

IP Hotline

February 16, 2010

WORKING OF PATENTS IN INDIA: MEETING THE MARCH 31ST DEADLINE

It is a well established fact that a patent is granted in order to encourage innovation and to ultimately serve the public interest. Most sovereigns accord a patentee exclusive rights over an invention subject to certain conditions and limitations. One such condition is: working of the patent locally i.e. commercial exploitation of the invention for which the patent is granted, in the territory for which the patent is granted. The Indian Patent Act, 1970 ("**Act**"), for the purpose of tracking the working of the patent by the Patentees in India, imposes an obligation upon the patentee and patent licensees to disclose information related to the working of their patents in India.

Although this requirement has been part of the Act since in its enactment in 1970, the Indian Patent Office has only recently taken a serious note of the fact that compliance with this provision has been overlooked by a majority of patentees.

In its initiative to collect information on the working of Indian patents, the Patent Office has issued a circular¹ calling upon patentees and licensees to furnish information relating to the working of granted patents before March 31, 2010.

THE REQUIREMENT UNDER THE LAW

The procedure set out under Section 146(2) of the Act and Rule 131(2) is as follows:

- © Every patentee and every licensee (whether exclusive or otherwise) must furnish a statement describing the extent to which the patented invention has been worked on a commercial scale in India.
- © The statement is to be furnished by way of Form 27 to the Patent Office that has granted the patent. Form 27 is to be filed for every patent in respect of every calendar year before March 31st of the succeeding year. No fees are required to be paid alongwith this Form.
- © A separate Form is required to be filed in respect of each patent, even in case of related patents having common patentee.
- © The consequences of not filing Form 27 as stated in Section 122(1)(b)² of Patents Act is fine which may extend to INR 10,00,000.
- © Further, if it is discovered that the information provided in Form 27 is false, the provider of the information is liable to be penalized with imprisonment which may extend to six months, or with fine, or with both under Section 122(2).
- © The Controller of Patents under Section 146(1) also has the power to call for information such as periodical statements as to the extent to which the patented invention has been commercially worked in India, as may be specified in the Controller's notice. This notice may be issued at any time during the continuance of the patent. A patentee or a licensee receiving the notice must furnish such information to him within two months from the date of such notice or within such further time as the Controller may allow.
- © If the patent has not been worked in India, Form 27 requires disclosure of the reasons for not working of the patent and also steps being taken for working of the invention.
- © In case the patent has been worked, then the quantum and value (in Indian Rupees) of the patented product manufactured in India or imported from other countries is to be disclosed.
- © The patentee is required to give a declaration as to whether the requirement of the public has been met partly or adequately or to the fullest extent at a reasonable price by the working disclosed in Form 27.

LICENSING OF PATENTS

The details of all the licenses and sub-licenses granted during the last calendar year are required to be disclosed in Form 27. If the patent is licensed to a party that does not work the invention disclosed in the patent specification, then the mere act of having granted the license may not be considered as 'working of patent'. However, if the invention is being commercially exploited by the patentee's licensee in the territory of India, the patent is said to be 'worked'.

Registration of the patent license under the provisions of the Act is viewed as a prerequisite by the Patent Offices for filing of Form 27 when the disclosure in the Form relates to working by licensee(s), and it is hence advisable to register the license agreement with the relevant Patent Office before filing Form 27.

POSSIBLE CONSEQUENCES OF NOT WORKING A PATENT IN INDIA

While the consequence of failure to file Form 27 is limited to Section 122(b) discussed above, a patent that has not been worked for 3 years from grant is vulnerable to issuance of a compulsory license.

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Any interested party which has been unsuccessful in procuring a voluntary license from the patentee can file an application with the Controller of Patents requesting for a compulsory license after expiry of three years from grant of the patent. Such person needs to establish the occurrence of any of the three conditions in Section 84³, one of which is ‘*not worked in the territory of India*’. If the Controller is satisfied, he may grant the applicant a non-exclusive compulsory license for the balance term of the patent unless a shorter term is consistent with public interest. The patent can subsequently be revoked after the expiration of two years from the grant of the compulsory license on application by third party or Government if it is established that the compulsorily licensed patent has not satisfied the purpose for which it was granted.

There is no provision for *suo motu* revocation by Controller. Neither is ‘non-working’ a ground for revocation of a patent by a person interested under Section 64 of the Act.

Thus, India does not have any direct provisions to revoke a patent for non-working. It is merely a ground for compulsory licensing under the Act. However, irrespective of whether the patent is worked or not in India, filing of Form 27 is a mandatory annual requirement under the Act, of which every patentee must take note and consider being as important as renewal of a patent itself.

- Aditi Nadkarri & Gowree Gokhale

1 Circular no. CG/PG/2009/79 dated December 24, 2009

2 Section 122(1)(b) of the Patents Act, 1970: *Refusal or failure to supply information- (1) If any person refuses or fails to furnish- (b) to the Controller any information or statement which he is required to furnish by or under section 146, he shall be punishable with fine which may extend to ten lakh rupees*

3 (a) that the reasonable requirements of the public with respect to the patented invention have not been satisfied, or
(b) that the patented invention is not available to the public at a reasonably affordable price, or
(c) that the patented invention is not worked in the territory of India

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