



January 29, 2015

Justice Prabha Sridevan
Chairperson
India National IPR Think Tank

Via email: ipr@nic.in

RE: IPO Response to First Draft of the National IPR Policy

Dear Justice Sridevan:

The Intellectual Property Owners Association (IPO) thanks the Indian Intellectual Property Rights (IPR) Think Tank for the opportunity to comment on the first draft of the National IPR Policy (the Policy), dated December 19, 2014.

IPO is a trade association representing companies and individuals from all industries and fields of technology that own or are interested in intellectual property rights. IPO's membership includes more than 200 companies and more than 12,500 individuals that are involved in the association either through their role in companies or as inventors, authors, executives, or law firm practitioners. Many IPO members actively engage in business opportunities in India, work within the Indian IPR system to protect and enforce intellectual property, and have a strong interest in the development of India's domestic and international policy.

IPO's comments are directed to the following six areas: general views, international commitments, IP administration, enforcement, human capital, and gaps in protection.

I. Introduction and General Views

The IPR Task Force's work to articulate an Indian IPR Policy is a significant and positive step toward fostering predictability, clarity, and transparency across India's IPR regime. A well-reasoned IPR policy will benefit India's domestic and international interests as well as the international community wishing to interact with India.

Overall the draft IPR Policy provides a valuable roadmap for realizing the potential of India's creativity and recognizes the central role intellectual property plays in this regard. From raising public awareness of the benefits of IP to promoting its creation, improving the associated legal infrastructure and related services, and emphasizing the development of human capital, as detailed in the IPR Policy, are critical steps to achieving India's development goals. IPO supports and encourages this important endeavor.

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An IPR policy can provide significant insight into a country's approach to innovation, including by signaling how potential investors might best interact with the system. The draft IPR Policy accomplishes this by elucidating India's legal complexities, its long history of Jurisprudence, and its advancements in developing a broad IPR regime in recent decades. It explains what India believes an IPR policy should consider and contain as it is created, and the benefits and guidance that are derived from an IP policy once it exists. To provide a more comprehensive understanding of India's objectives, we recommend expanding the policy discussion to highlight "what" the policy is for each IP topic and objective addressed and "why" the policy is in India's domestic and international best interests.

For illustration, policies in the Introduction, Vision, and Mission sections could be clarified.

A. Introduction

The Introduction to the IPR Policy states that India is in compliance with its international obligations, including TRIPS, and that India's negotiating policy will continue to "give precedence to its national development priorities whilst adhering to its international commitments and avoiding TRIPS plus provisions." Many in the international community do not agree with India's treaty compliance position, whether viewing India's laws as written or as implemented and enforced in practice.¹ This foundational topic deserves more detailed attention in the IPR Policy. We suggest the IPR Policy should itemize and align India's new IPR policies alongside its national development priorities and its international treaty obligations.

B. Vision

The IPR Policy's vision is "[a]n India where Intellectual Property lead growth in creativity and innovation is encouraged for the benefit of all; . . . an India where knowledge is the main driver of development, and knowledge owned is transformed into knowledge shared." It is unclear whether "for the benefit of all" broadly refers to domestic and international stakeholders wishing to do business in India, or only to domestic Indian nationals. Similarly, it is unclear whether the phrase "knowledge owned is transformed into knowledge shared" is intended to suggest a widely ranging policy of voluntary or involuntary knowledge disclosure in India. Clarity on when and what kinds of knowledge are subject to being "transformed," would be helpful guidance to domestic and international stakeholders.

C. Mission

It is unclear whether the mission statement includes qualitative measures of success, or how and to what extent the concepts are supported by quantitative metrics to monitor progress and support future decision making. We suggest clarifying these issues in the mission statement.

¹ Such as Section 3(d) of the Patent Act as written and implemented, or the absence of basic data exclusivity provisions for regulatory data submitted for pharmaceuticals.

II. International Commitments & Relationships

A. Treaties

IPO encourages India's active pursuit of international treaties and agreements as part of its strategy to integrate IPR throughout government initiatives (*see e.g.*, page 26, item 5). We recognize that India pursues treaties and agreements where they are in India's domestic or international interest, or where *de facto* implementation already exists (*see*, Obj. 3, page 12, sec. 3.3). Nevertheless, two treaty suggestions we believe would benefit India's IPR regime, include The Hague Treaty on Industrial Designs, and the Patent Law Treaty (*see e.g.*, Obj. 2, page 11, sections 2.13 and 2.18). These two IP treaties are popular internationally and may encourage domestic interest in international markets while attracting foreign investment in India (*see e.g.*, page 26, item 5).

B. Attracting & Balancing Foreign Investment

IPO encourages continued attention to a healthy balance between developing domestic industry interests and attracting foreign investment to India. We agree that domestic industries and entrepreneurship will not develop and thrive as robustly without the technologies and training that accompany foreign industry investment, and vice versa. We believe this view is reflected in the "Make in India" initiative (*see e.g.*, Government Initiatives, page 25; and Obj. 5, pages 17-19, sections 5.1.2 and 5.1.7). We also agree that the "Digital India" infrastructure improvement initiative is an essential component that will contribute to the likelihood of successful domestic industry development, and to attracting foreign investment to India (*see e.g.*, Government Initiatives, page 25).

We are concerned, however, with references that appear to indicate a relaxation of IP protection. As innovators, we rely on IP protection to justify the outlay of resources required to develop new technology. But when the value of such protection comes into question, it makes it more difficult to invest. Throughout the IPR Policy there are calls for using flexibilities "judicially to keep IP laws updated" as well as studies on topics such as exceptions and limitations and exhaustion of IPR rights. (*e.g.*, pg. 2 and Obj. 3, pg. 13, section 3.6). There are also references to the Technology Acquisition and Development Fund, which is empowered to operate through compulsory licensing. (Obj. 5, pg. 19 and pg. 26) Instead of emphasizing IP weakening, IPO recommends signaling a preference towards collaboration and commercial arrangements.

C. IP Relationships

IPO encourages more frequent contact within the international community. We believe a more formalized office of international cooperation within India's IP Office could facilitate communications and relationships with the international stakeholder community, and cooperation and coordination with counterpart IP Offices around the world (*e.g.*, Obj. 4, page 14, sec. 4.7). IPO has observed productive communications and meaningful relations develop with IP Offices worldwide, due in large part to these IP Offices having a dedicated staff available to focus on international topics and interests.

D. Efficiency of India's Patent System

IPO encourages the review and simplification of processes and procedures that are most often problematic to domestic and foreign applicants seeking patent rights in India (*see e.g.*, Obj. 3, page 12, sec. 3.4). Several possible improvements exist throughout Indian IP law. Three possible examples include the foreign filing license and working requirement.

1. *Foreign Filing License*

IPO members believe the present law and implementation of the Patents Act Section 39 discourages multi-national collaborations from involving Indian nationals and could be improved. While the criteria for determining who is a "resident" under the Act should be simplified, a more efficient electronic permission process would benefit all stakeholders. Further, flexibility to add resident inventors to a pending patent application would simplify an unforgiving process that too often results in loss of rights where no fraud or misconduct is involved.

2. *Working Requirement*

IPO encourages a more relaxed "working requirement" and accompanying "statement," or even the removal of this requirement and its supporting statement for the benefit of domestic and foreign owners of Indian patents alike. While one policy position might be that the requirement exists to encourage commercialization or to prevent the frivolous assertion of a patent by an abusive non-practicing entity, IPO members believe such a policy does little to influence commercialization and actively prevents the legitimate assertion of a patent by a owners (*e.g.*, university or micro, small, or medium entity (MSME)) that are trying but have not yet been successful in licensing or otherwise "working" the patent. This equally detrimental to domestic and foreign owners of Indian patents. Further, documentation in support of the working requirement requires the public disclosure of confidential business information that is detrimental to the interests of the patent owner, and failure to submit a "working" statement can result in harsh civil and criminal penalties. We suggest adjusting or removing the working requirement altogether from existing law.

3. *Disclosure of foreign filings*

IPO encourages a more modern approach to notification of prosecution matters required to comply with Section 8 of the Patent Act. The original purpose of the requirement was to ensure high quality patents were issued by India, in light of patent examinations around the world. While this may have been necessary when the Patent Act was originally enacted almost 50 years ago, patent examiners now have access to file histories for applications in many jurisdictions. In fact, given India's appointment as an International Search Authority for the Patent Cooperation Treaty (PCT), it is possible that the requirement to furnish examination results for co-pending applications conflicts with PCT rules. Failure to provide the required information, however, can result in devastating consequences to the patentee, resulting in significant uncertainty as to the value of

issued patent assets. We suggest updating Section 8 to reflect the resources publically available to patent examiners today or removing this requirement from existing law.

E. Procedural harmonization & cooperation

IPO encourages India's participation and cooperation with other IP Offices to streamline procedures, processes, and services wherever possible for the benefit of domestic and international stakeholders. Domestically this can mean enhanced coordination and cooperation among the regional IP Offices (*e.g.*, Obj. 4, page 15, sec. 4.10.10). Internationally this can mean joining WIPO Centralized Access for Search and Examination (CASE) and Digital Access Services (DAS) (*e.g.*, Obj. 4, page 16, sec. 4.10.12), or providing enhanced search and IP database access services such as the Cooperative Patent Classification² (CPC) system or the Global Dossier³ initiative being designed and implemented initially among the IP5 Offices (*e.g.*, Obj. 4, page 16, sec. 4.10.13).

IPO also suggests the adoption of Patent Prosecution Highway⁴ (PPH) procedures for accelerated examination of PCT and Paris convention patent applications. These work sharing measures are good for the global IP system because national offices can benefit from work product of their counterpart offices without prejudging the outcome of examination. This results in improved quality and timeliness, reduced duplication of work and backlogs, and lower costs to applicants. Further, national offices remain free to apply their own substantive laws and work sharing measures are consistent with global treaty obligations.

F. Standards

IPO encourages India's study and engagement in the national and international standards setting process (*e.g.*, Obj. 3, page 12-13, sec. 3.5).

G. Enforcement Mechanisms

IPO welcomes India's increased attention to strengthened enforcement and pursuit of IP offenders through national initiatives and international cooperation (*e.g.*, Obj. 6, page 21, Sec. 6.2.1).

III. IP Administration & Management

A. IP Incentives

The IPR Policy document notes the desire to implement incentives to encourage participation in India's IP systems. IPO suggests proceeding with caution to avoid unintended impacts on participation or the quality of IP being sought, or undesirable manipulation of the incentives.

² <http://www.uspto.gov/patents/resources/classification/index.jsp>

³ http://www.uspto.gov/patents/int_protect/gbldsr/index.jsp

⁴ http://www.uspto.gov/patents/init_events/pph/index.jsp

1. *Fee waiver*

A first time patent fee waiver for MSMEs may not be recommended if the desire is to encourage serial inventors that repeatedly use the patent system (*see e.g.*, Obj. 2, page 10, sec. 2.11). IPO suggests instead considering free training and assistance to applicants, and relying on appropriately gauged multi-tier fee structures designed to make the first and subsequent patents affordable to MSMEs. Further, a well-tuned patent system and a strong enforcement regime is more likely to encourage repeat users of the Indian IP system.

2. *Tax incentives*

Tax incentives for monetizing IPR are another proposed consideration (*see e.g.*, Obj. 2, page 10, sec 2.12). This may be a worthwhile incentive if designed with care not to encourage undesirable behavior in the present climate of unscrupulous and overzealous monetizing practices by a few bad actors.

3. *Prizes & Awards*

Although the timely granting of a patent right is the best incentive for innovation, a public “invention of the year” type recognition award can be an effective way to acknowledge significant contributors to an invention and to encourage others to innovate and pursue patents in a target industry (*see e.g.*, Obj. 1, page 8, sec. 1.4.4). The prize or award, though, is only brief recognition and should in no way be considered a possible replacement for the prize of patent rights that accompany the grant of a patent.

B. Opposition Mechanisms

India’s patent system includes slow and lengthy pre-grant and post-grant opposition mechanisms. Significant timeliness improvements are needed for both mechanisms. One particular disadvantage of the pre-grant opposition is that it can be instituted by any party, which disrupts the routine examination flow and can delay the examination and final grant of a patent by years. While some pre-grant process may be useful to allow third parties an opportunity to submit prior art that may not otherwise be discovered by the examiner, it is important to let the examiner finish the examination uninterrupted. If a patent is granted, then a post-grant opposition may be appropriate and patent office resources are used more effectively. IPO suggests considering reforms to the patent system to more optimally balance the examination and opposition processes while also allowing third parties a mechanism to submit prior art without disrupting examination.

IV. Enforcement & Adjudication

IPO generally supports steps to improve the cost, quality, and timeliness of IP dispute resolution and enforcement of IP rights against piracy and counterfeiting (*see e.g.*, Obj. 6, page 20-22). The overall IPR Policy underlying India’s enforcement and adjudication, however, is unclear in Objective 6. For example, regarding the designation of specialized patent courts at the High Court

and District Court levels, it is unclear what role, purpose, and mandate the different courts would possess. It is also unclear how the proposed changes in these courts satisfy a policy requirement that better serves user interests (*see e.g.*, Obj. 6, page 22, sec. 6.3.1 and 6.3.2).

Regarding the IP Appeal Board (IPAB) proposals (*see e.g.*, Obj. 6, page 22, sec. 6.3.5 and 6.3.6), it is unclear what role, purpose, and mandate the IPAB tribunal(s) would possess and what need is satisfied relative to the High Court and District Courts. More fundamentally, clarification would help explain if the IPAB is an independent court of the Judiciary, or if it serves some other administrative law function for the IP Office.

V. Human Capital Development

IPO supports an overall policy and desire to develop human capital in India. This is important to the development of IP awareness and knowledge of present and future generations of domestic IP practitioners, judiciary, academics, business people, and the general public (*see e.g.*, Obj. 7, page 23). Restrictions on professional advertising in India, however, may be detrimental to the interests in developing India's human capital. India's greatest IP rights advocates may be prevented from making their existence and expertise publicly known through ordinary advertising channels. The scope of this advertising restriction is not well-understood or evenly followed within India (and even less so outside India). Domestic start-up entrepreneurs, MSMEs, and business executives must seek out competent counsel through word of mouth or guess work, which wastes time, leads to misinformation, and creates opportunity for exploiting public ignorance. Potential foreign participants encounter an even greater disadvantage when seeking competent IP counsel to assist with business interests in India. We suggest reform and greater uniformity related to professional advertising in the IP community within the bounds of established ethical guidelines, a code of conduct, and appropriate oversight by an entity that is responsible for the licensing the IP professionals and overseeing the continuing education within India's IP profession (*e.g.*, patent agents, law advocates).

VI. Gaps in the IPR Protective Regime

A. Utility Model

IPO recognizes the emphasis India places on the implementation of a Utility Model to supplement India's IPR regime (*e.g.*, Obj. 2, page 9 intro & page 19 sec. 2.10, and Obj. 3 page 12, sec. 3.2). The IPR Policy document suggests that India should have a Utility Model because other countries have Utility Models, and that a limited Utility Model IPR in India satisfies a need for less expensive and more rapidly available IP protection for a sizable informal segment of India's domestic industry.

We recommend caution and a refreshed evaluation⁵ before considering a Utility Model implementation in India. Japan and Germany have well-known examples of successful Utility Model implementations based on 19th century manufacturing era policies that may not translate well

⁵ http://dipp.nic.in/english/Discuss_paper/Utility_Models_13May2011.pdf

to 21st century India. China's more recent utility model implementation illustrates unintended uses that have consumed valuable government resources and remedial attention due to domestic users allegedly manipulating Utility Models to blockade foreign industry competition.⁶ Given these examples, we believe the considerable administrative and judicial resources required to implement and maintain a successful Utility Model right, and the demonstrated abuses that can accompany such a right, overwhelm the desired benefits of this right in the foreseeable future for India. We suggest that a Utility Model law be considered a low priority while IPR Policy attention is focused on higher value IPR regime gaps and existing implementation improvements for India.

B. Trade Secrets

IPO appreciates the recommendation to fill gaps in India's protective regime, and in particular regarding the protection of trade secrets (Obj. 3 page 12, sec. 3.2). Trade secrets are viewed worldwide as one of the most diverse, cost effective, and highest value types of intellectual property a business can possess. This view applies almost universally from the smallest and most informal business to the largest multinational corporation. Indian practitioners and industry representatives have underscored the presence of trade secrets in a thriving Indian economy and noted the important reforms to Trade Secret law that have taken place in Europe and that are presently underway in the United States.⁷

Today India's protection of trade secrets is significantly limited and requires a close relationship, either by Contract or through the "duty of confidence", to the misappropriating party. Modern trade secret theft does not always fit such a model and often involves the action of a third party without close association to the trade secret owner. Given the IPR Policy's clear aspiration for increased collaboration amongst innovators (*e.g.* Obj. 5, and Obj. 6, pg. 21 Section 6.1.2), upgrading the trade secret regime is essential to achieving the most value out of those exchanges. We believe a comprehensive federal statutory Trade Secret law is among the highest IPR Policy priorities for India to pursue this decade. The IPR Policy should more clearly expand on this and other improvements of India's trade secret protection regime.

C. Data Exclusivity

The IPR Policy document does not directly address data exclusivity, except for a reference in the "future study" section on protecting "undisclosed information" (*see, e.g.*, Obj. 3, page 13, sec. 3.6.3). Although India has addressed data exclusivity through legislation relating to agrochemicals, the absence of any policy relating to pharmaceuticals is detrimental to the emerging domestic pharma research and development industry. A comprehensive IPR Policy should address data exclusivity uniformly across all relevant industries.

⁶ *Big Change to Utility Model, Design Patent Exams in China*, Paolo Beconcini author, Law360 News Publication, March 15, 2013 (updated December 6, 2013)

<http://www.mondaq.com/x/279340/Patent/Big+Change+To+Utility+Model+Design+Patent+Exams+In+China>

⁷ *Congress is Considering A New Federal trade Secret Law. Why?*, Eric Goldman author, Forbes Magazine, September 16, 2014 <http://www.forbes.com/sites/ericgoldman/2014/09/16/congress-is-considering-a-new-federal-trade-secret-law-why/>

INTELLECTUAL PROPERTY OWNERS ASSOCIATION

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IPO again thanks the IPR Think Tank for the opportunity to provide these comments. We appreciate the transparent process and we look forward to future opportunities to participate. If we may be of further assistance, please do not hesitate to contact us.

Sincerely,

A handwritten signature in cursive script that reads "Herbert C. Wamsley". The signature is written in black ink and is positioned above the printed name.

Herbert C. Wamsley
Executive Director