

LAW COMMISSION OF INDIA

167

ONE HUNDRED SIXTY SEVENTH REPORT

ON

THE PATENTS (AMENDMENT) BILL, 1996

FEBRUARY, 1999

JUSTICE
B. P. JEEVAN REDDY
Chairman, Law Commission of India



LAW COMMISSION OF INDIA
SHASTRI BHAWAN
NEW DELHI-110 001
TEL. : 3384475

Residence :
1, JANPATH
NEW DELHI-110 011
TEL. : 3019465

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February 26, 1999

Dear Dr. M. Thambi Durai,

I am sending herewith 167th Report on "The Patents (Amendment) Bill, 1998".

2. The Law Commission had taken up the aforesaid subject suo motu in view of the fundamental importance of the provisions contained in the aforesaid Bill and notwithstanding the fact that it has already been passed by the Rajya Sabha. This unusual step has been taken in view of certain significant omissions in the Bill, which impinge seriously upon our national interest.

3. The recommendations contained in the Report may be considered by the Government and Parliament while debating the said Amendment Bill in the Budget Session.

With regards,

Yours sincerely,

(B.P. Jeevan Reddy)

Dr. M. Thambi Durai,
Minister of Law, Justice and
Company Affairs,
Government of India,
Shastri Bhawan,
NEW DELHI.

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CHAPTER I

INTRODUCTION

1.1 Genesis of the report:- The Law Commission of India has taken up the study of the Patents (Amendment) Bill 1998 (introduced in Rajya Sabha On 16th December, 1998 and passed by the Rajya Sabha on 22nd December 1998) supo motu in-view of the fundamental importance of the provisions contained in it and notwithstanding the fact that it has already been passed by the Rajya Sabha. This unusual step is being taken in view of certain omissions in the Bill. For example, though Art.27 of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs) entitles the member-States to provide for certain exemptions, they have not been incorporated in the Bill. The said omissions impinge seriously upon our national interest. There are others as this Report will disclose. Having considered the provisions of the Amendment Bill in depth, and after consulting several experts on the subject, the Law Commission is submitting this report. The recommendations contained in the Report may be considered by the Government and the Lok Sabha while debating the said Amendment Bill in the Budget Session.

1.2 Brief History:- The Patents Act, 1970 was enacted by the Parliament to amend and consolidate the law concerning patents. It was based upon the comprehensive report prepared

by Shri Justice N. Rajagopala Ayyangar (a former Judge of the Supreme Court) as modified by the Report of the Joint Committee of Parliament dated November 1, 1966.

1.2.1 India has signed the agreement for the establishment of World Trade Organisation (WTO) including the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs). The WTO agreement has come into force on 1st January, 1995. With a view to meeting India's obligations under the TRIPs Agreement, it has become necessary to amend the Patents Act, 1970. An extract from the Statement of Objects and Reasons appended to The Patents (Amendment) Bill, 1998 (Bill No.XVIV of 1998 as introduced in the Rajya Sabha on 16.12.1998) gives chronology of events happened after 1.1.1995, as follows:-

"2. The TRIPs Agreement, inter, alia, prescribes the minimum standards to be adopted by the member countries in respect of 8 years of intellectual property. Though, India has a transition period of 5 years (w.e.f. 1-1-1995) under Article 65 to apply the provisions of the Agreement and an additional period of 5 years for extending product patent protection to areas of technology not protected so far, certain obligations were required to be fulfilled w.e.f. 1-1-1995 as explained in the succeeding paragraphs."

"3. Notwithstanding the transition periods as mentioned above, in terms of Articles 70.6 and 70.9 of the TRIPs Agreement, member countries which do not

provide for product patents in the areas of pharmaceuticals and agricultural chemicals, were required to provide with effect from the coming into force of the WTO Agreement, i.e., from 1st January, 1995, a means to receive product patent applications for pharmaceuticals and agricultural chemicals, and on fulfillment of certain conditions, grant exclusive marketing rights for a period of five years or until the patent is granted or rejected whichever is shorter."

"4. As the Patents Act, 1970 does not provide for grant of product patents, inter alia, in the fields of agricultural chemicals and pharmaceuticals and also for grant of Exclusive Marketing Rights (EMRs), the provisions of Articles 70.8 and 70.9 were applicable to India."

"5. These obligations were initially fulfilled by issuing an Ordinance on 31st December, 1994, namely, the Patents (Amendment) Ordinance, 1994."

"6. Subsequently, the Patents (Amendment) Bill, 1995 was introduced in the Lok Sabha in March, 1995. The Bill was passed by the Lok Sabha and then introduced in the Rajya Sabha where it was referred to a Select Committee of the House. As the Select Committee did not submit its report before the dissolution of the 10th Lok Sabha, the Bill "lapsed."

"7. While taking steps to amend the Patents Act, 1970 to fulfil our obligations under the Agreement, measures have been incorporated in the amendments to ensure that Government's ability to intervene in the public interest is preserved. Further restriction on inventions made in India are also proposed to be removed. Certain safeguards are proposed to be provided in the form of public non-commercial use, price fixation and compulsory licensing. The Bill also contain some measures in the interest of National Security. It is also proposed to provide validation to applications filed after 26 March, 1995."

1.3 Since the Patents (Amendment) Bill, 1998 could not be passed by House of the People in Parliament, the President of India promulgated 'The Patents (Amendment) Ordinance, 1999' to amend the Patents Act, 1970, for giving effect to the provisions of the World Trade Organisation (WTO)/TRIPS Agreement.

1.4 Knowledge and materials gained from times immemorial cannot be ignored:- Mr. K.L.Mehra, former Director of the National Bureau of Plant Genetic Resources, ICAR, New Delhi, in his article 'Indigenous Biodiversity Rights' published in Mainstream, Oct. 7, 1995, succinctly points out that plant biodiversity occurs in natural ecosystem and in farmer's fields/ecosystems. People have identified, conserved, selected and improved economic plant species in different

parts of the world. It is undeniable that knowledge and materials of different communities were freely available. Each informal innovator (individual or group of individuals) shared his (their) innovation (s) with others. Thus, there was never felt necessity to keep records of who innovated what. Such manner of sharing knowledge and planting material lead to economic prosperity of peoples, communities and nations.

1.4.1 Our old scriptures lay down the characteristics, uses and applications of herbs and medicinal plants for curing diseases of mankind. Have these ever been claimed or subjected to patent rights?

1.4.2 In today's era, in a market economy, profit earning is made the sole aim and even by dint of piracy of traditional knowledge of informal innovators, many formal innovators masquerade their intellectual property rights in them by making minor modifications or advances. Mr.K.L.Mehra (supra) discounts that botanists seek information free of cost from indigenous peoples which have accumulated through several generations of folk experimentation and adoption. When botanists publish such data, indigenous knowledge falls in 'public domain', and biodiversity prospecting work is promoted. Industry researches exploit such information without making any payments to the informal innovators/communities. More than 7000 natural chemical compounds used in modern medicines and chemical industries have been employed by indigenous healers and other peoples for

centuries. Other companies have often investigated useful attributes of substances known to a tribal community, and after isolating the active principle(s) thereof, they have modified the product(s) or sometimes used it as a lead for the design of a new synthetic compound, which may be generally more stable or less toxic than the original substance. He cites the examples of such kinds of inventions viz., neem based derivatives like bio-pesticides, Ethiopian endod, Phytolacca dodecantra, providing low-cost molluscicide; and Thumatin, a natural sweetener. The annual market value of pharmaceutical and chemical products derived from medicinal plants discovered by indigenous peoples exceeded US \$ 43 billion. The said author emphasises that there is a need to recognise Indigenous Rights and to develop appropriate and effective legal mechanisms to provide Intellectual Property Rights (IPRs) and economic benefits to informal innovators (individuals and communities).

1.4.3 In an article on "Global Trade and Biodiversity in Conflict" on internet, it is pointed out that the industry has the world outraged with its biopiracy. Farmers have been marching in the streets of Delhi to denounce a US Patent on their Basmati rice; developing countries are taking TNCs to court for theft of indigenous medicinal knowledge; green revolution scientists are /up in arms about seeds they are responsible for keeping public being privatised by Australian companies. Corporate hunger for fully-fledged patents on all forms of life - from human genes to entire crops species - is now at the centre of the world trading system. The article

further projects that several Latin American nations have been successfully lobbied to join the Union, although Brazil is thinking twice before it crosses the threshold. As the Workers Party has pointed out, if Brazil joins UPOV, 'We should not be surprised if in a near future our small farmers end up in jail for using protected rice varieties.' It is clear that Brazil's opposition party's analysis of UPOV sees the Convention as heralding a transfer of power from farmers and states to corporations. Another writer Nicola C. Osterlag while analysing the impact of TRIPs on the neem tree, views, on internet, that the neem tree is a natural and cultural resource for India. Economic, legal and technological developments with regard to neem indicate that plant material and indigenous knowledge continue to be appropriated without compensation. Indian research and industry could be stifled by foreign countries. Traditional agricultural practices may be abandoned. The biological diversity with regard to neem could decline and overall TRIPs may hinder the best management of neem for the Indian people. He concludes that this outcome is not due to intellectual property rights alone, but is a consequence of a capitalist economic system of which intellectual property protection is a tool.

1.5 International Declarations concerning benefits to indigenous communities:- Mr. K.L.Mehra (supra) culls out the international declarations beneficial to indigenous

communities and these recognise sovereign rights of nation-states over their respective territories, including their natural resources and cultural property. These are:-

The United Nations General Assembly resolution (Resolution 1803 of 1962) that

"Due care should be taken to ensure that there is no impairment, for any reason, of the state's sovereignty over its natural wealth and resources."

The UN Conference on the Human Environment (1972) in Principle 21 states that

"States have the sovereign right to exploit their own resources pursuant to their own environmental policies".

The UN Food and Agricultural Organisation's International Undertaking on Plant Genetic Resources (Conference resolution 3/91) and FAO's International Code of Conduct for Plant Germplasm Collecting and Transfer (1993) also recognise that nation-states have sovereign rights over plant genetic resources in their territories.

The Declaration (A.B. Cunningham, Ethics, Ethnobiological Research and Biodiversity, WWF-International, Gland, Switzerland, 1993) of Belem of the International Society of Ethno-biology strongly urged that

"Procedures be developed to compensate native peoples for the utilisation of their knowledge and their biological resources and mechanism be established by which indigenous specialists are recognised as proper authorities and are consulted in all programmes affecting them, their resources and their environments."

The International Year (1993) for the World's Indigenous Peoples provided an unprecedented opportunity for the international community to examine existing injustices in various fields and to demonstrate its commitment to helping indigenous people, realise their rights. Article 29 of United Nations' Draft Declaration on the Rights of Indigenous Peoples (1993) states:

"Indigenous peoples are entitled to the recognition of the full ownership, control and protection of their cultural and intellectual property. They have the right to special measures to control, develop and protect their sciences, technologies and cultural manifestations, including human and other genetic

resources, seeds, medicines, knowledge of the properties of fauna and flora, oral traditions, literatures, designs, and visual and performing arts.

Every nation has the power and jurisdiction to establish how its natural resources and assets, tangible and intangible, are controlled, used, and, if it wishes, made subject to sharing the economic benefits with people/communities that held the traditional rights. The International Labour Organisation's Convention No.169, Article 15, concerning indigenous peoples requires nation-states to consult with indigenous peoples when considering (proposals) exploitation of natural resources on indigenous lands, to respect indigenous peoples' rights "to participate in the use, management and conservation of these resources" and to ensure that indigenous peoples share the benefits of exploitation "where possible". The Convention on Biological Diversity (UNEP, Convention on Biological Diversity, Nairobi, Kenya, 1992) also reaffirmed this principle (Articles 3, 8, 15), stating that

"each Contracting Party shall as far as possible and as appropriate, subject to national legislation, respect, preserve and maintain knowledge, innovations and practices of indigenous and local communities embodying traditional lifestyles relevant for the conservation and sustainable use of biological

diversity and promote their wider application with the approval and involvement of the holders of such knowledge, innovations and practices, and encourage the equitable sharing of the benefits arising from the utilisation of such knowledge, innovations and practices."

1.6 Constitutional directives and Jurisprudence of health for all:- Justice V.R.Krishna Iyer in his article "Part-I To Paris With Tears : The National Pharmaceutical Policy And The Jurisprudence Of Health For All" appeared in the book "Conquest By Patent: On Patent Law And Policy" published by National Working Group on Patent Laws, holds that social justice is the sweeping promise made in the Preamble to the Indian Constitution. The term "Social Justice", whatever its semantic variables, its human essence does take in the right to life for everyone including the basic satisfactions and progressive elimination of inequality in standards of life. Life is nothing without health. Slyinoza said that the first requisite of a gentleman is to be healthy animal. And visitable existence, lifelessly alive, is inanimate. Justice Iyer views that the State shall democratize the right to "medicare" and "medicaid" as within the reach of the backward, the indigent and the lowliest, the lost and the last of Indian humanity. This is the preambular prescription of equality, fraternity and justice. For what is fraternity if some die of disease without medicine while others have no fellow - feeling and solidarity enough to salvage him with money or medicine? what is justice, in its dimensions of good health, if the poor

suffer fatal illness without remedy while the rich win the battle having the wherewithal. What is "health equality", among curable patients, the unfortunate sick sink because the State does not deliver medicines at easy cost and within quick access while the fortunate few purchase relief through costly recipes, they can afford and are within reach. The inevitable conclusion is that the States tryst extends to ensuring access to essential drugs by practical supply and service systems at realistic prices and places whereby no person shall perish or famish if stricken by curable disease.

1.6.1 Though Article 21 of the Constitution merely mandates the State not to deprive any person of life or liberty "except according to procedure established by law", the profound humanism of this provision has been examined for dynamic judicial illumination in various cases. For example, in Olga Tellis case - AIR 1986 SC 180, it was observed:-

"It would be sheer pedantry to exclude the right to livelihood from the content of the right to life."

1.6.2 Justice Iyer observes if "livelihood is part of life", freedom from disease is a fortiori integral to life. The right to health thus falls squarely within the larger right to life, especially when read in the context of social justice, equality and the like guarantee in a democratic socialist republic. He poses where a person, critically ill but capable to cure given a life-saving drug in time, has only a phoney right to life if therapeutics for him is a teasing illusion, if pharmaceuticals are beyond his purchase? Similarly,

Directive Principles of the State policy enshrined in Article 39 ordain that the health and strength of workers, men and women, be secured and under Article 47, that the level of nutrition of the people and public health shall be raised. These show great concern for the physical well being of the weaker sections of the society. In *Vincent v. Union of India*, AIR 1987 SC 990, it was held that the raising of the level of nutrition and the standard of living of its people besides the improvement of public health is the primary duty of the State and is of high priority perhaps one at the top. It is settled in *CERC v. Union of India*, 1995 (1) SCALE 354, para 24 that the expression "life has a much wider meaning which includes right to livelihood and better standards of life". Article 21 derives its life and breath from the Directive Principles of State Policy.

1.6.3 Justice Iyer propounds that law and policy must be geared to the goal of making life saving and essential pharmaceuticals accessible to the indigent and illiterate unfortunates. Disease deprives a person of his right to life, even liberty. Only medicines cure illnesses. So the State plays with life if by oblique policy it fails to make medicines available or permits marking up of market prices so as to put it beyond common people's means to buy. The State, with power to control prices and regulate supplies of drug, may sacrifice the lives of the poor millions in favour of the profit hungry giant corporations by legislative pharmaceuticals liberalism or laissez faire. Further, the procedure of price fixation of essential pharmaceuticals,

without reasonable, fair or just consideration of the likelihood of the little Indian being priced out by the corporate, especially the transnational, manufacturer deliberately manipulating the market, is an unconstitutional exercise.

1.6.4 In his subsequent article entitled "Part II The Paris Convention : A Constitutional - Dialectical Critique", Justice Krishna Iyer in the aforesaid published book observes that Justice Ayyangar report on the Revision of Patents Law has established the case for limiting patents to specific processes but not generally to products. Ingenious ways devices by creative genius to reach the same product are thus kept alive for public good. Justice Iyer views that foods and medicines are not patentable inventions. The apprehensions projected by him are that MNCs dump banned drugs, phoney tonics and brands rackets. And through glamorous high voltage propaganda rob the people through psychic blandishments. Another author Surender J.Patel in his article "Indian Patent Act (1970) and The Revision of the World Patent System and Paris Convention" in the aforesaid published book also projects that the monopolistic privileges granted to the patentees impose heavy cost burdens on the patent - granting countries. Similarly, N.N.Mehrotra in his article "Technological Innovation, Self-Reliance and Patent Protection- Indian Contexts and Paris Convention" published in the said book also projects its apprehensions in the following terms:-

"if there is a change in the Indian Patent Act.... the public will have to pay enormous sums through imports and have to wait for prolonged period for any other manufacturer to produce the product and break the monopoly. It will also no longer be mandatory for the patentee to work the patent within any stipulated time and therefore obtaining of the product patent, can be used to block off potential competitors, without indulging in production of a drug which may be very much needed by the people, but its production may not be associated with the highest of profits. Needless to say it will be drugs required for national health programmes and essential drugs that will be the ones most neglected."

1.6.5 And the said apprehension is evidently becoming true. When one purchases from the chemist an antibiotic of standard brand, he has to spare a hefty amount for the antibiotic tablets to complete the course. There has been sudden spurt in price rise of such antibiotics.

In view of the above background, we proceed in subsequent chapter to analyse and conclude our recommendations.

CHAPTER II

CONCLUSIONS AND RECOMMENDATIONS

2.1 Recommendation No.I:- Amendment of Section 5 of the Principal Act.

Section 5 provides inter alia that in case of "substances intended for the use, or capable of being used, as food or as medicine or drug" while no patent shall be granted in respect of "the claims for the substances themselves" the "claims for the methods or processes of manufacture shall be patentable". In other words, the Act did not recognize the product patent but recognized the process patent only. Now, by virtue of the Patents (Amendment) Bill, 1998 (being Bill No. 64 of 1998 introduced in the Rajya Sabha in December 1998), the existing section is proposed to be numbered as sub-section (1) and a new sub-section, numbered as sub-section (2), is sought to be introduced providing for product patent in respect of medicines and drugs. Any such application is to be dealt with in the manner provided in Chapter IV-A. A new Chapter Chapter IV-A 'Exclusive Marketing Rights' is accordingly sought to be introduced. The Bill also provides for deleting Section 39 and insertion of a new section - sub-section 157-A.

2.1.1 In the Statement of Objects and Reasons appended to the Bill, it is stated that Articles 70.8 and 70.9 of the TRIPS Agreement require that notwithstanding the transition

periods allowed thereunder, member countries which do not provide for product patents in the areas of pharmaceuticals and agricultural chemicals, should provide, with effect from the date of coming into force of the W.T.O. Agreement (i.e. from 1st January 1995), a means to receive product patent applications for pharmaceuticals and agricultural chemicals, and on fulfilment of certain conditions, grant exclusive marketing rights for a period of five years or until the patent is granted or rejected whichever is shorter. It is stated that the said Bill was being introduced to carry out the said obligations. Indeed, similar provisions are contained in an Ordinance issued on December 31, 1994, called The Patents (Amendment) Ordinance, 1994 but it lapsed in terms of Article 123 of the Constitution. Subsequently - it is explained in the Statements of Objects and Reasons - the Patents (Amendment) Bill 1995 was introduced in the Lok Sabha in March, 1996 and was also passed by the Lok Sabha but before it could be passed by the Rajya Sabha, the 10th Lok Sabha was dissolved. The Statement of Objects and Reasons also refers to the recommendation of the Appellate Body of the WTO on the dispute raised by the USA whereunder India is obliged to make such provisions by April 19, 1999.

2.1.2 In view of the commitments made in the W.T.O. Accords, the Law Commission of India agrees that a provision like the one in proposed sub-section (2) may be necessary but at the same time there appears no reason why India should not take advantage of and incorporate the exemptions permitted in the TRIPS Agreement. To be precise, Article 27(2) permits the

members to exclude from patentability inventions, the commercial exploitation of which is necessary to protect public order or morality including protection of human, animal or plant life or health or to avoid serious prejudice to the environment. Similarly, clause (a) of sub-Article (3) of Article 27 enables the members to exclude from patentability diagnostic, therapeutic and surgical methods for the treatment of humans or animals. Clause (b) of the said sub-Article again enables the members to exclude from patentability plants and animals other than micro-organisms, and essentially biological processes for the production of plants and animals other than non-biological and micro-biological processes. It would be appropriate to set out the entire Article 27 for ready reference:

"Article 27

Patentable Subject Matter

(1) Subject to the provisions of paragraphs 2 and 3, patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application. Subject to paragraph 4 of Article 65, paragraph 8 of Article 70 and paragraph 3 of this Article, patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced.

(2) Members may exclude from patentability inventions, the prevention within their territory of the commercial exploitation of which is necessary to protect ordre public or morality, including to protect human, animal or plant life or health or to avoid serious prejudice to the environment, provided that such exclusion is not made merely because the exploitation is prohibited by their law.

(3) Members may also exclude from patentability:

(a) diagnostic, therapeutic and surgical methods for the treatment of humans or animals;

(b) plants and animals other than micro-organisms, and essentially biological processes for the production of plants or animals other than non-biological and microbiological processes. However, Members shall provide for the protection of plant varieties either by patents or by an effective sui generis system or by any combination thereof. The provisions of this sub-paragraph shall be reviewed four years after the date of entry into force of the WTO Agreement."

2.1.3 There is no reason why the proposed Bill should not contain provisions in terms of the aforesaid provisions of the said Article. Accordingly, the Law Commission recommends that at the end of sub-section (2) a proviso and an explanation be added to the following effect:

"Provided that no patent shall be granted under this sub-section (a) in respect of diagnostic, therapeutic and surgical methods for the treatment of humans or animals; and (b) to inventions, the prevention of commercial exploitation of which is necessary to protect public order or morality including protection of human, animal or plant life or health or to avoid serious prejudice to the environment.

Explanation: The expression 'substance' in this sub-section shall not include plants or animals or any part thereof other than micro-organisms."

2.1.4 The Law Commission is of the opinion that the above provisions are necessary since the existing provisions in section 3 of the Principal Act (Patent Act, 1970) read with the definition of "medicine or drug" in clause (1) of section 2 does not provide for exceptions to patentability in terms of and as permitted by the aforesaid provisions of Article 27 of the TRIPS Agreement.

2.2 Recommendation No.II: - Amendment of section 24A in the proposed chapter IVA.

The Patents (Amendment) Ordinance 1999, being Ordinance No.3 of 1999, issued on January 8, 1999 contained an explanation to the following effect:

"Explanation: It is hereby clarified that for the purpose of this section, the exclusive right to sell or distribute any article or substance under this section shall not include an article or substance based on the system of Indian medicine as defined in clause (e) of sub-section (1) of section 2 of the Indian Medicine Central Council Act, 1970 and such article or substance is already in the public domain".

2.2.1 Though the said Explanation did not find a place in the Bill (64 of 1998) introduced in the Rajya Sabha, the same has been added in the Rajya Sabha. The Law Commission is, however, of the opinion that the definition of the expression "Indian Medicine" contained in clause (e) of Section 2 of the Indian Medicine Central Council Act, 1970 does not take in indigenous medicine or practices. It is necessary to safeguard our traditional knowledge and practices, still in vogue among the rural and tribal communities, from being covered by EMRs. Accordingly, it is recommended that the Explanation to Section 24A(1) may be amended as below:

"Explanation: It is hereby clarified that for the purpose of this section, the exclusive right to sell or distribute any article or substance under this

section shall not include (a) an article or substance based on the system of Indian medicine as defined in clause (e) of sub-section (1) of section 2 of the Indian Medicine Central Council Act, 1970 and such article or substance is already in the public domain or any article, substance or method indigenously used or intended to be used for treatment." (suggested additional words are those underlined.

2.3 Recommendation No.III:- Deletion of Section 39 and reference to it in other Sections of the Principal Act.

There appears to be no good reason for deleting Section 39 of the Act altogether and the consequent reference to its requirement in Sections 40, 64 and 118 as proposed Sections 4, 5, 6 and 7 of the Amendment Bill. Firstly, Articles 70.8 and 70.9 of the TRIPs Agreement do not require our country to do so. The said provision does not also stand in the way of effecting compliance with the transitional arrangements provided by the said Articles. Secondly, it cannot also be said that the purpose for which Section 39 was introduced in the Act has ceased to be wholly irrelevant. Section 39 provides that an Indian resident shall not make or cause to be made any application outside India for the grant of a patent for an invention except under the authority of a written permit granted by or on behalf of the Controller (such written permission can be granted by the Controller only with the prior consent of the Central Government) unless (1) an

application for a patent for the same invention has been made in India not less than 6 weeks before the application outside India and either no directions have been given under Section 35(1) in relation to the application in India or all such directions have been revoked. Section 35(1) provides that 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 to any person or class of persons specified in the direction; or (2) where an application for protection in relation to such invention has first been filed in a country outside India by a person resident outside India.

2.3.1 It would thus appear that while section 39 is designed to protect and promote the national interest of our country, it is couched in unnecessarily harsh terms. It would be most appropriate and just to provide that if within six weeks, the controller does not intimate in writing that he has issued directions under section 35(1) on his application for patent, the applicant shall be free to apply for patent anywhere outside India. Accordingly, it is recommended that section 39 be amended omitting the words "except under the authority of a written permit granted by or on behalf of the controller" in sub-section (1). Further at the end of clause (b) in

sub-section (1), for the words "or all such directions have been revoked", the words "within the said period of six weeks" be substituted. Sub-section (2) of section 39 has necessarily to be omitted in view of the omission of the aforesaid words in the main limb of sub-section (1).

2.4 Recommendation No.IV: - Amendment of Section 64 of the Principal Act.

It is also necessary to amend section 64 which provides for revocation of patents on certain specified grounds. It is necessary to provide an additional ground of revocation to protect our State interest. Accordingly it is recommended that, after clause (o) in sub-section (1) of section 64, the following clause shall be inserted:

"(p) That the patent granted is prejudicial to the security of the State or has been granted in contravention of the provisions of this Act".

2.4.1 Such an additional ground of revocation is also necessary to create a vested interest in the applicant to ensure that patent is granted to him in due compliance with law. This would ensure that applicants do not indulge in fraudulent practices for obtaining patents.

2.5. Recommendation No.V:- Amendment of Section 134 of the Principal Act.

Section 134 occurs in Chapter XXII of the Act which deals with 'International Arrangements'. Section 134 is couched in simple and plain language. It reads:

134. Notification as to countries not providing for reciprocity. - Where any country specified by the Central Government in this behalf by notification in the Official Gazette does not accord to citizens of India the same rights in respect of the grant of patents and the protection of patent rights as it accords to its own nationals, no national of such country shall be entitled, either solely or jointly with any other person, -

- (a) to apply for the grant of a patent or be registered as the proprietor of a patent;
- (b) to be registered as the assignee of the proprietor of a patent; or
- (c) to apply for a licence or hold any licence under a patent granted under this Act.

2.5.1 The Object and Reason behind this provision, as stated in the Bill, was the concept of reciprocity. According to the said Statement, if a country denies rights to Indian citizens

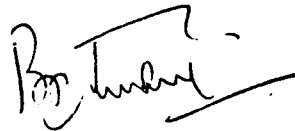
which it accords to its own nationals, India too would deny to the citizens of that country the right to apply for patents etc., in India.

Section 134 expressly provides for such negative reciprocity and is perfectly consistent with our national dignity and honour. But recently, there have been several instances where certain advanced/developed countries have denied us the access to technology on the specious ground of "dual use" potential. The number of such denials have substantially increased since May 1998. Our protests of discriminatory denials have had no effect. Such denials are seriously affecting our security and technological development. It is significant to note that such denials are also not warranted under the WTO Accords. It is necessary, therefore, to arm India to counter such discriminatory denials and restrictions.

Hence, it is recommended that in Section 134, after the words "as it accords to its own nationals" and before the words "no national of such country", the words "or prevents or withholds access to any patented invention, whether product or process in any field of technology, by means of unilateral export prohibition, whether on the grounds of security or otherwise" be inserted. This suggested addition is perfectly consistent with - indeed it furthers the object underlying Section 134 and is essential not only to register our protest against such unilateral discriminatory restrictions but also to give effect

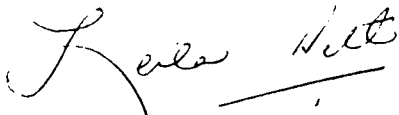
to the principle of reciprocity in full. Accordingly a new Section, Section 8 be introduced in the Amendment Bill inserting the aforesaid words in Section 134.

We recommend accordingly.



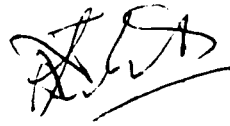
(MR. JUSTICE B. P. JEEVAN REDDY) (RETD.)

CHAIRMAN



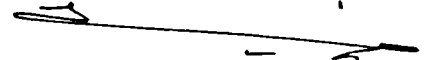
(MS. JUSTICE LEILA SETH) (RETD)

MEMBER



(DR. N. M. GHATATE)

MEMBER



(DR. SUBHASH C. JAIN)

MEMBER-SECRETARY

DATED: 25TH FEBRUARY, 1999