

Business Concerns in Commercializing Intellectual Property Rights

Lesson 15

KEY CONCEPTS

- Cross-Licensing ■ Patent Pooling ■ Abuse of Dominant Position ■ Supply License ■ Licensing Contracts
- Transfer of Technology ■ Assignment ■ indemnification ■ Legal IP Auditing ■ Due diligence of IPR
- IP licensing ■ Valuation of intellectual property ■ Audit ■ Inventory ■ Due Diligence of IPR ■ IP transfer
- Qualitative IP valuation ■ Quantitative IP valuation

Learning Objectives

To understand:

- As to how a company should effectively manage their intellectual property rights to improve their competitiveness and strategic advantage.
- The inter-connection between competition law and IPR law.
- The issues that arise pertaining to IPR during sale/purchase of another business.
- The ways to manage and for conduct valuation of intellectual property (IP).
- The importance of care and maintenance and due diligence of IPR in a corporate transaction.

Lesson Outline

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| ➤ Introduction | ➤ Legal Auditing of Intellectual Property |
| ➤ Anti-Trust Laws | ➤ Due Diligence of Intellectual Property Rights in a Corporate Transaction |
| ➤ IPR and Competition Law – Interconnection | ➤ Management of Intellectual Property |
| ➤ Commercialization of IPR | ➤ Valuation of Intellectual Property |
| ➤ Commercialization by Owner | ➤ Case Studies |
| ➤ Commercialization through Assignment | ➤ Lesson Round-Up |
| ➤ Technology Transfer Agreements | ➤ Glossary |
| ➤ Intellectual Property Issues in the Sale of Business | ➤ Test Yourself |
| ➤ Important Aspects Related to Commercialization | ➤ List of Further Readings |
| ➤ Care and Maintenance of Confidential Information | ➤ Other References (Including Websites / Video Links) |

INTRODUCTION

Competition law and IP laws are important elements of the legal system that provides a framework for the modern economy. IP law seeks to create monopolies while competition law seeks to prevent monopolistic behavior. On one hand it is necessary to create monopolies through IP law to incentivize innovation and creation, on the other hand there is an important necessity to keep the markets competitive. In the highly competitive world, where a fair competition as well as protection of IPRs are required to serve the growth to business, it becomes essential to understand the relations between Intellectual Property Rights and Competition Laws.

Intellectual Property and Competition Policy

Intellectual property (IP) allows companies to maximize their innovations, differentiate themselves from their competitors, while providing consumers with more choices for goods and services. IP, which is inherently pro-competitive, ensures the protection of differentiated, intangible business assets, while encouraging a dynamic market place.

Without IP, some manufacturers and service providers could try to attract consumers by copying the goods and services of more innovative competitors. The latter may lose potential rewards and any incentive to further innovate. Consumers and society as a whole lose where innovation is curtailed. Competition and IP agencies must therefore work together to ensure a balance and supportive ecosystems.

Why Intellectual Property is Essential for your Business?

A well-crafted intellectual property strategy can help maximize the potential of your business. Using and understanding the IP rights, you can:

- secure competitive advantages
- generate revenue streams
- reduce tax liability
- serve as a source of competitive intelligence
- facilitate access to financing
- attract investors and partners
- avoid and mitigate relevant risks

Benefits of intellectual property rights for a business

- A brand sets a business apart from its competitors, building trust and consumer loyalty.
- From reassuring investors to increasing margins, using your patents strategically can improve your bottom line.
- Protecting the way your product looks with an industrial design can provide a major competitive advantage.
- Copyright protects the expression of an idea, in different forms.
- When the source and authenticity matter, using geographical indications can identify your product as being the real deal.

- Trade secrets have the potential to protect a wide range of information that has commercial value due to its confidential nature.
- Plant breeding results in new, improved plant varieties that are an important and sustainable means of achieving food security in the context of population growth and climate change.

ANTI-TRUST LAWS

The idea behind antitrust law, a subset of competition law, was developed in the late 19th century to prevent the exploitation of various trusts. A law prohibits any association or trust from engaging in unfair business activities that slow the growth of other companies or enterprises. As the Competition Act of 2002 achieves the goals, it is referred to as antitrust law.

Historical Background of Competition Act

Competition law and policy execution have traditionally been regarded as crucial elements of governance. The Arthashastra, the first book on government known to exist, was written by Chanakya in the third century BC. In it, political and economic governance are equated, and fair commerce is emphasised as one of the cornerstones of sound governance. Chanakya has advocated harsh fines for traders who could conspire and defraud consumers by conspiring together and has issued warnings against the tendency of traders to control prices by creating cartels. He also provides examples of the punishment.

The freedom to engage in any form of trade or employment is recognised as a fundamental right under the Indian Constitution. According to the Constitution, only the State or the Parliament has the authority to restrict this freedom. In order to protect the common good, the Constitution also calls for limiting the concentration of economic power. It is possible to trace the origins of Indian law on competition-related issues to Articles 38 and 39 of the Indian Constitution.

The Hazari Committee began the initial investigation in this area in 1951. It examined the Industries (Development and Regulation) Act of 1951's industrial licencing process.

Eventually, the Monopolies Investigation Committee, led by Das Gupta, was constituted by the Indian government in 1964. It stated that over 85% of India's industries have a strong concentration of economic power. Due to this, the MIC created a bill with provisions for monopoly control and the outlawing of monopolistic and restrictive trade activities.

The MRTP Act was shaped in part by the reports and analyses of these Committees. The Monopolies and Restrictive Trade Practices (Inquiry and Control) Act, 1948, the Resale Prices Act, 1964, and the Restrictive Trade Practices Act, 1964 of the United Kingdom, as well as laws passed in Japan, Canada, and Germany, were all widely referenced in the MRTP Act. The Canada Combines Investigation Act, 1910 and the US Federal Trade Commission Act, 1914, as amended in 1938, both had an impact on the creation of the MRTP Act. In 1969, the MRTP Act was established.

Later, in 1999, the Government of India named Shri S.V.S. Raghavan as the chairperson of a High-Level Committee on Competition Law and Policy. The committee's goal is to propose a legislative framework that could include new legislation or revisions to the MRTP Act that are appropriate in light of international developments. This would change the focus from limiting monopolies to fostering competition in keeping with the global environment.

The MRTP Act was therefore repealed since it no longer met the need of the time or took into account changes in both national and international economic development. The Committee advocated for the passage of the Competition Act, which would have among its goals the creation of the Indian Competition Commission and the repeal of the MRTP Act, 1969. The Government received a draught of the Competition Law. The Competition Act of 2002 was a new law that was passed by the Parliament in 2002 after it through some revisions and considerable consultation with all parties involved.

It is a comprehensive law that governs competition that aims to stop corporate activities in India from having a significant negative impact on the country's market. Three categories of behaviour are principally regulated by the Competition Act: anti-competitive agreements, misuse of a dominating position, and combinations (i.e., mergers, acquisitions and amalgamations). When the Government of India announced the sections of the Competition Act related to anti-competitive agreements and abuse of dominant position, the Competition Act, which was revised by the Competition (Amendment) Act 2007, later entered into force. Merger Control provisions were included in 2011.

IPR AND COMPETITION LAW – INTERCONNECTION

Competitive law and intellectual property rights (IPR) have traditionally developed as two distinct legal systems. The two legal systems share many of the same objectives since they both seek to foster innovation and monetary expansion.

IPR aims to reward the innovator, to encourage other innovators, and to make innovative information that could otherwise remain trade secrets accessible to the public, laws typically grant a right of exclusive use and exploitation. Whereas Competition Law, ensure healthy competition in markets, competition authorities control close to monopolies, mergers, and business partnerships. Sometimes, as a result of this regulation, the exclusive rights given by IP Laws cannot be used in their entirety.

In recent years, intellectual property owners' actions that would otherwise be legal under intellectual property rights legislation have been forbidden by competition authorities and courts because they violated the laws governing competition. Concerns have been raised over the nature of the accommodation between the two systems of law as current economic activities including the utilisation of intellectual property rights have come into contact with these types of "second tier" regulation by competition authorities.

The most frequent issue the Competition Law runs into is when the owner of an intellectual property right abuses that right in a way that harms consumer welfare and innovation. Hence, competition law is relevant to the field of intellectual property (IP) and may be used to ensure that IPR holders are not abusing their dominant position by consumers or by any interested, fascinated, or impacted third party. The most effective tool for countering and combating anti-competitive agreements, prohibiting abuse of dominant position, regulating mergers and acquisitions, and encouraging efficient resource allocation has been considered competition law. This benefits consumers by giving them a variety of options and better-quality goods at competitive prices.

Intellectual property laws uphold finding a balance between the owner's exclusive right and the greater good. It makes sure that the owner of the intangible property receives an exclusive right and protection, allowing him to commercially exploit his creative invention and acquire the property's monopoly rights. IPR is a collection of rights that, for a brief period of time, allow the owner to prevent others from using the product.

Important provision of Competition Act and their co-relation with Intellectual Property Laws

Section 3 of Competition Act 2002 provides for Anti-competitive agreements.

Section 3(5) states that nothing contained in this section shall restrict—

- (i) the right of any person to restrain any infringement of, or to impose reasonable conditions, as may be necessary for protecting any of his rights which have been or may be conferred upon him under—
 - (a) the Copyright Act, 1957 (14 of 1957);
 - (b) the Patents Act, 1970 (39 of 1970);
 - (c) the Trade and Merchandise Marks Act, 1958 (43 of 1958) or the Trade Marks Act, 1999 (47 of 1999);
 - (d) the Geographical Indications of Goods (Registration and Protection) Act, 1999 (48 of 1999);

- (e) the Designs Act, 2000 (16 of 2000);
- (f) the Semi-conductor Integrated Circuits Layout-Design Act, 2000 (37 of 2000).
- (ii) the right of any person to export goods from India to the extent to which the agreement relates exclusively to the production, supply, distribution or control of goods or provision of services for such export.

Section 4 of Competition Act provides for Abuse of Dominant Position. It states that

Dominance refers to a position of strength which enables an enterprise to operate independently of competitive force in the market or to affect its competitors or consumers in its favour. Dominant position of an enterprise itself is not prohibited; however, if the enterprise by virtue of having dominant position in the relevant market abuses its dominance then the same stands prohibited. Abuse of dominant position impedes fair competition between firms exploits consumers and makes it difficult for the other players in the market to compete with the dominant undertaking. Abuse of dominant position covers:

- imposing unfair condition or price, including predatory pricing;
- limiting production/market or technical or scientific development;
- denying market access;
- making conclusion of contracts subject to conditions, having no nexus with such contracts; and
- using dominant position in one relevant market to gain advantages in another relevant market.

Section 84(1) of Patents Act, 1970 states that 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 grant of compulsory licence on patent on any of the following grounds, namely:—

- (a) that the reasonable requirements of the public with respect to the patented invention have not been satisfied, or
- (b) that the patented invention is not available to the public at a reasonably affordable price, or
- (c) that the patented invention is not worked in the territory of India.

Additionally, under Section 92 of the Patents Act of 1970, the government may grant the compulsory licence *suo moto* in response to a notification published in the official gazette under the following circumstances: a national emergency, an extremely urgent situation, or a situation involving public non-commercial use.

Moving on to a different method to stop anti-competitive behaviour, Parallel Imports has been addressed in several laws and legal rulings.

Under Copyright Act, 1957 a literary work buyer is permitted by Indian copyright law to resale her copy, while a software buyer is not permitted to do so. The interpretation of Section 14 that captures the meaning of the word “copyright.” In the case of a literary, dramatic, or artistic creation that is not a computer programme, Section 14(a)(ii) states that distributing copies of the production to the public that are not already in circulation.

Under Section 30(4) provision for parallel imports is discussed. It states that sub-section (3) shall not apply where there exists legitimate reasons for the proprietor to oppose further dealings in the goods in particular, where the condition of the goods, has been changed or impaired after they have been put on the market.

Competition is considered desirable for the economy because it encourages advancement, innovation, and increased competitiveness. While competition law protects the interests of the market and the larger community by restricting those private rights that may harm the community’s overall well-being and prosperity, IPR is about individual rights offering security and protection to private rights on inventions.

1. Licensing Contracts

Examining the anti-competitive implications of licencing agreements, which govern the transfer or exchange of rights to the use of intellectual property and result in the exploitation of market dominance, is one of the main responsibilities of competition policy. It is commonly agreed that the licencing of intellectual property generally has favourable effects. It allows the dissemination of technological innovation and know-how and their utilisation by enterprises that may have a higher and stronger comparative advantage. When technologies are used in a complementary way, production could become steadily more efficient and product quality could improve. Yet, there are rare circumstances that could occur where an exclusive licence completely prevents other companies from joining the market; in these cases, competition law must be put into action to stop such undesirable market activity. Here, Compulsory Licensing comes into play as a defence against such behaviour. The primary goal is to provide an overview of legal and economic developments regarding the treatment of licencing by competition law and policy, with a focus on areas where the role of competition law is controversial, according to the OECD (Organization for Economic Co-operation and Development) document on “Licensing of IP Rights and Competition Law.” The purpose is to examine whether Intellectual licencing practises have anti- or pro-competitive consequences.

2. Transfer of Technology

Exponential Growth of Technology in India has played a significant role in all round development and growth of economy in our country. Technology can either be developed through own research and development or it can be purchased through indigenous or imported sources. India has opted for a judicious mix of indigenous and imported technology. Purchase of technology is commonly called “Technology transfer” and it is generally covered by a technology transfer agreement.

Depending on the specific contractual clauses and market conditions, the transfer of patented technology may involve unreasonable restrictions on competition. Anti-competitive behaviour is what competition law seeks to forbid, not monopolies. Any technology transfer agreements which lead to a misuse of a market position by imposing unreasonable conditions of such intellectual property rights would be regarded anti-competitive.

3. Abuse of Dominant Position

A dominant position is a position of financial and economic power obtained by businesses and entrepreneurs that enables them to thwart the maintenance of real competition on the relevant market. It is obtained through time by an organisation, and a number of variables, including the state of technology, entry obstacles, the size of activities, etc., affect the achievement of a dominating position.

Market position of an enterprises can be exploited by –

- Imposition of unfair trading conditions, exploitative prices, or discriminatory practises.
- Restriction on supply of goods or services.
- Denial of market access.
- Utilising its hegemony in one pertinent market to enter another pertinent area.

The Competition Law forbids businesses from abusing their dominant positions. An organisation can establish control over a certain segment of the market thanks to its monopoly power; while, the monopoly itself is not illegal under anti-trust laws, the abuse of this position is, and has a negative impact on the market.

CASE LAW***United States vs. Microsoft Corporation [253 F.3d 34 (2001)]***

In this landmark case, it was claimed that Microsoft had abused its monopoly power by selling its operating system and web browser together. This prevented the arrival of other web-browser competitors in the market since Windows operating system customers already had a copy of Internet Explorer (the browser Windows coupled with its browser) (the browser Windows tied with its browser). Microsoft stated that Internet Explorer was a different and separate entity altogether since a separate version is found for other Operating Systems. The Court found that Microsoft had changed its dominant position in an effort to stifle competition, and that Microsoft had violated Sections 1 and 2 of the Sherman Anti-Trust Act by engaging in monopolization.

Later, Microsoft appealed this decision wherein it was held that Microsoft would have to be broken into two different components, one for the browser and the other for the operating system.

4. Supply License

For a specific period of time, the exclusive right provided by law belongs to the IPR holder. So, the owner of an IPR can prevent others from using it, but he cannot stop the development and application of advanced technology. The fact that intellectual property promotes market competitiveness makes this clear.

CASE LAW***IMS Health GmbH & Co. OHG vs. NDC Health GmbH & Co. KG (IMS Health Case) (2004 E.C.R. C-418/01)***

In this case it was held that for the Court to declare such a rejection to constitute an abuse of dominant position, three elements must be met. They are:

- That the refusal to grant a licence “is delaying the introduction of a new product for which there is a potential market demand”
- That such a refusal “excludes competition in the secondary market”
- That it is “unjustified.”

5. Cross-Licensing

The interchange of Intellectual Property Rights between at least two people is called cross-licensing. It might be a bar to competition if the technology licenced is substitute in nature rather than complementary. Cross-licensing can have anti-competitive effects, including higher prices, less innovation, scaled-back advancement, and reductions in production. These effects are more likely to occur when cross-licensing occurs between competing entities because, in that case, the competing entities wouldn't exist and they could collectively gain market power. Competition regulation aims at restricting and regulating attempts to extend the exploitation of an intellectual asset beyond the boundaries provided by IPRs. As a result, IPRs and competition law are inherently at odds.

6. Patent Pooling

Patent pool is an association of two or more companies to cross licence their patents in respect to a particular technology. Whether they are transferred directly from patentee to licensee or through a mechanism, like joint ventures, created specifically to administer the patent pool, IPRs that are the subject of cross-licensing are collectively referred to as “patent pools.” Both pro- and anti-competitive effects can be attributed to patent pools. Making patented technology open to licensees often has pro-competitive advantages. When patent pools are utilised to protect invalid patents or when they contain patents that are not complimentary and would compete with one another, they can have a significant anti-competitive effect on the market. The per se rule applies to patent pools in the majority of nations, including the United States, Canada, Japan, Germany, etc.

Effects of Patent Pooling on Competition

Pro-competitive effects:

- Efficiency - Patent pools represent therefore a common instrument to deal with that kind of inefficiencies allowing complementary IP assets to be organized under a single contract (the pool) to be not only cross-licensed among the patent pool members, but also licensed to interested third parties thereby increasing efficiency.
- Reduced or Eliminated Litigation Costs - Patent pools can reduce or eliminate the need for litigation over patent rights because such disputes can either be easily settled or avoided through the creation of a patent pool.
- Reduced Transaction Costs - Patent pools facilitate licensing for technologies that are jointly owned by many firms. Therefore, patent pools can reduce transaction costs as licensees only need to enter into a single licensing agreement with one patent pool.
- Clear Blocking Patents - In situations when patents are mutually blocking or one patent infringes the other, a patent pool may be an efficient solution to clear blocking patents. Clearing blocking patents may, in turn, lead to a faster development of a given technology.

Anti-competitive effects and concerns-

- Distortion of Competition - Some competitive concerns relate directly to the creation of patent pools. As mentioned above, patent pools that consist of substitute patents have a negative effect on competition because it is likely that competition between two substitute patents will be eliminated if these patents are pooled.
- Anti-competitive Licensing Practice and Grant-Back Provisions - Patent pools with liberal licensing policies are less problematic from a competition point of view. If, however, members of the patent pool are not allowed to license the patents covered by the pool independently, the pool may charge a price above the competitive rate. Thus, patent pools that restrict licensing will generally cause competitive concerns. Accordingly in grant-backs, pool members may be required to share improved technologies with the members of the pool at no fee if these technologies are deemed relevant to the pool which may lead to reduction or even elimination of the incentive to hide development in progress.

In **Summit vs. VISX**, the FTC found that the licensing arrangement contained unjustified restrictions. The patent pool established a \$250 licensing fee to be paid to the pool each time a laser produced by either firm was used to perform photorefractive keratectomy. Under the licensing agreement, the proceeds from these license fees were then split between the two firms according to a predetermined formula. According to the FTC, the effect of this per-procedure fee was to fix and raise the price that doctors paid for PRK equipment and technology, and to deprive consumers of the benefits of competition. Finally, the patent pool's terms prevented the two companies from licensing their own technology to a third party without the approval of the other partner in the pool. Overall, it appeared that the Summit/VISX pool did little more than granting the parties the power to control prices.

- Potential forum for malpractices- In addition, patent pools – like any other kind of cooperation amongst competitors – may encourage potential collusion, for example by creating a forum to share competitively sensitive information, such as pricing, marketing strategies, or R&D information among its members.

COVID-19 Technology Access Pool (C-TAP)

In May 2020, WHO, the Government of Costa Rica and other partners launched the COVID-19 Technology Access Pool (C-TAP) to facilitate faster equitable and affordable access to COVID-19 health products for people in all countries. C-TAP, which is currently endorsed by 45 WHO Member States, was a response to the global Solidarity Call to Action. Its implementing partners include UNDP, the Medicines Patent Pool, the UN Technology Bank and UNITAID.

C-TAP provides a single global platform for the developers of COVID-19 therapeutics, diagnostics, vaccines and other health products to share their intellectual property, knowledge, and data with quality-assured manufacturers through public health-driven, transparent, voluntary, non-exclusive and transparent licences. It also provides support for technology transfer agreements. Through voluntary licensing and patent pooling, patent holders can reach new markets and scale up production using untapped capacity of manufacturers around the world, while securing appropriate royalties.

Support and technical assistance from WHO and other C-TAP partners allows many more manufacturers around the world to produce lifesaving COVID-19 vaccines and other products that meet international standards of quality, safety, and efficacy, while allowing underserved countries to benefit from increased availability and affordability of COVID-19 health products.

COVID 19 candidate technologies/products are included into C-TAP technology transfer pool following a technical assessment of the relevant information and data made available to C-TAP. Candidate technologies from all C-TAP streams (IVDs, vaccines, medical devices and medicines) are categorized into 5 C-TAP Categories on the basis of provided evidence of product/technology's potential to meet the clinical/performance/intended use/label claims, as applicable, i.e. the evidence of already meeting, or the potential to meet the relevant applicable regulatory requirements.

The quality of evidence largely depends on the stage of development and manufacture of candidate technology/finished therapeutic good i.e. whether the candidate technology is at the proof of concept stage, or at a prototype manufacturing stage with some performance data/clinical evidence available, or at the fully developed and manufactured product stage with either an Emergency Use or full regulatory approval from a national/international regulatory authority or WHO.

The COVID-19 Technology Access Pool (C-TAP), a multi-stakeholder partnership to facilitate sharing of intellectual property (IP), knowledge and innovations has announced three new licensing agreements acquired through the Medicines Patent Pool (MPP). The agreements include the following licenses to transfer know-how, materials and clinical data needed in different countries:

- Medigen Vaccine Biologics Corp, the first private manufacturer, is offering its patent and know-how for a COVID-19 vaccine that has seen more than three million doses administered across seven countries. It is the first time that a vaccine manufacturer is using the WHO C-TAP model - a win-win opportunity for the manufacturer, recipients of the technology and, most importantly, patients in need around the world. The agreement will enable licensing of IP facilitating technology transfer and staff training.
- Spanish National Research Council (CSIC) is sharing a second license for a COVID-19 vaccine prototype. The agreement includes plant visits and training, direct assistance and ongoing consultation with recipient manufacturers, including on quality and regulatory matters.
- The University of Chile is sharing its technology for a COVID-19 assay for quantification of neutralizing antibodies.

During the height of the COVID-19 pandemic only two public health R&D Institutes -- the Spanish National Research Council (CSIC) and the US National Institute of Health (NIH) decided to share their key COVID-19 technologies with C-TAP.

Addition of the three new licenses now provides an important boost to the overall effort. The new licenses are global, transparent and non-exclusive to all manufacturers and are accessible on the C-TAP website. Importantly, the first license, on a serological test, resulted in a sub license to Biotech Africa from CSIC to develop their diagnostic technology.

C-TAP has also established a Technology Access Pool database that provides a searchable repository. With a principle of transparency, this publicly available database will support coordination and will link to other data sharing platforms where clinical, regulatory, patent, and manufacturers data is available for selected technologies.

CASE LAWS***Shamsher Kataria vs. Honda Siel Cars India Ltd. (25.08.2014 - CCI) 2014 SCC OnLine CCI 95***

The Competition Commission of India ruled that Original Equipment Manufacturers (OEMs) who had neglected to provide the pertinent documentation evidencing the issuance of the applicable IPRs in India w.r.t. various spare parts were ineligible for the exemption provided by Section 3(5) of the Act.

While the CCI in this case clarified that the registration of an IPR does not automatically entitle a company to seek exemption under Section 3(5)(i) of the Act, it is crucial to consider whether the condition imposed by the IPR holder can be characterised as “imposition of reasonable conditions, as may be necessary for the protection of any of his rights” before deciding whether the exemption under Section 3(5)(i) is available or not.

It was held that-

The Commission notes that the exemption under section 3(5)(i) allows an IPR holder to “impose reasonable conditions, as may be necessary for protection any of his rights”. In view of the Commission, the concept of protection of an IPR is qualified by the word “necessary”. So the question that one should ask is: can the IPR holder be able to protect his IPR, even if such restriction was not present.

Therefore, even if the OEMs submit that one or more of such vertical agreements, by themselves, do not cause an AAEC in the automobile aftermarkets in India because of certain efficiency enhancing conditions or that such agreements would be eligible for exemption under mature competition law jurisdictions, the same is not acceptable to the Commission. The Commission is of the opinion that the network of such agreements allows the OEMs to become monopolistic players in the aftermarkets for their model of cars, create entry barriers and foreclose competition from the independent service providers. Such a distribution structure allow the OEMs to seek exploitative prices from their locked-in consumers, enhance revenue margin form the sale of auto component parts as compared to the automobiles themselves besides having potential long term anti-competitive structural effects on the automobile market in India.

Aamir Khan Productions Private Limited vs. Union of India (UOI) and Ors. (18.08.2010 - BOMHC): (2010) 112 Bom L R 3778

The petitioners have challenged the said show cause notices mainly on the ground that the Competition Commission established under the Competition Act, 2002 (hereinafter referred to as the “Competition Act”) does not have any jurisdiction to initiate any such proceedings in respect of films for which the provisions of the Copyright Act, 1957 contain exhaustive provisions.

In this case it was stated that-

What the petitioners are seeking to do is to redraft the language of sub-section (5) of Section 3 of the Competition Act, 2002 to read that nothing contained in this section (Section 3 of the Competition Act) shall apply to the right of any person under the Copyright Act, 1957. All that sub-section (5) of Section 3 provides is that sub-section (1) of Section 3 shall not take away or restrict the right of any person to restrain any infringement of copyright or the right of any person to impose reasonable conditions for protecting his rights under the Copyright Act. Hence all the defences which can be raised before the Copyright Board can be also raised before the Competition Commission.

The question whether the Competition Commission has jurisdiction to initiate the proceedings in the fact situation of these cases is a mixed question of law and fact which the Competition Commission is competent to decide. There is no reason to believe that the Competition Commission will not consider all the contentions sought to be raised by the petitioners in these petitions including the contention based on sub-section (5) of Section 3 of the Competition Act.

COMMERCIALIZATION OF IPR

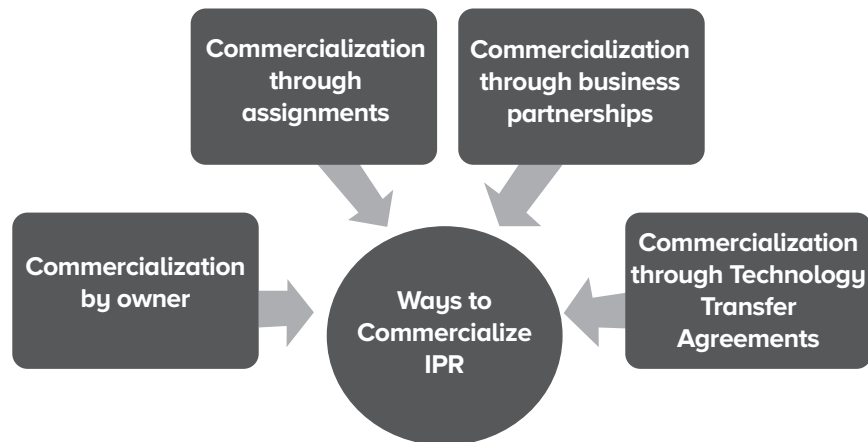
Intellectual property (IP) is an intangible asset that a person can use to create things that are original and distinguishable from others, such as designs and symbols, literary and artistic creations, names, and images that are used in commerce. The goal of intellectual property rights is to promote fresh ideas, works of art, and inventions that might boost the economy. Copyright, trademarks, patents, industrial designs, geographical indications, and other forms of intellectual property are included.

Intellectual property (IP) is an immaterial good made by the human mind. IP is a mental invention, to put it simply. The inventor is granted legal rights known as intellectual property rights (IPRs). Copyright, trademarks, patents, industrial designs, geographical indicators, and other types of IP are among the most well-known IPs. To ensure that innovations are safeguarded and commercialised, governments from all over the world have passed laws and regulations. The objective is to safeguard original ideas and works from competitors who simply duplicate them while also encouraging people to invest in new concepts and innovations. To put it another way, the single most important tool for facilitating the market for ideas is intellectual property.

Today, IPR has value on the market in addition to being a legal asset. The final and most important step in the innovation process is marketing and commercialization, which is essential for the success of any invention or breakthrough. Consequently, the process of transforming an invention into a financially viable good, service, or method is known as commercialization.

IP commercialization turns a concept or innovation into a monetary-valued good or service. The most common method for monetizing creativity is the selling of such a good or service. IPRs are quite important in these situations. It stops rivals from using protected features in an unlawful manner.

Methods to commercialize IPR



COMMERCIALIZATION BY OWNER

Intellectual property can be independently commercialised by the owners, whether they are a person or a business. When the owner possesses the necessary marketing and commercialization knowledge, this form of commercialization occurs. Therefore, they hold the opinion that collaboration with any third-party organisation is not necessary for commercialization; if a company or an individual lacks the financial means to collaborate with another organisation; if the owner does not wish to share the specifics of their intellectual property with others; or if the owner does not wish to do so; then the owner may independently commercially exploit their intellectual property.

How an IPR you hold can be developed into a desirable product on the market, the time involved, the financing needed, and how to get it are the aspects to be taken into account before doing this. Also, the entrepreneur

must put the market at the forefront of every activity. Your profits will be enormous once you discover the product on the market and it is desired by consumers.

That could be quite risky, though, as the owners might not be IP experts and might overlook some legal requirements that are crucial for product commercialization. An IP specialist, on the other hand, is required to be familiar with both the legal and business environments, making them the best people to advise business owners.

The main obstacle to this sort of commercialization is the lack of the necessary financial and technical resources to launch your product independently. For instance, the worldwide market is the main market for biotechnology and nanotechnology.

So, a company with IPR will frequently require business partners to develop a product because there is a significant lag between production and the receipt of sales revenue. As a result, it strains the IP owner's financial situation.

COMMERCIALIZATION THROUGH ASSIGNMENT

A transfer of ownership of certain intellectual property rights is known as an intellectual property assignment. The assigning party ("assignor") transfers its property in intellectual property rights, such as patents, trademarks, industrial designs, and copyrights, to the receiving party ("assignee").

The holder of intellectual property rights is free to assign all or a portion of such rights; for instance, the owner of a copyright might only do so with regard to some of his economic prerogatives. Intellectual property rights are transferred in exchange for a one-time payment or ongoing royalties.

As opposed to licence agreements, which permit the use of intellectual property under specific restrictions, assignments typically include the transfer of property rights without regard to how those rights will be put to use.

Assignment of Trademarks

According to the Trademarks Act of 1999, a trademark assignment must be made in writing and with the Registrar's approval. A trademark may be assigned by a registered or unregistered owner with or without goodwill. Usually, a submission of an assignment is necessary for consideration. To register the title of a person who becomes authorized by assignment to a registered trademark, an application in a prescribed format must be made to the Registrar of Trademarks by either the assignee or jointly with the assignor. After the assignment is finished, the Assignee must apply to the Registrar of Trademarks to register his or her title. If the Registrar is satisfied with the Assignee's information, he or she enters it in the Register on evidence of title.

An assignment, however, cannot be enforced in certain situations, including (a) where it would result in the creation of numerous exclusive rights in more than one person and (b) when it would result in the creation of multiple exclusive rights in various regions of India.

The Trade Marks Act's Section 2(b) defines assignment as a written assignment made by the parties implicated. The Trade Marks Act's Sections 37 and 38 govern trademark assignment. When a trademark is assigned, the assignee takes on the role of the former owner or proprietor and gains the right to use the trademark.

Assignment of an unregistered trademark - Even unregistered trademarks are transferable pursuant to Section 39 of the Trademark Act.

As opposed to licence agreements, which permit the use of intellectual property under specific restrictions, assignments typically include the transfer of property rights without regard to how those rights will be put to use.

CASE LAW***Mohammad Zumoon Sahib vs. Fathimunnisa, AIR 1960 Mad 80***

The court stated that registration of assignment is not a requirement for the assignee to bring an action for infringement, and an assignor of a registered trademark will not be barred from bringing such an action on the basis that assignment was not registered. For the assignee or representative to register this title, the legislation specifies a method. The claim that title is conferred by this registration by the Registrar pursuant to section 35(1) of the act is false. The legal representative already has the right to use the trademark, and the registrar registers him as the mark's owner after receiving satisfactory proof of that right. The plaintiff in the infringement lawsuit, whose name was not listed as the subsequent proprietor, was permitted to continue the case upon establishing prima facie ownership of the mark.

Assignment of Patent

A patent holder may transfer all or a portion of their patent rights to India as a whole or in part. Legal assignments, equitable assignments, and mortgages are the three different categories of assignments. A legal assignment (or agreement to assign) of an existing patent entitles the assignee to claim ownership of the patent in his own name. Equitable assignments are transfers of a specific share to another party, and mortgage transfers of all or part of the patent rights for financial gain.

In cases when the patentee bequeaths a portion of the patent to the assignee, the law also authorises the development of equitable assignments in the assignee's favour.

Section 69 of the Patents Act, 1970, allows the assignee's notice of interest to be registered in the Register of Patents in this situation, even if the assignee may not replace the patentee.

Moreover, patent rights may be mortgaged, with the mortgagee receiving the rights in exchange for a set quantity of money. According to the mortgage's conditions, the patentee will regain ownership of the patent after the mortgagee returns the payment. The Patents Act is the only piece of IP regulation that takes this kind of agreement into consideration.

A valid assignment under the Patents Act requires the assignment to be-

- Written
- With terms and conditions embodied
- Submitted within six months from the commencement of the Act or the execution of the document whichever is later.

Essentials of Assignment of Patent-

1. *Writing* - A patent assignment is only effective and enforceable if it is in writing and officially signed by the assignor or another person with the necessary authority, according to Section 68 of the Patents Act. All of the terms, conditions, rights, and duties of the parties must be set forth in writing.
2. *Time and Duration* - Assignment's scope must specifically state the innovation that is being transferred, as well as the duration and area that will be covered by the transfer.
3. *Payment terms* - The assignment agreement must expressly state the payment terms agreed upon by the parties, including whether the money will be paid in the form of a lump sum, a series of payments, a percentage of the revenue, or royalty payments.

Assignment of Copyright

The term "copyright" refers to a collection of legal rights held for a defined period of time by the creator of a cinematograph film or sound recording, as well as the author or owner, depending on the situation, of original literary, musical, dramatic, or artistic works, photographs.

Since copyright is a statutory creation, it can only be used to protect the rights established and given by the statute. Hence, only the rights given by the Copyright Act of 1957 exist as natural or common law rights in

a work. The Copyright Act contains provisions that grant writers' rights as well as measures that outline the acceptable public uses of works.

In essence, an assignment is a transfer of ownership of the work or the copyright from the assignor to the assignee. Assignments of copyright are governed by Sections 18, 19 and 19A of the Copyright Act. An assignment may be made entirely or partially in accordance with Section 18 of the Copyright Act. For instance, the author of a book may decide to maintain all other rights in the literary work while only assigning the right to adapt the book into a film. Joint authors/owners should assign the work jointly, it must be noted.

Essentials of Assignment of Copyright-

1. *Written* - Only when an assignment is in writing and formally signed by the assignor or another person with the appropriate authority is it legal and enforceable.
2. *Future work* - An assignment may be made for a future work, or one that hasn't yet been created as of the assignment date. Any interest a task may have generated in a future work becomes real at the time the work is produced.
3. *Scope* - An assignment agreement must specifically define the work being assigned, the rights associated with that work being assigned, the term of the assignment, and the region in which those rights may be exercised.
4. *Payment terms* - The parties' agreed-upon payment terms must be expressly stated in the assignment agreement. Such compensation could take the form of a one-time payment, a series of installments, a cut of the profits, or royalties.
5. *Term* - Whether the assignment is permanent or has a time restriction must be stated in the assignment agreement. If the agreement does not specify a term, the duration of such an assignment under the Copyright Act is five years by default.
6. *Territory* - If the assignment's territorial scope is left unspecified, India's territory will be included in its scope.

CASE LAW

Performing Right Society Ltd vs. B4U Network (Europe) Ltd [2012].

In this case, the major question at hand was whether an assignment clause in contracts between the claimant collecting organisation and its composer members should be interpreted in a way that results in a present assignment of copyright in future musical works that are commissioned by third parties as works for hire. The song Shukran Allah serves as an illustration of one of the in question works: Two well-known Indian composers with whom PRS had previously made deals were later given the job of writing the score for a movie. The commissioning agreement stated that the film producer would control all copyright. Following that, the producer entered into a number of sub-licence agreements, the result of which was to allow the defendant to broadcast the work in the United Kingdom.

It was ruled that the assignment to the movie producer failed because PRS had already been assigned to the project. The two agreements had different wording, but as a matter of construction, their effects were the same. In light of this, the PRS member agreement was deemed to constitute a first-in-time assignment of future copyright under section 91(1) of the Copyright, Designs and Patents Act 1988 (UK). According to the Court, this interpretation of the contract was not commercially irrational.

Assignment of Design

The Designs Act, 2000 ("Designs Act") defines a design as any characteristic applied to a finished product that appeals to the consumer's sense of aesthetics. Examples include shape, configuration, pattern, ornament, or composition of lines or colours. When a brand-new and unique design is registered, the owner is given the sole authority to use the design on any products for which the registration was obtained.

There are no defined rules regarding licencing and assignments in the Designs Act. Nonetheless, an assignment or licence must be in writing in accordance with Section 30 (3). Also, it is a good idea to have an agreement

that outlines the terms and circumstances that were agreed upon between the parties. It is advisable to usually adhere to the specifications mentioned in paragraphs 3.2.1 through 3.2.3 when transferring designs. The specifications guarantee that each assignment or licence is thorough and includes all necessary clauses to safeguard the interests of both parties.

COMMERCIALIZATION THROUGH BUSINESS PARTNERSHIPS

A commercial partnership is a type of business arrangement in which two or more people join forces to operate and develop a business idea in accordance with their abilities and preferences. These are formally referred to as “commercial partnerships,” and the people involved are referred to as “partners.” Here, the owner of the intellectual property (IPR) engages into a business partnership with a third party who acts as an investor and aids in turning the IP into marketable goods or services. This idea is somewhat new to India, where IP owners typically prefer to design their own products or directly endorse them to others through assignment. However, collaboration between IP owners and corporate entities would be crucial for long-term viability. Business partners can make use of the already existing IP rights with either of them to make their business viable. Such shared IP can further be used for R&D purposes.

COMMERCIALIZATION THROUGH TECHNOLOGY TRANSFER AGREEMENTS

The development of technology in India has significantly contributed to the overall improvement and expansion of the economy in our nation. Technology can be created by one's own research and development, or it can be bought from domestic or foreign sources. India has chosen to use a smart combination of domestic and imported technology. Technology transfer, as the act of purchasing technology is also known, is typically governed by a technology transfer agreement.

As the name suggests, technology transfer is the process through which one party transfers its technology to another for commercial purposes or the creation of new goods. To transfer technology, the parties sign a contract. A technology transfer agreement is, in a sense, a type of intellectual property licence in which the objective of the contract is a technological element (whether it is included in a product, covered by a patent (registered or pending), or in the development process).

Technology transfer supports the life cycle of technology, from inception to market diffusion and commercialization.

Intellectual property (IP) is an important instrument at the research and development level. It helps assure the ownership over intellectual findings and the capacity to control the use of IP in line with an institution's mission and core values.

IP is also a powerful business tool to gain position on the market and exclusivity over a new product or process. This makes it an important instrument to attract partners and potentially obtain return on research investment through development collaboration or licensing deals.

Understanding how IP serves technology transfer is the first step towards managing your technology transfer processes effectively.

What is technology transfer?

Technology transfer (TT) is a collaborative process that allows scientific findings, knowledge and intellectual property to flow from creators, such as universities and research institutions, to public and private users. Its goal is to transform inventions and scientific outcomes into new products and services that benefit society. Technology transfer is closely related to knowledge transfer.

“Technology transfer” refers to the use of knowledge, and when we discuss the transfer of technology, what we truly mean is the exchange of knowledge via a contract between nations or businesses. The term “transfer” refers to the use of technology; it does not refer to physical transportation or delivery.

Significance

Knowledge is best disseminated through its publication and release into the public domain. But in many cases the most effective way of realizing the social benefits of research-based knowledge is to protect it under IP laws and sell or transfer it to a company capable of transforming inventions into new products.

When managed strategically, transfer of research results can lead to benefits for society at large as well as the industry sector and institutions concerned.

1. *Benefits of technology transfer for society*

Transfer of academic research is expected to improve the quality of life generally through:

- new products and services, meeting human needs in healthcare, environmental challenges and other critical areas; and
- new businesses (start-ups, spin-offs) and jobs.

2. *Benefits of technology transfer for industry*

Collaboration with universities and research institutions can strengthen industry by:

- providing companies with IP that they can invest in to develop early-stage technologies;
- providing technical assistance to local firms;
- giving companies the opportunity to work with top university researchers;
- securing companies' access to more basic ("blue-sky") research fields;
- enabling them to commercialize new products, generating growth and profit; and
- strengthening the local economy – increasingly, communities around research institutions are becoming high-tech innovation clusters, attracting a highly educated labor force and building a strong innovation sector.

3. *Benefits of technology transfer for institutions*

For universities and research institutions, the ultimate benefits of knowledge/technology transfer are usually not financial. While licensing revenue is occasionally generated, the principal benefits are indirect and should be considered in the longer term. They include, among others:

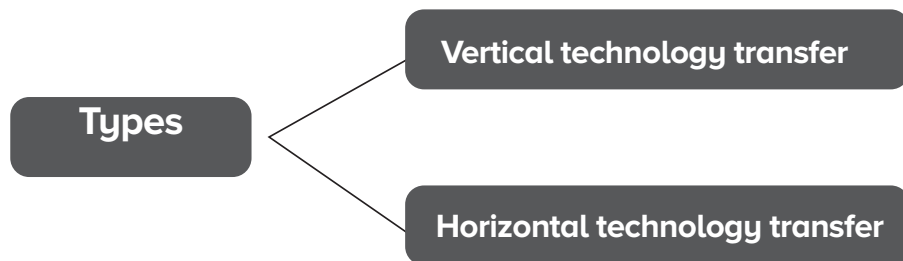
- Attracting key talent – Universities that embrace a robust technology transfer environment are more appealing to entrepreneurial faculty, scientists and students who see the institution as a successful pathway for both career development and bringing innovation to market.
- Funding – Successful technology transfer often attracts additional research funding.
- Prestige – Institutions that succeed in moving discoveries from the lab to the marketplace often create a prestigious following.
- Enhanced quality of research programs – Interaction with the private sector often results in access to state-of-the-art industrial equipment, improved skills and techniques and better understanding of market needs.
- Enhanced teaching – Institutions frequently benefit from the participation of industry-based lecturers and real case studies.
- Faculty career opportunities – Collaboration with industry can facilitate exchanges of staff between the institution and businesses and alumni intake in firms.

These terms determine the rights of the licensee: a broad license for any purpose in any territory and field of use, or a narrow license only for distribution or manufacturing in defined territories or technologies, or somewhere in between.

The transfer of knowledge and information about technology can take place in two ways:

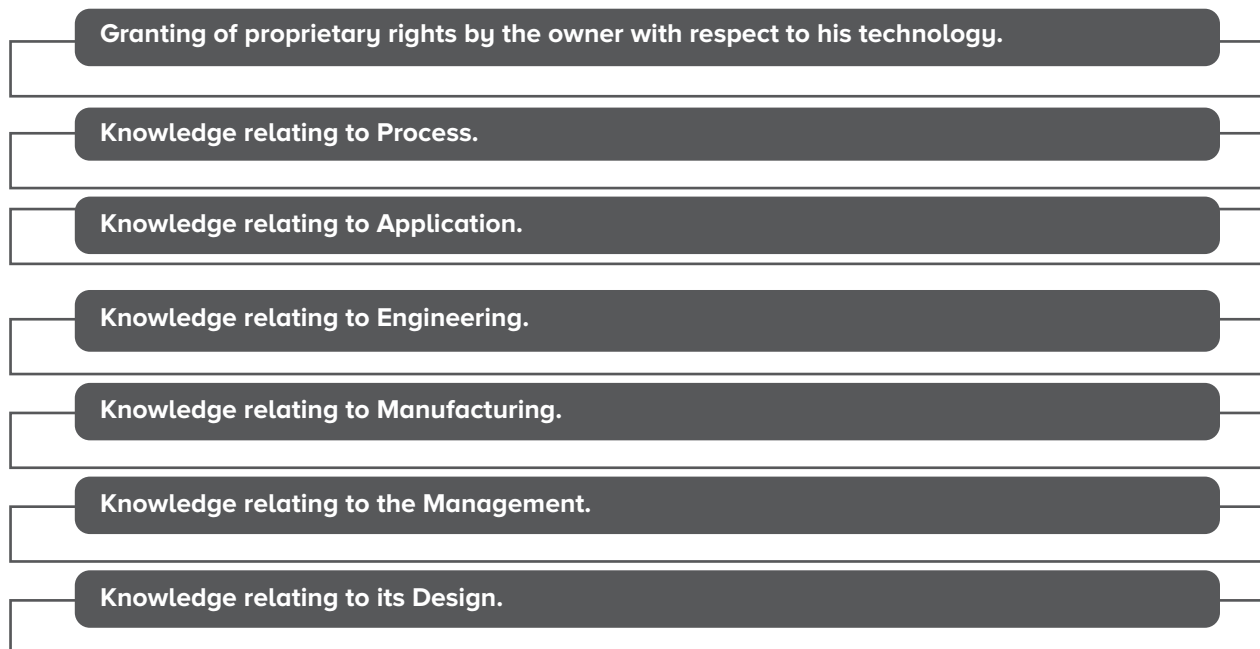
1. Informal transfer of knowledge is becoming more and more important in the academic environment as the mobility of researchers and students is greatly contributing to the dissemination of knowledge worldwide. Knowledge can also be transferred through publications, teaching, conferences, courses, presentations, meetings, informal exchanges and personal contacts between scientists, academia and industry.
2. Formal channels of technology transfer, there is no such thing as a standard contract or agreement. Some universities and research institutions propose standard models as part of their IP policies, but such models are only to be used as a starting point, a support or a tool, and need to be adapted to the specific circumstances and requirements of each case. It is crucial to consult an IP lawyer from the beginning of the negotiation and in particular when signing the agreement.

Types of Technology Transfer Agreements



1. **Vertical technology transfer**- It occurs when new technologies are conducted from a new range of technologies when the technology is still under development and research.
2. **Horizontal technology transfer** - The transfer of well-known technology from one organisation to another is known as a horizontal technology transfer agreement.

Essential Elements of Technology Transfer Agreement



Pros and Cons

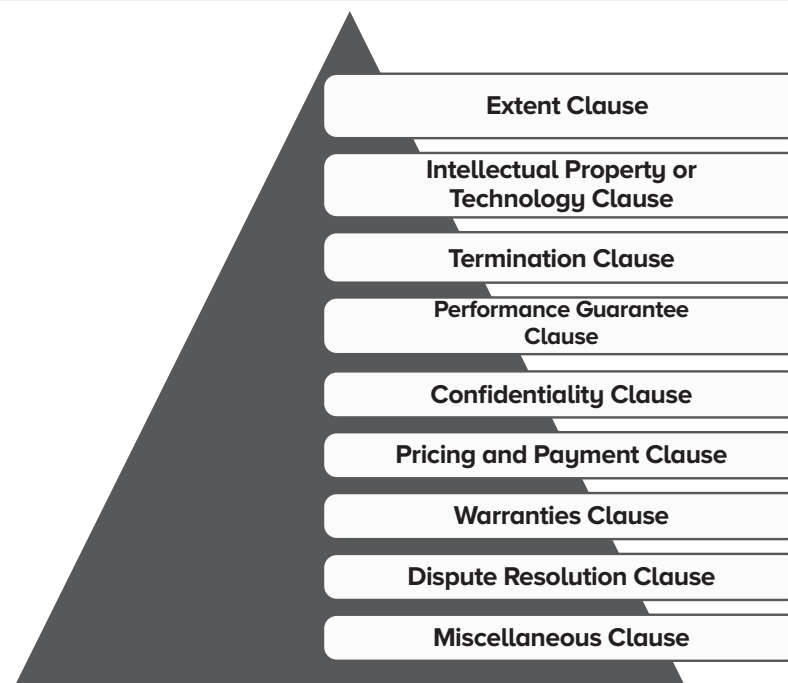
Pros-

- *Expansion* - To acquire businesses and organisations that will accept new technology or offset technology that is already being blocked by cross-licensing.
- *Less Expensive* - Access to resources for technology advancement without the need for research and development costs.
- *Brand Image* - Increase market awareness of the company's brand.
- *Meeting global standards* - Transferring commercial ownership in order to meet technological standards imposed by global national and international bodies.
- *Co-operation* - Avoiding intellectual property litigation can transform infringement or rivalry into cooperation.
- *Expanding Clientele* - Strengthening and establishing the company's relationships with its current and potential clients.

Cons-

- *Exploitation*— Extensive Use by the Licensee in any way of the Technology Transfer made possible by the aforementioned Agreement.
- *Reduced functionality* - Leads to reduced functionality of the licenced technology by the licensee, which results in harm to the technology's goodwill and a reduction in the technology's worth.
- *Litigation* - After the transfer of technology, the possibility of litigation increased, compelling the licensor to face legal action.

Important clauses in a Technology Transfer Agreement



1. Extent Clause

This clause outlines the broad definition of technology transfer, including the approach, tools, and resources. The clause should clearly outline what is excluded from the license's scope as well as the parties' respective roles in the performance.

The reach can take the shape of technical details that can be provided in a way that the other party can easily replicate them. The agreement that a patent licensor offers the licence to use the patent solely in a specific area can include a field of use restriction clause.

2. Intellectual Property or Technology Transferred Clause

Patents, trademarks, designs, and know-how are examples of intellectual property that is covered under a technology transfer agreement. It takes a lot of work to develop technology, yet it is simple to copy such intellectual property.

The intellectual property clause is typically provided to the client to ensure that they are the only owners of the intellectual property and to shield the genuine owner from any infringement by third parties.

3. Termination Clause

It should be made clear in the termination provision under what conditions a technology transfer agreement may be cancelled. Any legal dispute need not be the cause of the termination. With or without the other party's consent, the agreement may be terminated. The termination clause may specify grounds such as failure to pay the agreed-upon fee or price, any breach of the contract by either party, or a failure to provide goods or services of the calibre promised by the vendor. Moreover, one of the grounds for termination and insolvency is *force majeure*.

4. Performance Guarantee Clause

It is a guarantee relating to technical performance requirements that the investor must meet. It should guarantee that the design will be carried out and include sanctions in the event that it is not. The contract may be terminated if the promised performance is not met in some cases.

To create a fair contract, this provision makes the product's quality, timely completion of the work, and superior research and development facilities vital considerations.

5. Confidentiality Clause

The terms governing the management of confidentiality and privacy must be made clear in the agreement. The obligations and responsibilities of both parties to keep all information pertaining to the technology private must be specified in the confidentiality agreement. Any violation or unlawful activity by a third party could result in legal action, financial penalties, and reputational damage for the licensee.

The remedies and indemnity clause should be specified for both parties in the event of a similar breach in the future.

6. Pricing and Payment Clause

The fee structures stipulated in the agreement must include a timetable for recurring fees, taxes, foreign exchange, employee-on costs, employee entitlements, and many other expenses that must be explicit as to what, how, and where they will be used. Customers shall have the right to audit all invoices and bills under a clause that is provided for their satisfaction and transparency.

In the event that the company encounters financial difficulties in the future, the parties may additionally stipulate a minimum payment. It should be stated if they will pay on a royalty basis or a lump sum basis.

7. Warranties Clause

A warranty clause in a technology transfer agreement will ensure that the licensor is the only owner of the transferred intellectual property and that it doesn't violate the rights of any third parties. Because there is always a danger of risk in a contract, the clause must have a warranty period during which the customer can receive some advantage of rework or newly added service with some conditions. If the vendor discovers any involvement by a third party without his knowledge, he has the right to reject the guarantee.

8. Dispute Resolution Clause

The procedure that will be followed if a dispute occurs between the parties is described in full in this clause. If a dispute arises between the parties, they can settle it with the help of an arbitrator and outside of court by using the predetermined settlement outlined in this clause. Arbitration is one of the ADR processes used to settle business disputes between parties. The jurisdiction clause and controlling law must be referenced in this clause.

In the event that an indemnity situation arises between the parties, either the vendor will indemnify, hold harmless, and defend the client indemnities or the client will indemnify, hold harmless, and defend the vendor indemnities from and against any losses brought on by any Third Party Claim.

9. Miscellaneous Clause

The additional points or issues that are not covered by the aforementioned provisions are all included in the miscellaneous clause, which is used to address those clauses that are also important for a fair contract. Periodic auditing, details of the indemnification, insurance provisions, etc. are all mentioned in this section. It is optional to mention ownership changes in a separate clause or to include them in the miscellaneous. This section also discusses the organisational structure and how the business will be conducted to accomplish the purpose.

If any alteration is necessary, whether completely or partially, it can be made with the parties' previous consent or understanding with regard to the topic of this agreement.

INTELLECTUAL PROPERTY ISSUES IN THE SALE OF BUSINESS

The seller is frequently required to transfer ownership of any IP that is a component of the firm being sold in a buy/sell transaction. These may contain any trade secrets that are essential to the business's operations as well as any patents, trademarks, and copyrights that are utilised by the enterprise. Both the buyer and the seller run some risks when ownership is transferred.

The buyer would often want to confirm that they are purchasing all the intellectual property (IP) related to the business and that there are no open questions or legal challenges over who owns or has the right to use the IP. Additionally, the buyer may wish to confirm that the IP is legitimately registered, protected, and that no other parties are making claims to the IP.

Protection of IP assets builds value for sellers. Before going to market, astute sellers build the quality and level of legal protection of IP assets to at least a minimum or base level of best practice. Ideally this work should be done at least 6 to 12 months before a sale. Best practice includes use of up-to-date IP registrations and documentation. This affects copyright, trade marks, trade secrets, industrial design and patent assets.

Lower levels of protection may lead the buyer and its advisers to discount the price sought by the seller. The effective solution for a seller involves preparation of an intellectual capital register, business documentation and IP registration or codification.

The seller is frequently required to transfer ownership of any IP that is a component of the firm being sold in a buy/sell transaction. These may contain any trade secrets that are essential to the business's operations as well as any patents, trademarks, and copyrights that are utilised by the enterprise. Both the buyer and the seller run some risks when ownership is transferred.

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The buy/sell agreement should have clauses that outline the IP being transferred, the conditions of the transfer, and any relevant warranties or indemnities in order to handle these difficulties. Any ongoing commitments or limitations on the use of the IP after the sale should also be covered.

Key issues are-

1. Issues regarding documentation of intellectual property

The seller must have compiled for the acquirer's review a thorough list of all IP (and related documentation) that is crucial to the seller's business, including but not limited to Confidentiality and Invention Assignment Agreements with employees and consultants, Patents and patent applications (including patent numbers, jurisdictions covered, filing, registration, and issue dates), Trademarks and service marks, Key trade secrets, and Proprietary Know-How etc. The disclosure schedule that is attached to the acquisition agreement will normally need to cover a number of these items.

2. Issues regarding Development and IP Acquisition

An acquirer will want to make sure that the value it places on the selling company is supported by the extent to which the company owns (or has the right to use) all of the IP that is essential to its current and anticipated business. This is especially true if the selling company is a technology company. Private businesses frequently discover that there are questions about who owns (or has the right to use) their most important intellectual property. This is especially true for those businesses who did not engage IP counsel in the early stages of their existence.

These agreements may also limit the transfer of the IP, mandate sharing or ownership of the IP with third parties, or demand payment in connection with the acquisition if the seller's IP was created jointly with another party, with the aid of government, academic, or military resources.

At the beginning of their employment with or relationship with the company, the seller's employees and independent contractors are typically required to sign an agreement assigning to the company any intellectual property developed by them related to the company's business. This is especially true of those involved in the creation of the seller's IP. These may or may not include transfer or waving off some moral rights. All is required to be disclosed.

3. Issues regarding open Software

These agreements may also limit the transfer of the IP, mandate sharing or ownership of the IP with third parties, or demand payment in connection with the acquisition if the seller's IP was created jointly with another party, with the aid of government, academic, or military resources.

At the beginning of their employment with or relationship with the company, the seller's employees and independent contractors are typically required to sign an agreement assigning to the company any intellectual property developed by them related to the company's business. This is especially true of those involved in the creation of the seller's IP.

The buyer will be looking for representations and warranties from the seller that no open source or comparable software has been incorporated into any of its software or products in a way that would require the seller to reveal to anyone the source code of proprietary software or intellectual property in its products, and that no open source licencing agreements have been violated or infringed.

4. Issues regarding Declarations and Warranties relating to Intellectual Ownership

Among the most important IP representations and warranties are those made by the seller regarding its ownership of IP. The acquirer wants assurance that the seller is the sole and exclusive owner of each piece of intellectual property that the seller claims to be in possession of and that such property is free from any encumbrances or restrictions that would unreasonably limit the seller's ability to exploit the property or grant third parties rights to the property that are inappropriate or would materially reduce its value. The buyer will also want to know that the seller is authorised to utilise any third-party intellectual property (IP) that is crucial to the seller's business through a licence (exclusive or not) or other contractual arrangement.

5. Issues regarding disclosure of IP Infringement Representations and Warranties

Often, the buyer wants the selling business to guarantee and reflect the following:

- No other parties' intellectual property rights are violated, infringed upon, or violated in any way by the selling company's conduct of its business.

- No other party is misusing, stealing, or abusing the selling company's intellectual property rights.
- None of the aforementioned are the subject of any pending litigation or threatened claims.

The extent and exclusions of these representations and warranties are frequently subject to extensive negotiation. The danger of significant, unrecognised infringement claims that other parties might make against the acquirer following the signing or closing worries the acquirer.

6. Issues regarding Concerns in IP-Related Agreements

The significant difficulties relating to the IP-related agreements of the selling company may come up in the context of an acquisition of a privately owned company.

The provisions in the IP-related agreements needing approval for an "assignment" should be carefully examined by the acquirer.

Clauses in the seller's IP-related agreements that are overbroad in some respects relevant to the acquisition are another problem that frequently occurs in the acquisition of a privately owned company.

7. Issues regarding IP-Related Conflicts

An acquirer will thoroughly investigate the seller's participation in any ongoing or previous IP lawsuits or other problems. Discovering the seller's vulnerability to IP claims and the rigour with which it has attempted to protect its rights can be part of this evaluation.

The selling corporation and its advisors should demand a particular indemnification clause in the acquisition agreement as compensation for purchasing a business where there is either active litigation or a potential for future IP-related disputes.

8. Issues regarding Websites and Social Media

A business websites and social media presence is of utmost importance in this digital reliant world. Main concerns regarding social media that a business should be concerned about are-

- Are all of the important merchant domain names showing the merchant as the registered owner of a legitimate domain name registration?
- Do the terms of service and privacy statement effectively safeguard the business?
- Does the seller abide by the privacy statement?
- What are the accounts of a telecommunications company? Are they registered under the company's name, the employee's name, or the coordinator's name?
- Whether any problems exist with customers uploading material or comments on business websites or social media pages?
- Who is the owner of the content placed on business websites and social media pages? Can the business utilise that content at will?
- Has the seller complied with Digital Millennium Copyright Act?

9. Issues regarding Data Protection and Privacy

The buyer will want to make that the seller has put in place and is continuing to maintain the necessary procedures, security, and privacy policies. One should be diligent with respect to below given points while engaging in such business. They are-

- Review of any computer intrusions or attacks on the seller's systems.
- Users' personal information is collected by the seller in accordance with its privacy policy.
- Review of third-party agreements to confirm that they are properly subject to confidentiality obligations.

- Review of any allegations or grievances involving data or privacy violations.
- The seller's IT business continuity plan is examined.
- Checking whether background checks, drug tests, credit checks, or other screening procedures are used when employing new employees according to the seller's security policies.
- Verification of the seller's internal policies and practises for reporting any security breaches.

Further representations and warranties on the seller's compliance with data protection and privacy laws may be included in the acquisition agreement by the buyer.

10. Issues regarding the Scope, exposure, limit of Seller's Indemnity for IP Problems

An acquirer will request that the seller and/or its stockholders hold the acquirer harmless from any and all known claims (including those that are the subject of litigation) and, frequently, future claims relating to the seller's intellectual property (IP). One of the most crucial conversations in an M&A deal, particularly when the seller's IP represents its genuine asset, is the terms, circumstances, and restrictions of these indemnity clauses.

One should focus on –

- The scope of indemnification.
- The exposure covered by such clause.
- Threshold limits etc.

11. Issues regarding Disclaimers made by the Seller

The accusation that a seller has committed fraud is among the most significant ones that a dissatisfied receiver might make to a seller. The buyer may claim that the records in the database are untrue or deceptive, or that the information given to him or her throughout the course of their interactions with management was false or deceptive.

A statement indicating the seller made and that the seller is aware that the seller made the representations and warranties outlined in the acquisition agreement should be included in the acquisition agreement.

In the purchase agreement, the acquirer must explicitly indicate that it has investigated the merchant's operations and has not relied on any representations or warranties made by the seller (or its officers, employees, or advisers) other than those mentioned.

12. Issues regarding the problems with Assignment or Change of Control

IP licencing and other agreements involving IP frequently have clauses stipulating that the other party must agree before the selling firm can change its control or assign the arrangement. The structure of the acquisition deal typically determines the extent to which such permission is necessary. A mechanism for asset sales will need authorization from third parties. Contrarily, it will be necessary to carefully study the contract language and the pertinent case law to determine if third-party approval is necessary for a sale of the selling firm's stock or a merger involving the selling business.

The selling business may violate the IP licence or other IP-related agreement if the necessary consent is not obtained.

13. Issues regarding the key IP Disclosure Schedule Problems

A disclosure schedule is a document that goes along with the acquisition agreement and outlines the necessary disclosures from the seller on any open contracts, intellectual property, employee information, on-going legal matters, and much more. Since the disclosure schedule "qualifies" the

seller's claims and warranties made in the acquisition agreement, it is essential to ensure that the disclosure schedule is well-written.

The biggest error committed by sellers is a poor evaluation of all the intellectual property representations and warranties in the acquisition agreement and failing to include the proper exclusions in the disclosure schedule. To minimise any culpability, this error must be avoided at all costs.

IMPORTANT ASPECTS RELATED TO COMMERCIALIZATION

For the business sector, IP assets are a key source of value-added growth and competitive advantage. This movement in corporate composition from physical-capital intensive sectors towards knowledge based businesses including R&D activities, pharmaceuticals, etc. has led to an understanding that an organization's intellectual property is what gives a business its worth.

The management of technology transfer and innovative enterprises in general requires a strong understanding of intellectual property. The current chapter discusses how businesses, including small and medium-sized enterprises, can account for intellectual property and can activate it in their balance sheets, as well as how to place a meaningful value on intellectual assets. It also covers how public research organisations and innovative businesses can identify valuable intellectual property through IP audits.

CARE AND MAINTENANCE OF CONFIDENTIAL INFORMATION

Intellectual Property rights are key elements needed to maintain a competitive edge in the market in today's dynamic and competitive business environment. Intellectual property is a business asset, an integral part of the business process. Effective acquisition, management and protection of intellectual property can mean the difference between success and failure in businesses today. It is important that companies take appropriate steps to protect this valuable asset so as to get the possible commercial results from its ownership.

If a trade secret is really kept a secret, the monopoly on an idea or product may never end. According to government regulations, trade secrets are not recorded. According to contracts and agreements for information non-disclosure, it is kept secure. The purpose of protection is to prevent members from disclosing trade secrets to the company's rivals. The contract terms specify the term length for which the trade protection is valid. Because it is not recorded, the paperwork that must be written must state when this period expires. If this trade secret is made public, it will no longer be protected by exclusive rights and will no longer be able to be kept a secret.

How to Protect Trade Secrets in a Company?

- *Recognising the Trade Secret*- One must be aware of your trade secret. The company may lose its ability to compete in the market if certain information is made public. This information is merely a trade secret.
- *Restricted Access*- If stored digitally or physically the access to it should be restricted. It should always be protected, for instance using passwords to open that can only be used by specific employees.
- *Imposition of Contractual obligations*- Those who possess a trade secret must sign contracts committing them to keeping it a secret. Even after leaving the organisation, they are not permitted to share such information for any particular reason.
- *Secrecy*- The employees, personnel, and employers of the companies need to be regularly updated on the secret.

Methods of Protection of Trade Secrets

Trade secrets are protected by TRIPs under the guise of confidential information. Trade secrets are safeguarded by the legal framework and technological advancements of the US and many other nations. However, depending on the country, there may be different forms of crimes, such as trust breaches, information leaks, fraud, unfair competition, etc. The nature of the crimes that they defend against can vary. But, because they are trade

secrets, these secrets cannot be legally protected. It wouldn't be considered a violation of trade if someone we can think of as a rival reverse engineered the secret legitimately without having access to the secret because he discovered it himself.

To prevent someone else from using trade secrets for commercial gain without authorization, the United States created the UTSA (Uniform Trade Secret Act). They also passed the EEA statute in relation to this (Economic Espionage Act, 1996). This law penalises those who divulge secrets without authorization.

The people who work with computer security must sign non-disclosure agreements in order to ensure that trade secrets are protected and that only a small number of people, including employees, are aware of them. No secret will continue to be a secret if these actions are not done.

Protection of Trade Secret in India

According to Article 39 of TRIPs, India, the preservation of confidential information is crucial. Yet, if there is a violation or breach of the contract, no law may stop it. The documents that are presented to the government are not subject to the secrecy restrictions, according to Article 39(3) of TRIPs. Thus, there is a substantial likelihood of obtaining such trade secrets illegally. The doctrine of confidentiality breach also affects trade secrets.

Sui Generis Doctrine

A *sui generis* is something that is unique in its own right. It establishes a new legal framework that may safeguard trade secrets and other intellectual property related to biodiversity resources, which will be advantageous for India's economy. This promotes greater growth in the area of foreign investments in India and aids in the expansion of Indian businesses. For both domestic and foreign investors in India, this system is essential to ensuring the safety and security of trade secrets. This mechanism can also offer remedies for harms brought on by the exposure of information or the creation of illegitimate or illogical contracts, among other things.

India adopted a mechanism known as *sui generis* for the protection of confidential information, which is provided by both Article 39 of TRIPs and Article 10 of the Paris Agreement. We still need to enforce it, despite how challenging it is.

CASE LAW

John Richard Brady vs. Chemical Process Equipments Pvt Ltd 1987

Facts:

Plaintiffs have prayed for an ad interim injunction to restrain the Defendants from manufacturing, selling, offering for sale, advertising, directly or indirectly dealing in Machines that are substantial imitation and reproduction of the design, manuals and Drawings of the Plaintiffs' Fodder Production Unit and thereby amounting to infringement of the Plaintiffs' Copyright therein, or from dealing in those Machines made on the basis of information and know how disclosed to them by the Plaintiffs in conditions of strict confidence, and from doing any other thing as is likely to lead to passing off the Defendants' products as those of the plaintiffs.

According to the plaintiffs, John Richard Brady (hereinafter referred as Brady) is an American National. He is a Mechanical Engineer and is the President and Managing Director of Fometa Overseas S.A. Castellana, Madrid, Spain. He conceived the idea of growing fresh green grass used as basic food for livestock in a compact unit capable of producing grass throughout the year irrespective of external climatic conditions. He developed the original Fodder Production Unit in the year 1972. It was tested under extreme climatic conditions in various Countries in the World. Steps were taken, from time to time, to improve the Unit by optimising its size and achieving greater productivity. After extensive experimentation, an improved Fodder Production Unit (hereinafter referred to as the FPU) was invented by Brady. He applied for grant of patent in India in relation to the FPU. His patent application is pending. Technical details of the FPU are contained in catalogues which illustrate it by technical Drawings and other specifications. The Drawings are the original artistic work. Brady is the owner of Copyright in the Drawings and is entitled to exclusive right to publish and reproduce the Drawings whether two dimensionally or three dimensionally.

It was decided by the plaintiffs that a phased programme would be adopted to manufacture the FPU in India for both domestic and export sales. To indigenise manufacture of the FPU, the Plaintiffs sought quotations from Defendant for the supply of thermal panels manufactured by it. The panels required were of highly specialised type. To enable the Defendants to send their quotations for supply of the said components and to precisely match those components with the FPU, all the technical material, detailed know how, Drawings and specifications concerning under express condition that it must maintain strict confidentiality regarding the know how Discussions between the parties culminated, in an agreement whereby Defendant agreed to supply the specialised thermal panels required by the Plaintiffs, Terms and conditions of the agreement were set out in a letter dated 31-8-84 written by Defendant to Plaintiff. Later, Plaintiffs discovered the inability of the Defendants to supply the required thermal panels, so, they did not place any order on the Defendants. It is alleged that Defendant No. 2, who is Managing Director of Defendant No. 1, along with several other representatives of the Defendants, with a view to acquire the working know how and technology of the FPU, made a number of visits to Goa where the Plaintiffs' FPU was in operation. Some of these visits were without the knowledge of the plaintiffs who were later informed about them by their employees. The plaintiffs learnt that in the month of November, 1985 the Defendants were falsely representing that the innovation concerning the FPU originated from them. The plaintiffs also acquired a pamphlet of a Fodder Production Unit (FPU) manufactured by the Defendants, or on their behalf, without the consent, permission and authorisation from the plaintiffs. The Defendants described the Machine produced by them as 'pushti'.

It is alleged by the plaintiffs that the Machine produced by the Defendants is an inferior version of the plaintiffs' FPU. It is causing and is further likely to cause immense damage to the plaintiffs' business and reputation. The plaintiffs claim jurisdiction of this court to entertain and try the suit under Section 62(2) of the Copyright Act, 1957 on the plea that they have been carrying on their business for profit and gain at Delhi and that the Defendants have also been circulating pamphlets of the infringing Machine and offering it for sale at Delhi.

Issue:

Whether there was alleged infringement?

Held:

Court held that-

"These rules may, according to the circumstances in any given case, either rest on the principles of equity, that is to say the application by the Court of the need for conscientiousness in the course of conduct, or by the common-law action for breach of: confidence which is in effect a breach of contract.

Balance of convenience is clearly in favor of grant of injunction to the plaintiffs. Unless the Defendants are restrained by grant of temporary injunction during pendency of the suit, irreparable injury and loss which cannot be estimated in terms of money, will be caused to the plaintiffs by the Defendants continuing to manufacture, sell or deal in their Machine which is a substantial reproduction in three dimensional form of the Drawings of the plaintiffs' FPU in which Brady has copyright. It will also be in the interest of justice to restrain the Defendants from abusing the know-how, specifications, Drawings and other technical information regarding the plaintiffs' FPU entrusted to them under express condition of strict confidentiality, which they have apparently used as a 'spring-board' to jump into the business field to the detriment of the plaintiffs.

Therefore, the Defendants are hereby restrained from manufacturing, selling, offering for sale, advertising, directly or indirectly dealing in Machines that are substantial imitation and reproduction of the Drawings of the plaintiffs' FPU or from using in any other manner whatsoever the know-how, specifications, Drawings and other technical information about the FPU disclosed to them by the plaintiffs till the final disposal of the suit."

LEGAL AUDITING OF INTELLECTUAL PROPERTY

An intellectual property audit is a tool for identifying your potential IP assets. Ideally an audit should be carried out by professional IP auditors, but often a preliminary audit can be done in-house, within a company.

Through an IP audit one can make an inventory of their potential IP assets. This helps you to:

- Uncover unused or under-utilized assets.
- Determine ownership of these assets.
- Identify any related threats, i.e. IP infringement from your side or by others.

IP audit is a method that businesses frequently employ to account for the intangible assets that they have created over a specific period of time. While being of an intangible nature, intellectual property (IP) contributes to one of the company's most important fundamental values, namely the reputation that its brands enjoy in the marketplace. Generally speaking, one of the main justifications for why the industries obtain protection is the goodwill of the IP. This goodwill is then represented by the consumer preference and market acceptance of the brand, which is now a key driver of income generation.

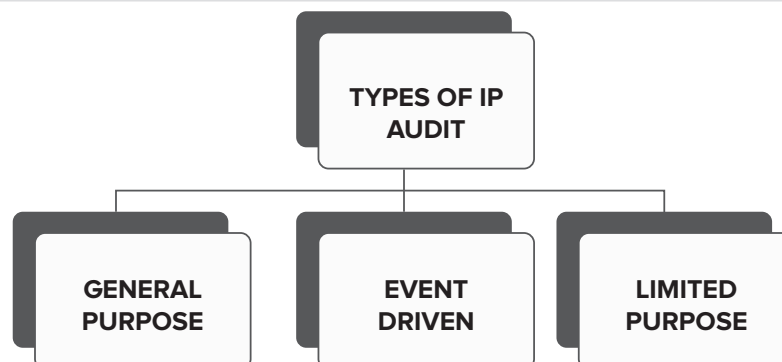
The firms have never been more aggressive about their promotion, advertisements, and cooperation regarding their products considering the changing times and the digital culture we live in. As a result, they have begun exploring the uncharted territory of the market, making them vulnerable to harm, threats, and other legal difficulties. So, the situation has highlighted an urgent necessity for IP owners to act more assertively and to be well-prepared before an actual impact is produced.

Function of IP Audit

The IP Audit follows the SWOT analysis process as below:

1. *S – Strength:* To assess the strongest and safest points of the IP of the owner. This could range from the goodwill of the product to the well framed legal and comprehensive protection which would be the best asset of the owner.
2. *W – Weakness:* One of the major aims of the IP Audit is to identify the weak spots and loose ends which would be the possible breeding grounds to future legal disputes. The Audit would help the owner, to prepare well in advance and help them to device a full proof mechanism to overcome such abnormalities.
3. *O– Opportunities:* IP audit can also be seen as preparation which the owner carries out to assess the present situation before proceeding to take any further actions. The owner of an IP could also undertake such preparatory measures before proceedings to use their IP to generate revenues, like licensing, tech – transfer and leasing.
4. *T – Threats:* The intangible rights being vulnerable and frail are always defenseless without proper protection and legal enforcements. Given the highly digital and technologically advanced competitive market threats to the IP have been imminent and thus the IP Audit serves at timely interval serves the owner to entail and trace the source of possible conflict and take adequate measure to avert it.

Types of IP Audit



1. General-purpose

This is broadest type of IP audit, used by new companies or those considering implementing new IP policies, standards, or procedures.

It is also suitable for companies implementing new marketing approaches, directions, or major reorganizations.

2. Event-driven

This type of IP audit is also known as “IP due diligence”. It is used to assess the value and risk of a company’s IP assets. The event-driven audit is often utilized:

- in the context of mergers/acquisitions and joint ventures;
- before entering into a financial transaction involving IP, such as an initial public offering;
- when launching a new product or service;
- when considering IP licensing; and
- in cases of bankruptcy and layoffs.

3. Limited purpose focused audits

A limited purpose audit is typically much narrower in scope than the other two types and is performed under much constrained time schedules. These audits tend to be situational in nature. They are typically used to justify a certain legal position or the valuation of a particular IP.

A limited purpose focused audit is done in the following types of contexts:

- *Personnel turnover*

Before a major personnel turnover of in-house research and development or marketing, especially if it involves disgruntled employees, an IP audit should be done to secure the status of a company’s IP assets.

- *Foreign IP filings*

Before a company takes up an aggressive program of filing IP applications in other countries, that is, before entering a new market abroad (by way of, say, exporting, or expanding overseas through off-shoring/outsourcing some of its activities, or by licensing, franchising, or merchandising) an IP audit helps to sensitize the company to market-specific IP laws, rules, customs and practices affecting IP rights.

- *Using the Internet for business purposes*

Before having an Internet presence, doing an IP audit helps it to identify the needs of e-commerce and registration of appropriate domain names, etc.

- *Significant changes in IP law and practice*

Where there is a significant change or development in IP case law or statutory law in a relevant market it may necessitate review of existing products for possible infringement of the IP rights of others.

- *Clean room procedures*

The clean room procedure seeks to avoid infringement by ensuring that there is no “access” to copyrighted material of unrelated parties during software development project. Thus, an audit might be necessary to institute, or to review the adequacy of, clean room procedures used in the development of software products to reduce the risk of infringing third party copyright.

- *Preparing for litigation*

When considering or facing litigation, a company is required to show non-infringement and no access to the work, complete or confirm the chain of title of the underlying IP rights or otherwise complete the documentation of the relevant IP rights.

Advantages of Conducting an IP Audit

Carrying out an IP audit can add value to the following:

- *Cost reduction efforts* – A well-managed list of IP assets can help you identify obsolete assets. Decisions can then be taken to stop paying maintenance costs for obsolete assets, resulting in significant cost reductions.
- *Licensing* – An IP audit is vital to know which IP assets are core to your business and which are not. Licensing decisions can then be made accordingly. For example, you may decide to license a non-core IP asset in order to create an additional revenue stream.
- *Mergers and acquisitions* – IP assets will play an important role in a third party deciding whether to merge with or acquire your business.
- *Anti-infringement actions* – Knowing the value of your IP assets makes it easier to take decisions on whether it is cost-effective to take action against infringement and in what way this could be done.

Preparation for an IP Audit

'Audit' in normal parlance, refers to a detailed, formal examination and verification of the accounts and processes of an enterprise, which is undertaken to understand the overall picture of its financial position and good standing in the market. An audit is followed by a report on the findings of the diligence, which can be used by the enterprise for planning the future growth of business.

In order to conduct an IP Audit, it is most important to identify and determine in advance to the desired objective of the audit.



- **Purpose**

The first step in preparing an IP audit is to make sure you are clear on its purpose. This means determining the type and scope of the audit, as well as the time and money available for it. These early-stage decisions will have a significant impact on the conduct of the audit and its outcome.

- **Research**

The purpose is to gather as much relevant information as possible on the way your IP assets relate to internal and external relations; your business strategy; other business assets; your current IP management situation; any existing IP disputes; and ties to the financing of your company.

- **Plan**

An audit plan specifies the business areas to be covered (e.g divisions, lines of business, affiliated or non-affiliated agency operations), the scope of the audit (registered assets or broader), the timetable, the budget, roles and responsibilities of team members, and the form of the final report.

- **Checklist**

A detailed checklist minimizes the chances of skipping one or more relevant steps in the audit process. Each checklist is tailor-made to an individual company's type, size, location, and to the scope of the audit being carried out. The checklist will be used by each member of the audit teams.

- **Contracts**

It is key to identify and assess the adequacy of relevant provisions in any agreements that could have a significant impact on IP. These include agreements on: licensing, assignments, employment and independent contractors, joint ventures and collaborations, and R&D grants.

Through various embodiments the IP audit affective provides an assessment over the following concerns:

1. To identify the scope of the present and to create a future profile for the tangible assets of the company.
2. To reinforce the IP protection mechanism and device secure portfolio to avoid legal conflicts.
3. To identify the idle IP and to set them in process and to harness them as a potential.
4. To assess the financial equivalent of the assets and to be able to use them as leverage or guarantee with other financial institutions.
5. To foresee and steer clear of any risks or unwanted litigation which may evolve or affect the functioning.

Carrying Out an IP Audit

After having gone through the necessary preparatory steps, the IP asset audit takes place over four main steps:

- **Inventory**

The first step is a basic stock-taking exercise in which all of your intangible assets are catalogued, along with a description of each. This clarifies how these assets are being used and identifies any differences in their use.

- **Ownership**

In this step you determine if all the assets identified in the inventory are in fact owned by your company and, if not, who they are owned by. Where you own assets, the nature of that ownership (sole, joint, licensed, etc.) is determined.

- **Infringement check**

This step sees you gather information on whether assets owned by your company are subject to infringement by others, as well as on assets not owned by your company that could be infringing upon the rights of others.

- **Protection Plan**

This step reveals any lapses in the legal, regulatory and administrative procedures related to the management of IP assets and identifies potential improvements to policies, procedures and IP management practices.

DUE DILIGENCE OF INTELLECTUAL PROPERTY RIGHTS IN A CORPORATE TRANSACTION

IP due diligence is a part of a comprehensive due diligence audit that is done to assess the financial, commercial, and legal benefits and risks linked to a target company's IP portfolio, typically before it is bought or invested in.

Event driven IP audit is often called "IP due diligence" when done to assess, as objectively as possible, the value and risk of all or a part of a target company's IP assets.

Before starting the IP due diligence process, a mutual non-disclosure agreement should be signed between (a) the potential acquirer, investor, or creditor and (b) the target company.

When done properly, IP due diligence provides detailed information that may affect the price or other key elements of a proposed transaction or even aborting the further consideration of the proposed transaction.

In general, IP due diligence generally seeks to: -

- Identify and locate IP assets, and then assess the nature and scope of the IP to evaluate their benefits and allocate risks associated with the ownership or use of the relevant IP assets; in particular, it seeks to determine whether the relevant IP is free of encumbrances for its intended business use(s).
- Identify problems in and barriers to the transfer, hypothecation, or securitization of the IP assets under consideration.
- Identify and apportion between the two parties the expenses incident to the transfer of IP assets under consideration.

Purpose of IP due diligence

IP due diligence is essentially an audit to assess the quantity and the quality of intellectual property assets owned by, or licensed to, a company, business or individual. IP due diligence is done in the following types of contexts:

- **Merger & Acquisition or Joint Venture**

An IP audit provides a basis for assessing the risk and value of relevant IP assets in a proposed acquisition or sale of intellectual property, as for example, prior to entering into any serious negotiations for a possible merger or acquisition, divestiture, or a joint venture arrangement. It could lead to a significant increase in the value of the acquired company or the resulting merged entity. On the other hand, such an exercise may significantly reduce the acquisition cost or lead to a cancellation of the acquisition process if the due diligence process reveals major IP risks or IP problems in the target company.

- **Financial transactions**

IP due diligence is important before entering a financial transaction involving IP, such as before an initial public offering or private placement of stock, or significant stock purchase, or before taking of a security interest in IP, as all of these have an impact on the ownership of IP. Through an IP audit, a potential lender will be able to assess a structured IP portfolio more meaningfully as part of its overall analysis of the credit worthiness of a target company.

- **Buying or selling a business division or IP transfer**

Before a company buys or sells a division or a product line, a seller will generally make a series of representations and warranties as to the ownership, non-infringement and marketability of the IP assets linked to the transaction in the ensuing written agreement. Before a transfer or assignment of interest in IP, an IP due diligence should be done separately by both parties to ensure that the transfer or assignment meets both their respective business interests.

- **Launching a new product or service**

When a significant new product or service is being developed or about to be launched, risk of infringing IP rights of others might be especially high. An IP audit needs to be taken to address any possible infringement or freedom to operate issues linked to new product development and launch of such a product on the market.

- **IP licensing**

A potential licensor must ensure, for example, that it owns the IP that is sought to be licensed to others. Also, it must be sure that there are no existing licenses that would interfere with the proposed new

license. A potential licensee must ensure, for example, that the potential licensor has the necessary rights to the IP in question so as to legitimately transfer the rights and that scope and extent of the proposed license will duly serve its intended purpose.

- **Bankruptcy, layoffs, etc.**

An IP audit would also be appropriate as a planning tool in advance of any filings for bankruptcy, significant plans for employee layoffs, business closure, or elimination of significant lines of business.

Who will conduct an IP Audit?

Preparing for litigation when considering or facing litigation, a company is required to show non-infringement and no access to the work, complete or confirm the chain of title of the underlying IP rights or otherwise complete the documentation of the relevant IP rights.

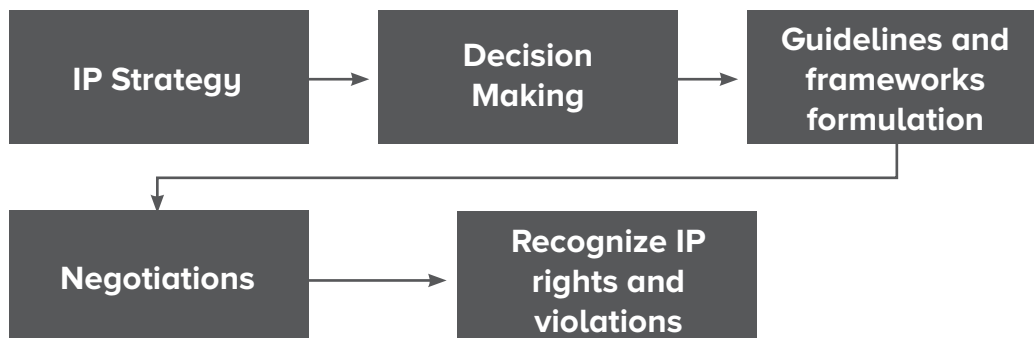
The IP audit team should have a basic understanding of the product lines, the relevant business environment, and the future plans of the company so that the audit remains focused on IP assets of maximum business relevance.

It is also pertinent to mention here that the audit team may or may not include external expertise. If it does, then before starting an IP audit, all external members in the audit team as well as all the internal staff members on the audit team should sign non-disclosure agreements.

MANAGEMENT OF INTELLECTUAL PROPERTY

Companies that invest time and money in securing their intellectual property can become more competitive in a variety of ways, including by preventing rivals from copying or closely imitating their goods or services, avoiding unnecessary spending on R&D and marketing, establishing a distinctive corporate identity through trademark and branding use, and negotiating licensing, franchising, or other intellectual property-based contractual agreement.

Management Process goes as follows-



1. Developing IPR Strategies

The objectives of a typical intellectual property strategy are to manage, enforce, and protect assets. Organizations can build on four fundamental IP strategies to meet their commercial goals.

- *Minimisation of Risk*- Cross-licensing and the development of different IP portfolios are the main points of risk minimization. Businesses that want to stay out of legal trouble adopt risk reduction.
- *Cost Cutting*- Cost cutting is the business technique that is most frequently used. It eliminates wasteful spending while maintaining assets and their usefulness.
- *Value approach*- Businesses who want to make money by directly using intellectual property utilise this tactic.

- *Strategic Approach*- Strategic patenting and the form and direction of IP-based rivalry are prioritised in this tactical strategy. It entails reorienting research and development (R&D) efforts and re-evaluating current alliances with clients and pertinent parties.

2. Decision making strategy

To explain asset valuations and accomplish desired results, the IP strategy must be put into practise once it has been created.

Profiting from intellectual property involves careful consideration and conversation with both the asset's creators and corporate executives. The action items listed in the plan must be absolutely visible for the intellectual management process to be complete.

3. Establish guidelines and frameworks

Provide frameworks for establishing specialised IP management teams, teaching staff members on IP, and disseminating the company's IP policies and plans of action. Create frameworks for contracts, licencing, and associated agreements.

4. Negotiations

Legal service providers continue to play a crucial role in asset management even if the IP process is no longer isolated to the legal department. Consult with professionals and business associates who can oversee pertinent agreements and aid in carrying out necessary talks.

5. Recognize IP rights and violations

A corporation needs intellectual property because it serves as a means of recognising, supporting, and promoting the company's goods and culture. To derive value and make investments in innovation and creativity, it is essential to protect intangible ideas and assets.

Internal materials should be made available to staff so they are knowledgeable of the various corporate assets (patents, copyrights, and trademarks), related IP rights, and potential infringements by third parties.

Tools of IP Management

● WIPO CASE - Centralized Access to Search and Examination

WIPO CASE provides a platform to share information with regards to search and examination reports among participating local intellectual property (IP) offices.

The objective of WIPO CASE is to improve the quality and efficiency of the patent search and examination process done at local and regional patent offices. Time taken for examination work can be reduced and quality of search results can be improved by sharing information. The local or regional patent office can carry out further search and examination work if deemed necessary after analyzing existing information of any equivalent filing at another participating patent office.

● WIPO Digital Access Service

The WIPO Digital Access Service (DAS) is an electronic system allowing priority documents and similar documents to be securely exchanged between participating intellectual property (IP) offices. The system enables applicants and offices to meet the requirements of the Paris Convention for certification in an electronic environment.

The Service is intended for use with documents related to patents, utility models, industrial designs and trademarks.

Traditionally, applicants have been obliged to request certified paper copies of documents from one office and then submit those documents to other offices.

WIPO DAS allows applicants to simply request the first office (known as the Depositing Office or Office of First Filing) to make priority documents available to the System and then to request other offices (known as the Accessing Offices or Offices of Second Filing) to retrieve those documents via the Service. The exchange of documents then takes place electronically between the offices.

- **Technology and Innovation Support Centers**

The WIPO Technology and Innovation Support Center (TISC) program provides innovators in developing countries with access to locally based, high quality technology information and related services, helping them to exploit their innovative potential and to create, protect, and manage their intellectual property (IP) rights.

Services offered by TISCs may include:

- access to online patent and non-patent (scientific and technical) resources and IP-related publications;
- assistance in searching and retrieving technology information;
- training in database search;
- on-demand searches (novelty, state-of-the-art and infringement);
- monitoring technology and competitors;
- basic information on industrial property laws, management and strategy, and technology commercialization and marketing.

WIPO provide digital platforms and tools to reinforce technology and innovation support services and facilitate networking among TISCs.

- **WIPO INSPIRE**

A global knowledge center for innovation designed to help innovators and entrepreneurs make informed decisions throughout the innovation cycle by providing them with access to a unique blend of information and knowledge on patent search, patent analytics, technology transfer, and institutional IP policies.

- **Patent Register Portal**

Your gateway to online patent registers and gazettes and to legal-status-related information from over 200 jurisdictions and patent information collections.

- **eTISC**

A social platform for the TISC community and IP users to interact with each other and share knowledge and ideas.

VALUATION OF INTELLECTUAL PROPERTY

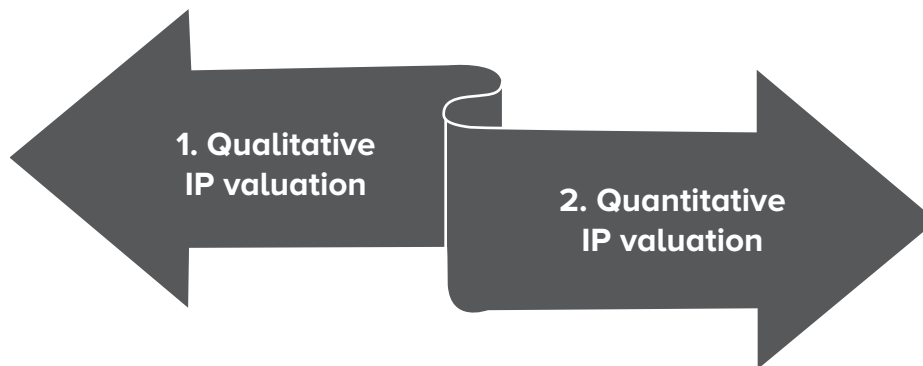
IP valuation is the process of identifying and measuring potential benefits and risks of an intangible asset. IP valuation is important for business planning, licensing, acquisitions, mergers, investments, joint ventures and loans. Valuation methodologies are important, because funding institutions are often willing to consider investment in research and innovative technologies, but lack the methodology with which to assess the value of IP assets.

IP valuation is considered as one of the most complex issues in the process of IP commercialization as it is very volatile and subjective. IP valuation, at least in its quantitative approach, appears as a scientific calculation.

However, it is only an estimation depending on the experience of the valuator in the particular area and his or her ability to make technical, market and IP projections in the future (except in litigation where valuation of the lost benefit would be done based on past events and existing market data). In addition, the value of an intangible asset further depends on the context, thus the same asset can simultaneously have different values in different contexts.

Valuation process can be challenging for multiple reasons, starting with the fact that universities and R&D institutions often deal with early-stage technologies, very far from market penetration and use, which makes any projection of the future benefit extremely risky – at this stage it is very difficult to define potential fields of use and thus to identify a suitable market in which technology would be exploited. The other impeding element is the lack of IP professionals with appropriate skills to conduct IP valuation.

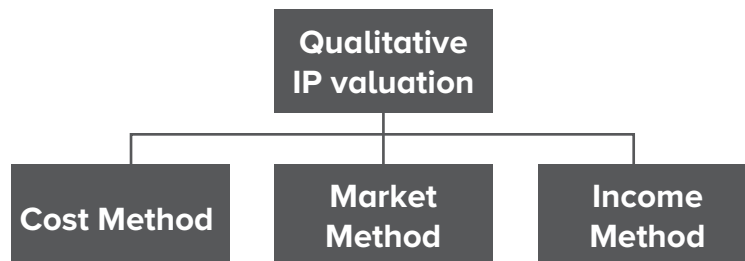
Types of valuation approaches



There are two major IP valuation approaches:

1. **Qualitative IP valuation** of an invention is based on defined criteria related to technical, IP and market requirements in order to determine if the research result is valuable for further investment and IP commercialization, usually done in pre-commercialization phase.
2. **Quantitative IP valuation** is the process of measuring the potential benefit and risk that can be generated by an IP under assessment.

The quantitative approach, which aims to give monetary value to IP, has a number of developed methodologies associated with it, among which the most used are:



- *Cost Method*- By figuring out the price of an identical or similar asset, this establishes the worth of the intellectual property asset. When the Property is susceptible to simple copying or its economic benefits cannot be precisely measured, the cost technique can be helpful.
- *Market Method*- This approach compares comparable IP assets based on the transfer fees associated with each. Given that it is based on a market comparison, this strategy is straightforward. It is frequently used to estimate tax and royalties rates.

- *Income Method (which has numerous variations such as Discounted Cash Flow, Monte Carlo program, Real Option etc.)* - With this method, the asset is valued based on projected earnings and alterations to its current value. It is the approach of appraisal that corporations utilise the most frequently. For assets with a positive cash flow, the income approach is thought to be the simplest to use.

CASE STUDY

Jawaharlal Nehru Tropical Botanical Garden and Research Institute (JNTBGRI)

Background:

Nestled in the tropical forests of the Agasthyamalai hills of the Western Ghats, a mountain range in Kerala state, India, live the indigenous Kani tribe, traditionally a nomadic people with a population of almost 25,000. In December 1987, Dr. Palpu Pushpangadan, then director of the Jawaharlal Nehru Tropical Botanical Garden and Research Institute (JNTBGRI) in Kerala, was leading a team from the All India Coordinated Research Project on Ethnobiology (AICRPE) on an ethnobotanical expedition to the Western Ghats.

Knowing that the Kani knew the area better than anyone, Dr. Pushpangadan employed some of them as guides. While traversing through the rough terrain, the team was surprised that after several hours their Kani guides did not feel tired, while they themselves were constantly feeling fatigued. Curious as to why, they observed their guides and saw them continuously munching black fruits of some plants. Seeing their exhaustion, the Kani guides offered some of the fruit to the AICRPE team. Upon eating the fruit, the team immediately felt full of energy and vitality.

The Kani have a rich tradition of using wild plants found in the region for health reasons, and their tribal physicians – known as Plathi – are the exclusive holders of the traditional medicinal knowledge of the tribe. According to Kani tribal customs, only the Plathi have the right to transfer and disseminate their traditional medicinal knowledge. Because of this, the Kani guides were reticent to share with the AICRPE team the source of the revitalizing fruit. However, after a great deal of pressure, the Kani led the team to a plant known locally as “arogyapacha” (known scientifically as *trichopus zeylanicus* ssp. *Travancoricus*).

Invention:

With first-hand experience of the medicinal benefits of arogyapacha, Dr. Pushpangadan knew that the effect of the plant's berries was unusual, and that it had significant sales potential if it proved to be safe. He and his team of scientists took the plant back to JNTBGRI's research facilities and began to analyze it through a multitude of chemical and pharmacological tests. Their research over eight years discovered that not only did the plant (particularly the fruit and leaves) have anti-stress and immune-stimulating properties, but it also boosts stamina, relieves fatigue, helps control tumors and activates the body's natural defenses and cellular immune system.

After seven years, JNTBGRI's research isolated twelve active chemical compounds in the plant that yielded the effects they experienced. The traditional way in which the Kani used arogyapacha was to eat its fruit. JNTBGRI discovered that crushing the plant's leaves was the most effective way to get to the twelve compounds. These chemicals were then combined with three other plants and JNTBGRI produced a scientifically verified and standardized herbal formulation for its reproduction. JNTBGRI named this formulation “Jeevani,” which means “giver of life.” The product comes in granules and is mixed with hot water or milk.

Research and development:

With a standardized formulation in hand, JNTBGRI continued its research and development (R&D) program on Jeevani, particularly through clinical trials in which it was administered orally to one hundred human subjects in studies involving either healthy or unhealthy individuals. The research focused on determining the ability of these people to withstand adverse conditions (such as an increased work load), the quality of work completed under stress, athletic performance, any increase in mental alertness and overall work output.

Results of the clinical trials were very successful and Jeevani was found to exert favorable effects in a number of situations. JNTBGRI's research scientifically demonstrated the important medicinal benefits of the arogyapacha plant, and proved that when used alone or combined with other ingredients, it can be more effective and safer than ginseng.

JNTBGRI has applied the success of Jeevani to other R&D projects and it believes that the project is a model for bringing beneficial traditional medicinal plants to the world market. "Our purpose here is to make sure that these valuable plants remain available, and that science into their medicinal uses continues," Dr. Rajasekharan, head of JNTBGRI's ethnomedicine division, explained. "We are dedicated to this work. We hope to initiate more work like the Jeevani project, in time developing other medicines. There are so many valuable plants that can help people with common health

Patents:

Dr. Pushpangadan and his research team realized that without intellectual property (IP) protection, they would not be able to generate much revenue from Jeevani. With an interest in also helping the Kani people through a benefit sharing agreement, Dr. Pushpangadan also knew that no IP protection also meant there would be no financial gains for the Kani people. IP protection was thus essential.

Therefore, after successfully finishing R&D and further refining Jeevani, in cooperation with the Council of Scientific and Industrial Research (CSIR), a premier Indian R&D organization, JNTBGRI decided to make a patent application in 1994 with the Office of the Controller General of Patents, Designs & Trademarks of India (IP India) for the manufacturing process of an herbal sports medicine based on the compounds isolated from arogyapacha. In 2007, Dr. Pushpangadan became Director General of the Amity Institute for Herbal & Biotech Products Development (AIHBDP) at Amity University in Uttar Pradesh. After the original patent application, Dr. Pushpangadan and Amity University filed an updated application with IP India for Jeevani in 2008. The patent application (No. 2319/DEL/2008) was published in 2010 but a patent has not yet been granted.

Licensing:

Since JNTBGRI is a research institute, it does not have the capacity to commercialize any products resulting from its Jeevani invention. Therefore, it authorized the licensing of the technology for manufacturing Jeevani to interested parties. JNTBGRI established a committee to determine which organization would be most suitable for licensing. The committee chose Arya Vaidya Pharmacy Ltd. (AVP) of Coimbatore, one of the largest herbal pharmacies in India, to be the primary manufacturer, and in 1995 AVP signed a seven-year licensing agreement with JNTBGRI and paid a US\$50,000 licensing fee.

Under the terms of the agreement, JNTBGRI would receive two percent royalties on any sales of Jeevani products. The licensing agreement with AVP was primarily to establish a market for Jeevani products, after which JNTBGRI maintained the right to license its manufacturing technology to other companies if it so desired. The license agreement between JNTBGRI and AVP proved to be successful and therefore has been consistently renewed thereafter.

Commercialization:

Initial commercialization of Jeevani was undertaken by AVP. A unique aspect to the commercialization process is that the land that the Kani people live on is actually owned by the Indian Forest Department. Because the Forest Department is concerned about the sustainability of the forests and natural resources of the region, any cultivation of land requires its prior approval. Large scale manufacturing of Jeevani therefore faced some significant early challenges, and because of sustainability concerns the Forest Department initially prohibited any products to be sold that were made from the arogyapacha plant.

As a solution, JNTBGRI pointed out that only the leaves of the plant needed to be used to make Jeevani, and that several harvests of the leaves could be made from the perennial plant each year without actually destroying it. In October 1997, a proposal was made to the Forest Department and the Integrated Tribal Development Program (ITDP), an initiative run by the Directorate for Tribal Welfare of the government of Kerala, stipulating

that JNTBGRI was willing to pay the Kani people money for the seeds necessary for the cultivation of the plant and would subsequently buy the leaves harvested. This was not only a sustainable solution, but the sale of the leaves would give the Kani an additional, stable source of income.

To facilitate this arrangement a pilot program for the cultivation of arogyapacha was carried out with support from the ITDP between 1994 and 1996. Fifty families were given approximately US\$ 40 each for cultivating the plant. JNTBGRI was to buy five tons of the leaves per month and supply them to AVP for the production of Jeevani. This scheme was a resounding success, through which many Kani people secured employment and training in cultivation and harvesting, which provided them with stable income and new skills they could use for sustainable cultivation of other natural resources in the region. As a result of this success, the Kani people continue to supply AVP with arogyapacha leaves through similar programs.

IP Infringement and Enforcement:

Although Jeevani's powerful and safe effects have garnered worldwide attention, due to high patenting costs JNTBGRI has yet to secure IP protection for it outside of India as of 2010. This has resulted in a few difficulties for JNTBGRI which may possibly inhibit AVP from international expansion. In 1999, Nutrisciences Innovations LLC (Nutrisciences), a New York based herbal medicine company, applied to register a trademark with the United States Patent and Trademark Office (USPTO) for the Jeevani name. For some time, it sold its product in the United States Market without the knowledge of JNTBGRI. When this came to JNTBGRI's attention, a dispute erupted and brought considerable media attention. While the case never officially resolved, Nutrisciences abandoned its trademark application in 2001.

A similar case happened when Great Earth Inc. (Great Earth), another New York based supplement and vitamin company, registered a trademark for Jeevani in the United States in 2000. Great Earth marketed an energy drink called "Jeevani Jolt 1000" that included the same ingredients as those in the original Jeevani, though it is unclear how Great Earth acquired arogyapacha. This product did not technically infringe on any IP because JNTBGRI never filed a trademark registration for Jeevani with the USPTO. As a result of Great Earth's product, Jeevani became widely known in North America, and many other companies have since released products under the Jeevani name or claiming to be made of Jeevani. Because these companies are purchasing the arogyapacha plant from suppliers other than AVP, the Kani people are not enjoying any benefits of their traditional knowledge. Although JNTBGRI would like to take up the issue with the USPTO, as of 2010 costs of contesting a trademark in the United States are too high, leaving JNTBGRI with little recourse.

Business Results:

Despite the lack of IP protection in major markets such as the United States, Jeevani has been a big success for JNTBGRI, AVP and the Kani people. Jeevani is now known as the "ginseng of India" and has been one of AVP's most successful products. As such JNTBGRI has regularly renewed AVP's license to market Jeevani. Perhaps more important, it has made a significant financial impact on the lives of the Kani people. The Kani have already received financial injections into their community, and the success of the benefit sharing agreement has led BMC to propose that the license fee be doubled to US\$ 52,000 and the royalty payment also be doubled from two percent to four percent, which would translate into more financial gains for the Kani.

Drawing on IP and Benefit Sharing for Development:

Recognizing the rights of traditional knowledge holders can make a significant impact on economic and social development. IP protection is one of the most important tools through which this recognition can come. Even before the patent applications based on arogyapacha were granted, they yielded strong financial gains, half of which was shared with the Kani people. As this case shows, the effective use of IP in concert with benefit sharing agreements can go a long way to foster development for traditional knowledge holders and their communities.

Licensing to Save Lives, Institute of Microbial Technology, India

Cardiovascular diseases are the number one cause of death worldwide and Republic of India (India) accounts for nearly 60% of all heart disease cases worldwide. The overall mortality rate for heart attack (the most common result of cardiovascular disease) in the country has increased because of the unavailability of affordable

thrombolytic drugs. These are among the most necessary medicines to treat heart attacks as they dissolve life threatening blood clots within six hours of a heart attack (known as the “golden window” period).

Council of Scientific and Industrial Research (CSIR) in New Delhi was established in 1942 as an autonomous scientific and industrial research organization. By 2011, it had under its direction 39 state-of-the-art research laboratories and 50 extension centers, and is a leading internationally known research organization. One of these laboratories is the Institute of Microbial Technology (IMTECH), which was established in 1984 and is based in Chandigarh. In 1992, IMTECH launched a research program which resulted in the successful development of a novel and effective blood clot dissolver and the associated production process. The new technology is extremely affordable and without the major side effects (such as hemorrhaging) that generally come along with conventional medicine. These factors make it ideally suited for India and developing countries which are experiencing a dramatic increase in cardiovascular diseases.

IMTECH therefore recognized the need to develop a Tissue Plasminogen Activator (TPA)-like medication that is affordable for even the poorest of patients.

Funded by CSIR and also partially by the Department of Biotechnology of the Government of India, research and development (R&D) started in 1992 and focused on creating a novel hybrid Streptokinase (SK)-based protein that would become active in a time delayed manner once it was in the vicinity of the target blood clot, and would also remain active for a longer period of time. Researchers also focused on a number of other goals for the hybrid drug.

First, SK molecules were selectively modified so the new drug would retain the desirable properties of unmodified SK.

Second, different variants of the molecule would be developed to create more efficient dilution of blood clots with a reduced reaction from the immune system.

Third, the new drug would ensure the stable degradation of the blood clot thus making the drug stable.

Lastly, R&D also focused on developing a system for the production of the hybrid polypeptides (a chain of linked amino acids which form the building blocks of proteins), which includes DNA segments/polynucleotide blocks encoding the polypeptides, plasmids containing these genetic elements capable of their expression into protein, as well as micro-organisms transformed with these plasmids.

Invention

IMTECH's work culminated in the development of a new hybrid drug technology which does not target a specific clot, but instead uses time delay properties to activate when it is in the vicinity of the clot. The drug is essentially a mutant SK-based protein molecule that remains inactive for 5 to 30 minutes after administration. The molecule can achieve this because of a modified plasmin “activation switch” that it contains, which ensures that the molecule will activate inside the blood clot and not outside. Plasmin is a vital enzyme, and as such blood clots are rich in plasmins. Since plasmins are necessary for the molecule to activate, once it comes in contact with a blood clot rich in plasmins, the activation switch is turned on, and the molecule goes to work dissolving the blood clot. Because of its hybrid nature it does not activate until it is within proximity of a blood clot like TPA-based drugs and thus has fewer side effects than traditional SK-based medicine. It is also exceedingly more affordable than expensive TPA-based drugs that target only a specific clot. At the same time, the drug has enhanced effectiveness and is more stable, which makes it a more desirable choice over conventional drugs. Further improvements to the technology were made in 2009.

In addition to the hybrid molecule, IMTECH invented a method for the selection and production of SK molecules that show increased stability, extended half-life (the time it takes a substance undergoing decay to decrease by half) and reduced immunogenicity (the ability of a particular substance to provoke an immune system response).

IP Management

In 1996, the organization developed and adopted its official IP management policy and became one of the earliest entities in India to do so. The goal of the policy is to maximize the benefits to CSIR from its intellectual capital by stimulating higher levels of innovation through a judicious system of rewards, ensuring timely and

effective legal protection for its IP and leveraging and forging strategic alliances for enhancing the value of its IP. CSIR's IP achievements reflect the success of this policy, and since the mid 1990s it has emerged as a leader in IPRs covering all forms, including patents, trademarks, industrial designs, new plant varieties, and copyright, among others.

In the case of the hybrid SK molecule and production process, the results of the R&D were reported to the lab's IP cell, which drafted a report of the invention. This was sent to the IP Management Division (IPMD), which is a centralized division of CSIR that is responsible for IP protection of inventions developed at CSIR laboratories. Once in the hands of IPMD, an international patent information search was carried out and the decision was made to draft and submit a national patent application.

Licensing and Commercialization

With IP protection in hand, CSIR used its extensive experience and resources to take a quick and successful path to commercialization. Because of the R&D nature of the organization, it determined that the best way in which to transfer the technology to the commercial sector was through licensing agreements. CSIR therefore launched a series of networking and promotion activities, through which contact was made with interested parties for domestic and international licensing.

Negotiations for a worldwide licensee lasted approximately one year, and in 2006 CSIR entered into an exclusive worldwide licensing agreement with Nostrum Pharma Inc., (Nostrum Pharma), an established pharmaceutical based in the USA, for the hybrid SK molecule and the production process. The technology was exclusively and globally licensed to Nostrum Pharma for US \$5 million, plus additional royalties which will be determined once the technology has been commercialized.

Since Nostrum Pharma was the worldwide licensee of this technology, it had the right to also be the first worldwide licensee for any improvements. As IMTECH developed improvements to the technology in 2009, in 2010 the company therefore exclusively licensed the patent to Nostrum Pharma for these improvements for approximately US \$150 million, which includes upfront compensation, milestone payments, expected royalties subject to successful completion of clinical trials at various phases, fees to obtain regulatory approvals before the product goes to the market, and accrual of royalties on commercialization. Nostrum Pharma is responsible for all costs related to further R&D, toxicological studies, clinical trials and further IP protection. In addition, the Nostrum Pharma has the resources and expertise with which to undertake further R&D, clinical trials and testing, all of which are necessary for commercialization. Because IMTECH's goal is to commercialize the invention into an easily administrable drug with few side effects, Nostrum Pharma's expertise made it an attractive global licensee.

The Bishop Way of Steering to Success

In the late 1950s, Dr. Bishop adapted technology originally developed for power-steering systems for World War II aircraft for use in automobiles. To bring his innovations to the market, he founded AE Bishop Holdings Pty, Limited in 1957, which changed its name to Bishop Technology Group Limited in 1999 and in 2011 became a subsidiary of the German company GMH Stahlverarbeitung GmbH (GMHS) under the name Bishop Steering Technology Pty Ltd (Bishop).

Bishop is now a world-leading engineering company that develops steering systems, steering racks, and related components for the automobile industry. Its technology is incorporated into F1 racecars, IndyCar Series (the premier level of open wheel car racing in the USA), and many of the world's most famous sports cars. Backed by a strong intellectual property (IP) portfolio and over half a century of innovation, Bishop's car steering technology allows automobiles to respond quickly to shifts in load as they are driven around a variety of surfaces, smoothening the steering effort and making the driving experience safer and more enjoyable.

Research and Development

At the start of World War II, Dr. Bishop was engaged in redesigning sections of aircraft landing gear for the Bristol Aeroplane Company, where his efforts resulted in two innovations. First, a shimmy damping mechanism for the rear wheels of fighter planes that eliminated wheel vibration, making landings much smoother and more

comfortable. Building on this success, Dr. Bishop subsequently invented a variable ratio nose wheel steering system. Following the end of the war, the entrepreneur patented his invention, licensed it to major aerospace companies in the USA and United Kingdom, and used the royalties for research and development (R&D) into applying his invention to automobiles.

International success quickly followed, and as the small and medium-sized enterprise (SME) grew. In 1997, Bishop's technology was significantly advanced as a consequence of an R&D START Grant received from the Australian Federal Government. Bishop invested the grant into the company's R&D equipment and the recruitment of additional expert staff, including patent attorneys.

Bishop has relied on a policy of investing millions of Australian dollars (AUD) into R&D annually, which is made possible by the company's robust IP portfolio. For example, fifty years after the development of Bishop's first variable ratio rack-and-pinion steering system, the company innovated a unique variant of the system – called ActivRak – that offers all of the benefits of the original invention as well as fast responses to steering inputs, which allows significant benefits to a vehicle's dynamic behavior.

Patents and Trade Secrets

In a 1982 interview, when discussing IP Dr. Bishop said "The patent system plays an essential role for the innovator." At each stage in the R&D process, Dr. Bishop and his team filed patent applications for their ideas. By developing and patenting these complementary innovations, Bishop has been able to maximize income from licenses, joint ventures (JVs), and partnerships. This income is then put back into R&D on new technologies and innovations.

One of Dr. Bishop's earliest granted patents was in 1958 for his perfected variable ratio rack-and-pinion power steering technology. Since then, Bishop has filed over 500 patent applications, with over 100 of them successfully registered. The company's rack-and-pinion steering gear, one of its most successful inventions, is the subject of an international Patent Cooperation Treaty (PCT) application. The Bishop ATS Power Steering Valve and the Bishop VARIATRONIC, a speed-sensitive power steering solution, are further examples of the SME's patent registrations and innovative success. Bishop has prodigiously used the PCT System to file patent applications internationally and to obtain patent protection for more than sixty technologies and processes in many different international markets.

In addition to patents, the company has a long history of strictly protecting its innovations as trade secrets, releasing them only after they are deemed ready to be the subject of a patent application. Full disclosure in the patent document is considered important for the enforcement of the SME's patents, particularly internationally.

Licensing

Early on, Bishop followed a simple strategy to bring its developments to the market: create new IP and license it to interested parties. This suited the SME, as instead of spending resources and time on physically manufacturing products, the relatively small company was able to focus on ingenuity and developing a steady stream of innovations that could compete internationally. This proved to be a productive strategy, in that after Bishop secured its first licensee – a major Japanese automobile manufacture – many other global licensees soon followed.

Bishop originally entered into exclusive licenses with various companies, a strategy which generated a high royalty return. However, as Bishop's innovations became accepted in the industry and more widely available in the market, it renegotiated those licenses to make them non-exclusive, which allowed the SME to significantly broaden the user base of its technologies. For example, Bishop's 2004 license agreement with Chongqing Changfeng Machinery Company Limited (Changfeng), one of the major steering gear suppliers in the People's Republic of China (China), enabled the company to produce state-of-the-art hydraulic power steering valves for the Chinese and international markets.

Commercialization

As the company grew, Bishop made the decision to make a change in its business model. The SME wanted to become more involved in the industrialization and marketing of its IP, instead of simply licensing it to other

companies. To that end, in 1997 Bishop entered into a JV with the steering division of Mercedes-Benz, a large automobile company based in Germany, to commercialize Bishop's power steering technology.

The Mercedes-Benz JV allowed for the introduction of the SME's ActivRak invention in 2008. In 2000, Daimler Chrysler AG took a 30% shareholding interest in Bishop, which ultimately led to the SME's first implementation of ActivRak. This method has allowed the SME to capture more value in its IP, reach more markets, and develop a deeper understanding of the entire innovation process, from the first blueprints to the final product. The SME's core commercialization efforts include the development, licensing, and manufacture of steering systems, racks, and components. In addition, Bishop develops prototypes, production equipment, and support services for specialized steering components and assemblies.

By 2014 Bishop had over 50 years of experience in developing, protecting, and marketing IP, and the company has used this experience to diversify the products and services it offers. From concept development and design to marketing and IP protection, Bishop's extensive experience, R&D, and range of in-house experts (such as engineers and patent attorneys) have ensured that the company's products and services achieve success.

Partnerships

Key to Bishop's business strategy throughout its history has been the strategic use of partnerships. One important type has been JVs, through which the SME has been able to develop new IP while ensuring it remains commercially viable. Furthermore, JVs have given the company access to manufacturing (by leveraging their partners' resources) and a way to break into new markets.

A few years after the successful Mercedes-Benz partnership, the company announced that it would undertake at least three more JVs over the ensuing years at a value of more than AUD\$100 million. These investments allowed Bishop to speed up existing projects while taking on new ones, increasing its ability to create further technologies whilst continuing to operate as an independent supplier in the global market.

Bishop also teamed up with the developers of Adams, the world's most widely used multibody dynamics computer software that simulates real world physics and aids engineers in the study of the dynamics of moving parts for the design and analysis of mechanical systems. The partnership resulted in a new set of software tools that became widely used in the car industry for virtual reality developments of new vehicles.

Perhaps the most important partnership the SME entered into was the acquisition of Bishop by GMHS in 2011. A subsidiary company of the Steel Processing Unit of Georgsmarienhütte Holding GmbH (the GMH Group), GMHS is a leading global developer of specialized materials for steering racks. Bishop joining the GMH Group allows the SME to collaborate closely with GMHS and its related companies and partners, providing it with significant assets in the design and development of new steering innovations. Now operating as a subsidiary company and still retaining the Bishop name and culture, the company has been able to increase its technical and manufacturing capabilities through the acquisition.

Business Results

Bishop's cutting edge technology, substantial R&D investments, rigorous patenting and IP management, prudent partnerships, and strategic commercialization initiatives have led to stunning business success for the company. By 2000, the company's revenue reached over AUD\$44 million annually, up by over 27% on the previous year.

The company and its partners generate further revenue via effective management of the SME's IP, which includes over 100 granted patents worldwide that return millions of AUD\$ annually in royalties like the license with Changfeng worth over AUD\$5 million and allowed Bishop to enter new and fast-growing markets. Other licensees include some of the largest automotive and aerospace manufacturers in the world, such as Ford Motor Company, Mercedes-Benz, and TRW Australia.

Maintaining a diversified revenue stream has enabled the company to develop new innovations, reach new markets, and eventually attract a major partner (GMHS) that helps to ensure the company's future success. By 2014, more than 23% of all vehicles produced globally each year contained components that were built using Bishop's technology, and the company has a presence in major automotive markets in Europe, North America, Asia, and Oceania.

LESSON ROUND-UP

- Competition law and IP laws are important elements of the legal system that provides a framework for the modern economy. IP law seeks to create monopolies while competition law seeks to prevent monopolistic behavior.
- The idea behind antitrust law, a subset of competition law, was developed in the late 19th century to prevent the exploitation of various trusts.
- Competition Act, 2002, is a comprehensive law that governs competition that aims to stop corporate activities in India from having a significant negative impact on the country's market.
- IPR aims to reward the innovator, to encourage other innovators, and to make innovative information that could otherwise remain trade secrets accessible to the public, laws typically grant a right of exclusive use and exploitation. Whereas Competition Law, ensure healthy competition in markets, competition authorities control close to monopolies, mergers, and business partnerships.
- IP commercialization turns a concept or innovation into a monetary-valued good or service. The most common method for monetizing creativity is the selling of such a good or service. It can be commercialised in multiple ways.
- A technology transfer agreement is, in a sense, a type of intellectual property licence in which the objective of the contract is a technological element (whether it is included in a product, covered by a patent (registered or pending), or in the development process).
- "Technology transfer" refers to the use of knowledge, and when we discuss the transfer of technology, what we truly mean is the exchange of knowledge via a contract between nations or businesses. The term "transfer" refers to the use of technology; it does not refer to physical transportation or delivery.
- The seller is frequently required to transfer ownership of any IP that is a component of the firm being sold in a buy/sell transaction. These may contain any trade secrets that are essential to the business's operations as well as any patents, trademarks, and copyrights that are utilised by the enterprise.
- A sui generis is something that is unique in its own right. It establishes a new legal framework that may safeguard trade secrets and other intellectual property related to biodiversity resources, which will be advantageous for India's economy.
- India adopted a mechanism known as sui generis for the protection of confidential information, which is provided by both Article 39 of TRIPs and Article 10 of the Paris Agreement.
- IP audit is a method that businesses frequently employ to account for the intangible assets that they have created over a specific period of time.
- IP due diligence is a part of a comprehensive due diligence audit that is done to assess the financial, commercial, and legal benefits and risks linked to a target company's IP portfolio, typically before it is bought or invested in.
- IP valuation is the process of identifying and measuring potential benefits and risks of an intangible asset. IP valuation is important for business planning, licensing, acquisitions, mergers, investments, joint ventures and loans.

GLOSSARY

Anti- Trust Laws – It was to prevent the exploitation of various trusts. A law prohibits any association or trust from engaging in unfair business activities that slow the growth of other companies or enterprises.

Dominance – It refers to a position of strength which enables an enterprise to operate independently of competitive force in the market or to affect its competitors or consumers in its favour.

Abuse of dominant position – It is a position of financial and economic power obtained by businesses and entrepreneurs that enables them to thwart the maintenance of real competition on the relevant market. It is obtained through time by an organisation, and a number of variables, including the state of technology, entry obstacles, the size of activities, etc., affect the achievement of a dominating position.

Patent pool – It is an association of two or more companies to cross licence their patents in respect to a particular technology. Whether they are transferred directly from patentee to licensee or through a mechanism, like joint ventures, created specifically to administer the patent pool, IPRs that are the subject of cross-licensing are collectively referred to as “patent pools.”

Cross-Licensing – The interchange of Intellectual Property Rights between at least two people is called cross-licensing.

Commercialization – the process of transforming an invention into a financially viable good, service, or method is known as commercialization.

Assignment – A transfer of ownership of certain intellectual property rights is known as an intellectual property assignment. The assigning party (“assignor”) transfers its property in intellectual property rights, such as patents, trademarks, industrial designs, and copyrights, to the receiving party (“assignee”).

Vertical technology transfer – It occurs when new technologies are conducted from a new range of technologies when the technology is still under development and research.

Horizontal technology transfer – The transfer of well-known technology from one organisation to another is known as a horizontal technology transfer agreement.

TEST YOURSELF

(These are meant for re-capitulation only. Answers to these questions are not to be submitted for evaluation.)

1. With the help of case laws explain the inter-relationship between IP laws and Competition Act.
2. What do you mean by IP Audit? Discuss various methods of IP Audit
3. Explain commercialization of IP through Assignments.
4. What do you mean by technology transfer agreements and major clauses? Discuss.
5. What are the key issues that a company faces regarding IP during the sale of business?
6. What is IP due diligence? Why is IP due diligence necessary?
7. Why valuation of IP is plays an important role
8. Write short note on-
 - Care and Maintenance of Confidential Information
 - Sui Generis Doctrine
 - Types of IP Audit
 - Management of IP

LIST OF FURTHER READINGS

- National IPR Policy, 2016
- United Nations Conference on Trade And Development (UNCTAD), Transfer of Technology
- United Nations Economic Commission for Europe Intellectual Property Commercialization Policy Options and Practical Instruments

- ASEAN Handbook on IP Commercialization Strategies for Managing IPRs and Maximising Value.
- Patent Pools and Antitrust – A Comparative Analysis (WIPO)

OTHER REFERENCES (Including Websites / Video Links)

- <https://ipindia.gov.in/gi.htm>
- <https://www.wipo.int/technology-transfer/en/access-market.html>
- <https://unctad.org/system/files/official-document/psiteiitd28.en.pdf>
- [https://www.wipo.int/sme/en/ipaudit.html#:~:text=An%20intellectual%20property%20\(IP\)%20audit,of%20your%20potential%20IP%20assets.](https://www.wipo.int/sme/en/ipaudit.html#:~:text=An%20intellectual%20property%20(IP)%20audit,of%20your%20potential%20IP%20assets.)
- https://www.wipo.int/edocs/mdocs/sme/en/wipo_smes_bwn_13/wipo_smes_bwn_13_14_damodaran.pdf
- https://www.wipo.int/export/sites/www/sme/en/documents/pdf/ip_panorama_10_learning_points.pdf
- <https://www.imtech.res.in/achievements/technologies-transferred>
- <https://www.who.int/news/item/29-08-2023-who-initiative-signs-new-licensing-agreements-on-covid-19-technologies>
- https://www.wipo.int/edocs/mdocs/sme/en/wipo_reg_ip_guz_02/wipo_reg_ip_guz_02_8_b-related1.pdf

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WARNING

Regulation 27 of the Company Secretaries Regulations, 1982

In the event of any misconduct by a registered student or a candidate enrolled for any examination conducted by the Institute, the Council or any Committee formed by the Council in this regard, may suo-moto or on receipt of a complaint, if it is satisfied that, the misconduct is proved after such investigation as it may deem necessary and after giving such student or candidate an opportunity of being heard, suspend or debar him from appearing in any one or more examinations, cancel his examination result, or registration as a student, or debar him from re-registration as a student, or take such action as may be deemed fit.

It may be noted that according to regulation 2(ia) of the Company Secretaries Regulations, 1982, 'misconduct' in relation to a registered student or a candidate enrolled for any examination conducted by the Institute means behaviour in disorderly manner in relation to the Institute or in or around an examination centre or premises, or breach of any provision of the Act, rule, regulation, notification, condition, guideline, direction, advisory, circular of the Institute, or adoption of malpractices with regard to postal or oral tuition or resorting to or attempting to resort to unfair means in connection with writing of any examination conducted by the Institute, or tampering with the Institute's record or database, writing or sharing information about the Institute on public forums, social networking or any print or electronic media which is defamatory or any other act which may harm, damage, hamper or challenge the secrecy, decorum or sanctity of examination or training or any policy of the Institute.

PROFESSIONAL PROGRAMME

INTELLECTUAL PROPERTY RIGHTS - LAW & PRACTICE

GROUP 1 • ELECTIVE PAPER 4.3

(This test paper is for practice and self-study only and not to be sent to the Institute)

Time Allowed: 3 Hours

Maximum Marks: 100

All questions are compulsory.

Marks for each question is indicated alongside the question.

Read the following case study and answer the questions given at the end:

Question No. 1

The plaintiff, Tadka Today Broadcasting Ltd., wished to run a radio station on the FM band, known as “Tadka Today”, and intended to play both film and non-film songs on their radio station. They paid licence fees to the producers of the film and non-film songs, who were members of Phonographic Performance Limited (PPL). However, they did not intend to pay any royalties to the lyricists, composers and other artists, who were members of the Indian Performing Rights Society (IPRS), the defendant. The defendant threatened the plaintiff with violation of copyright law if the songs were played on their radio station, and the plaintiff filed the instant action claiming protection under section 60 of the Copyright Act 1957.

The plaintiff filed the present suit to seek an injunction against the continuance of threats of infringement, and the defendant filed a counterclaim alleging copyright infringement by the plaintiff.

The issue before the High Court of Calcutta was whether the plaintiff radio station was obliged to pay any royalty and/or licence fees to IPRS for the songs broadcasted through its radio station in addition to the licence fees paid to PPL, a society of producers.

The court held, following the Supreme Court decision in IPRS v. Eastern Indian Motion Pictures Association (EIMPA) that though the right of a composer or lyricist in respect of a song that was put into the sound track of a film was “extinguished” when he was paid, he could nonetheless still claim copyright in his song and reserve his right to assign it to others for commercial exploitation of his work in other modes if there was an express agreement between him and the producer of the film reserving his copyright.

In the present case, the plaintiff radio station did not contend that the IPRS members had assigned their exclusive rights to the producers by agreement. The court held that unless it was shown that these exclusive rights of the IPRS members were expressly assigned in favour of the members of PPL, IPRS was entitled to claim royalties from the plaintiff if it wanted to exploit the work by broadcasting the songs on its proposed radio station.

This decision is noteworthy for it affirmed, following the Supreme Court decision in IPRS v. EIMPA, the separate nature of the authorship rights of composers and lyricists in their musical compositions, and the derivative rights of producers in the sound tracks of their movies. It resolved the misunderstanding that the Indian composers’ and lyricists’ as authors could not licence their songs for use with other media once they were assimilated into the producers’ films as sound tracks. On the facts, the plaintiff radio broadcaster was held to require licences from both IPRS (representing the composers and lyricists) as well as PPL (representing the producers of both “film” and “non-film” songs) in order to secure permission to broadcast all the songs on their radio station. With the liberalization of the broadcasting industry by the Indian government since October 1999 to grant licences for private FM stations to provide entertainment-related broadcasting services, this decision affirmed the necessity for FM broadcasters to seek both IPRS and PPL licences for the broadcast of music (songs) and pay royalties to both.

Questions

- (i) Shed light on the relevant provision of the Copyright Act dealing with the Statutory Licence for Broadcasting of Literary and Musical Works and Sound Recording.
- (ii) Whether the plaintiff was legally right or wrong? Explain
- (iii) Discuss whether plaintiff was eligible to get remedy in this case, explain with reference to Section 60 of the Copyright Act, 1957.
- (iv) What is the 'assignment of copyright'? Discuss the relevant provision of the Copyright Act dealing with the assignment of copyright.

(5 marks each)**Question No. 2**

The Olem Inc. is a company incorporated under the laws of United States of America (U.S.A.) consequent to its Research and Development (R&D) activities the company invented and developed its patented drugs to enable its administration to human beings. On successful invention of the patented drug in 1999, the company applied for a patent in U.S.A. Thereafter, on 11 July, 2000 the company applied for an international patent under the Patent Cooperation Treaty (PCT) and on 5th July, 2001 applied in India for grant of the patent to the patented drug in India. On March, 2008 the office of the Controller granted the company's application dated 6th July, 2001. This patent granted in India on 4th March, 2007 corresponded to the patent granted to this patented drug in over 45 countries of the world.

The patented drug is used in the treatment of patients suffering from Colon cancer i.e. Colon Cell Carcinoma (CCC). The aforesaid patented drugs acts more as palliative i.e. relieves patients from the pain and to an extent also slows down the spread of cancer by restricting the speed with which the cancer cells grow. As a consequence of being granted a patent, the company had exclusive right to make, manufacture, use and sell the patented drug either by itself or through its licensee to the exclusion of others for a period of 20 years from the date of its application. Thus, the company had exclusive right to prevent third parties from making/manufacturing, using, selling or importing the patented drug in India without the company's permission/license.

The company Olem Inc. sells this drug under a brand CCCWIN which is registered Trademark in India, USA, Europe, China, Russia, Japan and New Zealand. Olem Inc. through its subsidiary Olem India Ltd. sells the drug in India. The drug was found to be very effective and the doctors worldwide appreciated the result of the drug.

M/s. Bright Pharmaceuticals established in the year 1930, located in Mumbai, Maharashtra, India is a manufacturer of various generic drugs.

Owing to the huge demand for the drug, which was nearly about 20 lakh units and the failure of Olem Inc. to meet the growing demand due to the import restrictions since their manufacturing units is in Washington, Bright Pharmaceuticals approached Olem Inc., for technical assistance and license manufacturing of their patented drug CCCWIN in India on 19th January, 2012. However, Olem Inc. declined to grant the license of manufacture for reasons best known to them. As per the records available, Olem Inc. had supplied only 2 lakh units against the huge demand in India at the rate of Rs.2.5 lakhs per month. Bright on other hand manufacturing the same drug at Rs. 20,000 per month.

In the 2012, the Olem India came to know that exact copies of their product CCCWIN is being manufactured by M/s Bright Pharmaceuticals. Immediately, thereafter, a Cease and Desist notice was issued by Olem Inc. to Bright Pharmaceuticals for infringing the Patent of Olem Inc. Taking the plea that pharmaceutical companies spend billions of dollars on research. It is estimated that, of every thousand potential drugs screened, only 4-5 reach clinical trials and only one is actually approved for marketing. Pharmaceutical companies patent the drugs that they develop and thereby obtain exclusive marketing rights.

Further at the time of expiry of its Patent on CCCWIN the Olem Inc. came with a minor change in the effectiveness and quality of CCCWIN and de-novo applied for Patent before the controller of Patents, who rejected to grant the patent on the ground that it does not result in the enhancement of the known efficacy of that substance

or the mere discovery of any new property or new use for a known substance or of the mere use of a known process, machine or apparatus.

Questions:

- (i) The rights of the Olem Inc. are not absolute. Discuss.
- (ii) Discuss about the matter of dispute between Olem Inc. vs. Bright Pharmaceuticals in the light of provisions of Indian Patent Act, 1970.
- (iii) Discuss in detail the rationale for Intellectual Property Protection to the companies like Olem Inc. as a Patentee.
- (iv) Critically examine the actions of Olem Inc. to evergreen its pre-existing patent for its pre-patented product and validity of the rejection order of the controller of patents in the light of provisions of the Patent Act, 1970 and relevant case law.

(5 marks each)

Question No. 3

Hoity is a brand name for the manufacturer of luxury cars by Drive Lux Ltd. The company is based in Japan. It has earned world-wide reputation of producing varieties of luxury cars. It has presence in many countries across the world. In India it has acquired registration in different classes of luxury cars for its trade mark "*Hoity*", "*Luxe*", "*Comfo*", "*Comfo Trvl*" and "*Comfo Device*" during the years 1989-2003. It launched the world-wide world's first commercial hybrid car called "E-Revvs" in Japan in the year 1997 and in other countries like UK, Australia, the USA etc. during the year 2000-01. The company claims to have registered the trade mark 'E-Revvs' in different countries as early as the year 1990 (in Japan) and in other jurisdictions around the world. In India the car was released in the year 2009 and till then the company had not registered the mark in India.

It plans to enter in the Indian market in the year 2008 with new luxury car. The Company discover that the Carpediem had not only got the "E-Revvs" registered in India way back in the year 2002-03 for all types of auto parts and accessories but they had also been using the said trade mark in carrying out trade in such auto parts and accessories. The first party or plaintiff therefore approached the trade mark registry for cancellation of the registered trade mark of the defendant and also filed the suit in the court questioning the other party's using the well-known trade mark of the first party without their authorisation and taking unfair advantage of the reputation and goodwill of the first party earned over a period of time across the globe. Plaintiff prayed for permanent injunction restraining the defendant from using the plaintiff's registered trade mark and permanent injunction restraining the defendant from using the well-known unregistered marks "E-Revvs".

The defendant replied that they are using the mark 'Comfo', 'Comfo India' and 'Comfo device' on the packaging materials in which the auto parts manufactured by them are packed for the purpose of item identification and nothing more. Since operating in the same area of industry they are supposed to indicate the cars for which the spare parts have been manufactured by displaying the name on the packaging of the products. Therefore, it is honest use under section 30 and therefore protected under the Act.

With regards to the 'E-Revvs' they had registered the mark in year 2002 and continuously using same since the year 2001. They have been regularly supplying the auto accessories to various automobiles giants. By the time they have acquired market reputation for the mark and their services. Since they are operating in India from a time when the plaintiff has not established the product, therefore they are entitle to have the trade mark in their favour.

Questions

- (i) What is the nature of Intellectual Property Rights in general and trade mark in particular the territorial or international or both?
- (ii) What is a well-known trade mark? Explain its essentials with relevant examples and cases.
- (iii) Can a trade mark which has acquired reputation in foreign State is entitled to acquire trade mark in India?
- (iv) What are the grounds of passing off and infringements?

(5 marks each)

Question No. 4

OAGRO S.A. (OAGRO) is an Argentinean seed company belonging to the Terra family. The origins of OAGRO are to be found in the Terra Countryside Organization (TCO) which was established in the 1966 as the first company in Argentina to devote itself to the genetic improvement of soyabean. TCO was responsible for the program that led to the registration of the first Argentinean soyabean “variety” (a plant grouping within a single botanical taxon of the lowest rank) in 1980’s.

OAGRO’s business strategy concentrates on the production and sale of plant seeds of mainstay crops: soyabean, wheat and maize. Its activities are conducted throughout the Argentinean agricultural and livestock industry. Its central offices are in Rosario, Santa Fe, a major grain marketing, soyabean grinding centre and seed export zone. In fact, the most important soyabean producing-exporting centre in the world is to be found in an area within a radius of 150 kilometers around Rosario.

Despite its traditional approach in certain areas (e.g. the company’s main experimental field remains the Terra family farm), OAGRO has dramatically changed its way of doing business and has managed to prosper following some of the important changes that took place in the Argentinean seed industry since the mid-1990s. One of the main reasons for OAGRO’s success has been its ability to manage its intellectual property (IP) successfully and to establish partnerships with foreign and domestic companies and research institutes.

The Argentinean Law No. 20.247 on Seeds and Phytogenetic Creations, guarantees ownership of plant varieties, and the Argentinean Association of Protection for Plant Breeds (ARPOV) deals with the defense of rights and provides the possibility for collecting royalties for IP rights holders. Additionally, Argentina’s accession to the 1978 Act of the International Union for the Protection of New Varieties Convention (UPOV Convention) plays an important role in the development of companies such as OAGRO.

One of OAGRO’s major areas of work is the genetic improvement of soyabean. The company’s market position, however, was seriously challenged when Monsanto, a multinational agricultural biotechnology corporation, started commercializing the Round-up Ready (RR) gene (RR technology allows for the use of herbicide without any adverse effect on the crops) in Argentina during the mid-1990s. The RR gene based plant varieties soon became popular among farmers. OAGRO was quick to realize that to retain its market position, they would have to market RR varieties too. Therefore OAGRO reached an agreement with Monsanto Argentina that authorized its use of the RR gene. This agreement also allowed OAGRO to place its soybean varieties in other countries.

As far as maize is concerned, due to the high degree of adoption of transgenic (genetically engineered) forms of maize in Argentina, OAGRO signed a testing agreement with Monsanto in order to work with MON 810, a maize variety based on the Bt gene (gene of a naturally occurring bacteria that produces a protein toxic to certain types of insects. The Bt gene can be transferred to crops, thereby making them more resistant to the corresponding insect).

OAGRO has registered over a dozen trademarks. Among them, the most important ones are OAGRO, TECNOSOJA, TECNOTRIGO and TECNOMAIZ. The company has also registered the name with which it identifies its lines of products, such as CANAI. Trademark registrations are done primarily for the domestic market with Argentina’s National Institute for Industrial Property (INPI), as varieties that are licensed to foreign companies, for example American companies, are generally sold under the licensee’s trademarks.

The growth of OAGRO in recent years is essentially based on license agreements linked to IP. It has been capable of negotiating licenses for its own varieties and those created by third parties to other companies in Argentina and abroad.

Agreement with the National Institute of Agriculture Technology (INTA) of Argentina: In 2002, OAGRO concluded an agreement on technology transfer with INTA for the genetic improvement of subtropical germplasm of maize. Under the Agreement, INTA provides the germplasm, installations and technical staff, and OAGRO covers the operating expenditures. The hybrids obtained are marketed exclusively by OAGRO while INTA receives a percentage royalty as the owner of the germplasms. This unique public-private agreement also allows OAGRO to produce the hybrids with its own trademark and also to license them out to third parties.

Licensing Agreement with the National Livestock Research Institute (INIA) of Uruguay: INIA and OAGRO have a special deal under which INIA has granted OAGRO exclusive rights over the licenses for INIA's wheat varieties in Argentina. In return, OAGRO has authorized similar rights to INIA for soyabean varieties from OAGRO. This license agreement allows OAGRO to enter the wheat seed market with adapted varieties at a cost roughly equivalent to that of developing its own crops, however at a much quicker pace. INIA benefits from the expansion of the market for its wheat varieties. For OAGRO, this is a very good commercial opportunity; OAGRO has typically focused on soyabean sown in summer, but the incorporation of the seeds of winter crops from INIA allows them to expand their sales structure and to generate more revenue. The scheme of licenses for soybean varieties to INIA, with a view to market them in Uruguay, has similar results for both parties.

Licensing-out to South African companies : In the past, OAGRO had granted licenses for conventional varieties in South Africa, and, more recently, it has done so for RR varieties, thereby contributing to the development of the crop in that country. As in previous agreements, OAGRO is the owner of the varieties and a South African company exploits them commercially.

Partnership with Innovativ et Plantes (Seeds and Plants) S.A. (DSP) of Switzerland: OAGRO established a commercial relationship with DSP in Switzerland, which includes licenses for varieties of wheat for the whole of South America and technical collaboration, including the training of OAGRO staff in Switzerland. Like in the Agreement with INIA, the varieties here are also owned by DSP, and OAGRO is responsible for commercial exploitation. The agreement allowed OAGRO to access the Argentinean markets with high quality wheat varieties.

Argentina constitute a major market for the production of soyabean in the world. FMT provides important technical support for the crop in Brazil, where approximately 16 million hectares are cultivated. OAGRO has established a program of work which includes the joint launch of varieties of soyabean, which is carried out in both countries. This joint project does not involve any licenses but an ambitious joint development of varieties and research on disease resistance, as well as cultivation technology.

Integration with Seedaw S.A. : In April 2009, OAGRO reached an agreement with Seedaw S.A., another Argentinean seed company. Based on this agreement, Seedaw has taken over the responsibility of the distribution of seeds for OAGRO in Argentina. Seedaw will build upon the existing marketing structure of OAGRO and improve its services to customers and distributors. For its part, OAGRO will be integrated into Seedaw and will focus on research programs and improvement of soyabean and wheat to meet Argentinean requirements. It will at the same time continue its technology exports to neighbouring countries.

Starting as a small family business, OAGRO has come a long way to establish itself as a pioneer in the genetic improvement of soyabean in Argentina. The partnership strategy that OAGRO pursued not only enabled it to retain its market position in Argentina, but also provided it with improved plant varieties, access to foreign markets and consequently higher revenue. The integration with Seedaw allows OAGRO to concentrate more in research and development while at the same time assuring it of the much-needed market access at home and abroad.

A strategic partnership approach through licensing and intelligent use of IP was the key factor behind OAGRO's success. While the national and international legal framework facilitated the task of ensuring the ownership of phytogenetic creations (varieties or lines), the partnerships helped OAGRO move forward quickly and very actively in retaining and extending its domestic and foreign market positions.

Questions

- (i) Evaluate the OAGRO's achievement in successfully managing its intellectual property (IP).
- (ii) How does Argentina's 1978 Act of UPOV Convention (International Union for the Protection of New Varieties Convention) entry play a significant role in the growth of businesses like OAGRO?
- (iii) Even though genetically improving soyabeans is one of the OAGRO's main areas of focus, Monsanto continues to substantially threaten the company's market position. How?
- (iv) To what extent is OAGRO benefited by the licencing agreement with INTA and INIA, the National Institute of Agriculture Technology and the National Livestock Research Institute, respectively?

(5 marks each)

Question No. 5

Mr Ravi was the whole time Director of the Kor Pvt Ltd., engaged in the manufacturing of textiles (bedsheets, duvets etc.) appointed under the Agreement of employment dated 22.8.2005, for the period 24.7.2004 to 23.7.2009. Under the said agreement, he inter alia agreed not to divulge or disclose confidential information of any nature to any person by way of a Non-Disclosure Agreement (NDA). The parties agreed that such information shall be the property of the Company.

The Defendant is stated to have divulged confidential information to a competitor being Solom & Solom Private Limited (SSP) by way of forwarding on e-mail a manual of a customised software for real estate business of the Plaintiff obtained by the Plaintiff upon payment of consideration from the software producer Oracle. The Defendant is shown to have taken up initially employment by the directorship and later by way of being an Executive Director on the Board of various Companies being SSP Group Companies which has come to be discontinued or terminated by SSP.

The Defendant's employment with the Plaintiff no longer subsists. The Defendant claims to have resigned and the Plaintiff claims to have terminated his services as whole time Director.

The suit is essentially for injunction against divulgence and disclosure of confidential information. The suit is also for money claim for damages upon the divulgence claimed by the Plaintiff as also for refund of excess salary paid to the Defendant during his tenure as whole time Director. The Notice of Motion is for the aforesaid injunction as well as the order of deposit of the excess remuneration paid with interest at 18% per annum from the date of the payment made to the Defendant until realisation.

Questions

- (i) What is a trade secret? The action of Mr. Ravi in sharing the manual of software would amount to disclosure of confidential information or not?
- (ii) Why is it important to protect one's trade secret? Enumerate merits and demerits of such protection.
- (iii) How can be a business's trade secret be protected? Give suitable case laws pertaining to protection of business's trade secrets.
- (iv) Trade Secret Protection can be sought world-wide. Under what international instruments such protection is granted and how?

(5 marks each)

[illegible]