CHAPTER – IV

THE INTERNATIONAL PATENT SYSTEM
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Patents have assumed international character. The increasing number of applications for patents from foreigners received in all most all countries is recognition of this fact. Attempts are being made from time to time by international associations for the protection of industrial property to introduce more and more uniformity and harmonisation among national patent systems.

An International Patent System does not exist as such what is often referred to as an international system is the practice of international patent relations resulting from the existing international treaties relating to patents. Different patent laws in the different countries have been ingeniously linked together by the international conventions. The international convention is one of three elements, which go to make up what is called as the "international patent system". The other two elements are the national patent laws of the sovereign states, and the practices, which involve the use of foreign patents in international trade and investment.¹

Many countries have been attracted to introduce a patent system by the hope that it will act as a lure to foreign technology. The same concern has induced them to open their systems to foreign applications. United States, for instance,

allowed foreigners to apply for patent well before it offered copyright to foreign authors.²

Intellectual property rights exist primarily by virtue of national laws. So-called global intellectual property rights are a bundle of nationally enforceable rights. However, it is true to say that in most countries, those national rights exist not only as a consequence of domestic legislation or jurisprudence, but because of international, multilateral and bilateral and regional obligations. In a number of regional associations such as the European Union, there is the possibility of regional legislation either with direct national effect or which prescribe national intellectual property norms. International intellectual property laws play an important role in harmonizing national substantive and procedural rules.³

International law plays an important constitutional role both in providing procedures and modalities for negotiating the norms and standards of domestically enforceable intellectual property rights and in the harmonisation of national and regional intellectual property norms. The adoption of common intellectual property standards is facilitated when countries can be assured that the same regulatory standards will prevail in competitor states.⁴

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⁴ Ibid.
4.1 Need for international protection of patents

There are many significant differences among patent systems that emerged to meet the needs of national industrial systems when international trade considerations were less prominent than they are today. These differences relate to legal and regulatory frameworks as well as to the practical conditions of implementation and concern in particular, the nature of the patentee and the date at which protection begins; the extent to which, and the moment at which, the new knowledge is disseminated and becomes publicly available; the ability of competitors to challenge a patent application or a new patent; the scope of protection and it's duration; the cost and complexity of the patenting process and the extent to which enforcement is ensured. These differences affect national innovation systems because they influence the conditions under which an invention become known and the ability of others to utilise the new knowledge in further research and development.\(^5\)

These national differences in patent regimes, together with the effects of information technology and increasing competition at the global level raise issues regarding the efficacy of patenting in the current era. When considering the costs, complexity and levels of protection of patenting, firms might, for example choose not to patent and use secretly instead to protect innovations. They might hesitate to engage in joint international research ventures because of uncertainties in the assignment of patent rights among prospective partners. They might also refrain

from foreign research investments due to problems in enforcement or awarding of patent rights. Exploitation of research results might be endangered by the use of patent laws as barriers to trade or by the patenting of practices of firms that attempt to block technological developments by competitors. Small and medium sized firms whose future may hinge on the exploitation of one strategic patent are especially vulnerable in view of their limited resources and reach. The vast majority of firms, even those that operate in a national or local context, are increasingly challenged by international competitors. These considerations represent powerful arguments towards some degree of homogenisation and simplification of the international patent environment, particularly to protect patent-holders and stimulate continuing innovation and diffusion of technology.\(^6\)

The national patent laws of the various sovereign governments of the world, to the extent they have a common theme, grant patentees the right to prevent others in the grantor government’s jurisdiction for making and selling the object or from using the process which is the subject of the patent. But the right is circumscribed in a variety of ways from one jurisdiction to the next. To begin with, the duration of the patent grant varies from country to country. In addition different countries exclude different types of product from the patent grant. Finally, national concepts of patent “abuse” and penalties for misuse, such as compulsory licensing, revocation, and dedication are also varied.\(^7\)

\(^6\) *Ibid.*
\(^7\) *Supra* note 1, p. 933.
These different national patent laws have been ingeniously linked together by the ‘international convention for the protection of industrial property’. The great achievement of the treaty from the point of view of inventors and investors is the fact that it’s signatories have agreed to grant patent treatment to nationals or residents of other signatory countries equal to the treatment they grant to their own nationals. It eliminated the possibility of discrimination against foreigners and established a pattern of international patent relations based on reciprocity i.e. on the principle that foreigners were entitled to get in other countries only as much as their governments gave to foreigners at home. Instead this unusual convention represented the “open” form of international agreement, extending its provisions to any nation, which was willing to give non-discriminatory patent rights to foreigners.\(^8\)

This treaty provides for so many other provisions, which are very much helpful to the inventors. International treaties have long played an important role in shaping aspects of patent law. In addition to the Paris Convention, the other treaties of note are the Patent Co-operation Treaty, TRIPs agreement and the Convention on Biological Diversity. These treaties are aimed at harmonisation of national patent laws.

The term patent harmonisation essentially means that patent laws and patent protection becomes very similar across the world in all countries. This will ensure that the right of patent holders of any country is protected internationally.

\(^8\) Ibid.
Such harmonisation is attempted through patent conventions or patent treaties. These treaties and conventions are enforced by international organisations. The most important international organisations for patent law are WIPO and WTO. The WTO governs the Trade Related Aspects of Intellectual Property Rights (TRIPs). WIPO is the main organisation for the governance of all the treaties other than TRIPs.

4.2 Paris Convention for the protection of industrial property, 1883

The promotion of technological and economic development has been a critical concern for most states for long time. In the case of knowledge related contributions to technological development, states have developed over time a comprehensive system of legal protection. To date, most substantive intellectual property protection frameworks are located at the national level. They are, however, supplemented by an increasingly intricate web of international treaties. ⁹

At the international level, IPRs have traditionally been governed by several conventions, most prominently the Paris Convention for the Protection of Patents, Trademarks and Industrial Designs. The Paris Convention for the Protection of Industrial Property is an early international intellectual property treaty. The precursor of all modern day multinational protection for intellectual property is the Paris Convention, which was signed in 1883, originally by eleven countries. The Convention is now adhered to by the majority of the world which have any form

of patent protection and since the Convention also deals with trademarks and
designs even by some countries which have no patents protection.\textsuperscript{10}

4.2.1 Background to the Paris Convention

Before the existence of any international convention in the field of
industrial property, it was difficult to obtain protection for intellectual property in
various countries of the world because of the diversity of their laws. Moreover an
inventor had to file patent applications approximately at the same time in all
countries where the protection is desired, in order to avoid publication in one
country destroying the novelty of an invention in the other countries.

Moreover it was not easy to obtain patents in other countries because the
granting of patents was based on the system of reciprocity. Some of the countries
did not even permit foreigners to apply for patents. As international trade and
cultural exchanges grew in the eighteenth and nineteenth centuries, it became
evident that protecting only national creations and inventions would lead to unjust
results. To avoid this, countries started entering into bilateral agreements
mutually granting national treatment to the nationals of partner countries. This
"bilateral phase" can be considered the first phase in the development of
international intellectual property norms. With time these agreements started to
take a relatively standard form, but their proliferation created a gigantic spider
web of treaties. Catalogues of such treaties had to be published to allow authors

\textsuperscript{10} Philip W.Grub, \textit{Patents for Chemicals, Pharmaceuticals and Biotechnology}, New York:
Oxford University Press, 4\textsuperscript{th} ed., 2004, p.25.
inventors and users to determine the status of protection around the world. While bilateral treaties granted mutual patent protection they did not create uniformity in patent law across countries. If an inventor wished to file a patent application in different countries, he was usually faced with radically different procedural and substantive requirements to obtain patent protection.¹¹

During the second half of the 19th century the development of a more internationally oriented flow of technology and the increase of international trade made harmonisation of industrial property laws urgent in both patent and trademark field. When the Government of the empire of Austria-Hungari invited other countries to participate in an international exhibition of inventions held in 1973 at Vienna, participation was hampered by the fact that many foreign inventors were not willing to exhibit their inventions at that exhibition in view of the inadequate legal protection offered to exhibited inventions.¹²

This led to two developments; firstly, a special Austrian law secured temporary protection to all foreigners participating in the exhibition for their inventions, trademarks and industrials designs. Secondly, the Congress of Vienna for Patent Reform was convened during the same year, 1873. It elaborated a number of principles on which an effective and useful patent system should be based, and urged governments “to bring about an international understanding upon patent protection as soon as possible”. As a follow up to the Vienna Congress, an

International Congress on Industrial Property was convened at Paris in 1878. Its main result was a decision that one of the governments should be asked to convene an international diplomatic Conference "with the task of determining the basis of uniform legislation", in the field of industrial property. Following this, a final draft proposing an international "union" for the protection of industrial property was prepared in France and was sent by the French Government to a number of other countries, together with an invitation to attend the 1880 International Conference in Paris. That Conference adopted a draft convention, which contained in essence the substantive provisions, which are till today the main features of the Paris Convention. A Diplomatic Conference was convened in Paris in 1883, which ended with final approval and signature of the Paris Convention for the protection of Industrial Property. The Paris Convention was initially signed by eleven states.\textsuperscript{13}

The Paris Convention has been revised from time to time after it being signed in 1883. Each of the revision Conferences, starting with the Brussels Conference in 1900, ended with the adoption of a revised Act of the Paris Convention in Stockholm in 1967. The great majority of countries are now party to the latest Act, that of Stockholm of 1976.

\textbf{4.2.2 Principal features of the Convention}

The Paris Convention is based on three main principles, national treatment, right of priority and independence of patents. The principle of national treatment

\textsuperscript{13} \textit{Ibid.}
seeks to ensure that each country provides the same protection to its citizens and citizens from other countries, which are parties to the Paris Union. Paris Convention stipulates that, “nationals of any country of the Union shall, as regards the protection of intellectual property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals”.\textsuperscript{14} The same national treatment must be granted to nationals of countries, which are not party to the Paris Convention if they are domiciled in a member country or if they have a “real and effective” industrial and commercial establishment in such a country.\textsuperscript{15} However, no requirement as to domicile or establishment in the country where protection is claimed may be imposed upon nationals of member countries as a condition for benefiting from an industrial property right.\textsuperscript{16} The national treatment rule guarantees not only that foreigners will be protected, but also that they will not be discriminated against in any way, without this, it would frequently be very difficult and some times even impossible to obtain adequate protection in foreign countries for inventions.\textsuperscript{17} The national treatment rule applies first of all to the nationals of the member countries. The term national includes both natural persons and legal entities. With respect to legal entities, the status of being national of a particular country may be difficult to determine. Generally no nationality as such is granted to legal entities by the

\begin{flushright}
\textsuperscript{14} Article 2 (1) of the Paris Convention
\textsuperscript{15} Article 3 of the Paris Convention.
\textsuperscript{16} Article 2 (2) of the Paris Convention
\textsuperscript{17} Intellectual Property reading materials, Geneva: WIP publication No.476 (E) 1995.
\end{flushright}
various national laws. There is no doubt that state owned enterprises of a member
country or other entities created under the public law of such country are to be
considered as nationals of member country concerned. The national treatment rule
applies to all advantages that the various national laws grant to nationals.\textsuperscript{18}

However, the Convention has provided some exceptions to the national
treatment rule. Certain requirements of a mere procedural nature, which impose
special conditions on foreigners, for purposes of judicial and administrative
procedure, may validly be invoked against foreigners who are nationals of member
countries.\textsuperscript{19}

The Convention provisions including those on national treatment play only
an extremely limited role in determining jurisdiction in cases related to creation
and validity of intellectual property rights. These issues are left to the rules of
private international law of each member state. The Paris Convention deals only
with matters relating to the acquisition of intellectual property rights, their scope,
duration and termination. No other elements are dealt with and it is, therefore
logical to assume that the national treatment principle is also limited to these
matters and would not for example, apply to the taxation of intellectual property
royalties.\textsuperscript{20}

\textsuperscript{18} Article 2(1) of the Paris Convention.
\textsuperscript{19} Article 3(3) of the Paris Convention.
\textsuperscript{20} S.K.Verma and Raman Mittal, Intellectual Property Rights: A Global Vision, New Delhi:
Indian Law Institute, 2004, pp 81-82.
Another important provision of the Convention is the right of priority. The right of priority means that, on the basis of regular application for an industrial property right filed by a given applicant in one of the member countries, the same applicant may within a specified period of time apply for protection in all other member countries. These later applications will then be regarded as if they had been filed on the same day as the earliest application. They also enjoy a priority status with respect to all acts accomplished after that date which would normally be opt to destroy the rights of the applicant or the patentability of his invention. The provisions concerning the right of priority offers great practical advantages to the applicant desiring protection in several countries. The applicant is not required to present all applications at home and in foreign countries at the same time since he has 12 months at his disposal to decide in which countries to request protection. The applicant can use that period to organise the steps to be taken to secure protection in the various countries of interest.

The beneficiary of the right of priority is any person entitled to benefit from the national treatment rule, who has duly filed an application for a patent for an invention in one of the member countries.

As a result of this provision an inventor could establish a date of filing in all member countries via an initial filing in a single country. The Act of applying

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21 In case of Patents 12 months and for Trademarks and Industrials Designs 6 months.
22 Article (4A) of the Paris Convention.
23 Supra note 12.
The effect of the right of priority is that filing of subsequent applications for the same industrial property title made during the term of priority in any other member state of the Convention cannot be invalidated by any acts accomplished during such period, such as another filing of an application for the same industrial property title.25

The duration of the right of priority is 12 months for patents and utility models, and six months for industrial designs and trademarks such period starts from the date of filing of the first application.26

4.2.3 Provisions concerning patents

The Convention tries to set several standards and also to reconcile national law with them. Firstly, the Convention sets the principle according to which patents applied for in member states by nationals of such states are independent of patents obtained for the same invention in other states whether members or not of the Convention.27 It means that the grant of a patent for invention in one country for a given invention does not oblige any other member country to grant a patent for the same invention. Further more the principle means that a patent of invention cannot be refused, invalidated or otherwise terminated in any member

24 Article (4 A) of Paris Convention.
25 Article (4 B) of Paris Convention.
26 Article 4 c (1) and (2) of Paris Convention.
27 Article 4 bis (1) of Paris Convention.
country on the ground that a patent for the same invention has been refused or
invalidated or that it is no longer or has terminated in any other country.\textsuperscript{28} The
underlying reason and main argument in favour of this principle is that national
laws and administrative practices are usually quite different from country to
country. A decision not to grant or to invalidate a patent for invention in particular
country on the basis of its law will frequently not have any bearing on the different
legal situation in the other countries. It would not be justified to make the owner
loose the patent for invention in other countries, on the ground that he or she lost a
patent in a given country as a consequence of not having paid an annual fee in that
country, or as a consequence of the patents invalidation in that country, on a
ground which does not exist in the laws of the other countries.\textsuperscript{29}

Secondly, it specifies that the duration of a patent granted with the benefit
of priority must be equal to that it would have, had it been applied for or granted
without the benefit of priority.\textsuperscript{30}

Thirdly, the convention in order to protect the interest of an inventor states
that the inventor has the right to be mentioned as such in the patent granted for his
invention.\textsuperscript{31} Further it provides that the grant of a patent cannot be refused or
cannot be invalidated on the ground that under national law the sale of the
patented product or the product obtained by the patented process is restricted.\textsuperscript{32}

\textsuperscript{28} Supra note 12.
\textsuperscript{29} Ibid.
\textsuperscript{30} Article 4 bis (5) of Paris Convention.
\textsuperscript{31} Article 4 ter of Paris Convention.
\textsuperscript{32} Article 4 quarter of Paris Convention.
Fourthly, the Convention tries to strike a balance between a country’s right to grant compulsory licences and the need to protect an inventor from unjustifiable denial of monopoly right. Therefore the convention indicates that importation by the patent owner in the country where the patent has been granted of articles protected by the patent manufactured in any member state does not entail forfeiture of the patent.\textsuperscript{33} As to the working of the patent the Convention specifies that each member state may adopt legislative measures for the granting of compulsory licence to prevent abuses, which may result in the exercise of the patent rights, such as failure to work the patent.\textsuperscript{34} Compulsory licensing provision can be used as protectionist measure by bringing the invention into public domain at an earlier date.

Concerning the measures to prevent abuses of the patent rights, the convention provides that the forfeiture of the patent can be provided for only where the grant of compulsory licences would not have been sufficient to prevent such abuses, it being understood, however, that forfeiture or revocation of the patent cannot be requested before two years from the grant of the first compulsory licence.\textsuperscript{35}

With respect to the requirements for the granting of the compulsory licences on the ground of failure to work or insufficient working, the convention specifies that the licence cannot be applied for before the expiration of four years.

\textsuperscript{33} Article 5 A (1) of Paris Convention.
\textsuperscript{34} Article 5 A (2) of Paris Convention.
\textsuperscript{35} Article 5 A (3) of Paris Convention.
from the filing date of the patent application or three years from the grant of the patent, whichever period expires last. The application is refused if the patent owner justifies the non-working or insufficient working of the patent by legitimate reasons. The compulsory licence must be non-exclusive, cannot be transferred, even in the form of sub-licence.\(^{36}\)

The main argument for enforcing working of the invention in a particular country is the consideration that, in order to promote the industrialisation of the country, patents for invention should not be used merely to block the working of the invention in the country or to monopolize importation of the patented article by the patent owner. They should rather be used to introduce the use of the new technology in to the country. Whether the patent owner can really be expected to do so, is first of all an economic consideration then also a question of time. Working in all countries may not be economical. Moreover, it is generally recognised that immediate working in all countries is impossible. Article 5A of the Convention therefore tries to strike a balance between these conflicting interests.

Fifthly, the Convention provides that a period of grace of not less than six months must be allowed for the payment of fees for the maintenance of industrial property rights, subject to the payment of surcharge, if the national law of the member states so provides.\(^{37}\) Concerning patents, member states may provide in

\(^{36}\) Article 5A (4) of Paris Convention.

\(^{37}\) Article 5 bis (1) of Paris Convention.
their national law for their restoration where they have elapsed by reason of non-payment of fees.\textsuperscript{38}

Sixthly, the Convention provides that the following acts do not constitute violation of the rights of the patentee in any member state; the use onboard vessels of other member states of devices which are the subject of the patent "in the body of the vessel, in the machinery, tackle gear and other accessories", when the vessel enter temporarily or accidentally the waters of the state, provided that such devices are exclusively for the needs of the vessel;\textsuperscript{39} the use of devices which are the subject of the patent ‘in the construction or operation of aircraft or land vehicles’ in other member states or of accessories of such aircraft or vehicles when they enter temporarily or accidentally the state.\textsuperscript{40}

Lastly, the Convention states that in the event of a product being imported into a member state where there exists a patented process for the manufacture of said product, the patent owner has, with respect to the imported product, all the rights granted to him by the law of the country of importation under the patented process, with regard to the products manufactured in that member states.\textsuperscript{41}

Before relevant amendments were made, the Paris Convention did not provide for any minimum standards. This led to a situation where in spite of national treatment member nations need not provide for patent protection at all

\textsuperscript{38} Article 5 bis (2) of Paris Convention.
\textsuperscript{39} Article 5 ter (1) of Paris Convention.
\textsuperscript{40} Article 5 ter (2) of Paris Convention.
\textsuperscript{41} Article 5 quarter of Paris Convention.
within their domestic national laws. The Swiss Patent System provides a historical example of a national government employing this latter technique. To prevent situation like this Article 25 was introduced in to the Paris Convention at Lisbon Revision Conference in 1958 precisely with the aim of securing the effective enforcement of the rights established in the Paris Convention. Article 25 states that all countries of the Union undertake to adopt the measures necessary to ensure the application of the Convention. This article is also understood to mean that at the time of ratification or accession each country will be in a position to give effect to the provisions of the Paris Convention. Thus every member of the Paris Convention is to have, however, rudimentary, a system for protection of patents, trademarks, utility model or industrial design. At the Stockholm revision Conference in 1967, the member states implemented the rule relating to the enforcement of Paris Convention adding a jurisdictional clause to the convention. Under this provision, the International Court of Justice (ICJ) is competent to decide any dispute between two or more countries of the union concerning the interpretation or application of this Convention. It is also provided, however, that member, states may declare that they do not wish to be bound by this arbitration clause.

For over eighty years, Paris Convention lacked an institution to enforce it and guide its interpretation. Eventually the task fell to the WIPO, which was

\[42 \text{ Supra note 12.} \]
\[43 \text{ Ibid.} \]
established in 1967, as a special agency of the United Nations to administer several existing international agreements on intellectual property rights, including Paris Convention.

4.2.4 Limitations of the Paris Convention

The Paris Convention was adopted with a view to facilitate the articulation of existing patent systems. There was no attempt to harmonise existing patent systems or to establish international standards of protection. A couple of other elements may also be mentioned here. Firstly, there is no requirement in the Paris Convention for all classes of inventions to be protected. Secondly, the Convention does not oblige member states to grant patents but only obliges them to give the same treatment to nationals and foreigners. Further, countries are not obliged to join the revised versions of the Convention. This is important because it implies that under the Paris Convention regime, there is scope for asymmetrical levels of protection between countries. Thirdly, the Convention has had an interesting evolution concerning action that states can take in case of abuse of rights. But the only sanction the states had at their disposal was to impose the forfeiture of rights granted. The 1925 revision of the Convention introduced the idea of compulsory licensing.44

The Paris Convention does not define patentable subject matter, prescribe patent terms, provide meaningful limitations to compulsory licenses or guide patent claim interpretation and enforcement. It leaves those substantive issues to

44 Supra note 9, p.49.
the discretion of each member country. The United States and other developed
countries claim that WIPO does not do enough to promote more stringent IP
system among its member states. Developed countries have also lodged complaints
that voting blocks, made up of developing countries oppose or prevent any
attempts to strengthen WIPO Conventions. The Convention did not relieve an
applicant from filing different applications in different countries.

4.3 Patent Cooperation Treaty (PCT)

The traditional patent system requires the filing of individual patent
applications for each country in which patent protection is sought. Under the Paris
Convention route, the priority of an earlier application can be claimed for
applications filed subsequently in foreign countries but such later applications
must be filed within twelve months of the filing date of the earlier application.
This again involves, for the applicant preparation and filing of patent applications
for all countries in which he is seeking protection for his invention. This means
expenses for translation, patent attorneys in various countries a payment of fees to
the patent office, all at a time at which the applicant often does not know whether
he is likely to obtain a patent or whether his invention is really new or not.

Filing of patent application under the traditional system means that every
single patent office with which an application is filed has to carry out a formal
examination of every application filed with it. Where patent offices examine
patent applications as to substance, each office has to make a search to determine
the state of the art in the technical field of the invention and has to carry out an examination as to patentability.45

In order to overcome some of the problems involved in the traditional system, the executive committee of the international Paris Union for the protection of industrial property invited in September 1966 Bureaux Internationaux Renis Pourla Protection de la propiate Intelleectuelle (BIRPI) the predecessor of WIPO to undertake urgently a study of solutions to reduce the duplication of efforts both for applicants and national patent office. In 1967, a draft of an international treaty was prepared by BIRPI and presented to a committee of experts. On the recommendation of the committee, the Patent Co-operation Treaty was entered into force on January 24, 1978 and became operational on June 1, 1978 with an initial eighteen states. As of August 10th, 1995, 81 contracting states had adhered to the Patent Co-operation Treaty46

4.3.1 Objectives of the PCT

As its name suggests, the Patent Co-operation Treaty is an agreement for international co-operation in the field of patents. It is, however, largely a treaty for rationalisation and co-operation with regard to the filing, searching and examination of patent applications. The principal objective of the PCT is to simplify and to render more effective and more economical patent system. The PCT does not grant “international patents” the task of and responsibility for

45 Supra note 17, p.409.
46 Id, at p.41.
granting patents remains exclusively in the hands of the patent offices of the respective countries where patent is sought. The PCT does not compete with but in fact complements the Paris Convention. Indeed, it is a special agreement under the Paris Convention open only to states, which are also parties to the Paris Convention.47

4.3.2 Important provisions of Patent Co-operation Treaty (PCT)

In order to achieve its objectives, the PCT establishes an international system which enables the filing with a single patent office, of a single application in one language having effect in each of the countries party to the PCT which the applicant names in his application. It also provides for the formal examination of the international application by a receiving office, subjects each international application to an international search, international publication and an option for an international preliminary examination.48

(i) Filing of the international application

Any resident or national of a PCT contracting state can file an international application. International application can be filed in most cases with the national office, which acts as PCT receiving office. In addition, the International Bureau can act as a receiving office as an option for nationals and residents of all PCT contracting states. An international application has the effect, as of international filing date, of a national application in those PCT contracting states, which the

47 Ibid.
48 Supra note 12.
applicant designates for a national patent in his application. It has the effect of a regional patent application for those PCT contracting states, which are party to a regional patent Conventions.

The PCT prescribes certain standards for international applications. An international application, which is prepared in accordance with these standards, will be acceptable. No national law may require compliance with requirements relating to the form or contents of the international application different from or additional to those, which are provided for by the PCT.

Only single set of fees is incurred for the preparation and filing of the international application, and they are payable in one currency and at one patent office i.e. the receiving office. Payment of national fees to the designated offices is delayed. The national fees become payable much later than for the filing by the traditional Paris Convention.49

The receiving office checks the international application to determine that: the prescribed conditions to accord the international filing date are fulfilled; in the affirmative, it accords an international filing date which is the date of receipt of the international application, it invites the applicant to file the required corrections and, in such a case, the international filing date is the date of receipt of the

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49 Article 8, Rule 4-10 of PCT requires that every international application must contain a request, a description, one or more claims, one or more drawings (if required) and an abstract; comply with the prescribed physical requirements of unity of the invention and the application is subject to the payment of prescribed fees.
correction where the required corrections are not made, the application is not treated as international application.\textsuperscript{50}

Any international application to which is accorded an international filing date has the effect of a regular national application in each of the designated states and the international filing date is considered to be the actual filing date in each of the said states.\textsuperscript{51}

The receiving office keeps one copy of the international application ('home copy'), transmits one copy ('record copy') to the International Bureau and one copy ('search copy') to the competent International Searching Authority. The record copy is transmitted to the International Bureau by the expiration of the 13\textsuperscript{th} month from the priority date;\textsuperscript{52} the search copy is transmitted at the latest at the date of transmittal of the record copy to the International Bureau.\textsuperscript{53}

(ii) International search

Each international application is the subject of an international search with the purpose of discovering, on the basis of the claims, the description and the drawings, if any, of any relevant prior art with respect to the invention subject of the application.

The international search is carried out by an International Searching Authority. Such an authority may be a national office or an inter-governmental authority.\textsuperscript{54}

\textsuperscript{50} Article 11 (1) and (2) Rule 20 of PCT.
\textsuperscript{51} Article 11 (3) of PCT.
\textsuperscript{52} Priority date of a patent is the date on which it is tested against the state of the art. It is usually the date on which first application is filed.
\textsuperscript{53} Article 12 Rule 22 to 25 of PCT.
organisation whose tasks include the establishing of documentary search reports on prior art in connection with invention subject of patent applications. International Searching Authorities are appointed by the PCT Assembly, subject to the consent of the national office or intergovernmental organisation to be appointed and the conclusion of an agreement between such office and organisation and the International Bureau. The appointment is for a fixed term, which may be extended. 54

The international search report is established within three months from the receipt of the ‘search copy’ by the International searching authority or nine months from the priority date, whichever time limit expires last. The report is transmitted by the International searching authority to the applicant and International Bureau, which prepares the relevant translations, as provided for in the regulations.

Having received International search report, the applicant is entitled to modify the claims of the international application once by filing amendments with the international Bureau within the prescribed time limit. The international application together with international search report and the claims amended, if any, must be communicated by the International Bureau to each designated office. 55

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54 Article 16, 53, Rules 35 and 36 of PCT.
55 Article 18, Rules 42 to 45 of PCT.
(iii) **International publication**

The international application is published by the International Bureau in the form of a pamphlet. The main particulars of the publication are as follows:

(a) The International Bureau publishes the international application after the expiration of 18 months from the priority date of the application.

(b) Up on request by the applicant, the international bureau publishes the international application at any time before the expiration of 18 months from the priority date.

(c) The international application is published in the language in which it was filed if that application was filed in Chinese, English, French, German, Russian, or Spanish; if it is filed in any other language, it is published in its English translation.

(d) The international Bureau does not publish the international application if it is withdrawn or considered withdrawn before the technical operations for its publication are completed.

(e) The International Bureau may omit the publication of portions of the international application if it deems that these portions are contrary to morality or public order or contain disparaging statements.\(^\text{56}\)

The publication of the international application has in each designated state the same effects as those, which the national law of the designated state provides for a compulsory publication of unexamined national application.\(^\text{57}\)

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\(^{56}\) Article 21 of PCT.

\(^{57}\) Article 29 (1) of PCT.
The International Bureau and the International Searching Authorities must not give access to the international application to any person or authority before the relevant publication takes place without the consent of the applicant.

(iv) International preliminary examination

The demand for international preliminary examination must be made separately from the international application and must contain the following particulars:

(a) It must be in the prescribed language and form.

(b) It must indicate for which member states the applicant intends to use the results of the international preliminary examination (elected states).

(c) The prescribed fees must be paid within the prescribed time limit.

(d) The demand must be submitted to the competent International Preliminary Examining Authority.

(e) Any later election of states must be submitted to the International Bureau.\(^\text{58}\)

The International preliminary examination is carried out by the International Preliminary Examining Authority. The competence of the International Preliminary examining Authority is determined by the receiving office.

The objective of the international preliminary examination is to express a preliminary, non-binding opinion on the question whether the invention subject of

\(^{58}\) Article 31 (1) 10 (6), Rules 53 to 63 of PCT.
the international application appears to be novel, to involve an inventive step, and to be applicable on an industrial scale.

The international preliminary examination report must be written in the same language in which the international application is published. It must not contain any statement concerning the patentability of the invention under any national law. It must state whether the claims appear to satisfy the criteria of novelty, inventive step and industrial application and is accompanied by the citation of the documents supporting the stated conclusion.\(^{59}\)

The international preliminary examination report has a confidential nature and must be transmitted to the applicant and to the International Bureau. It must be translated in the prescribed languages by the international Bureau and communicated by the latter to the elected offices. The applicant may withdraw the demand for all or part of the elected states.

(v) National phase

The processing of the international application before the designated or elected offices ('national phase') is subject to the performance by the applicant of certain acts before the expiration of certain time limits. Failure to comply with such requirements within the prescribed time limits has the consequences that the international application loses the effects of a national application in each designated or elected office and terminates the procedure before the said office.

\(^{59}\) Article 35, Rule 70 of PCT.
The time limits before the expiration of which the applicant must perform the prescribed acts to enter the 'national phase' are the following:

If the applicant has not filed a demand for international preliminary examination or the International Searching Authority has made a declaration under Article 17 (2) (a), the time limit is 20 months from the priority date. If the applicant has filed a demand for international preliminary examination report, the time limit is 30 months from the priority date.60

Unless expressly requested by the applicant, the processing of the international application, before the designated or elected offices respectively, cannot take place.

The international application cannot be rejected by any designated office on the ground that it does not comply with the requirements of the PCT and the regulations without giving an opportunity to the applicant to correct the application according to the provisions of national law applicable in respect of national applications.

No national law may require that the international application be in conformity with requirements as to form and contents other than those provided for by the PCT and the regulations. However, once the processing of the international application has started before the designated office, any national law may not be prevented from requiring compliance with national requirements.61

60 Article 22, (1) and 39 (1) of PCT.
61 Article 27 of PCT.
4.3.3 Advantage of the PCT

The principal objective of the PCT is to facilitate rationalisation and cooperation with regard to the filing, searching and examination of patent applications which saves both time and money for the applicant and national industrial property offices, where patent is sought for the same invention in different member countries.

The saving of effort for the applicant consists in allowing the filing of a single international application in each of the countries in which protection is sought. The applicant has to comply only with a single set of formalities, which provides a cost saving, particularly as drawings will not have to be redrawn for each designated country. At the end of the international phase, the applicant will be in a position to know whether it is worth pursuing applications through the national phase. If the applicant was not following the international procedure afforded by the PCT, he would be obliged to prepare for overseas filings within three to nine months from the expiration of the priority period, which would involve the preparation of documentation in the language and form of each country in which protection is sought.\(^{62}\)

The saving of effort for the national offices is in the area of examination where they can take advantage of international search reports and preliminary examination reports. This is of particular importance in the developing countries, where otherwise the establishment and maintenance of search facilities and the

\(^{62}\) Supra note 3, pp 40-41.
recruitment of examiners, would otherwise involve a significant commitment of resources. Currently some members (developing countries) have a non-examining system, where the quality of patent protection, which is offered, is subject to subsequent litigation. National offices can also save the expense and inconvenience of publication. The treaty has no impact upon the annual and renewal fees, which are the principal sources of revenue for patent offices.

The high standard of international search and preliminary examination reports results in stronger patents. Another objective of the PCT is to facilitate and accelerate access by the public to the technical information contained in patent documents. The PCT provides both for the publication of the international search report and of an abstract of the application. As search report and documents associated with an international application are in a standard form, this facilitates the retrieval of technical information by researchers in all countries.\(^6\)

### 4.4 Agreement on the Trade Related aspects of Intellectual Property Rights (TRIPs)

A major landmark in international economic relations was the successful conclusion, in 1994, of the controversial negotiations on the Agreement on Trade related aspects of Intellectual Property Rights as part of the Uruguay Round of multilateral trade negotiations. TRIPs now form part of the legal obligations of the newly founded successor organisation to the General Agreement on Tariffs and Trade (GATT), the World Trade Organisation (WTO). TRIPs is the most

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\(^6\) Ibid.
widening and far reaching international treaty on the subject of intellectual property to date and marks the most important milestone in the development of international law in this area. TRIPs, when fully implemented, will unambiguously strengthen protection of IPR almost world wide, a feat not achieved by any other single international treaty ever before.\(^{64}\) It has not only contributed to the introduction and strengthening of intellectual property protection in most developing countries but has also imposed for the first time minimum level of protection that all WTO members must respect.\(^{65}\) Earlier intellectual property system remained based over the centuries on the principle of territoriality allowing individual countries significant margins of appreciation in developing their own laws and policies.\(^{66}\)

TRIPs has also ventured into many new areas which were previously outside the purview of international law and, in many cases, even national laws of developed countries. Thus, TRIPs has necessitated changes in the IPR laws of all WTO member countries without exception. However changes made to the relevant laws, regulations and procedures of developing countries are undoubtedly more drastic, many sensitive sectors of economic and social activity in developing countries such as agriculture, health, education and culture may be affected by the changes demanded by TRIPs.\(^{67}\)


\(^{65}\) *Supra* note 11, p.9.


\(^{67}\) *Ibid.*
4.4.1 Origins of WTO and TRIPs

GATT traces its origins to 1944. In that year, at Bretton woods, New Hampshire, the delegates of the United States and United Kingdom proposed a comprehensive economic and financial plan for post World War II reconstruction and development. The delegates envisioned the formation of three international economic and financial institutions. Two of them, the World Bank and the International Monetary Fund (IMF), were created to address development and monetary issues. The International Trade Organisation (ITO) rounded out the institutional triad. GATT was to serve as an interim agreement until the ITO and its founding document, the Havanna Charter, could be approved by national legislatures. January 1, 1948, national representatives provisionally approved GATT in an effort to expedite international negotiations on tariff reductions, and their implementation, pending approval of the Havanna Charter by national legislatures.68

GATT was intended by its drafters to function on a permanent basis. Its drafters contemplated that once the Havanna Charter entered into force, and with it the ITO, GATT would be suspended. The Havanna Charter never entered into force. Once it became clear that Havnna Charter had no chance of being approved by the U.S. Senate, the State Department issued a statement that the Charter would not be submitted again to Congress. As consequences, GATT was pressed in to service by default to fill the institutional vacuum, despite its shortcomings. It

therefore regulated international trade for over five decades without institutional backing. Nevertheless, GATT became the centrepiece of international trade law.\textsuperscript{69}

The core rationale for GATT was to open up markets to trade. For its first two decades, the GATT focussed on reducing tariffs and eliminating import quotas on goods, the leading trade protectionist devices used to shield domestic industries from import competition.

The General Agreement on Trade and Tariff (GATT) provided guidelines for the free trade in goods. But the nation states rarely followed these rules as various mechanisms within the agreement that could be effectively used by member countries to escape from liabilities under the agreement. Moreover intellectual property rights were hardly regarded as trade related matter when the agreement was formulated. In 1985 new round of trade negotiations began at Punta Del Este in Uruguay, which concluded in 1994 at Marrakech in Morocco. The formation of WTO and a package of agreements under it were the results of these negotiations. The WTO Charter is the umbrella that co-opts all the other detailed agreements such as GATT, which provides the general rules for trade in goods, GATS for rules in services, and TRIPs for trade in “intangible property”.\textsuperscript{70}

The background to the negotiations can be traced back to when US based MNCs, seeking to extend their monopoly to the rest of the world, began to face increased competition from Asian Companies in international markets. This

\textsuperscript{69} Ibid.

\textsuperscript{70} http://www.infochangeidnia.org/IR IPri bp isp
situation led US based corporations to join hands to bring about a global agreement on intellectual property rights under the GATT framework on the pretent that such an agreement was essential for free trade. The early years of the 1980s witnessed US based multinational companies like Pfizer; IBM, Monsanto, etc. They formed an alliance called International Intellectual Property Alliance (IIPA) to effect the 'free riding' problem. The IIPA aimed at mustering support at home for standard IPR code that would be applicable at the global level.\textsuperscript{71}

Pharmaceutical and chemical industries were affected by the phenomenon of their drugs being manufactured at lower cost in developing nations where IPR laws either did not exist or were under enforced. The Industries in sectors such as computer software, entertainment, chemicals, pharmaceuticals and biotechnology had become concerned about the loss of commercial opportunities abroad. In 1987 a survey by United States International Trade Commission (ITC) confirmed, on the basis of public hearing held and questionnaires administered, that the United States firms were loosing sum of 50 billion dollars, owing to lack of protection abroad of the intellectual property. The companies like IBM and Microsoft also advocated for strong IPR protection at the global level. As they grew in strength, the alliance was in a position to drive home the need for an international agreement on intangible property. \textsuperscript{72}

\textsuperscript{71} Ibid.

\textsuperscript{72} Ibid.
The U.S. government could not afford to ignore the combined force of these powerful corporations. In addition, the prospect of expanding trade provided the option of breathing new life into a saturated economy. The strong lobbying and propaganda worked in favour of those who were demanding a global IPR regime. The office of the United States Trade Representative (USTR), which was monitoring the free trade negotiations, became the host seat as they pushed for an agreement on intellectual property rights within the GATT framework.

There was strong opposition from many nations to the US effort to bring IPR under the purview of GATT on the ground that only trade issues could merit discussion in that forum. Some industrially developed countries preferred to deal with IPR at the domestic level. The initial set back did not however, deter the US government, which was convinced that an international legal IPR regime was necessary to protect the rights of its industries.73

The US succeeded in isolating developing countries like Brazil and India, which vehemently opposed the proposed global IPR regime. Ultimately even they had to fall in line and accept the agreement on trade related intellectual property rights (TRIPs) as WTO member countries had to either accept all the agreements under it or be left out of the organisation altogether. Although the TRIPs agreement was not in the best interests of developing countries they were left with no option but to accept it as a necessary evil.

73 Ibid.
It was through a combination of concerted and persuasive efforts, the threat of unilateral sanction, the lure of transfer of technology, the temptation of increased access to developed country markets that the US succeeded in bringing about a standard agreement on intellectual property which could be enforced through the agency of the Dispute Settlement Body (DSB) which settles disputes between WTO member countries.  

4.4.2 Basic principles underlying TRIPs agreement

The central objectives of the TRIPs Agreement outlined in the preamble are the reduction of distortions and impediments to international trade as well as the desire to promote effective and adequate protection of intellectual property rights. Besides the emphasis on trade aspects of intellectual property and on intellectual property rights as private rights, the preamble also recognises the fact that intellectual property seeks to foster public policy goals, including developmental and technological objectives.

The first part of the agreement provides the general framework, which is applicable to the substantive areas covered in TRIPs. One of the central characteristics of the TRIPs agreement is to impose minimum standards of protection. In other words it seeks to harmonise national laws but does not provide for uniformity. The agreement also provides for the integration of significant parts of existing intellectual property conventions such as the Paris Convention and the

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74 Supra note 69.
75 Supra note 12, p.57.
Berne Convention.\textsuperscript{76} However, this does not imply similarity and in fact there are significant differences between the TRIPs agreement and a treaty like the Paris Convention which did not seek to establish international standards of intellectual property protection but only to harmonise national systems of protection. In other words, the TRIPs agreement incorporates existing standards and introduces internationally recognised minimum standards, which may go beyond incorporated treaties.

Further the TRIPs agreement strengthens the principle of national treatment outlined in the Paris Convention and introduces the concept of most favoured nation treatment to intellectual property. The principle of national treatment provided by the TRIPs agreement requires that each member shall accord to the nationals of other members a treatment no less favourable than that it accords to its own nationals with regard to the protection of intellectual property.\textsuperscript{77} National treatment obligations in TRIPs differ from the national treatment obligations established by Article III, GATT 1994. The GATT addresses trade in goods, and in that context national treatment requires non discriminatory treatment of "like products" or tangible things whereas intellectual property rights are held by persons, therefore TRIPs agreement national treatment rule require non discriminatory treatment of persons. In this regard the national treatment principle of the TRIPs agreement is analogous to that of the General Agreement on Trade in

\textsuperscript{76} Article 2 of the TRIPs Agreement.

\textsuperscript{77} Article 3 of TRIPs Agreement.
Services (GATS)\textsuperscript{78} which applies to services suppliers. But it should be noted that the GATS national treatment rule operate in a different manner than those of TRIPs.\textsuperscript{79}

GATT- WTO jurisprudence has recognised two types of discrimination; \emph{dejure} and \emph{defacto}. When legal rules distinguish in their express terms between foreign and local nationals, this may constitute discrimination as a matter of law, or \emph{dejure} discrimination. On the other hand, legal rules that use identical terms to address foreign and local nationals may appear neutral, but in fact produce discriminatory results through operation in practice. When facially neutral legal rules are discriminatory in effect, this is referred to as \emph{defacto} discrimination. The TRIPs Agreement national treatment provision encompass both \emph{dejure} and \emph{defacto} discriminations.\textsuperscript{80}

Most favoured Nation principle of the TRIPs agreement requires that "with regard to the protection of intellectual property, any advantage, favour, privilege or immunity granted by a member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other members".\textsuperscript{81} The Most Favoured Nation (MFN) principle requires each member to treat nationals of all other members on an equivalent basis in relation to intellectual property protection. The MFN principle was not traditionally

\textsuperscript{78} Article xviii of GATTS.


\textsuperscript{80} Ibid.

\textsuperscript{81} Article 4 of the TRIPs Agreement.
incorporated in the World Intellectual Property (WIPO) conventions. It was assumed that WIPO members would not grant intellectual property rights protection to foreign nationals more extensive than the protection granted to its own nationals. In this setting national treatment obligation would place all foreigners on the same place. As bilateral pressures mounted in the late 1980s to increase IPR protection, Uruguay Round negotiators became concerned that some countries were indeed granting IPR privileges to foreign nationals more extensive than the right granted to their own nationals. This focused attention on incorporating an MFN principle in TRIPs, so that all members would obtain an equivalent level of protection when more extensive protection was granted to foreigners.\textsuperscript{82} Without the benefit of the MFN principle, the most efficient producers may not have equal access to a foreign market because of discriminatory trade preferences in favour of less efficient producers from other countries. The unconditional MFN principle fosters economic efficiency by promoting the most efficient allocation of resources and, thereby, lowering costs of production, increasing consumer choices and promoting world economic growth. Unconditional MFN also serves the important political function of facilitating trade negotiations that would otherwise become extremely difficult if reciprocity were demanded as a condition for receiving the benefits of a trade concession.\textsuperscript{83}

\textsuperscript{82} \textit{Supra} note 12.  
\textsuperscript{83} \textit{Ibid.}
Another important issue referred to in the first part of TRIPs is the exhaustion of intellectual property rights. Due to divergence between negotiating states, no consensus could be found on the question of exhaustion. The issue is whether the first introduction of a patented product in the market by the patent owner or with the patent owner’s consent exhausts the rights that can be claimed on the basis of the relevant patent. Two main points can be highlighted. Firstly, there is the question whether the introduction of a patented product in one country exhausts the right in all the countries where the product is patented or only in the country where it is introduced. This has been especially contentious in the case of medical patents because of the links between exhaustion, parallel imports and differential pricing. In the case of national exhaustion, there is scope for companies that wish to do so to sell their drugs at different prices in different markets taking into account different levels of economic development and capacity to pay.\textsuperscript{84} In the case of drugs for diseases that exist both in developed and developing countries, differential pricing can have positive aspects. It allows pharmaceutical companies to sell in developed countries at a level, which allows them to maintain their profit levels. At the same time, the segmentation of the market permits the sale to developing countries of the same drug at a price much closer to the marginal cost of production. The limitations of differential pricing include the following two problems. Firstly, the marginal cost of production may

still be much more than what most patients in developing countries can afford. Similarly even if the price of a single dose is ‘affordable’, this may not be the case if a drug is to be taken for a long period of time.\textsuperscript{85} Secondly, differential pricing does not solve the problem of the incentive to the private sector pharmaceutical industry in the case of diseases, which occur only in developing countries. The prices that developing countries can afford are not sufficient to entice a developed country company to engage in the necessary research and development.\textsuperscript{86} Thirdly, there is the issue of the actual meaning of exhaustion in specific cases. This is an ongoing issue in particular in the context of genetically modified seeds. There is still significant uncertainty as to whether patent owners can claim rights only over the actual seeds they sell or also over future generations of seeds created on the basis of the patented seed but without any contribution of the patent owner. For the time being Article 6 of the TRIPs agreement does not provide a general solution to the question of exhaustion.

Article 7 is the only provision, which evokes the balance between the rights granted to individual intellectual property rights holders and the broader interests of society at large. In the TRIPs context, the focus is on the use of intellectual property rights as incentives for foreign investment and technology transfer.\textsuperscript{87}


\textsuperscript{86} \textit{Ibid.}

\textsuperscript{87} It provides that the protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations.
Article 8 applies more specifically to measures adopted by states to implement their TRIPs obligations. It provides specifically that states can adopt measures to protect public health and nutrition, as well as to promote the public interest in sectors of vital importance to socio-economic and technological development. The scope of the measures that can be adopted is, however, limited by the fact that such measures must be consistent with the operational provisions of the TRIPs agreement, member states are also entitled to take measures against the abuse by right holders of their rights and against practices that unreasonably restrain trade or adversely affect the international transfer of technology. Even though there is very little use of these provisions by member states in practice, they have, for instance, been acknowledged by India as being overarching provisions that should qualify other provisions of TRIPs meant to protect intellectual property rights.\textsuperscript{88}

4.4.3 TRIPs provisions concerning patents

TRIPs agreement incorporates substantive provisions from the Paris Convention. As a result it also adopts the same basic criteria for patentability, namely novelty, non-obviousness and industrial applicability. The TRIPs agreement, for instances, recognises patentability of qualifying inventions in all fields of technology. One implication is that countries cannot differentiate

\textsuperscript{88} World Trade Organisation, Communication from India, WTO Doc Ip/s/w/195 (2000).
between different fields of technology. The TRIPs agreement also requires patentability in all fields of technology for processes and products. 89

General principles concerning the scope of patentability establish the widest possible scope. Some optional exceptions have, however, been introduced, allowing member states to take measures at the national level to restrict patentability in certain specific fields. 90 On specific, exclusion concerns the patentability to exclude diagnostic, therapeutic and surgical methods for the treatment of humans and animals. Broader exceptions include the protection of morality and public order and in particular the protection of human animal or plant life or health, or avoiding serious prejudice to the environment. 91 These exceptions are qualified by two conditions. Firstly, member states can only apply such restrictions to patentability where it is established that the commercial exploitation of the invention must be prohibited. Secondly, the exclusion from patentability must not be based solely on a general provision prohibiting the exploitation of the product. 92 This would, for instance, prohibit a blanket restriction on product patents on microorganisms or pharmaceuticals.

The TRIPs agreement also addresses the question of life patents such as patents on microorganisms and non-biological and microbiological processes for

89 Article 27 (1) of TRIPs agreement provides that any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive steps and capable of industrial application are protected by patents.
90 Article 27 (3) of TRIPs agreement.
91 Article 27 (2) of TRIPs agreement.
the production of plants and animals must be introduced. States are entitled to exclude the patentability of certain specific categories such as plants, animals and essentially biological processes for the production of plants and animals.

Apart from these some temporary exceptions were also granted. Such exception allowed developing countries like India to retain specific exclusions to product patentability for ten years after the entry into force of TRIPs agreement. This covered, for instance, the product patents for pharmaceuticals, which did not have to be introduced before January 2005. Some conditions were, however, attached to this exclusion. Firstly the extra time could not be used to change laws in a way that would have taken the country further away from compliance, for instance by introducing further restrictions on patentability during the transitional period. Secondly, in the case of restrictions on pharmaceutical and agricultural products, countries had to introduce a means for filing applications for patents on such inventions. Further in the intervening period, patent applications were to be granted, Exclusive Marketing Rights (EMRs) for a period of 5 years or until the acceptance or rejection of the application.

The TRIPs agreement also includes number of provisions concerning the rights conferred to patent holders. The patent owner has exclusive rights to

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93 Article 27 (3) b of TRIPs agreement.
94 Article 65 (4) of TRIPs agreement.
95 Article 65 (5) of TRIPs agreement.
96 Article 70.8 of TRIPs agreement.
97 Article 70.9 of TRIPs agreement.
prevent third parties from making, using, offering for sale, selling or importing for these purposes the patented product without the consent of owner.\footnote{Article 28 of TRIPs agreement.} Where the patent is for a process, the rights granted extend to the use of the process and also to the use, sale and import of products that are directly obtained through the protected process.\footnote{Article 28.2 of TRIPs agreement} These exclusive rights, which amount to virtual monopoly, are granted for a period of 20 years minimum.\footnote{Article 33 of TRIPs agreement.}

While the TRIPs agreement provides extensive rights for patent holders, at the same time it allows member states to restrict the rights conferred. In this regard, Article 30 of the TRIPs provides that; limited exception to the exclusive rights conferred by a patent provides that such exceptions do not unreasonably conflict with a normal exploitation of the patent and do not unreasonably prejudice the legitimate interest of the patent owner, taking account of the legitimate interests of third parties.\footnote{Supra note 12, pp 63-64.}

This clause, which only operates at the level of the regulation of the use of a patent already granted is potentially wide ranging because there is no definition of the limited exceptions that are allowed. Member states should thus be able to use Article 30 to justify a variety of socio-economic measures they may wish to take to control the abuse of patent rights. But the exception must not unreasonably conflict with the exploitation of the patent, and thirdly the exceptions should not
unreasonably prejudice the legitimate interests of the patent owner. However, the structure of Article 30 seems to imply that the legitimate interests of third parties are subordinate to the interests of patent holders. Even if this is the case, there are situations such as the case of life saving patented drugs where the legitimate interests of third parties, such as people suffering from HIV/AIDS, could be deemed to override other interests and allow states to adopt exceptions. In practice, an interpretation of Article 30 favouring third parties may be difficult to sustain. Thus in a case that dealt with Article 30, the panel found that while permitting the use of patented substances for experimental purpose was admissible stock piling patented pharmaceuticals prior to the expiration of the patent does not fall within the limited exceptions of Article 30 even if introduction into the market is prohibited until the expiration date of the patent.102

There exists another set of measures that can be taken to limit the rights of patent holders. This is what TRIPs agreement calls use without authorisation otherwise known as compulsory licensing. Compulsory licensing was introduced as an instrument allowing governments to sanction a patent holder who does not respect certain conditions of the patent without going to the extreme step of revoking the patent.103 During the course of the twentieth century, many countries adopted compulsory licensing regimes, some much more stringent than others, with the patent Act 1970 being among the more stringent ones. The TRIPs

103 Article 31 of TRIPs agreement.
agreement generally maintains the possibility for member states to have a compulsory licensing regime but constrains their ability to determine the specific conditions under which the regime functions. Article 31 provides a number of conditions that states must follow. These include:

(i) Compulsory licensing can only be allowed on a case-to-case basis.  

(ii) States must first try to secure authorisation on commercial terms unless it is a situation of national emergency or the state wants to make public non-commercial use of the invention.

(iii) The term of the licence must be limited in time to the purpose for which it is authorised, must be non-exclusive, and must be mainly to supply the domestic market.

(iv) The patent holder is entitled to ‘adequate’ remuneration.  

One of the interesting features of the compulsory licensing regime under TRIPs is that there is no limitation of the purposes for which compulsory licenses can be granted. This can be read as gain for developing countries since the United States wanted to restrict the grounds for compulsory licenses. Further states are also free to determine what constitutes a national emergency.  

The dispute settlement mechanism of the WTO is one of the elements, which sets the WTO apart from most other international organisations where

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104 Compulsory licensing for a whole class of products such as all medicines would not be acceptable.
105 Supra note 63 p.319.
106 Id, at p.320.
dispute settlement tends to be weak or non-binding. The WTO dispute system can be characterised as a compulsory and binding system with a stringent time scale, according to which, dead line has been set for all the major steps in the procedure. It is a system that, contrary to its predecessor, provides for legal appeal and for clear rules of implementation of the rulings of panels and the Appellate Body. Possible compensation and realisation have also been regulated in greater detail than before.107

4.5 WIPO Substantive Patent Law Treaty

The adoption of the TRIPs agreement in the WTO context incorporating a large part of the Paris Convention has not signalled the end of WIPO’s efforts to further develop patent law. Since the adoption of the TRIPs agreement, WIPO has taken a number of new initiatives. It first led to a successful conclusion of the negotiations for a treaty seeking to harmonise procedural requirements in patent applications, which was eventually adopted in 2000.108 Since then WIPO has embarked upon a much more ambitious project which has the potential to be at least as far reaching as TRIPs agreement in the evolution of patent law around the world. The new proposal is for Substantive Patent Law Treaty, which would harmonise the substantive requirements of patent law at the international level. The rationale behind proposals for harmonisations is that the costs of obtaining patents in different countries has significantly increased and that these costs could

be lowered if some of the basic principles underlying the grant of patents such as the definitions of prior art, novelty, inventive step and industrial applicability were harmonised.¹⁰⁹

For three years, a Substantive Patent Law Treaty has been under negotiation at the World Intellectual Property Organisation (WIPO) in Geneva. This Substantive Patent Law Treaty (SPLT) would remove most of the remaining national flexibility in patent systems and pave the way for a future world patent granted directly by WIPO. This is an appealing prospect for transnational corporations and large powers like the U.S. and the European Union (EU), who see patents as the primary means to control a globalised economy. But a world patent system is bad news for developing countries and their citizens, who would lose even the limited freedom left by the WTO TRIPs agreement.

A truly global patent system, with one control 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 Organisation’s TRIPs agreement, it was regarded as an impossible dream, because the complete harmonisation did not appear politically achievable. WIPO had repeatedly tried and failed, most recently during the 1990s. This was why industry persuaded governments to move the patent issues to the WTO, 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 harmonisation 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 patents were radically curtailed.

TRIPs created the conditions for reviving the dream of the world patent. WIPO quickly recognised that TRIPs provided a stepping-stone to the next level of harmonisation. Since TRIPs came into force in 1995, WIPO has been working hard on three key pieces of a strategy to create a world patent system with WIPO at the helm. WIPO is quite open about this.

The substantive patent law treaty is the political core of the patent agenda. It deals with the substance of patents, with what can and cannot be patented, under what conditions and with what effect. The SPLT is the most difficult piece of the Puzzle for WIPO. Patent laws have historically always been confined to national territory, and individual governments are very reluctant to give up their freedom to decide on the rules of patentability. Although number of treaties, beginning as far back as the Paris Convention 1883, have created a regime of mutual recognition.

111 Ibid.
between national patent systems, there has been very little substantive harmonisation at a global level. TRIPs was the first international treaty to prescribe minimum standards for central issues like the subject matter of patents, the term of protection, or the mechanisms of enforcement.

The SPLT is intended to go one important step further. TRIPs define a harmonisation floor (the minimum standards), but SPLT will raise the floor and add a ceiling. The floor will be raised well above that set by TRIPs. There will also be a maximum standard, an outright ban on additional patentability criteria. While today countries are free to make any additional requirements to grant a patent unless the matter is explicitly regulated by TRIPs, in the future they would only have such options if the SPLT explicitly specifies them.\textsuperscript{112}

The SPLT is a direct sequel to TRIPs. But there are some important differences in terms of process and politics. One major reason for the success of TRIPs was that it encompassed only "the standards of protection" on which developed countries would agree among themselves. The basis for the strong alliance of EU-US-Japan known in the patent world as the "trilateral" – was that none of them had to add or change anything of importance in their patent laws to comply with the TRIPs agreement. It was all about the changing the rules for developing countries. Everything, which could have divided developed countries, was carefully kept outside the scope of TRIPs.

\textsuperscript{112} \textit{Ibid.}
The SPLT, in contrast, is primarily about ironing out the remaining differences among the trilateral countries themselves. This would seem like much easier task. The changes involved are quite limited compared to the wholesale reshuffle that TRIPs involved for developing countries. Nevertheless, harmonising between the trilateral powers will probably be much more difficult politically than it was to harmonise the rest of the world to their consensus level in TRIPs.

Another important difference is that TRIPs could be forced through by attaching it to the whole WTO package. Developing countries were faced with the choice of accepting TRIPs as a part of the package or not being part of the WTO at all. Most of them accepted TRIPs as a necessary evil in order to secure expected trade benefits in other areas, in particular better access to developed country markets for their agricultural and textile exports. The SPLT is being negotiated in a very different context. There are no external chips available, no opportunity to trade apples for pears. Any compromise must be struck within the bounds of the patent system itself.

Formally speaking, signing on to the SPLT will be optional. Countries can accept WIPO treaties on a case-by-case basis, in contrast to package deal principle governing the WTO. But in practice there would be considerable pressure on all WIPO members to join. Unlike some of the more specialised WIPO treaties, the SPLT will be so central to the future of the patent system indeed, the power structures in the global economy that it will be difficult to opt out.\footnote{\textit{Ibid.}}
4.6 The post TRIPs changes in the Indian patent regime

After the adoption of the Patent Act 1970 there was no further major policy debate concerning the patents system partly because the system was seen to provide a suitable compromise and partly because civil society only made the link between patents and sustainable development concerns rather recently. In any case, national policy developments in the field of patents were taken over by international policy developments in the form of GATT negotiations and subsequent adoption of the TRIPs agreement. By signing the TRIPs agreement, the government committed itself to a complete change of patent policy which amount in part to a return to pre 1970 regime. This is significant because the changes imposed by TRIPs were not the subject of full policy debate at the national level.\textsuperscript{114}

In fact, there was not only a lack of policy debate but also a lack of congruence between the commitments taken by the government and PARLIAMENTS position amending the patents regime. The divergence came out clearly as soon as Parliament got its first opportunity to debate the TRIPs agreement. Even though this was after the government had ratified it, Parliament refused to endorse the first set of changes that were required as of 1\textsuperscript{st} January 1995 for complying TRIPs. Interestingly, the first changes were linked to India’s special treatment under the TRIPs allowing a longer implementation period for introducing product patents where there were specific restrictions in place before the adoption of the TRIPs

\textsuperscript{114} Supra note 12, pp 76-77.
agreement. In exchange for this special exemption, India had to introduce from 1st January 1995 a system for the filing of applications for product patent in the field of drugs and agricultural chemicals. The government tried to submit a proposal for amending the patent Act. However the Bill failed. This led to the promulgation of the Patents (Amendment) Ordinance 1994 on 31 December 1994 to amend the patents Act to provide for filing and handling a patent application for pharmaceutical or agricultural chemical products. The Ordinance lapsed in March 1995.\textsuperscript{115}

The continued failure of parliament to adopt an amendment to the Patents Act led to India being first country targeted in the WTO dispute settlement system in the context of the implementation of the TRIPs agreement. United States Government filed a complaint with the WTO Dispute Settlement Body alleging that India did not have in place a mailbox system.\textsuperscript{116} India argued that despite the lack of appropriate legislation it was offering in fact a mailbox provision by an administrative order. However the WTO panel and the Appellate Body concluded that India had failed to comply with its obligations under Article 65 and 70.9 of the TRIPs agreement.\textsuperscript{117} This was followed by another complaint by EU, which

\textsuperscript{115} Ibid.
\textsuperscript{116} Corresponding to the requirements of Article 70.8 of the TRIPs Agreement.
led to a similar report. One of the direct outcomes of dispute procedures was that India and United States agreed that India should be given until April 1999 to implement the conclusion of the Appellate Body’s Report of December 1997.

This led to two significant developments. Firstly, the government decided in 1998 to accede to the Paris Convention. This largely constituted a political move to reaffirm India’s commitment to the international intellectual property rights regime and to enhance India’s image towards foreign investors. Secondly, in view of the April 1999 deadline, the government tried again in December 1998 to submit an amendment to the Patent Act 1970 modelled after the 1994 amendment. Following its failure to see the amendment through by the end of the winter session of Parliament, the government promulgated in January 1999 another temporary ordinance. Finally hardly more than a month before the 19 April dead line for compliance with WTO decision, both houses of Parliament adopted the amendments necessary to put India in compliance with its TRIPs obligations.

The Patents (Amendment) Act 1999 introduced two main changes to the Act. Firstly, it introduced a new sub-section to section 5 prohibiting product patents on medicines and drugs. The new clause left the prohibition untouched but

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permitted the filing of a patent claim. Secondly, patent applications for food or health related products had to be dealt with according to a new chapter IVA which set out the specific conditions under which this was to take place and provided for the grant of exclusive marketing rights as called for under the TRIPs agreement.122

While the adoption of the 1999 amendments proved to be lengthy process, it constituted only a tiny part of the overall changes that had to be put in place for TRIPs compliance. Since India had to comply with most of its other TRIPs obligations by 1st January 2000, this led to the introduction of another proposed set of amendments in December 1999.123 These amendments were referred to a Parliamentary Committee that studied the proposed changes for the better part of the next two years. Eventually the amendments proposed by the government in 1999 were adopted without major changes in 2002.

The amendments adopted in 2002 have removed most of the elements that gave the Patents Act 1970, its specificity. The most important impact of these changes is to have clearly shifted the balance between the interests of patent holder and society’s interest towards the former. Some of the changes include the increase of term of protection to uniform 20 years, thereby increasing significantly the average duration of protection and removing the discrimination put in place in the case of process patents in the field of health and nutrition where the term was

123 Patents (Second Amendment) Bill 1999, Bill No.XLIX of 1999.
only 7 years from the date of application. The amendment has altogether removed “licences of right”124 from the Patents Act.

It has been asserted that even after 2002 amendments, Indian Patent Law was not in conformity with the provisions of TRIPs. Owing to international pressure and to meet the TRIPs deadline an Ordinance was promulgated and the same was enacted with some modifications in to the Patent (Amendment) Act 2005. The provisions of Patent (Amendment) Act 2002 and 2005 have been elaborately discussed in chapter 6.

4.7 Conclusion

Patents are extremely important nationally and play a large role in shaping the trade and commerce policy of a country. However, it is equally obvious that they are of immense international significance due to the stupendous commercial potential in the property rights of human ingenuity and knowledge.

The protection of patent rights in various countries against infringement and piracy was found to be too difficult since laws were different and patent applications had to be filed at the same time in all countries in order to avoid a publication in one country destroying the novelty of the invention in other countries. Ever increasing demand for patented products, expansion in

124 Sections 86-88 of Patents Act 1970 dealt with licences of right. The Act provided for the endorsement of any patent with the words “licences of rights”. Where so endorsed, any person who is interested in working the patented invention may require the patentee to grant him a licence even if he is already the holder of licence. The patentee cannot refuse to grant the licence. If the terms of the licence cannot be mutually agreed upon they will be settled by the controller. Thus in the case of patents endorsed with the word “licenses of rights” any person may obtain a licence as a matter of right without having to establish, as in the case of compulsory licence under section 84.
international trade and international flow of technology increased the need for international harmonisation of patent laws. Attempts have been made to introduce uniformity amongst national patent systems and the result was various international conventions since 1883 Paris Convention.

The increasing economic importance of patents and globalisation paved the way for better international recognition and protection of patents. The result was the TRIPs agreement. The TRIPs agreement requires all the state parties to comply with minimum standards set in the agreement within the stipulated period.