

**TRANSFER OF PATENT RIGHTS UNDER INDIAN PATENT LAW**

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## INTRODUCTION

The term patent has been derived from the Latin word 'Patene' which means 'to open'. Patent is an exclusive right granted to an inventor respect with to that invention which he discloses to the public. Therefore, we can say that patent like a reward is granted to an inventor in return of his disclosure of his invention to the public for the benefit of the society.<sup>1</sup>

### Meaning of patent

A Patent is a form of industrial or intellectual property. A patent is a right granted to a person who has invented a new and useful article or an improvement of an existing article or a new process of making an article. It consists of an exclusive right to manufacture the new article invented or manufacture an article according to the invented process for limited period. After the expiry of the duration of patent, anybody can make use of the invention.<sup>2</sup>

**The patents (amendment) act, 2005 defines patent under sec 2 (m) as: patent means a patent for any invention granted under this act. Patent under the act is granted by controller to the inventor for a period of 20 years. It is the exclusive right to make use, exercise and vend his invention.<sup>3</sup>**

A patent is an exclusive right to own, use, or sell a method or a product for a limited period, granted to an inventor by the government allowing to

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<sup>1</sup> Intellectual Property Laws, Third Edition by Menu Paul.

<sup>2</sup> Law of intellectual Property, fourth edition by Dr. S.R. Myneni

<sup>3</sup> Law of intellectual Property, fourth edition by Dr. S.R. Myneni

commercially exploit his patented invention. Whenever a patent holder is unable to commercially exploit or work the patented invention, he seeks to license or assign his right to any other party under an agreed set of conditions who can take optimal advantage of the invention and in return gives royalty payments to him. Under Indian law, a patent holder has several commercialization paths available viz, the right to use, sale, transfer, license, mortgage, and pledge the patent.<sup>4</sup>

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<sup>4</sup><http://www.ipindia.nic.in/ipr/patent/manual/HTML%20AND%20PDF/Manual%20of%20Patent%20Office%20Practice%20and%20Procedure%20-%20html/Chapter%2010.htm> Date 01/05/2014 at 3.00 pm

## ORIGIN AND HISTORY

India was under the British rule for a long period. Law in British India was modeled on the lines of British law. In England, a Venetian law of 1474 provided a system for granting ten year privilege to inventors of new arts and machines. Statute of monopolies, 1624 allowed patent monopolies for 14 years. The industrial revolution brought many changes in the law relating to patents.<sup>5</sup>

The history of patent law in India may be traced back to the act VI of 1856 which granted exclusive privileges to inventor in India. The act of 1856 was modified by the act of 1859, which enabled the British patent holders to register their exclusive privileges in India. Then in 1872 the patent and design protection act was enacted which extended protection of law to the designs also. The patent and design protection act 1872 was followed by the protection of invention act 1883 which further was followed by consolidated act in 1888.<sup>6</sup>

In of the later part of the nineteenth century new inventions in the field of art, process, method r manner of manufacturer, machinery, apparatuses and other substances, produced by manufacturer were on the increase and the inventors became very much interested that the inventions done by them should not be infringed by anyone else by copying them or by adopting the methods used by them. To save the interests of inventors, the then British rulers enacted the Indian patents and designs act 1911.<sup>7</sup> It was a

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<sup>5</sup> Law of intellectual Property, fourth edition by Dr. S.R. Myneni

<sup>6</sup> Law Relating to Intellectual Property, Fourth Edition, Dr. B.L. Wadehra.

<sup>7</sup> Law of intellectual Property, fourth edition by Dr. S.R. Myneni

comprehensive legislation on the patent and design. This act remained in force in India until India became independent.

As the existing Indian patents and design act was enacted in 1911 and since then there have been substantial changes in the political and economic conditions of the country. The need or a comprehensive law so as to ensure more effectively that patent rights are not worked to the detriment of the consumer or to the prejudice of trade or the industrial development of the country was felt as early as 1948 and in that year the Government appointed the patents enquiry committee to review the working of the patents law in India. The committee submitted its final report in 1950. The patents bill, 1953, based on largely on the United Kingdom patents act, 1949 and incorporating some of the recommendations of the committee was introduced in the Lok Sabha on 7<sup>th</sup> December, 1953. The bill lapsed due to the dissolution of the Lok Sabha.

In 1975, the government of India appointed justice N. Rajagopal Ayyangar to examine afresh and review the patent law in India and advised the government on the changes necessary. The Judge submitted a comprehensive report on patents law revision in September, 1959. The patent bill, 1965, based upon mainly his recommendations and few more changes was introduced in the Lok Sabha in 1965. The bill was referred to joint committee of parliament in the same year. The joint committee after a careful consideration of the matter adopted a number of amendments to the bill. The report of the Joint Committee with the amended bill, was presented to the Lok Sabha in the year 1966. Due to the dissolution of the

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Lok Sabha it was lapsed. A bill containing comprehensive provisions to amend and consolidate the existing law and also containing amendments/recommendations by the joint committee referred to above was brought before the parliament subsequently. The patent bill having been passed by both the houses of the parliament received the assent of the president on 19<sup>th</sup> September 1970. It came on the statute book as the patents Act, 1970 (Act 39 of 1970)<sup>8</sup>

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<sup>8</sup> Law Relating to Intellectual Property, Fourth Edition, Dr. B.L. Wadehra.

## LEGAL REGIME GOVERNING PATENT

### **1. International conventions and treaties:**

#### **a. The Paris Convention for the Protection of Industrial Property:**

Article 4 of the convention contains provisions concerning patents which speak about independence of patents. Patents for invention granted in member countries to nationals or residents of member countries must be treated as independent of patents for invention obtained for the same invention in other countries, including non-member countries.<sup>9</sup>

**b. The Patent Law Treaty (PLT):** The Patent Law Treaty (PLT) was adopted on June 1<sup>st</sup>, 2000 at a Diplomatic Conference in Geneva. The purpose of the PLT is to harmonize and streamline formal procedures in respect of national and regional patent applications and patents. With a significant exception for the filing date requirements, the PLT provides maximum sets of requirements which the Office of a Contracting Party may apply: the Office may not lay down any additional formal requirements in respect of matters dealt with by this Treaty. Any State which is party to the Paris Convention for the Protection of Industrial Property or which is a member of WIPO may become party to the PLT.<sup>10</sup>

### **2. Indian law:**

Act of XV of 1859 provided a patent regime for granting exclusive privileges to inventors in British India. In 1872, the patent and designs protection act, 1872 was enacted and later the Inventions and Design

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<sup>9</sup> Law of intellectual Property, fourth edition by Dr. S.R. Myneni

<sup>10</sup> Law of intellectual Property, fourth edition by Dr. S.R. Myneni



act, 1888 was made. Later a comprehensive legislation was enacted through the patents and design act, 1911. The Indian patents and design (amendment) act, 1950 brought many changes in the act. It was repealed by the patent act of 1970. Patents rules, 1972 were made by the Central Government.<sup>11</sup>

The patent act 1970 has been amended by the repealing and amending act, 1974. The delegated legislation provisions (amendment) act, 2002 and the patents (amendment) act 2005. The patents rules, 1972 are being amended by the patents (amendment) rules, 1999 and the patents (amendment) rules, 2002 and the government of India accepted the TRIPS agreement of WTO. The patent act, 1970 as amended up to 2005, extends to the whole of India and it shall come into force on such date as the central government may by notification in the official gazette, appoint.<sup>12</sup>

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<sup>11</sup> Law of intellectual Property, fourth edition by Dr. S.R. Myneni

<sup>12</sup> Law of intellectual Property, fourth edition by Dr. S.R. Myneni

## **FORMS OF TRANSFER OF PATENT RIGHTS UNDER INDIAN LAW**

Primarily, it is crucial to understand as to who can assign or license a patent. It is only the owner of a patent who can either assign or license its patent. However, in case of joint owners or co-owners, one of the owners cannot assign or grant license without the consent of the other owner.

A patent is a transferable property. It can be transferred from original patentee to any other person.<sup>13</sup>

**Section 68** of the Patent Act 1970 provides for the **mortgage of, license in or creation of interest in the patent**<sup>14</sup>

### **Forms of transfer of patent rights**

The patentee is authorized to assign, grant license/s or otherwise deal with the patent for a consideration. The transfer of patent is generally in the following form:

1. Assignment
2. License
3. Transmission of patent by operation of law.<sup>15</sup>

#### **1. Assignment:**

The term “assignment” is not defined under the Act. A patent holder can assign the whole or any part of the patent rights to the whole of India or any part thereof. Assignment is in essence a transfer of ownership even if it is partial. Section 68 of the patents act 1970 provides for the assignment:

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<sup>13</sup> Law Relating to Intellectual Property, Fourth Edition, Dr. B.L. Wadehra

<sup>14</sup> Intellectual Property Laws, Third Edition by Menu Paul.

- (i) of patents; or
- (ii) of share in the patent.<sup>16</sup>

### **Kinds of assignment**

There can be three kinds of assignment:

#### **1. Legal assignment:**

An assignment of an existing patent through an agreement which has been duly registered is a legal assignment. A legal assignee has the right to have his name entered in the register of patents maintained in the Controller's office as proprietor of the patent and can thereafter exercise all the rights conferred on him by the proprietor of patent.

**Example:** a patentee A in respect of a machine useful in the automobile industry assigns his right in the patent to B through an agreement which is written and duly registered in the patent office. Thereupon, B becomes the proprietor of the patent.

#### **2. Equitable assignment:**

Any document such as a letter but not being an agreement, which is duly registered with the controller in which the patentee agrees to give another person certain defined rights in the patent with immediate effect, is an equitable assignment. An assignee in such a case cannot have his name entered in the Register as the proprietor of patent. He can only have a notice of his interest entered in the Register. He can

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<sup>15</sup> Law Relating to Intellectual Property, Fourth Edition, Dr. B.L. Wadehra.

<sup>16</sup> Intellectual Property Laws, Third Edition by Menu Paul.

convert the equitable assignment to legal assignment by getting a written agreement to this effect and having it duly registered.

Example: a patentee D writes a letter to E whereby he assigns to E the right to make and sell the invention within the territory of Delhi. D has transferred his proprietary right through equitable assignment to E to the extent mentioned in his letter.

### **3. Mortgage:**

A mortgage is also a form of assignment. A mortgage is a document transferring the patent rights either wholly or partly to the mortgagee with a view to secure the payment of a specified sum of money. The mortgager (patentee) is entitled to have the patent re-transferred to in on refund of the money to the mortgagee. The mortgagee (a person in whose favor a mortgage is made) is not entitled to have his name entered in the register as the proprietor, but he can get his name entered in the register as a mortgagee.<sup>17</sup>

### **2. License:**

A patentee can transfer a right by way of license agreement permitting a licensee to make, use or exercise the invention.<sup>18</sup> The license in the patents is granted to work the patented inventions to the fullest extent in the interest of public. The license to work the patented invention may be granted in the favor of another person voluntarily by the patentee himself. Whereas, to

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<sup>17</sup> Law Relating to Intellectual Property, Fourth Edition, Dr. B.L. Wadehra

<sup>18</sup> Law Relating to Intellectual Property, Fourth Edition, Dr. B.L. Wadehra

make the patented inventions available to the public at large at affordable price the Controller may also grant compulsory license in fullest extent in the interest of public.<sup>19</sup> The patents act, 1970 also provides for statutory rights of a patentee to obtain license in a patented invention which is related to his invention if license in the related invention is required for the purpose of efficient working of his patented invention to the best advantage to the public.

The kind of license:

**1. Voluntary license:**

Voluntary license is a written authority granted by the owner of the patent to another person(s) empowering the latter to make, use sell the patented article in the manner and on terms and conditions provided in the license. The terms and conditions are settled between the patentee and the licensee. Controller or governments have no role in the matter of grant of license. So it is termed as voluntary license.<sup>20</sup> This agreement between the patentee and the licensee is filled with the controller within the six months from its execution.<sup>21</sup>

**2. Statutory license:**

In statutory licensing, the controller and the central government play an important role. The circumstances of grant of such licenses, their terms and conditions do not depend upon the will of the parties as is the case in grant of voluntary licenses.

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<sup>19</sup> Intellectual Property Laws, Third Edition by Menu Paul.

<sup>20</sup> Law Relating to Intellectual Property, Fourth Edition, Dr. B.L.Wadehra

Best example of statutory licensing in patent are Compulsory License.

**Compulsory license:**

Provision for the grant of compulsory licenses in the patented inventions are provided in chapter xvi of the patents act, 1970. The patents act 1970 has been amended by the patents amendment act 2002. With this amendment chapter xvi of compulsory license of patent act has been substituted by a new Chapter XVI of compulsory licenses. Compulsory license is granted by the Controller of the Patents.<sup>22</sup>

At any time after the expiration of three years from the date of the grant of a patent, any person interested may make an application to the controller for the grant of compulsory license on patent on the ground that the reasonable requirements of the public with respect to the patented invention have not been satisfied, or that the patented invention is not available to the public at a reasonably affordable price or that the patented invention is not worked in the territory of India. Every application of compulsory license shall contain a statement setting out the nature of the applicant's interest together with such particulars as may be prescribed and the facts upon which the application is based. In considering the application filed under this section, the controller shall take into account the nature of the invention, the time which has elapsed since the sealing of the patent and the measures already taken by the patentee or any licensee to

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<sup>21</sup> Intellectual Property Laws, Third Edition by Meenu Paul.

<sup>22</sup> Intellectual Property Laws, Third Edition by Meenu Paul.

make full use of the invention; the ability of the applicant to work the invention to the public advantage; the capacity of the applicant to undertake the risk in providing capital and working the invention, if the application were granted. These considerations shall not be extreme urgency or in case of public non-commercial use or on establishment of a ground of anti-competitive practices adopted by the patentee.<sup>23</sup>

The controller if satisfied that the reasonable requirements of the public with respect to the patented invention have not been satisfied or that the patented invention is not worked in the territory of India or that the patented invention is not available to the public at a reasonable affordable price, may grant a license upon such terms as he may deem fit.<sup>24</sup>

For the purpose of compulsory license, the reasonable requirements of the public shall be deemed not to have been satisfied if, by reason of the refusal of the patentee to grant a license on reasonable term or if, by reason of conditions imposed by the patentee upon the grant of licenses prejudicial; or if the patentee imposes a condition upon the grant of licenses under the patent to provide exclusive grant back, prevention to challenges to the validity of patent or coercive package licensing; or if the patented invention is not being worked in the territory of India on a commercial scale to an adequate extent or is not being so worked to the fullest extent that is reasonably practicable; or

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<sup>23</sup> Law of intellectual Property, fourth edition by Dr. S.R. Myneni

<sup>24</sup> Law of intellectual Property, fourth edition by Dr. S.R. Myneni

if the working of the patented invention in the territory of India on commercial scale is being prevented or hindered by the importation from abroad of the patented article by the patentee or person claiming under him. (Section 34)<sup>25</sup>

### **3. Exclusive/limited license:**

Depending upon the degree and extent of rights conferred on the licensee, a license may be Exclusive or Non-Exclusive limited license. **An exclusive** license confers all exclusive rights, (to make, distribute or sell) on the licensee excluding all other persons.

Example: A, a patentee in India grants a license to B to exploit the invention in India. A does not confer any other person such right. B gets an exclusive license in the patent.

A limited license imposes certain limitations on the right of the licensee. The limitations may relate to persons, time, and place of manufacture, use or sale.

Example: A grants a license to B to manufacture the patented article, and gives C the license to sell it in the territory of Uttar Pradesh only. Both B and C get limited licenses.

### **4. Express/implied:**

An **Express License** is the one in which the permission to use the patent is given in express terms. It is not valid unless it is written in a document embodying the terms and condition of the license and the document is registered with the patent office.

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<sup>25</sup> Law of intellectual Property, fourth edition by Dr. S.R. Myneni



In an **Implied License**, the permission is not given in express terms in writing but it is implied from the circumstances.

Example: where a person buys a patented article either directly or indirectly from the patentee or his licensee, there is an implied license to the buyer to use the article in any way or to resell it.

### **Licensing of the related rights:**

Sometimes the different working of one patented invention to the best possible advantage requires the working of another related patented invention. In such case the patentee may apply to the controller for the grant of license in another related patented invention so that his invention may be worked to the best possible advantage. Upon such application the license in the related invention may be granted to the applicant if the Controller is satisfied

- (i) That the applicant is able and willing to grant license in his invention in the favor of the patentee of the related invention; and
- (ii) Invention of the applicant has made a substantial contribution to the establishment or development of commercial or industrial activities in India.<sup>26</sup>

### **3. Transmission of patent by operation of law:**

When a patentee dies, his interest in the patent passes to his legal representative. A patent also can be acquired by the government under the Act when reasonable requirements of public have not been met.<sup>27</sup>

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<sup>26</sup> Intellectual Property Laws, Third Edition by Meenu Paul.

<sup>27</sup> Law Relating to Intellectual Property, Fourth Edition, Dr. B.L. Wadehra.

## **REGISTRATION OF ASSIGNMENTS AND TRANSMISSION OF THE PATENTS**

**Section 69** of the Patent Act 1970 provides for registration of assignments of or transmission of the interest in the patents. Any person who becomes entitled to a patent by assignment or by transmission of the patent by operation of law may make an application to the controller for the registration of the title of the patent in his name. Similarly, a person may acquire an interest in the patent by mortgage etc. may make an application to the controller of patents for the notice of the interest acquired by him in the patent.<sup>28</sup>

Sec 69. Registration of Assignments, Transmissions etc.

1. Where any person becomes entitled by assignment, transmission or operation of law to a patent or to a share in a patent or becomes entitled as a mortgagee, licensee or otherwise to any other interest in a patent, he shall apply in writing in the prescribed manner to the controller for the registration of his title or, as the case may be, of notice of his interest in the register.
  
2. Without prejudice to the provisions of sub section (1), an application for the registration of the title of any person becoming entitled by assignment to a patent or a share in a patent or becoming entitled by virtue of mortgage, license or other instrument to any other interest in a patent may be made in the prescribed manner by the assignee,

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<sup>28</sup> Intellectual Property Laws, Third Edition by Menu Paul.

mortgagor, licensor or other party to that instrument, as the case may be.

3. Where an application is made under this section for the registration of the title of any person, the controller shall, upon proof of the title of his satisfaction-

a) Where that person is entitled to a patent or a share in a patent, register him in the register as proprietor or co-proprietor of the patent, and enter in the register particulars of the instrument or even by which he derives title; or

b) Where that person is entitled to any other interest in the patent, enter in the register notice of his interest, with particulars of the instrument, if any creating it :

Providing that if there is any dispute between the parties whether the assignment, mortgage, license, transmission, operation of law or any other such transaction has validly vested in such person a title to the patent or any share or interest therein, the controller may refuse to take any action under clause (a) or, as the case may be, under clause (b) until the rights of the parties have been determined by a competent court.

4. There shall be supplied to the controller in the prescribed manner for being filed in the patent office copies of all agreements, licenses and other documents affecting the title to any patent or any license thereunder authenticated in the prescribed manner and also such other documents as may be prescribed relevant to the subject matter.

Provided that in the case of a license granted under a patent, the controller shall, if so requested by the patentee or licensee, take steps for securing that the terms of the license are not disclosed to any person except under the order of a court.

5. Except for the purposes of an application under sub-section (1) or of an application to rectify the register, a document in respect of which no entry has been made in the register under sub-section 3 shall not be admitted by the controller or by any court as evidence of the title of any person to patent or to a share or interest therein unless the controller or the court, for reasons to be recorded in writing, otherwise directs.<sup>29</sup>

The controller or the High court, during proceedings before either of them have the discretion to accept or reject the unregistered document of the transfer of patent rights as evidence of the title of any person in the patent or any interest therein. The registration of the transfer of right in a patent is there for preferable since the holder of a title in a document which is registered, is entitled to sue for infringement. In case the document is not registered, the assignee or licensee has to first prove his title, only then he be entitled to sue for infringement.<sup>30</sup>

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<sup>29</sup> Intellectual Property Laws, Third Edition by Menu Paul.

<sup>30</sup> Law Relating to Intellectual Property, Fourth Edition, Dr. B.L. Wadehra

## **CONCLUSION**

Essentially, the decision to either assign or license depends upon the most advantageous commercialization pathway that the patent holder can decide. And while deciding these essentials are always to be weighed against the other - the benefits available in getting royalties against getting a lump sum price or giving away title or just give the rights to exploit the invention in a particular territory for a limited period of time. Assignment may be more advantageous on certain occasions than licensing. Despite the fact that the Act protects the interest of a patentee, it is pertinent for the patent holder to create a suitable assignment or license agreement to avoid any potential dispute.<sup>31</sup>

Compulsory licenses are granted in certain cases wherein the invention is not being properly utilized for the purpose of public good.

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<sup>31</sup> Law of intellectual Property, fourth edition by Dr. S.R. Myneni

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