of the owner. It should be noted, however, that extracting or re-utilizing a substantial part of the contents can result from the repeated and systematic extraction or re-utilization of insubstantial parts of the contents of a database.

There are a number of "permitted acts" set out in the Regulations. A database right in a database which has been made available to the public is not infringed by fair dealing with a substantial part of its content in certain defined circumstances, for example when someone with a right to use the database extracts data for teaching or research and not for any commercial purpose (provided they indicate the source of the material). Extraction and re-utilization is also permitted when it is not possible by reasonable inquiry to ascertain the identity of the maker and it is reasonable to assume that the database right has expired.

Like copyright, a database right is an automatic right which exists as soon as the database exists in a recorded form. Database rights last for either 15 years from the end of the year in which the making of the database was completed or, if it was published during that period, 15 years from the end of the year in which the database was first made available to the public.

If there is a substantial change to the contents of the database then the 15 year protection period recommences. This includes a substantial change "resulting from the accumulation of successive additions, deletions or alterations, which would result in the database being considered to be a substantial new investment".

#### William Hill and Fixtures Marketing cases

In November 2004, the European Court of Justice (ECJ) gave guidance on the application of the rules relating to database rights, significantly reducing the scope of protection given to the maker of a database under the Regulations. (Strictly speaking the ECJ considered database right principles under the EC Directive rather than the Regulations. However it is likely that the same principles will be applied to the interpretation of the UK legislation.)

The William Hill case involved a database operated by the British Horseracing Board (BHB) containing information relating to races, horses' registration details, jockeys, fixture lists, race conditions, entries, runners etc. It cost BHB approximately £4 million a year to maintain. William Hill displayed a small, specific amount of information from BHB's database on its website. BHB brought an action, alleging that William Hill's use of the information infringed BHB database right.

The Court considered whether there had been "substantial investment" in obtaining or verifying the content of the database. The Court decided that the expression "investment" refers to the resources used to seek out existing independent materials and collect them in a database. The protection did not cover the investment involved in actually creating the data which made up the contents of the database. On the facts the Court found that the resources used by BHB in creating the database did not constitute substantial investment in either obtaining or verifying the contents of the database. BHB therefore had no protection under a database right.

The Court went on to consider the question of what constituted an extraction or re-utilization of a "substantial part" of the contents of a database. The Court

observed that the question could be addressed either quantitatively or qualitatively. In order to determine whether the data constituted a substantial part in the quantitative sense, the data extracted or re-utilized must be assessed in relation to the total volume of the content of the database. The use by William Hill of the information from the database represented a very small part of BHB's whole database. There was therefore no extraction or re-utilization of a substantial part in the quantitative sense. In order to determine whether the data constituted a substantial part in the qualitative sense, the Court said that reference must be made to the scale of investment in the obtaining, verification or presentation of the contents of the database that are extracted and/or re-utilized. Since no separate effort had been employed to obtain, verify or present the particular part of the database used by William Hill, such part could not be substantial.

In the Fixtures Marketing cases, Fixtures Marketing Limited ("FML") brought actions against three defendants, Oy Veikkaus AB from Finland, AB Svenska Spel from Sweden, and Organisms Prognostikon Agonon Pododfairou AE (OPAP) from Greece. FML alleged that all three organisations had extracted and/or re-utilized data from football fixture lists for the English premier league and its Scottish equivalent, which FML develops and administers at a cost of over £11.5 million a year.

As in the William Hill case, the Court ruled that only investment to seek out existing materials and collect them into a database will give rise to a database right. Resources used for the creation of materials that make up the database will not be sufficient to give rise to protection. The Court held that neither the obtaining, verification, nor presentation of the contents of a football fixture list reflected substantial investment which could justify protection by a database right. FML could therefore not rely on a database right to prevent the use of its data by the defendants.<sup>71</sup>

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## **17.8. Data Protection<sup>72</sup>:**

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Anyone creating, organizing or administering databases, or anyone extracting or re-utilizing the contents of databases belonging to others, should review their position in relation to the use of such data. In particular:

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<sup>71</sup> <http://www.out-law.com/page-5698>

<sup>72</sup> <http://www.out-law.com/page-5698>

- Review any databases that potentially qualify for protection.
  - Do they attract copyright/database right protection?
  - Who is the owner of the databases? Consider whether there are any licences to use the databases and/or whether an assignment of the rights in such databases could be obtained.
- Review contracts relating to commissioned databases and employment contracts. Also review any contracts where a database may be created and/or enhanced as a consequence of providing a service (such as a customer database created in the context of a sales agency) where the ownership position may not be clear.
  - Do these contracts deal expressly with ownership/assignment of copyright and database rights?
- Update databases regularly to ensure the 15 year protection period recommences.
- Protect against infringement by using copyright notices (© [Owner] [Year] All rights reserved) and some text to the effect that the set of data may be protected by database right.
- Keep a record of the "financial, human or technical resources" put into a database as proof of substantial investment, and be sure to make separate investment in the organization and arrangement of the database itself in addition to any investment in the creation the data.

Confidential information: It is worth noting that information contained in a database which is not in the public domain may, in addition, be protected under the law of confidence.

Data Protection: It is not the intention in this guide to deal with issues of data protection in any detail. However, it is important to remember that the Data Protection Act 1998 ("DPA") deals with the use of personal data held both manually and in automated form and will therefore often be applicable to databases. Personal data is defined as data which relate to a living individual ("data subject") who can be identified from those data or from the data together with other information in the possession or likely to come into the possession of the holder of the data ("data controller").

The DPA attempts to protect personal data in a number of ways, for example:

- Data controllers must register with the Information Commissioner.

- Data controllers must comply with certain principles, for example to process data fairly and lawfully.
- Data subjects are given rights in respect of the data held about them, for example the absolute right to object to the direct marketing of their data.

Data controllers must therefore ensure that the way that they obtain, hold and deal with personal data complies with this legislation as the Information Commissioner has wide powers of enforcement and individual data subjects have the right to compensation in certain cases. In particular, data controllers should bear in mind the requirements on them if they intend data to be processed on their behalf by third parties, for example in the context of commissioning a database.

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## **17.9. Comparing the US and European Union Approaches:**

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### **Comparing the U.S. and the EU Approaches**

While under both the European Union and the U.S. approaches databases are eligible for copyright protection only if their selection and arrangement is sufficiently original (and such protection is limited to these copyrightable elements), the sui generis protection offered by the Database Directive to non-copyrightable electronic databases has no counterpart under U.S. law. Other provisions of the Database Directive, moreover, appear to take positions contrary to U.S. law. The Directive, for instance, provides that any substantial changes to a database are deemed to create a new database which enjoys a new term of protection: this, however, is not necessarily the case under U.S. law. While there appear to be no decisions on this issue, the balancing approach of Feist would seem to favor the interpretation that the copyright in the selection and arrangement of a database would not be renewed with each update to the database, or else the copyright would risk extending indefinitely in time, an undesirable, and arguably even unconstitutional, result under the balancing of competing interests analysis. In addition, the Directive gives the owner of the database the exclusive right to reproduce data extracted from the database: again, this is not the case under U.S. law. In fact, the copyright afforded authors of factual compilations is limited under Feist to the copyrightable elements of the work, i.e. its selection and arrangement: quite clearly then the data extracted from the database would not be subject to the copyright held by the owner of the database and, as pointed out earlier, might even



give rise to a new copyright by virtue of the selection and arrangement of the data extracted.

The Impact of the Database Directive on U.S. Databases: As previously noted, the availability of protection under the Database Directive to the owners of U.S. databases is predicated upon the adoption of equivalent protective measures for EU databases in this country. While this is clearly not the case at present, Congress should consider introducing legislation akin to the Database Directive to provide sui generis protection against unfair extraction of databases for commercial purposes.<sup>73</sup>

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### **17.10. Constitutional Implications of Feist v. Rural Telephone:**

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In addition, the adoption of sui generis legislation would overcome the constitutional objection to the copyrightability of factual compilations raised by Feist v. Rural Telephone. According to Justice O'Connor's analysis in Feist, in fact, factual compilations would only be copyrightable if and to the extent to which their selection and arrangement could satisfy the constitutionally mandated originality requirement. This approach would imply that if Congress were to amend the Copyright Act to afford copyright protection to electronic databases, the Supreme Court would construe the statute narrowly to cover only databases which satisfy the originality requirement. By drafting sui generis legislation limited to the protection of electronic databases for the purpose of providing reciprocal protection to EU databases, on the other hand, Congress could rely either on the Commerce Clause or on the Foreign Affairs Power to sidestep the originality requirement the Court has read into the Copyright Clause. Prof. Ginsburg argues that Congress might not have the power to enact under the Commerce Clause a statute it could not enact under the Copyright Clause without violating the Feist principle. However, even if Feist's expansive constitutional interpretation of the Copyright Clause were found to preclude the enactment of such legislation pursuant to the Commerce Clause, it would still fall short of the broader scope of the Foreign Affairs Power recognized in Missouri v. Holland. In Missouri v. Holland, the Supreme Court recognized the principle that in enacting laws pursuant to international obligations undertaken by treaty Congress' power is not limited by Art. 1 sec. 8 of the Constitution. While the Court recognized that the Treaty Power

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<sup>73</sup> <http://www.jus.unitn.it/cardoza/review/students/marino1.html>

is not limitless, it held that it may well be broader than the enumerated powers. Thus if the *sui generis* protection were enacted for the purpose of satisfying the reciprocal treatment condition required by the Database Directive under the terms of a bilateral agreement with the EU to extend protection to U.S. databases, the Congressional authority under the Foreign Affairs Power would overcome the constitutional objection raised by Feist.<sup>74</sup>

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### **17.11. Summary:**

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The increasing trend toward the adoption of electronic communication and information management systems, reflected by the recent conference of the G7,<sup>103</sup> makes the protection of information stored in electronic databases a primary concern for the future. In this context, the proposed Database Directive represents a positive step towards the recognition of an interest which has the potential of becoming vital in the information based society we are moving towards. The United States should seriously consider adopting analogous legislation, particularly in view of increasing international effect of EU law. If the success met by the adoption of the Software Directive is any indication, the trend toward harmonization of European legislation dealing with modern technologies appears a foregone conclusion. In a recent decision, the Appeals Court of the Hague issued an injunction against patent infringement having effect throughout the Union. The *sui generis* character of the Database Directive makes it an ideal candidate for supranational application: while other Directives might be subject to interpretation under domestic laws because of their integration into a pre-existing national legal order, the Database Directive creates an entirely new cause of action for unauthorized extraction of data from an electronic database for commercial purposes, which is regulated exclusively by the provisions contained in the Directive. This rationale would provide an ideal opportunity for the European Court of Justice to extend the applicability of Union law on supranational basis. The adoption by the U.S. of legislation providing reciprocal rights would represent a significant step towards the harmonization of intellectual property legislation among industrialized nations, a goal which seems inevitable in light of the continuing trend toward the establishment of a global economic society.<sup>75</sup>

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<sup>74</sup> <http://www.jus.unitn.it/cardoza/review/students/marino1.html>

<sup>75</sup> <http://www.jus.unitn.it/cardoza/review/students/marino1.html>

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**17.12. Some Useful Books:**

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- A. An Introduction to Intellectual Property Rights by J.P. Mishra; Central Law Publication-Third Edition-2012
- B. Law relating to Intellectual Property Law by V.K. Ahuja; Lexis-Nexis Publication (2013)
- C. Intellectual Property Law Manual-Universal Publication (2014)
- D. Intellectual Property by W.R. Cornish; Third Edition-First Indian Reprint,2001
- E. Copyright Act, 1957-Bare Act (Universal Publication)
- F. Trade Marks Act, 1999-Bare Act (Universal Publication)
- G. The Patent Act, 1970-Bare Act (Universal Publication)
- H. Law relating to Intellectual Property by B.L. Wadehra (Universal Publication)

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**17.13. Check your Progress:**

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- A. Which of the following statements are true or false:
  - 1. Under US law, the eligibility for copyright protection of electronic databases depends on the inter action of two contrasting but well established principles.
  - 2. The European Union consists of four main bodies.
  - 3. Once collected, personal data should be kept safe and secure from potential abuse, theft or loss.
  - 4. The term database is used to describe a compilation of works, data or other materials.
  - 5. A database right is a database which has been made available to the public.
- B. Fill in the blanks:
  - 1. The Supreme Court of US dealt squarely the issue of copyrightability of factual compilations in.....
  - 2. A person infringe a database right if they .....all or a substantial part of the content.
  - 3. Keep a record of the .....put into a database as a proof of substantial investment.
  - 4. US Data Protection Act is of the year.....
  - 5. Database are of two types .....

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**17.14. Answer to Check your Progress:**

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A.

1. True
2. True
3. True
4. True
5. True

B.

1. First Publication, Inc. v Rural Telephone Services
2. Extract or re-utilized
3. Financial, human or technical resources
4. 1998
5. Creative and non-creative

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### **17.15. Terminal Questions**

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1. What are the US approaches?
2. Discuss the structure of European Union.
3. What are database rights?
4. What is data protection?
5. Write a note on constitutional implication of Fiest.

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# Unit-18

## Indian Law on Database (Internet)

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### Objectives:

After going through this unit you should be able to:

- Understand the issues and subject matters related to Internet Database and its position in India
- Understand the remedies which are available against Infringement
- Understand the technical and legal issues related to Internet Database in India

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### Summary:

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- 18.1. Introduction
- 18.2. Compensation to failure to Protect Data
- 18.3. Data Protection and Property Rights
- 18.4. Sensitive Personal Data or Information
- 18.5. Liability of online Intermediaries and their Components
- 18.6. Reasonable Security Practices and Procedures
- 18.7. Due diligence to be observed by intermediary
- 18.8. Future Framework of Internet Privacy in India
- 18.9. Cyber Defamation and Indian Legal Position
- 18.10. Corporate Liability and other issues
- 18.11. Summary
- 18.12. Some Useful Books
- 18.13. Check your Progress
- 18.14. Answer to Check your Progress
- 18.15. Terminal Questions

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### 18.1. Introduction:

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Data protection law in India is currently facing many problems and resentments due to absence of proper legislative framework. There is an ongoing explosion of cyber crimes on a global scale. The theft and sale of stolen data is happening across vast continents where physical boundaries pose no restriction or seem non-existent in this technological era. India being the largest host of outsourced data processing in the world could become the epicenter of cyber crimes. This is mainly due to the absence of the appropriate legislation. The Data Security Council of India (DSCI) and Department of Information Technology (DIT) must also rejuvenate its efforts in this regard on similar lines. However, the most subtle solution can come from good legislative provisions along with suitable public and employee awareness. It is high time that attention is paid to Data Security in India. Cyber Security in India is missing and the same requires rejuvenation. Data breaches and cyber crimes in India cannot be reduced until strong cyber laws are made.

In the current scenario the data protection provisions do not extend beyond the territories of India. Within the territory of India, Sections 43A and 72A of the Information Technology Act provides protection for data. Even data which is outsourced to India gets protection under these Sections. However, when data is sent outside the territories of India, one cannot seek protection under these Sections. India has no jurisdiction in such cases and there is no obligation cast on the countries to which India sends sensitive personal information for processing to have an acceptable data protection mechanism.

The Information Technology Amendment Act, 2008 has set the ball rolling in addressing the lacuna of data protection laws in the country. The provisions are however not adequate to meet the needs of corporate India. Indian companies in the information technology and business process outsourcing (BPO) sectors handle and have access to all kinds of sensitive and personal data of individuals across the world, including their credit card details, financial information and even their medical history. These companies store confidential data and information in electronic form and this could be vulnerable in the hands of their employees. It is often misused by unscrupulous elements amongst them. There have been instances of security breaches and data leakages in high profile Indian companies. The recent incidents of data thefts in the BPO industry have raised concerns about data privacy.

Data is defined as unprocessed information. Information, on the other hand, is defined as the data that has been organized and communicated in a coherent and meaningful manner. Data is converted into information and information is converted into knowledge.

In the cyber world all such information is stored in computers. The information may include financial details, health information, business proposals, intellectual property and sensitive data. Till recently, there was no specific provision to address the issue of Data Protection. However, the Information Technology Amendment Act 2008, has set the ball rolling in addressing this issue.<sup>76</sup>

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## **18.2. Compensation to Failure to Protect Data:**

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**Section 43A of the Information Technology Act, 2000: Compensation for failure to protect data:** Where a body corporate, possessing, dealing or handling any sensitive personal data or information in a computer resource which it owns, controls or operates, is negligent in implementing and maintaining reasonable security practices and procedures and thereby causes wrongful loss or wrongful gain to any person, such body corporate shall be liable to pay damages by way of compensation, not exceeding five crore rupees, to the person so affected.

Explanation: For the purposes of this section

(i) "body corporate" means any company and includes a firm, sole proprietorship or other association of individuals engaged in commercial or professional activities

(ii) "reasonable security practices and procedures" means security practices and procedures designed to protect such information from unauthorised access, damage, use, modification, disclosure or impairment, as may be specified in an agreement between the parties or as may be specified in any law for the time being in force and in the absence of such agreement or any law, such reasonable security practices and procedures, as may be prescribed by the Central Government in consultation with such professional bodies or associations as it may deem fit.

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<sup>76</sup> <http://www.gala-marketlaw.com/77-gala-gazette/gala-gazette/261-india-data-protection-and-the-it-act-india>

(iii) "sensitive personal data or information" means such personal information as may be prescribed by the Central Government in consultation with such professional bodies or associations as it may deem fit.

Section 72 of the Information Technology Act, 2000: Penalty for breach of confidentiality and privacy.-Save as otherwise provided in this Act or any other law for the time being in force, if any person who, in pursuance of any of the powers conferred under this Act, rules or regulations made thereunder, has secured access to any electronic record, book, register, correspondence, information, document or other material without the consent of the person concerned discloses such electronic record, book, register, correspondence, information, document or other material to any other person shall be punished with imprisonment for a term which may extend to two years, or with fine which may extend to one lakh rupees, or with both.

**Section 72A of the Information Technology Act, 2000: Punishment for Disclosure of information in breach of lawful contract:-** Save as otherwise provided in this Act or any other law for the time being in force, any person including an intermediary who, while providing services under the terms of lawful contract, has secured access to any material containing personal information about another person, with the intent to cause or knowing that he is likely to cause wrongful loss or wrongful gain discloses, without the consent of the person concerned, or in breach of a lawful contract, such material to any other person shall be punished with imprisonment for a term which may extend to three years, or with a fine which may extend to five lakh rupees, or with both. ( Inserted vide Information Technology Amendment Act, 2008)

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### **18.3. Data Protection and Property Rights:**

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Article 300A of the Constitution ensures the right not to be deprived of property except by authority of the law. However, this right can be claimed only against the State and not against private individuals or employees. Further, the data in question has to be regarded as property. The Copyright Act, 1957 ("Copyright Act") protects Intellectual Property rights in literary, dramatic, musical, artistic and cinematographic works. The term "literary work" includes computer databases as well. Therefore, copying a computer database, or copying and distributing a database amounts to infringement of copyright for which civil and criminal



remedies can be initiated. However, it is difficult to differentiate between data protection and database protection under the Copyright Act. Data protection is aimed at protecting the informational privacy of individuals, while database protection has an entirely different function, namely, to protect of the creativity and investment put into the compilation, verification and presentation of databases. The Indian Penal Code, 1860 (“IPC”) can be used as an effective means to prevent data theft. Offences such as misappropriation of property, theft, or criminal breach of trust attract imprisonment and fine under the IPC. Although the offences of theft and misappropriation under the IPC only apply to movable property, it has been defined to include corporeal property of “every description,” except land and things permanently attached to the earth. Therefore, computer databases can be protected under the IPC, as they are movable by their very nature, and under the Copyright Act because they are a form of IP.

Further, business entities seek data protection under contract law and common law, by incorporating confidentiality and data protection clauses in contracts. In the absence of any specific law, BPOs have implemented self-regulatory processes such as the BS 7799 and ISO 17799 standards to standardize information security management and restrict the quantity of data that can be made available to their employees. Indian BPO outfits are also trying to adhere to US and European regulations. Most Tier I BPO companies have certifications that comply with the Sarbanes Oxley Act, the Safe Harbor Act, the Gramm Leach Bliley Act for financial services, the Fair Debt Collection Practices Act for banking and the Healthcare Insurance Portability and Accountability Act for healthcare.

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## **18.4. Sensitive Personal Data or Information:**

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Rule 3 of the Information Technology Rules, 2011: Sensitive personal data or information:- Sensitive personal data or information of a person means such personal information which consists of information relating to;—

- (i) password;
- (ii) financial information such as Bank account or credit card or debit card or other payment instrument details ;
- (iii) physical, physiological and mental health condition;
- (iv) sexual orientation;

(v) medical records and history;  
(vi) Biometric information;  
(vii) any detail relating to the above clauses as provided to body corporate for providing service; and

(viii) any of the information received under above clauses by body corporate for processing, stored or processed under lawful contract or otherwise:

provided that, any information that is freely available or accessible in public domain or furnished under the Right to Information Act, 2005 or any other law for the time being in force shall not be regarded as sensitive personal data or information for the purposes of these rules.

Rule 4 of the Information Technology Act, 2011: Body corporate to provide policy for privacy and disclosure of information: (1) The body corporate or any person who on behalf of body corporate collects, receives, possess, stores, deals or handle information of provider of information, shall provide a privacy policy for handling of or dealing in personal information including sensitive personal data or information and ensure that the same are available for view by such

providers of information who has provided such information under lawful contract. Such policy shall be published on website of body corporate or any person on its behalf and shall provide for—

- (i) clear and easily accessible statements of its practices and policies;
- (ii) type of personal or sensitive personal data or information collected under rule 3;
- (iii) purpose of collection and usage of such information;
- (iv) disclosure of information including sensitive personal data or information as provided in rule 6;
- (v) reasonable security practices and procedures as provided under rule 8.

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## **18.5. Collection and Disclosure of Information:**

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Rule 5 of the Information Technology Rules, 2011: Collection of information:

(1) Body corporate or any person on its behalf shall obtain consent in writing through letter or fax or email from the provider of the sensitive personal data or information regarding purpose of usage before collection of such information.

(2) Body corporate or any person on its behalf shall not collect sensitive personal data or information unless —

(a) the information is collected for a lawful purpose connected with a function or activity of the body corporate or any person on its behalf; and

(b) the collection of the sensitive personal data or information is considered necessary for that purpose.

(3) While collecting information directly from the person concerned, the body corporate or any person on its behalf shall take such steps as are, in the circumstances, reasonable to ensure that the person concerned is having the knowledge of —

(a) the fact that the information is being collected;

(b) the purpose for which the information is being collected;

(c) the intended recipients of the information; and

(d) the name and address of —

(i) the agency that is collecting the information; and

(ii) the agency that will retain the information.

(4) Body corporate or any person on its behalf holding sensitive personal data or information shall not retain that information for longer than is required for the purposes for which the information may lawfully be used or is otherwise required under any other law for the time being in force.

(5) The information collected shall be used for the purpose for which it has been collected.

(6) Body corporate or any person on its behalf shall permit the providers of information, as and when requested by them, to review the information they had provided and ensure that any personal information or sensitive personal data or information found to be inaccurate or deficient shall be corrected or amended as feasible:

provided that a body corporate shall not be responsible for the authenticity of the personal information or sensitive personal data or information supplied by the provider of information to such body corporate or any other person acting on behalf of such body corporate.

(7) Body corporate or any person on its behalf shall, prior to the collection of information including sensitive personal data or information, provide an option

to the provider of the information to not to provide the data or information sought to be collected. The provider of information shall, at any time while availing the services or 9 otherwise, also have an option to withdraw its consent given earlier to the body corporate. Such withdrawal of the consent shall be sent in writing to the body corporate. In the case of provider of information not providing or later on withdrawing his consent, the body corporate shall have the option not to provide goods or services for which the said information was sought.

(8) Body corporate or any person on its behalf shall keep the information secure as provided in rule 8.

(9) Body corporate shall address any discrepancies and grievances of their provider of the information with respect to processing of information in a time bound manner. For this purpose, the body corporate shall designate a Grievance Officer and publish his name and contact details on its website. The Grievance Officer shall redress the grievances of provider of information expeditiously but within one month from the date of receipt of grievance.

Rule 6 of the Information Technology Rules, 2011: Disclosure of information:

(1) Disclosure of sensitive personal data or information by body corporate to any third party shall require prior permission from the provider of such information, who has provided such information under lawful contract or otherwise, unless such disclosure has been agreed to in the contract between the body corporate and provider of information, or where the disclosure is necessary for compliance of a legal obligation:

Provided that the information shall be shared, without obtaining prior consent from provider of information, with Government agencies mandated under the law to obtain information including sensitive personal data or information for the purpose of verification of identity, or for prevention, detection, investigation including cyber incidents, prosecution, and punishment of offences. The Government agency shall send a request in writing to the body corporate possessing the sensitive personal data or information stating clearly the purpose of seeking such information. The Government agency shall also state that the information so obtained shall not be published or shared with any other person.

(2) Notwithstanding anything contained in sub-rule (1), any sensitive personal data or Information shall be disclosed to any third party by an order under the law for the time being in force.

(3) The body corporate or any person on its behalf shall not publish the sensitive personal data or information.

(4) The third party receiving the sensitive personal data or information from body corporate or any person on its behalf under sub-rule (1) shall not disclose it further.

Rule 7 of the Information Technology Act, 2011: Transfer of information: A body corporate or any person on its behalf may transfer sensitive personal data or information including any information, to any other body corporate or a person in India, or located in any other country, that ensures the same level of data protection that is adhered to by the body corporate as provided for under these Rules. The transfer may be allowed only if it is necessary for the performance of the lawful contract between the body corporate or any person on its behalf and provider of information or where such person has consented to data transfer.

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## **18.6. Reasonable Security Practices and Procedures:**

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Rule 8 of the Information Technology Rules, 2011: Reasonable Security Practices and Procedures:

(1) A body corporate or a person on its behalf shall be considered to have complied with reasonable security practices and procedures, if they have implemented such security practices and standards and have a comprehensive documented information security programme and information security policies that contain managerial, technical, operational and physical security control measures that are commensurate with the information assets being protected with the nature of business. In the event of an information security breach, the body corporate or a person on its behalf shall be required to demonstrate, as and when called upon to do so by the agency mandated under the law, that they have implemented security control measures as per their documented information security programme and information security policies.

(2) The International Standard IS/ISO/IEC 27001 on “Information Technology – Security Techniques – Information Security Management System – Requirements” is one such standard referred to in sub-rule (1).

(3) Any industry association or an entity formed by such an association, whose members are self-regulating by following other than IS/ISO/IEC codes of best practices for data protection as per sub-rule(1), shall get its codes of best practices duly approved and notified by the Central Government for effective implementation.

(4) The body corporate or a person on its behalf who have implemented either IS/ISO/IEC 27001 standard or the codes of best practices for data protection as approved and notified under sub-rule (3) shall be deemed to have complied with reasonable security practices and procedures provided that such standard or the codes of best practices have been certified or audited on a regular basis by entities through independent auditor, duly approved by the Central Government. The audit of reasonable security practices and procedures shall be carried out by an auditor at least once a year or as and when the body corporate or a person on its behalf undertake significant up gradation of its process and computer resource.

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### **18.7. Due diligence to be observed by intermediary under Indian Law:**

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Rule 3 of Information Technology (Intermediaries Guidelines) Rules, 2011: Due diligence to be observed by intermediary : The intermediary shall observe following due diligence while discharging his duties, namely:

(1) The intermediary shall publish the rules and regulations, privacy policy and user agreement for access-or usage of the intermediary's computer resource by any person.

(2) Such rules and regulations, terms and conditions or user agreement shall inform the users of computer resource not to host, display, upload, modify, publish, transmit, update or share any information that —

(a) belongs to another person and to which the user does not have any right to;

(b) is grossly harmful, harassing, blasphemous defamatory, obscene, pornographic, pedophilic, libelous, invasive of another's privacy, hateful, or racially, ethnically objectionable, disparaging, relating or encouraging money laundering or gambling, or otherwise unlawful in any manner whatever;

(c) harm minors in any way;

- (d) infringes any patent, trademark, copyright or other proprietary rights;
- (e) violates any law for the time being in force;
- (f) deceives or misleads the addressee about the origin of such messages or communicates any information which is grossly offensive or menacing in nature;
- (g) impersonate another person;
- (h) contains software viruses or any other computer code, files or programs designed to interrupt, destroy or limit the functionality of any computer resource;
- (i) threatens the unity, integrity, defense, security or sovereignty of India, friendly

relations with foreign states, or public order or causes incitement to the commission of any cognizable offence or prevents investigation of any offence or is insulting any other nation

(3) The intermediary shall not knowingly host or publish any information or shall not initiate the transmission, select the receiver of transmission, and select or modify the information contained in the transmission as specified in sub-rule (2): provided that the following actions by an intermediary shall not amount to hosting, publishing, editing or storing of any such information as specified in sub-rule: (2)-

(a) temporary or transient or intermediate storage of information automatically within the computer resource as an intrinsic feature of such computer resource, involving no exercise of any human editorial control, for onward transmission or communication to another computer resource;

(b) removal of access to any information, data or communication link by an intermediary after such information, data or communication link comes to the actual knowledge of a person authorized by the intermediary pursuant to any order or direction as per the provisions of the Act;

(4) The intermediary, on whose computer system the information is stored or hosted or published, upon obtaining knowledge by itself or been brought to actual knowledge by an affected person in writing or through email signed with electronic signature about any such information as mentioned in sub-rule (2) above, shall act within thirty six hours and where applicable, work with user or owner of such information to disable such information that is in contravention of sub-rule (2). Further the intermediary shall preserve such information and associated records for at least ninety days for investigation purposes,

(5) The Intermediary shall inform its users that in case of non-compliance with rules and regulations, user agreement and privacy policy for access or usage of intermediary computer resource, the Intermediary has the right to immediately terminate the access or usage rights of the users to the computer resource of Intermediary and remove noncompliant information.

(6) The intermediary shall strictly follow the provisions of the Act or any other laws for the time being in force.

(7) When required by lawful order, the intermediary shall provide information or any such assistance to Government Agencies who are lawfully authorized for investigative, protective, cyber security activity. The information or any such assistance shall be provided for the purpose of verification of identity, or for prevention, detection, investigation, prosecution, cyber security incidents and punishment of offences under any law for the time being in force, on a request in writing stating clearly the purpose of seeking such information or any such assistance.

(8) The intermediary shall take all reasonable measures to secure its computer resource and information contained therein following the reasonable security practices and procedures as prescribed in the Information Technology (Reasonable security practices and procedures and sensitive personal Information) Rules, 2011.

(9) The intermediary shall report cyber security incidents and also share cyber security incidents related information with the Indian Computer Emergency Response Team.

(10) The intermediary shall not knowingly deploy or install or modify the technical configuration of computer resource or become party to any such act which may change or has the potential to change the normal course of operation of the computer resource than what it is supposed to "perform thereby circumventing any law for the time being in force:

provided that the intermediary may develop, produce, distribute or employ technological means for the sole purpose of performing the acts of securing the computer resource and information contained therein.

(11) The intermediary shall publish on its website the name of the Grievance Officer and his contact details as well as mechanism by which users or any victim who suffers as a result of access or usage of computer resource by any person in



violation of rule 3 can notify their complaints against such access or usage of computer resource of the intermediary or other matters pertaining to the computer resources made available by it. The Grievance Officer shall redress the complaints within one month from the date of receipt of complaint.

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### **18.8. Future Framework of Internet Privacy in India:- The Report of the Group of Experts on Privacy:**

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In October 2012 the Report of the Group of Experts on Privacy was published by a committee of experts chaired by Justice A.P. Shah. The report creates a set of recommendations for a privacy framework and legislation in India. Most importantly, the Report recognizes privacy as a fundamental right and defines nine National Privacy Principles that would apply to all data controllers both in the private sector and the public sector. This would work to ensure that businesses and governments are held accountable to protecting privacy and that legislation and practices found across sectors, states/governments, organizations, and governmental bodies are harmonized. The privacy principles are in line with global standards including the EU, OECD, and APEC principles on privacy, and include: notice, choice & consent, collection limitation, purpose limitation, access and correction, accountability, openness, disclosure of information, security.

The Report also envisions a system of co-regulation, in which the National Privacy Principles will be binding for every data controller, but Self Regulatory Organizations at the industry level will have the option of developing principles for that specific sector. The principles developed by industry must be approved by the privacy commissioner and be in compliance with the National Privacy Principles. In addition to defining principles, the Report recommends the establishment of a privacy commissioner for overseeing the implementation of the right to privacy in India and specifies that aggrieved individuals can seek redress either through issuing a complaint to the privacy commissioner or going before a court.

The nine national privacy principles include:

Notice: Principle 1: Notice

A data controller shall give simple to understand notice of its information practices to all individuals, in clear and concise language, before any personal information is collected from them. Such notices should include:

### During Collection

- What personal information is being collected;
- Purposes for which personal information is being collected;
- Uses of collected personal information;
- Whether or not personal information may be disclosed to third persons;
- Security safeguards established by the data controller in relation to the personal information;
- Processes available to data subjects to access and correct their own personal information;
- Contact details of the privacy officers and SRO ombudsmen for filing complaints.

Other Notice: Data breaches must be notified to affected individuals and the commissioner when applicable. Individuals must be notified of any legal access to their personal information after the purposes of the access have been met. Service providers would have to explain how the information would be used and if it may be disclosed to third persons such as advertisers, processing. Individuals must be notified of changes in the data controller's privacy policy. Any other information deemed necessary by the appropriate authority in the interest of the privacy of data subjects.

Example of Implementation: A telecom service provider must make available to individuals a privacy policy before any personal information is collected by the company. The notice must include all categories of information as identified in the principle of notice. For example, the service provider must identify the types of personal information that will be collected from the individual from the initial start of the service and during the course of the consumer using the service. For a telecom service provider this could range from name and address to location data. The notice must identify if information will be disclosed to third parties such as advertisers, processors, or other telecom companies. If a data breach that was the responsibility of the company takes place, the company must notify all affected customers. If individuals have their personal data accessed or intercepted by Indian law enforcement or for other legal purposes, they have the right to be notified of the access after the case or other purpose for the data has been met.

### Principle 2: Choice and Consent

A data controller shall give individuals choices (opt-in/opt-out) with regard to providing their personal information, and take individual consent only after

providing notice of its information practices. Only after consent has been taken will the data controller collect, process, use, or disclose such information to third parties, except in the case of authorized agencies. When provision of information is mandated by law, it should be in compliance with all other National Privacy Principles. Information collected on a mandatory basis should be anonymized within a reasonable timeframe if published in public databases. As long as the additional transactions are performed within the purpose limitation, fresh consent will not be required. The data subject shall, at any time while availing the services or otherwise, also have an option to withdraw his/her consent given earlier to the data controller. In such cases the data controller shall have the option not to provide goods or services for which the said information was sought if such information is necessary for providing the goods or services. In exceptional cases, where it is not possible to provide the service with choice and consent, then choice and consent should not be required.

Example of implementation: If an individual is signing up to a service, a company can only begin collecting, processing, using and disclosing their data after consent has been taken. If the provision of information is mandated by law, as is the case for the census, this information must be anonymized after a certain amount of time if it is published in public databases. If there is a case where consent is not possible, such as in a medical emergency, consent before processing information, does not need to be taken.

#### Principle 3: Collection Limitation

A data controller shall only collect personal information from data subjects as is necessary for the purposes identified for such collection, regarding which notice has been provided and consent of the individual taken. Such collection shall be through lawful and fair means.

Example of Implementation: If a bank is collecting information to open an account for a potential customer, they must collect only that information which is absolutely necessary for the purpose of opening the account, after they have taken the consent of the individual.

#### Principle 4: Purpose Limitation

Personal data collected and processed by data controllers should be adequate and relevant to the purposes for which they are processed. A data controller shall collect, process, disclose, make available, or otherwise use personal information

only for the purposes as stated in the notice after taking consent of individuals. If there is a change of purpose, this must be notified to the individual. After personal information has been used in accordance with the identified purpose it should be destroyed as per the identified procedures. Data retention mandates by the government should be in compliance with the National Privacy Principles.

Example of Implementation: If a bank is collecting information from a customer for opening a bank account, the bank can only use that information for the purpose of opening the account and any other reasons consented to. After a bank has used the information to open an account, it must be destroyed. If the information is retained by the bank, it must be done so with consent, for a specific purpose, with the ability of the individual to access and correct the stored information, and in a secure fashion.

#### Principle 5: Access and Correction

Individuals shall have access to personal information about them held by a data controller; shall be able to seek correction, amendments, or deletion such information where it is inaccurate; be able to confirm that a data controller holds or is processing information about them; be able to obtain from the data controller a copy of the personal data. Access and correction to personal information may not be given by the data controller if it is not, despite best efforts, possible to do so without affecting the privacy rights of another person, unless that person has explicitly consented to disclosure.

Example of Implementation: An individual who has opened a bank account, has the right to access the information that was initially provided and subsequently generated. If there is a mistake, the individual has the right to correct the mistake. If the individual requests information related to him that is stored on a family member from the bank, the bank cannot disclose this information without explicit consent from the family member as it would impact the privacy of another.

#### Principle 6: Disclosure of Information

A data controller shall only disclose personal information to third parties after providing notice and seeking informed consent from the individual for such disclosure. Third parties are bound to adhere to relevant and applicable privacy principles. Disclosure for law enforcement purposes must be in accordance with the laws in force. Data controllers shall not publish or in any other way make public personal information, including personal sensitive information.

Example of Implementation: If a website, like a social media site, collects information about how a consumer uses its website, this information cannot be sold or shared with other websites or partners, unless notice of such sharing has been given to the individual and consent has been taken from the individual. If websites provide information to law enforcement, this must be done in accordance with laws in force, and cannot be done through informal means. The social media site would be prohibited from publishing, sharing, or making public the personal information in any way without obtaining informed consent.

#### Principle 7: Security

A data controller shall secure personal information that they have either collected or have in their custody, by reasonable security safeguards against loss, unauthorized access, destruction, use, processing, storage, modification, deanonymization, unauthorized disclosure [either accidental or incidental] or other reasonably foreseeable risks.

Example of Implementation: If a company is a telecommunication company, it must have security measures in place to protect customers communications data from loss, unauthorized access, destruction, use, processing, storage, modification, deanonymization, unauthorized disclosure, or other foreseeable risk. This could include encrypting communications data, having in place strong access controls, and establishing clear chain of custody for the handling and processing communications data.

#### Principle 8: Openness

A data controller shall take all necessary steps to implement practices, procedures, policies and systems in a manner proportional to the scale, scope, and sensitivity to the data they collect, in order to ensure compliance with the privacy principles, information regarding which shall be made in an intelligible form, using clear and plain language, available to all individuals.

Example of Implementation: If a hospital is collecting and processing personal information of, for example, 1,000 patients, their policies and practices must reflect and be applicable to the amount, sensitivity, and nature of information that they are collecting. The policies about the same must be made available to all individuals – this includes individuals of different intelligence, skill, and developmental levels.

#### Principle 9: Accountability

The data controller shall be accountable for complying with measures which give effect to the privacy principles. Such measures should include mechanisms to implement privacy policies; including tools, training, and education; external and internal audits, and requiring organizations or overseeing bodies extend all necessary support to the Privacy Commissioner and comply with the specific and general orders of the Privacy Commissioner.

Example of Implementation: To ensure that a hospital is in compliance with the national privacy principles, it must undertake activities like running trainings and providing educational information to employees on how to handle patient related information, conducting audits, and establishing an officer or body for overseeing the implementation of privacy.

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## 18.9. Cyber Defamation and Indian Legal Position:

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In India Cyber Defamation results in Civil as well as Criminal proceedings against the accused. Some the Acts and rules that deals with Cyber Defamation are The Indian Penal Code, 1960, The Information Technology Act, 2000, The Code of Criminal Procedure, 1973 and The Indian Evidence Act, 1872. The Charging Act for prevention of Cyber Crimes in India is the Information Technology Act, 2000. Section 66A of the Information Technology Act, 2000 provides punishment for online Defamation. Section 66A can be read as follows

*Section 66A of the Information Technology Act, 2000: Punishment for sending offensive messages through communication service, etc.:—Any person who sends, by means of a computer resource or a communication device:*

*(a) any information that is grossly offensive or has menacing character; or*

*(b) any information which he knows to be false, but for the purpose of causing annoyance, inconvenience, danger, obstruction, insult, injury, criminal intimidation, enmity, hatred, or ill will, persistently makes by making use of such computer resource or a communication device;*

*(c) any electronic mail or electronic mail message for the purpose of causing annoyance or inconvenience or to deceive or to mislead the addressee or recipient about the origin of such messages, shall be punishable with imprisonment for a term which may extend to three years and with fine.*

*Explanation: For the purposes of this section, terms "Electronic mail" and "Electronic Mail Message" means a message or information created or transmitted*

*or received on a computer, computer system, computer resource or communication device including attachments in text, image, audio, video and any other electronic record, which may be transmitted with the message.*

Section 65A and Section 65B of The Indian Evidence Act, 1872 provides for Admissibility of electronic records as evidence. Some of the sections of Indian Penal Code, 1960 that deal with Cyber defamation are Section 499, 500 and 503.

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## **18.10. Corporate Liability and other issues:**

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In the digital age, personal information stored online or in companies' data storage is increasingly being targeted by cyber-hackers. Every business that keeps records of its clients, or handles credit card transactions for its clients, can be a target. According to the most recent Verizon Data Breach Investigations Report, in 2012 there were over 47,000 reported security incidents, 621 confirmed data disclosures, and at least 44 million compromised records. Over the entire nine-year range of the study, the tally exceeded 2,500 data disclosures and 1.1 billion compromised records. Who are the perpetrators? The majority of security breaches are committed by company outsiders, for example, individual hackers driven mostly by financial motives. But the report suggests that data breaches committed by insiders and state-affiliated actors tied to China are becoming more frequent. The multi-faceted nature regarding the identity of perpetrators makes it all the more difficult to nail down possible defendants for civil action or prosecution. Advances in security technology are not going to be a fundamental solution, since hackers will eventually find a way to break into a system (some, just for the heck of it), rendering it almost impossible to establish a fail-proof security system. And with the advent of cloud computing, more personal and business data are being handled online than ever before. This seems to suggest, and some believe, that data breach is not a matter of if, but rather a matter of when.

### **Heartland Payment Systems breach case**

The largest known data breach in the U.S. to date, involving an estimated 130 million records of credit and debit card information, was against credit card processor Heartland Payment Systems. In early 2009, the sixth-largest payment processor in the U.S. announced that its processing systems were breached by hackers, exposing millions of customers of the financial institutions and companies which use Heartland's processing system to potential credit fraud. The banks that

had issued payment cards to their customers allegedly suffered economic losses in replacing compromised payment cards and refunding consumers for transactions that were fraudulently charged to their accounts.

**Notification Statutes:** In the case of a breach, the compromised company such as Heartland would not only be exposed to bad publicity, but also would be required to comply with state laws that mandate notification to affected individuals. Moreover, there is a possibility of potential class-action litigation alleging that the company was negligent in securing confidential information. In any case, the first thing a compromised company should do is to notify. California was the first to implement a data breach notification statute in 2003 (Cal. Civ. Code § 1798.82), after which almost all other states followed suit, albeit with some individual differences. Generally, the California statute requires that companies notify customers if personal information stored in their computerized database has been compromised by unauthorized access. Specifically, the statute requires notice when consumers' names are obtained without authorization from a server or database along with other personal information such as their Social Security number, driver's license number, account number, credit or debit card number along with the security code or password for accessing their financial account, medical information or health insurance information. This notice requirement applies to companies that conduct business in California, which means that even companies incorporated abroad or elsewhere are required to notify.

California's statutory definition of data breach is an "unauthorized acquisition of computerized data that compromises the security, confidentiality, or integrity of personal information maintained by the person or business." Cal. Civ. Code § 1798.82. This effectively creates a strict liability regime where a company has the affirmative duty to notify of any unauthorized acquisition regardless of injury to customers. However, the California statute provides for an encrypted data safe harbor, which means that a company need not notify if the compromised information was properly encrypted. Also, notification is not required if the information leaked is publicly available.

The statute provides that in the event of a data breach, the company must notify the affected consumers "in the most expedient time possible and without unreasonable delay." Notice can be made by physical or electronic mail, and if actual notice would be too expensive, unwieldy, or simply impossible, an



exception could be made. Interestingly, California simply encourages, but does not require, companies to conduct internal investigations after being compromised. Cal. Civ. Code § 1798.82

In addition to abiding by state notification statutes, companies in a few specific industries must comport with the notification requirements of federal statutes. Financial firms and health care companies must adhere to the reporting requirements of, respectively, the federal Gramm-Leach Bliley Act, 15 U.S.C.A. §§ 6801-6809 (“GLBA”), and the Health Information Technology for Economic and Clinical Health Act, 42 U.S.C.A. § 17932 (“HITECH Act”).

**Economic Loss Doctrine:** Even if a company fully complies with the applicable notification statutes following a data compromise, a class action lawsuit on behalf of those individuals affected may be brought, alleging that the company was negligent in securing its confidential information. However, nearly all of the class action suits that have been brought against companies in the wake of data breaches have failed. Typically, plaintiffs have had difficulty establishing standing and/or that the breaches caused actual injuries. With few exceptions, even where plaintiffs have established standing, courts have dismissed such suits because the alleged damages were too speculative. Most notably, the defendants invoked the economic loss doctrine to avoid tort liability.

Following the breach at Heartland, several banks (credit card issuers) sued Heartland for its alleged negligence in not securing their customers’ payment card data. The district court dismissed the negligence claims and denied the banks any recovery for the economic losses associated with replacing payment cards and reimbursing fraudulent charges. According to the district court, the economic loss doctrine precluded tort recovery for purely economic losses and limited the banks’ remedies to those provided by the Visa and MasterCard regulations that governed their participation in the payment card industry. In other words, since the economic loss doctrine allows only contractual remedies, the banks’ negligence action “failed to state a claim upon which relief can be granted.” However, in September 2013, the Fifth Circuit reinstated the negligence claim of these plaintiffs. The Fifth Circuit found that under New Jersey law, the doctrine “does not bar tort recovery where the defendant causes an identifiable class of plaintiffs to which it owes a duty of care to suffer economic loss that does not result in boundless liability.” Some commentators suggest that this might signal an expansion in cyber liability.

**Comparative Perspective:** In Korea, in a seminal case in 2012, the Seoul Western District Court ordered SK Communications to pay a total of 576.4 million won (\$534,200), or about \$200 each, to 2,882 petitioners who filed for damages against the company for leaking their personal information. Almost all users of SK Communication's popular social networking service Cyworld were notified of the breach. Their ID, password, name and resident registration numbers (equivalent to a U.S. Social Security number) were snatched away by unidentified hackers. The number of customers whose data was leaked was so enormous that they could not initially find any judge not affected by the incident, for the purpose of fair court proceedings. The significance of the case stems from the fact that it was the first ruling in Korea that holds the corporate manager accountable for leaking customers' information regardless of intentionality. The court reasoned that, "SK Communications neglected its duty to protect customers' information, which resulted in inviting a hacking incident." Among the evidence weighing in favor of the petitioners was 1) the fact that SK Communications' detection system failed to work properly due to loose guidelines and reliance on low-cost general-purpose software which provided less protection than advanced versions; and 2) the fact that the system also lacked an automatic log-out timer on its database. Apparently, after an SK Communications security manager completed a project online, the security manager failed to sign out of the system and left the computer on overnight. This oversight left the system open and susceptible to hackers who accessed the system and caused the leak without even having to bypass password protections.

In previous decisions, the Korean courts had shown sympathy towards the corporate managers, especially before the enactment of the Personal Information Protection Act in September 2011. Before the legislation, for example, there was no regulation obligating corporations to notify consumers about data breaches, and more significantly, the burden of proving negligence or mistreatment of personal information by the corporations was borne by the plaintiffs. After several court rulings declined to hold companies liable for compensation to consumers, the Korean legislature decided to take action and enacted the Personal Information Protection Act which brought about a complete overhaul of the legal regime in a data breach context. Most notably, it shifted the burden of proof to the data handlers (i.e. the companies) and, following the U.S. model, established an

affirmative obligation to notify after a breach occurred. In addition, the law allowed for class actions to be brought by affected consumers. SK Communications can be thought of as a major step by the Korean judiciary representing a more favorable legal regime for the consumers. This also resulted in the Korean government rescinding its proposed policy of requiring real names and social security numbers when signing up for certain web sites. The Korean government has been trying to mitigate further breaches by implementing mandatory security procedures and ad hoc safety measures. But such government-led initiatives are hardly effective, and an even bigger problem lies in the fact that the burden is on the taxpayers, who are in fact the ultimate victims of data breach.<sup>77</sup>

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### **18.11. Summary:**

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In this area the Indian law is not much developed due to some technical and complex nature of the problem. But some of the countries of European Union and US developed their law in this regard. In this unit the compensation to failure to protect data, data protection and property right, sensitive personal information or data, liability of online Intermediaries and their components, Renewable Security Practices and Procedures, Reasonable Security Practices and Procedures, Due Diligence to be observed by intermediary, Future Framework of Internet Privacy in India, Cyber Defamation and Indian Legal Position and Corporate Liability and other issues are discussed at length with the help of different contents available on the topics.

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### **18.12. Some Useful Books:**

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- A. An Introduction to Intellectual Property Rights by J.P. Mishra; Central Law Publication-Third Edition-2012
- B. Law relating to Intellectual Property Law by V.K. Ahuja; Lexis-Nexis Publication (2013)
- C. Intellectual Property Law Manual-Universal Publication (2014)
- D. Intellectual Property by W.R. Cornish; Third Edition-First Indian Reprint,2001
- E. Copyright Act, 1957-Bare Act (Universal Publication)
- F. Trade Marks Act, 1999-Bare Act (Universal Publication)

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<sup>77</sup> <http://cblr.columbia.edu/archives/12873>

G. The Patent Act, 1970-Bare Act (Universal Publication)

H. Law relating to Intellectual Property by B.L. Wadehra (Universal Publication)

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### 18.13. Check your Progress:

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A. Which of the following statements are true or false:

1. Data protection law in India is currently facing many problems.
2. The IT (Amendment) Act, 2008 has set the ball rolling in addressing the lacuna of data protection laws in the country.
3. Section 72 of the IT Act, 2000 is related to punishment for disclosure for information in breach of lawful contract.
4. Rule 5 of the IT Rules, 2011 is related to collection of information.
5. Body corporate or any person on its behalf holding sensitive data or information shall not retain that information for longer than is required for the purposes.

B. Fill in the blanks:

- i. ....of the Information Technology Act, 2000 provides protection for data.
- ii. ....of the IT Act, 2000 is related to penalty for breach of confidentiality and privacy.
- iii. ....of the IT Rules, 2011 is related to sensitive personal data or information.
- iv. The information collected shall be used.....only for which it has been collected.
- v. The report of the Group of Experts on Privacy recognizes privacy as ..... and defines.....National Privacy Principles.

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### 18.14. Answer to Check your Progress:

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A.

- |    |      |
|----|------|
| 1. | True |
| 2. | True |
| 3. | True |
| 4. | True |
| 5. | True |

B.

- a. Section 43A and 72A
- b. Section 72
- c. Rule 3
- d. For the Purpose
- e. Fundamental Rights and Nine

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**18.15. Terminal Questions:**

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1. What is data protection and property right?
2. What is sensitive data or information?
3. What are the liabilities of online Intermediaries and their components?
4. What is the future framework of internet privacy in India?
5. Write a note on cyber defamation.