Secret

OUT-TO-DAY

(33)

PRIME MINISTER'S OFFICE

New Delhi 110 011

The following extract from a Note dated 23.11.2004 from Shri Montek Singh Ahluwalia, Deputy Chairman, Planning Commission is forwarded with the request that the position in this regard may kindly be sent to this office by 6.12.2004 for information of the Prime Minister:

"Ambassador Sen was concerned to know whether we would meet our obligations of being TRIPS-complaint by January, 2005. I mentioned that while we are working to bring in legislative changes before January 1, 2005 to extend product patents to areas presently excluded, there was one important aspect in which what is currently being contemplated **will not be TRIPS complaint**. This is because our law allows for compulsory licensing in a situation where the patent is not being "worked", but importation is not treated as working the patent. This is contrary to the explicit provision in the TRIPS Agreement where importation is regarded as working patent."

Pl discuss today
JS(RR)
JS(AdS)

Discussed. Pl. put up a draft reply today. Rhajan 3/12

2108/D(RR)/04
3/12/04

(Anup Wadhawan)
Director

Secretary, Department of Industrial Policy & Promotion

PMO U.O. No. 300/1/C/1/2004-ES.I Dt. 1.12.2004

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(34)

SECRET

Ministry of Commerce and Industry
Department of Industrial Policy and Promotion
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Subject:- Reference from PM's Office on Amendment to the Patents law

Prime Minister's Office may kindly refer to its UO No. 300/1/C/1/2004-ES.I dated 1.12.2004 regarding amendment to the patents laws.

2. A note on the issue raised therein is enclosed.

(Rajeev Ranjan)
Director
Tel: 2301 0688

Prime Minister's Office (**Shri Anup Wadhwan, Director**), , New Delhi
Department of Industrial Policy & Promotion's I.D. Note No. 12/14/2003-PP&C dated 6.12.2004

issued
7/12/04

Note on issues raised by PM's Office vide its note dated 1.12.2004

Issue

The PM's office has sent the following extract from the note submitted by the Dy. Chairman, Planning Commission:

"Ambassador Sen was concerned to know whether we would meet our obligations of being TRIPs complaint by January 2005. I mentioned that while we are working to bring in legislative changes before January 1, 2005 to extend product patents to areas presently excluded, there was one important aspect in which what is currently being contemplated **will not be TRIPs complaint**. This is because our law allows for compulsory licensing in a situation where the patent is not being "worked", but importation is not treated as working the patent. This is contrary to the explicit provision in the TRIPS Agreement where importation is regarded as working patent".

Response

(A). Article 28 of the TRIPs Agreement provides the following exclusive rights to the patentee:

(a) where the subject matter of a patent is a product, to prevent third parties not having the owner's consent from the acts of: making, using, offering for sale, selling, or importing for these purposes that product:

(b) where the subject matter of the patent is a process, to prevent third parties not having the owner's consent from the act of using that process, and from the acts of: using, offering for sale, selling or importing for those purposes at least the product obtained directly by that process.

These provisions were incorporated in Section 48 of the Patents Act by the Patents (Amendment) Act, 2002 and reads as under:

a. where the subject matter of a patent is a product, the exclusive right to prevent third parties, who do not have his consent, from the act of making using, offering for sale, selling or importing for those purposes that product in India:
b. where the subject matter of the patent is a process the exclusive right to prevent third parties, who do not have his consent, from the act of using that process, and from the act of using, offering for sale, selling or importing for those purposes the product obtained directly by that process in India;

Therefore there is full compatibility between Article 28 of the TRIPs Agreement and Section 48 of the Patents Act. Further, the erstwhile section 90(a) of the Patents Act, 1970 which inter-alia specified "manufacturing" as one of the requirements for 'public satisfaction', has itself been recast by the Second Amendment of 2002 and the Act now nowhere specifies this.

(B). Article 27.1 of TRIPS Agreement provides that patents rights are enjoyable without discrimination as to the place of invention, field of technology and whether products are imported or locally produced. Working of any patent will thus be inclusive of the importation component. The issue here pertains to the working of the patented invention.

The general principles relating to working of patent in India was comprehensively reviewed and revised by the Joint Committee of Parliament which examined the Second amendment to the patent law notified as the Patents (Amendment) Act, 2002. This was done to ensure that patent rights are not abused through importation only and that compulsory licence can be granted for such abuse in the event of non-availability of a patented product at a reasonably affordable price or in case of non-fulfilment of the reasonable requirements of the public.

The general principles relating to working of patented inventions as revised by the Joint Committee and contained in Section 83 of the Act are as under:

a. patents are granted to encourage inventions and to secure that the inventions are worked in India on a commercial scale and to the fullest extent that is reasonably practicable without undue delay;
b. that they are not granted merely to enable patentees to enjoy a monopoly for the importation of the patented article;
c. the protection and enforcement of patent rights contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations;
d. that patents granted do not impede protection of public health and nutrition and should act as instrument to promote public interest specially in sectors of vital importance for socio-economic and technological development of India;
e. that patents granted do not in any way prohibit Central Government in taking measures to protect public health;
f. that the patent right is not abused by the patentee or person deriving title or interest on patent from the patentee, and the patentee or a person deriving title or interest on patent from the patentee does not resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology; and
g. that patents are granted to make the benefit of the patented invention available at reasonably affordable prices to the public.

(C). In order to prevent abuse of patent rights, the provisions relating to grant of compulsory licences were also adequately modified by the Joint Committee of Parliament and the revised grounds for grant of compulsory licences (under Section 84) include situations where:

(a) the reasonable requirements of the public with respect to the patented invention have not been satisfied; or

(b) the patented invention is not available to the public at reasonably affordable prices; or

(c) the patented invention is not worked in the territory of India.

Therefore, it is clear that the existing provisions are TRIPs compliant as they do not specifically equate 'working' with 'local manufacture'. Further, though Section 83 (b) does refer to importation, it is in the context of misuse, that is, if specifically intended as an attempt 'merely to enjoy a monopoly for importation', and is not a blanket refusal to treat importation as working of the patent.

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