

CHAPTER I

INTELLECTUAL PROPERTY

Intellectual property (IP) refers to products of human creativity or creations of mind. Generally, IP is divided into two broad categories; industrial property and copyright. The term industrial property covers patents, trademarks, industrial designs, and geographical indications. 'Intellectual property rights' (IPRs) is a collective term used for independent IP rights. It covers all rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields. Intellectual property confers certain kinds of exclusive rights to intellectual capital.

There is no intellectual property in mere ideas, facts, events or discoveries. What is protected is the particular expression of the idea if it falls under a legally recognized branch of IPR. The creation of human mind and products of human labour, under the system of IPR, are considered and protected as property, provided the creators satisfy certain statutory criteria.

Characteristics

The major feature that distinguishes IP from other forms of property is its intangibility. Intellectual property of whatever species is in the nature of intangible incorporate property. It is intangible property in the tangible objects. IPRs basically give rise to a form of intangible property which commands a material value that can also be higher than the value of a tangible asset or property. It allows the creators or owners to have the benefits from their works when these are exploited commercially.

Most forms of IP are 'choses in action' rights that are enforced only by legal action as opposed to possessory rights.¹ Many of the rights of ownership common to real and personal property are common to IP

1 David Bainbridge, *Intellectual Property* 10 (Pearson Education Ltd., 2003).

also. IP is a property right and hence can be inherited, bought, gifted, sold, licensed, assigned or mortgaged. Legal systems in all nations attribute incidents of property such as ownership, enjoyment, transferability and transmissibility to IPR.

The system of IP creates both rights and duties. The owner of IP has right to do certain acts with respect to his work. He also has the negative right to exclude third parties from exercising his statutory rights. There is a correlative duty owed upon all others not to infringe that right. The right resulting from the operation of IP law gives the owner of that right a corresponding privilege to exploit the work.

There are many similarities and differences between various rights that constitute IP. For instance, there are common grounds between patents and industrial designs; copyright and neighbouring rights, trademark and geographical indication and so on. Some intellectual property rights are positive rights while others are negative. As well, different kinds of IPR can co-exist in relation to a particular work.

IPRs are creations of statutes. Intellectual property laws are first and foremost territorial in nature and apply only within a particular jurisdiction.²

Another important characteristic of IPR is that, it is in the process of constant development. Technological advancements and social evolutions necessitate constant reevaluation of the IPR system. Developments in the technology era, especially in the field of information technology and biotechnology call for regular review of IPRs. The intellectual property system is dynamic and is characterized by its ability to evolve and adapt to the demands of time. The importance of intellectual property and its dynamism are well established and reflected at all levels including statutory, administrative and judicial.

No technological advances *per se* entitle an item's entry into IPR regime. The law must recognize it as a subject matter eligible for IPR. Eligibility for intellectual property protection depends solely on the subject matter of protection. Intellectual property rights are available only to those items which are specifically identified and recognized by the law as the subject matter of protection.

² LTC Harms, *The Enforcement of Intellectual Property Rights: A Casebook* 14 (WIPO, Geneva, 2005).

Subject Matter

The subject matter of intellectual property is very wide. There are several different forms of rights that together compose intellectual property. This mainly includes patents, trademarks, copyrights and designs. Now, the protection of industrial property also extends in several jurisdictions to utility models, service marks, trade names, passing off, geographical indications including indications of source or appellations of origin, trade secrets and the repression of unfair competition. As per TRIPs, intellectual property comprises the following branches:

Copyright

Copyright refers to a bundle of exclusive rights conferred by law on authors/creators of original works for commercially exploiting the work. It is a property right which subsists in certain specified types of creative work conferred by statute to an author. In every case, therefore, the first question is whether copyright subsists in a particular matter and second, whether the subject matter falls within one of the specific categories of works.³

Patents

The patent law recognizes the exclusive right of a patentee to gain commercial advantage out of his invention. A patent is an exclusive right granted by a country to the owner of an invention to make, use, manufacture and market the invention, provided the invention satisfies certain conditions stipulated in the law. Exclusive right implies that no one else can make, use, manufacture or market the invention without the consent of the patent holder. This exclusive right granted to the patentee is only for a limited period of time.

To qualify for patent protection, an invention must fall within the scope of patentable subject matter and must meet the three statutory requisites of novelty, inventive step and industrial application. The novelty requirement is, by and large, satisfied as long as the patent applicant was the first to invent the claimed invention.⁴ The concept

3 Kevin Garnett Q.C, Gillian Davis and *et al.*, *Copinger and Skone James on Copyright* 54 (Sweet & Maxwell, London, 1999).

4 *M/s Bishwanath Prasad Radhey Shyam v. Hindustan Metal Industries*, AIR 1982 SC 1444 at 1448.

of novelty jurisprudence lays down that only what is new at the time of filing of the application for a patent is patentable. Novelty can be anticipated either by prior publication or prior use. Mere discovery is not an invention. Patent is not granted for an idea or principle. To be the subject matter of a patent right, the article must be material and capable of being manufactured.⁵

The requirement on industrial application suggests that the invention must be useful to the industry and it must serve some minimal human need. The condition on inventive step (non-obviousness) requirement denies patentability if the differences between the claimed invention and the relevant prior art are such that the claimed invention would have been obvious at the time the invention was made to a person having ordinary skill in the art to which the subject matter pertains.

The invention may be a product or process and its scope extends to all fields of technology.⁶ The inventor, in order to obtain protection, has to disclose the invention and also describe the method of performing it. The patent confers on the patentee the right to exclude others from, among other things, making, using or selling the invention.

Countries may exclude from patentability certain inventions to protect *ordre public* or morality or 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 such countries' municipal laws.⁷

The object of patent law is to encourage scientific research, new technology and industrial progress. The patent system is premised on the reasonable assumption that the public will enjoy additional benefits when the government takes additional steps to encourage the creation, commercialization, and disclosure of new inventions. The basic argument is that the society benefits when people conceive of new inventions, develop and commercialize new products incorporating these inventions and publicly disclose information about their inventions, so that others may learn from and improve upon these inventions. Inventing something new often requires a substantial

5 In *Diamond v. Chakrabarty*, 447 U.S. 303 (1980) it was held that the touchstone of patentability is not whether an invention involves living or inanimate subject matter but whether it involves a human made invention.

6 Art. 27. 1 of TRIPs.

7 See, art. 27. 2 of the TRIPs Agreement and s. 3 of the Indian Patent Act, 1970.

investment of intellect, time and capital. The technology disclosed serves to stimulate ideas for further invention and innovation. The economic value of patent information is that it provides industry with technological information that can be used for commercial purposes. If there is no protection, there may be a substantial incentive to take a free ride on someone else's investment. This potential for free-riding reduces the incentive to invent something new because the inventor may be unable to recoup the investment.

Patents are meant to correct a market failure. The market failure leads to sub-optimal levels of investment in innovative activities and arises because producers that can use an innovation without incurring research and development costs will always have a competitive advantage over firms that innovate and incur those costs. As a result, there will be no incentive to innovate. Patents reward innovators with a temporary monopoly on the intellectual property that they have created.⁸ The patent holder is required to disclose the scientific knowledge that underlines the innovation to the public in order to promote knowledge dissemination. Making the scientific information available instead of allowing it to remain proprietary has the objective of reducing information costs for other innovators.

Trademark

A trademark is a distinctive sign used in connection with goods or services for identifying the source of goods and services to public, and to distinguish the goods and services from those of other entities. It establishes a link between the proprietor and the product. It portrays the nature and quality of a product.⁹ The essential function of a trademark is to indicate the origin of the goods to which it is attached or in relation to which it is used.¹⁰ It identifies the product, guarantees unchanged quality and helps to advertise the product. Trademark is also the objective symbol of goodwill that a business has built up.¹¹

Any sign, or any combination of signs, capable of distinguishing

8 In *Raj Parkash v. Mangat Ram Chowdhry*, AIR 1978 Delhi 1, it was observed that the grant of patent, no doubt, creates a monopoly in favor of the patentee but then law throughout the free world recognizes that an inventor must first get the benefit of his invention, even if it means creating a monopoly.

9 *Cadila Healthcare Ltd. v. Cadila Pharmaceuticals Ltd.*, AIR 2001 SC 1952.

10 *V. A. Mohta, Trademarks, Passing Off and Franchising* 70 (All India Reporter Pvt. Ltd., Nagpur, 2004).

11 *J Thomas McCarthy, I McCarthy on Trademark & Unfair Competition* 3-4 (Clark Board Callaghan, 1996).

the goods or services of one undertaking from those of other undertakings, is capable of constituting a trademark. It can be a name, word, phrase, logo, symbol, design, image, shape, color, personal names, letters, numerals, figurative elements and combinations of colours as well as any combination of such signs which can be graphically represented. The registration of a trademark can be renewed indefinitely.

The intellectual property in the trademark consists in the right of the owner to use the mark in relation to specific goods and under certain circumstance to prevent others from using it.¹² Ownership in a trademark entails the owner with a right to exclude others from the commercial use of the mark that is likely to cause confusion with the owner's mark as to the origin of the goods or its quality. The registered proprietor of a mark has a monopoly right to that mark.¹³ The registration of a mark confers on the registered proprietor the right to take action in case of infringement and obtain relief. Though no action could be taken for infringement of an unregistered trademark, action could be taken against any person for passing off goods or services as the goods or services of another person.¹⁴

Industrial design

A design refers to the features of shape, configuration, pattern, ornamentation or composition of lines or colours, applied to any article in two or three dimensional form. Design protection covers the outward appearance of an article, including decoration, lines, colours, shape, texture and materials. An industrial design is that aspect of a useful article, which is ornamental or aesthetic. It may consist of three-dimensional features, such as the shape or surface texture of an article or of two-dimensional features, such as patterns, lines or color or a combination thereof. This may be applied by any industrial process or means separately or by a combined process, which in the finished article appeals to and judged solely by the eye. To be protectable, a design must be new, original and significantly distinguishable in form from the existing designs or combinations.¹⁵

12 P. Narayan, *Law of Trade Marks and Passing Off* 25 (Eastern Law House Pvt. Ltd., New Delhi, 2000).

13 *Eagle Potteries Pvt. Ltd. v. M/s Eagle Flask Industries Pvt. Ltd.*, AIR 1993 Bom. 185.

14 D. P. Mittal, *Trade Marks, Passing Off & Geographical Indications of Goods: Law and Procedure* 129 (Taxmann Allied Services, New Delhi, 2002).

15 *The Pilot Pen Co. (India) Pvt. Ltd. v. The Gujarat Industries Pvt. Ltd.*, AIR 1967 Mad. 215.

Usually, design protection does not extend to designs essentially governed by technical or functional considerations. Design does not include any mode or principle of construction, or anything which is a mere mechanical devise. Designs that are primarily literary or artistic in character are not protected under the Designs Act. Similarly, it does not include any trademark or artistic work.¹⁶

The registration of a design confers upon the registered proprietor the exclusive right to apply a design to the article in the class in which the design has been registered. The owner of a protected industrial design has the right to prevent third parties not having the owner's consent from making, selling or importing articles bearing or embodying a design which is a copy, or substantially a copy, of the protected design, when such acts are undertaken for commercial purposes.¹⁷

Geographical indication

Geographical indications (GI) are indications which identify a good as originating in the territory of country, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin. GI is a sign used on goods that have a specific geographical origin and possess qualities or a reputation that are belonging to the place of origin. *Basmati* rice and *Darjeeling* tea are examples of GI from India. By virtue of their universal reputation for quality, these indications have acquired great and enviable commercial value.

The function of a GI is that it points to a specific place or region of production that determines the characteristic qualities of the product that originates from there. It is important that the product derives its qualities and reputation from that place. Since those qualities depend on the geographical place of production, a specific link exists between the products and place of origin.¹⁸

Integrated circuit

Integrated circuits are commonly known as 'chips.' They are miniaturized electronic devices in which a number of active and

16 *Narumal Kemchand v. Bombay Co. Ltd.*, AIR 1914 Sind. 109.

17 *Castrol India Ltd. v. Tide Water Oil Co. (1) Ltd.*, 1996 PTC (16) 202 Cal.

18 K. C. Kailasm & Ramu Vedaraman, *Law of Trade Marks and Geographical Indications* 720-21 (Wadhwa & Co., Nagpur, 2003).

passive circuit elements are located on or within a continuous body of material to perform the function of a complete circuit. Layout-design (topography) means a layout of transistors and other circuitry elements. It includes lead wires connecting such elements and expressed in any manner in a semiconductor integrated circuit. For a topography to be registrable, it must be original: it is not merely a copy of all, or substantial part of another topography, and that it is the result of its creator's own intellectual effort. Any act of importing, selling or distributing for commercial purposes a protected layout-design, an integrated circuit in which a protected layout-design is incorporated, or an article incorporating such an integrated circuit without the authorization of the right holder is treated as design piracy.

Confidential/undisclosed information

The law regarding undisclosed information protects information imparted in confidence. The law on breach of confidence lies primarily in the domain of equity and common law. An obligation of confidence may arise in contract as well. Its object is to preserve secrets and confidences.¹⁹ Even though, it is relevant in many fields of law, it is more significant in relation to trade secrets and business information. It is concerned with information and not in form.

The information protected under this branch may be of a personal, commercial, industrial or administrative nature which is disclosed to a third party under a contract not to disclose it without the informant's proper consent. There are four main classes of information regarded as confidential, *viz.*, trade secrets, personal confidences, government information and artistic and literary confidences.²⁰ Generally, to be protected as trade secret, the information must be (a) used in one's business, (b) provide a competitive advantage and (c) be secret.

Trade secret law differs from the law of patents in several aspects. It is much easier to obtain in comparison with patent protection. Any information that provides a person with a competitive advantage as long as it remains secret is potentially protectable as a trade secret. One of the advantages arising from the standards required for a trade secret to exist is that unlike patents, there is no specific subject matter criterion for a trade secret. As long as the definitional elements are

19 Rama Sharma, *Commentary on Intellectual Property Laws 1579* (Wadhwa and Co., Nagpur, 2007).

20 *Ibid.*

met virtually any subject of information can be a trade secret.²¹

The rigid requirements of patentability have no application in this field. Unpatentable inventions can qualify as trade secrets, too. Trade secret law affirmatively discourages the owner from making any public disclosure because any such disclosure of trade secret information may result in the information losing its protectable status. The owner of a trade secret may exclude another from, among other things, acquiring the secret by improper means. Unlike the patentee, the trade secret owner has no remedy against independent discovery or reverse engineering. Trade secret protection lasts only for as long as the information remains secret and valuable. Good examples include the formula for Coca-Cola. Obtaining a patent destroys the secrecy of the information, whereas trade secret protection does not. So, if the information is particularly difficult for others to reverse-engineer, trade secret protection can be more valuable than patent protection.

Trade secret law supplements the patent system by providing an incentive to develop information that has some social value, though not enough to warrant a patent. Trade secret law departs from patent law, however, insofar as it discourages the public dissemination of information. The secrecy-enhancing character of trade secret law is nevertheless constrained to some degree by the rule permitting others to independently discover or reverse-engineer the secret.

Plant variety

Plant variety protection is granted by a state to a breeder of a new variety. To be eligible for plant variety protection, the variety must be novel, distinct from the existing varieties and uniform and stable in its essential characteristics. A plant breeder is conferred an exclusive right to do or to license the following acts in relation to propagating material of the variety:

- i. produce or reproduce the material
- ii. condition the material for the purpose of propagation
- iii. offer the material for sale
- iv. sell the material
- v. import the material
- vi. export the material
- vii. stock the material for the above purposes

21 Michael A. Epstein, *Epstein on Intellectual Property* 15 (Wolters Kluwer India, New Delhi, 2008).

Generally, countries are protecting new plant varieties through *sui generis* systems.

Hence, the system of IPRs protects some products of human mind, for varying period of time against use by others of those products in various ways. The general purpose of protection is to encourage those who may wish to create, finance or exploit such products to translate intent to act, particularly where they might otherwise not act at all, or act less often or less well, without the carrot of protection.²²

22 David Vaver, "Intellectual Property: The State of the Art", *VUWL Review* 2 (2002).