

Patents Act of 1949 that a compulsory licence could be granted if by reason of the refusal of the patentee to grant a licence on reasonable terms, "a market for the export of the patented article manufactured in the U.K. is not being supplied" [vide Section 37(2) (d) (i)].

This is subject to the restriction contained in Section 37(3) proviso (b), which runs—

"Provided that—

(a) \*\*\*

(b) an order shall not be made under this section for the endorsement of a patent on the ground that a market for the export of the patented article is not being supplied, and any licence granted under this section on that ground shall contain such provisions as appear to the Comptroller to be expedient for restricting the countries in which the patented article may be sold or used by the licensee;"

These provisions might be found adequate in a country where the lines of export are already fully diversified, but, where, as in this country, an export market has in several possible lines yet to be started, this would not obviously suffice. In dealing with the text of the relevant clause, I have suggested an expansion of the condition so as to comprehend the starting and the expansion as well as the supply of an export market in the patented article manufactured in India. If my recommendations on these two matters are carried out together with the drafting changes to which I have already referred, I consider that the provisions would enable the achievement of the proper purpose of patent grants.

Know-how

156. The third reason assigned by the Swan Committee for the paucity of applications for compulsory licences was that few inventions could be worked or worked commercially with the description and instruction contained in the patent specification, without the knowledge of the technical "know-how" and as the patentees were not inclined and could not be compelled to impart the "know-how" the compulsory licensing provisions were rendered ineffective without the co-operation of the patentees. This factor is obviously of greater significance in this country than in the U.K. because here, owing to the comparatively less technological knowledge, licensees are less able to devise methods by themselves for working an invention. Speaking of the role of know-how in rendering ineffective provisions regarding compulsory licences, Penrose observes—

"\* \* \* it is alleged that without the "know-how" many patents could not be worked. If this latter allegation is true, it must mean that the disclosure of the invention (which is legally required in order to obtain a patent and is supposed to be sufficient to enable others to apply the new invention) has been insufficient. Stricter laws regarding disclosure may be desirable, even providing, perhaps, that to obtain a patent a patentee must be prepared to instruct

a licensee in the use of the invention if necessary." (Page 197).

157. In my redraft of clause 9 of the Bill dealing with complete specifications, I have endeavoured to strengthen the law as to the disclosure which a patentee should make of the methods of working the invention. But this touches barely the fringe of the problem. At the time when patents are applied for and complete specifications filed, inventions are most often worked only on an experimental basis or in pilot plants. Large scale working commences only thereafter and it is only at that stage that technical difficulties are surmounted and efficiency in methods of production achieved. It is in that process that "technical information" compendiously called "know-how" is gathered and this is perfected by further experience. It is because of this reason that even the fullest disclosure in the specification of everything that the patentee knows on the date of his application is insufficient to achieve the most efficient working of the invention from the information contained in the patent specification.

158. The question therefore still remains how to secure for the licensee the "know-how" and the supplementary technical information needed to work the invention efficiently. It is undoubtedly true that patentees are unwilling to impart technical "know-how" to licensees who are forced on them and that this constitutes a real handicap to the success of provisions for compulsory licensing. It would be noticed that Mrs. Penrose suggests a provision in the law by which the patentee is compelled to instruct licensees.

159. In the questionnaire issued, I enquired if they would favour a proposal by which it was made a condition of every compulsory licence that the patentee should impart "know-how"—enforced either by the withholding of royalties or by the revocation of the patent. The majority of the replies received expressed the view that the provision would be unworkable.

160. I entirely agree that there are grave practical difficulties in the direct enforcement of a rule requiring the imparting of "know-how". In the first place as the information is unpublished and secret, there cannot be any check on whether the "know-how" imparted is what all that the patentees possessed. Secondly, as the essence of "know-how" is that it is secret, its details and the extent to which it had been imparted to a licensee cannot obviously be the subject matter of adjudication by the Controller or a tribunal of appeal. Further, since "know-how" is an asset of the patentee, quite distinct from his patented invention, it would be unjust to insist on the communication of the "know-how" without further separate remuneration. In view of these and similar considerations, I have reached the conclusion that it is not feasible, however desirable it may be, to include the imparting of "know-how" as a term which the Controller might impose in drawing up a compulsory licence.

161. If then the direct enforcement of a provision for imparting "know-how" is not feasible, the next question is whether this result

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could be achieved by other means. It is from this aspect that I consider the provision for revocation for non-working or inadequate working, to be of value. If a patentee is working an invention adequately in the country, he fulfils the purpose for which he was granted the monopoly, and normally he is not interfered with in his exploitation of the patent. It may be assumed that he would be deriving a reasonable profit from his venture and he cannot therefore complain. Where he does not work the invention himself, he might grant licences voluntarily to others to work the invention and in those cases it might be expected that it would be part of the bargain that the licensee should have the "know-how" imparted whether for a separately stipulated payment distinct from the royalty for the use of the patented invention, or for a consolidated royalty payment. These cases present no problem.

162. It is only when the patentee neither works himself nor through licensees, that the need for compulsory licensing arises. If the statutory conditions are established, the licence is granted and so long as the licence is in force the patentee is assured of his royalty payments. If the invention cannot be worked by the licensee without further instruction from the patentee there would be inadequate working notwithstanding the licence, and hence the conditions for the revocation of the patent would be satisfied. To avoid this contingency and ensure the continuance of the royalty payments, it would be to the interest of the patentee to supply the licensee with such additional instruction in his possession as to enable the latter to work the invention adequately. As it would be to the interest of the licensee also to work the invention and derive profit therefrom, it may be expected that the patentee and licensee would arrive at a satisfactory arrangement as regards the payment to be made for the "know-how" so that the patent is maintained in force. This affords a further reason why I consider that it is essential to enact a provision for the revocation of a patent in the event of continued non-working.

163. My recommendation in favour of revocation of a patent even where a patent is endorsed "licences of right" if within two years after the endorsement no steps are taken to commence the working of an invention, would, I believe, induce patentees to start the working themselves or to persuade others to do so, with a promise of cooperation by imparting the "know-how" in an effort to save their patent rights.

**Describing patented articles by reference to a registered trade mark**

164. The last of the reasons adduced by the Swan Committee touched on the handicap created by the trade marks under which patentees vended their products not being available for the licensees. The Indian Trade and Merchandise Marks Act, 1958 has made a distinct change in the law from what it was under the Trade Marks Act, 1940, the latter having incorporated the provisions of the U.K. Trade Marks Act, 1938 which was the subject of comment by the Swan Committee. Section 4(1)(b) of the U.K. Trade Marks Act, 1938 enacted that it was an infringement of the rights of the proprietor of a registered Trade Mark, for a person to use the same

"in a case in which the use is use upon the goods or in physical relation thereto or in an advertising circular or other advertisement issued to the public, as importing a reference to some person having the right either as proprietor or as registered user to use the trade mark or to goods with which such a person as aforesaid is connected in the course of trade." This obscure clause was construed by the Court of Appeal in *Bismag Ltd. v. Amblins Ltd.* (57 R.P.C. 209 C.A.) as rendering the act of a defendant who used a different mark, but in a trade circular claimed that his goods were equal to and had the same therapeutic value as the plaintiff's product, the latter being referred to by its trade name, an infringement of the plaintiff's mark. Section 4(1)(b) of the U.K. Trade Marks Act, 1938 was copied in Section 21(1)(b) of the Trade Marks Act, 1940. But in the Trade and Merchandise Marks Act, 1958 this clause has, accepting my recommendation in that regard [See para 178 of the Report on the revision of the Trade Marks Act], been omitted [vide Section 29(1)]. The result is that though the patent licensee could not use the same or a deceptively similar trade mark of the patentee in the course of trade, unless he were a registered user, he might by reference to the patentee's trade mark use such expressions as "as good as" or "a substitute for" or "made by the same patented process as". I consider that this has in great part removed the difficulty to which the Swan Committee referred.

**Recommendation to set up special Government Unit to obtain information as to the working of patents**

165. Besides the above it was represented to me by certain Indian licensees of patents held by foreigners that Indian industrialists were unwilling to make applications to the Controller for licences for fear of incurring the displeasure of the foreign patentees which might take the form of retaliatory action in those fields in which they were then collaborating. It was therefore suggested to me that provision should be made for licences being first obtained by Government the Indian manufacturers being thereafter invited to work these licences.

166. I consider, however, that though undoubtedly an applicant for a compulsory licence does incur a certain amount of odium at the hands of patentees in general—and there is nothing unnatural about it either—the degree of odium and the unpleasant consequences of this displeasure have been rather exaggerated. If for the maintenance of a patent in force the law requires that the invention should be adequately worked in the country the patentees would be as anxious as licensees to ensure adequate working in their own interests. Besides, the provision made for applications by the Central Government for endorsements of patents with the words "licences of right" on which being ordered the patent would be available to any one for being licensed ought to suffice to dispel the embarrassment felt in making applications for compulsory licences. In this connection there is one suggestion I would make. Though under Section 23A of the Indian Patents and Designs Act, 1911, the Central Government has been vested with the power to make an application for the endorsement of a patent with the words

"licences of right", it does not appear that the right has ever been exercised though the provision has been on the statute book for over 8 years. The expansion of the grounds on which compulsory endorsements could be granted, and the provision enabling the Central Government to apply for the revocation of patents which are not worked in the country, would not serve the purpose for which they are framed unless a machinery is set up for enabling Government to act in the matter.

167. Clause 105 of the Bill enables the Controller to obtain information from patentees regarding the working of patents. Besides the Government in administering the Industries Development Act, 1951 are in a position to know in the several important industries scheduled to that Act whether the commercial working of a patent relevant to such industry has been started and if so what the quantum of working is. In these circumstances if a wing of the Commerce Ministry which deals with patents is entrusted with the task of obtaining information as regards the working of patents, the Central Government would be in a position to ascertain from the above and other sources the patents in regard to which action has to be taken by them. I would accordingly suggest the setting up of a unit in the Commerce Ministry for the above purpose. This unit might also have the function assigned to it of selecting "approved persons" for the grant of licences to work patented inventions relating to food and drugs etc.

## VI. GOVERNMENT USE OF INVENTIONS

### English Law as to Crown use

168. There is one other matter which I consider is intimately connected with the topic of compulsory working—the use of inventions by Government for their purposes. In [*Feather v. Queen* (1865 6 B and S 257)] it was held by the Court of Queen's Bench that in the ordinary form of Letters Patent the Crown was not precluded from using a patented invention without the assent of or payment of compensation to, the patentee. It was however held that this was confined to the Crown and did not extend to contractors who were entrusted with the task of manufacturing and supplying articles for Crown use [*Dixon v. Small Arms Coy.* (1877 A.C. 632)]. This state of the law was however altered by Section 27 of the Patents etc. Act, 1883. The "officers and authorities administering any department of the service of the Crown, their agents, contractors and others" were empowered to use inventions "for the service of the Crown" on terms to be settled before hand and in default of agreement to be settled by the Treasury. The Patents and Designs Act, 1907 when originally enacted carried the provision in the same terms (vide Section 29). This section underwent substantial modification by the Patents Amendment Act, 1919, particularly in two respects: (1) in case of dispute as to the amount of compensation the Court was substituted for the Treasury as the competent forum; (2) agreements entered into by the patentee with third parties for the use of the invention were rendered inoperative in so far as they concerned the use for the purposes of the Crown. The "use" to which

the invention could be put was however still confined to that of "service of the Crown". The provision stood in this form when the position was examined by the Swan Committee. One of the matters urged before that Committee was that in the context of the widened functions of Government and the responsibilities which a welfare State assumed, the old concept of the use being confined to "service of the Crown" which in modern phraseology would comprehend only the activities which were conducted by the Government through its departments, was too narrow and required to be expanded. The Committee, however, pronounced against this suggestion.

169. In this connection it is interesting to note how strongly the U.K. adheres to the view that Government should not have the power to authorise the use of a patent except for what has come down historically as "Crown use". In 1953 the Government of the U.K. introduced in the House of Lords a Bill entitled "An act to make further provision as to the use for the service of the Crown of patented inventions" and "registered designs". The Bill sought to expand the scope of the provision in Section 46 of the U.K. Patents Act, 1949 (corresponding to Section 53 of the Patents Bill 1953) by making it applicable, *inter alia*, to

Clause 1 (1) (b): "for the production of drugs, medicines or appliances required—

- (i) by the Minister of Health for supply to patients under Part II of the National Health Service Act, 1946, or in the exercise of functions transferred to him by the Transfer of Functions (Ministry of Pensions) Order, 1953, or for supply to the Northern Ireland Hospitals Authority or the Northern Ireland Tuberculosis Authority for the purposes of any of their respective functions; (ii) by the Secretary of State for supply to patients under Part II of the National Health Service (Scotland) Act, 1947, or in the exercise of functions transferred to him under the said order of 1953; or (iii) by the Minister of Pensions and National Insurance for supply to patients in Northern Ireland in the exercise of functions transferred to him by the said order of 1953;
- (c) for the production of equipment required by any Government department for supply to any authority or person under the Civil Defence Acts, 1937 to 1949, or the Civil Defence Acts (Northern Ireland), 1938 to 1950;
- (d) for the production of communication equipment required by any Government department for supply to fire authorities for the purposes of the functions of those authorities under the Fire Services Act, 1947, or the Fire Services Acts (Northern Ireland), 1947 to 1950."

The explanatory memorandum to the Bill stated:

"Clause 1 deals with permanent powers of Government to use patented inventions and registered designs 'for the services of the Crown' under section 46 of the Patents Act, 1949 and the corresponding provisions of the Registered Designs Act, 1949. Subsection (1) lists a number of specified purposes which are to be treated as included among the objects for which inventions may be so used.

Paragraphs (b) to (d) of the subsection include among the purposes for which inventions may be used certain functions of the Government in connection with the National Health Services, Civil Defence and the Fire Services in Great Britain and Northern Ireland, which involve the production of goods required for supply to members of the public or to local or police authorities."

170. The Bill also contained provisions for compelling the disclosure of "know-how" in connection with the use of inventions for these purposes. The measure however met with much opposition in the House and it was withdrawn.

171. The matter was thereafter referred to a Committee under the chairmanship of Sir Harold Howitt and the terms of reference to that Committee were very limited being confined to considering "whether the Crown should have power to use in connection with defence contracts unpatented inventions and... thereby to override contractual obligations as to such use" and on the recommendation of that Committee the Defence Contracts Act of 1959 was enacted. This enactment, as its name indicates, touches only the use of inventions and technical information in connection with "defence contracts". The provisions in relation to the use of patents by Government for the purposes of the health and fire services were abandoned.

Recommendation that "Government use" might include use by corporations owned or controlled by Government

172. I shall be discussing this topic in more detail in the notes to Clause 53. In the first place I consider that in considering what should be deemed to be "Government Use" the widened concept of Governmental functions in a welfare State should be given due weight. Besides I do not see any sensible distinction between a State activity conducted by a Government department and one which is entrusted to a state-owned or state-controlled Corporation for this purpose. Largely it is convenience which dictates or determines whether a nationalised industry or activity is conducted directly by a Government department or through a public Corporation specially created for the purpose. The Minister in charge is ultimately responsible to Parliament for the proper conduct of the affairs of such Corporation and the fact that the Government or

the Minister does not interfere in the day to day management of the Corporation is in my opinion irrelevant for considering whether or not the Corporation is in truth an organ of the State. This has more than an academic or theoretical value in the context of the present trends of the economy of the nation. Several fields of industrial activity which are essential to secure national well-being or which are considered necessary to achieve self-sufficiency and 'provide gainful employment, are what might be termed long-range projects. In some cases they might not yield immediate profits so as to attract private capital and in others, the amount of capital outlay required might be beyond private enterprise in this country; while in still others, considerations of public interest or economic policy might be the factors which determine that the undertaking be run by the Government itself. In all these cases in view of the requirement for a specialised management of a commercial pattern, a State-owned or a State-controlled corporation may be set up to carry out the venture. These industrial undertakings might have need to use patented inventions. If the law were as in the United Kingdom, these public corporations would have to apply for compulsory licences or the Central Government for endorsement, and to succeed in this, three years would have to lapse from the grant of the patent and the statutory conditions for the allowance of the application would have to be established. If, as I stated earlier, there is little or no distinction between an undertaking run directly by a Government department and one run by a State Corporation whose vital policies are directed by Government and whose profits, if any, go to augment the State revenues, it stands to reason that an undertaking carried on by such a public Corporation should have the same rights as a Government department. I therefore recommend an expansion of the concept of "Government use" so as to include use by Government undertakings, the details of which I have reserved for discussion to my notes to the relevant clauses (Clauses 53 to 55). This expansion would enable these public corporations to use patented inventions on term of payment of reasonable compensation as determined by the statutory procedure (vide Clause 55) without having recourse to the procedure by way of application for compulsory licences. I believe that in conjunction with the provisions as to compulsory licensing and revocation for non-working which will specially assist what is termed the private sector and the proposed expansion of the definition of the term "Government use", which will effectively assist "the public sector", patent monopolies will be made to subserve national interests and will cease to be a handicap to industrial progress as they generally are, in an under-developed country.

Statutory fixation of royalties not feasible

173. The question has been mooted, whether there would not be advantage in the statute laying down the principles which should guide the Controller in fixing the amount of royalty payable under compulsory licences, and in particular, whether the Act should not specify the maximum rate at which these royalties could be settled. In the questionnaire issued by me, I invited opinions on the point and the very large number of those who answered this question expressed themselves against such statutory fixation. Two points

were urged against the proposal to fix by statute the maximum rate of royalty: (1) that the reasonable percentage usually accepted for voluntary licensing varied from industry to industry and (2) that it was not feasible to arrive at a rate which would be reasonable for licences in respect of each and every invention. I see considerable force in these objections. There are large variations in the rates of royalty prevailing in different industries that it is not possible to fix a uniform pre-determined maximum rate. Such a pre-determined rate would have to be sufficiently high to cover those cases where owing to the amount of expense incurred in evolving the invention or the amount of profit that is derivable from the exploitation, the normal rates of reasonable royalty are high. But such a high rate would operate unfairly in the case of those industries where royalties are usually lower. It was also impressed upon me that if the statute fixed a maximum rate, there would generally be a tendency for the licensors to demand that figure and for the Controller to fix it at or near that rate and I consider this argument has force. For these reasons I have thought it not desirable to recommend that the statute should fix the maximum rate of royalty that could be allowed by the Controller.

**Matters for consideration in fixing royalty**

174. The fixation of reasonable amount of royalty payable for the use of the patented invention has to be arrived at on such a large number of factors, depending on the facts of each case, that it is not practicable nor even desirable that these should be put in a straight jacket. I have therefore contented myself with suggesting three principal matters for inclusion in the enactment in fixing royalty: (1) that the royalty payable to the patentee or other person beneficially entitled to the patent is reasonable, having regard to the nature of the invention, the expenditure incurred by the patentee in making the invention or in developing it and other relevant factors [vide clause 42(2) (a) (i)]. This is a slight expansion of the terms of the U.K. provision 39(2) (b), (2) that the royalty must be such as to enable the licensee to work the invention with reasonable profit [vide Clause 42B (2) (a) (ii)], and (3) that the patented articles are made available to the public at reasonable prices. The second factor is new only in the sense that it is not to be found in the U.K. Patents Act, 1949 but it appeared in Section 27(4) (a) of the Patents Act, 1907—46 which ran—

"(4). In settling the terms of any such exclusive licence... due regard shall be had to the risks undertaken by the licensee in providing the capital and working the invention but subject thereto, the licence shall be so framed as—

- (a) to secure to the patentee the maximum royalty compatible with the licensee working the invention within the United Kingdom on a commercial scale and at a reasonable profit;"

The last factor is new and has been included so that the consumer who has ultimately to bear the royalty in the price of the product, is not exploited. I am not unmindful of the fact that these three elements would pull in different directions, but if these are properly balanced, I am convinced that a reasonable royalty can be determined.

**VII. PROVISIONS FOR PATENTS FOR FOOD AND MEDICINE**

**Compulsory Licensing**

175. So far I have been discussing the measures to be taken to ensure that patents granted in this country are adequately worked in it, and this was regardless of the field of the invention covered by the patent. There are however certain types of patented inventions which owing to their importance to the health and well-being of the community, require special provisions for ensuring the maximum of production.

176. When dealing with the subject of the restrictions required to be imposed on the patentability of certain inventions, I had pointed out the prime importance to the country of inventions relating to articles of food and medicine, and in the latter category I included insecticides, fungicides etc. and recommended certain special provisions for the grant of patents for these inventions.

177. I shall now proceed to consider the measures I would suggest for ensuring the maximum utilisation of these inventions and their being worked at the earliest possible time after the patents are sealed, and I need only add that these are additional to the provisions for compulsory licensing, compulsory endorsement, and revocation for non-working which apply to every patent granted.

178. The provision for securing this, is in the U.K. Patents Act, 1949 contained in Section 41, coming down in practically the same form from 1919—and whose continuance was recommended by the Swan Committee. A provision in substantially the same terms has been introduced into the Indian Patents and Designs Act, 1911 by Act LXX of 1952—Section 23CC. It has been explained by the House of Lords in *Parke Davis v. British Drug Houses Limited*, (71 R.P.C. 169) that the basis of the section is public interest and not "abuse of monopoly" by the patentee and that consequently the terms of section 41 which permitted the grant of compulsory licences at any time after the sealing of the patent did not contravene Article 5 of the International Convention which required that a period of 3 years should elapse from the date of sealing before an application for compulsory licence could be entertained.

**"Approved persons" for licensing to be selected by Government**

179. The two basic features of the compulsory licensing provision in regard to patents for articles of food and medicine etc. in the U.K. and under Section 23CC of the Indian Patents and Designs Act, 1911 are: (1) that no time need elapse after the grant of the patent before the application for compulsory licence could be filed; (2) that the applicant is entitled to the grant of the licence without proof of any abuse "unless the Comptroller sees good reason not to grant the application". These words excepting which I have italicised are not very clear but have generally been understood to mean, that the applicant is entitled to the grant of the licence unless the Controller considered that the particular applicant should not for proper reasons be entrusted with the privilege of working the invention. The vagueness, however, of the phraseology, the wide discretion of the Controller and the fact that

the applicant could be challenged in the proceedings before the Controller by the patentee have been stated to be responsible somewhat for the reluctance of persons to make applications for compulsory licences. I see some force in this criticism. The remedy I would suggest for meeting this situation is to vest the power of selection of proper persons for working food and drug patents in the Central Government who under the Industries (Development and Regulation) Act, 1951 control the starting of new manufactories. If the individual or organisation to work some line of the pharmaceutical industry has been selected by the Central Government (and at this stage the matter is decided *ex parte* by the Government,) such an approved person would be entitled to demand a licence from the patentee and if they are unable to agree as to the terms thereof, the Controller decides the dispute and settles the reasonable terms of royalty etc. I consider this procedure an improvement over the present section 23CC and that it avoids the inconvenience and uncertainties that attend the obtaining of a licence under that provision and would recommend its adoption. I have set out the details of my proposals in the notes to and in the redraft of clause 45.

#### Revocation for inadequate working

180. One other recommendation I would add in regard to these patents (for food and medicine etc.) is a provision for enabling them to be revoked if they are not adequately worked after a reasonable interval after they are sealed. This is apart from the general provision for revocation on the ground "that the reasonable requirements of the public with respect to the patented invention have not been satisfied" within 2 years after the grant of a compulsory licence or compulsory endorsement (Clause 41B). In the U.K. under the Patents Act, 1949, the ineffectiveness of a licence granted under Section 41 of that Act (corresponding to Section 23CC of the Indian Patents and Designs Act, 1911) to achieve adequate working of the invention does not entail the revocation of the patent. In the circumstances prevailing in India, I can visualise several inventions of prime importance to national health and well-being not being worked in the country and the patentee relying on the patent to secure a monopoly of importation. If the penalty for inadequate working in the country of an invention after an interval from the date of the grant sufficient to enable the patentee to work it himself or instruct licensees sufficiently to work here, were the revocation of the patent, the country would have one of two advantages—either an adequate working by the patentee or those claiming under him so as to maintain the patent and derive the economic advantages of the patent protection or the elimination of a patent that serves no purpose except to secure to the patentee a monopoly of importation. The securing of either of these purposes is desirable and that is the justification for my recommendation.

#### Summary of discussion and recommendations in regard to compulsory working etc. of patented inventions

181. It will now be convenient to summarise the discussion and my recommendations in regard to the compulsory working of inventions: When under-developed countries adopt the patent system as the method of remunerating inventors and as the means

for stimulating industries and technological progress, it is found that a large majority of patents is obtained by foreign nationals, particularly from the more highly industrialised countries of the world, with which they have economic and trade relationships. The patentees work their inventions in their home countries, where the working strengthens that country's economy, or in some other place which affords them the chance of making the most profit, and utilise the patent protection for securing to them a monopoly for the importation of the patented article in the country granting the patent. Sometimes these patents are used as a means of blocking industrial progress of the country granting the patent if that would enhance the profit of the patentee; but even when not so abused, the existence on the register of such unworked patents causes considerable harm to the national economy of the country granting the patent.

182. Two methods have usually been adopted by countries which have been faced with this problem of the patents granted in the country being owned by foreign nationals who have no interest or inclination to work their patents in the country. These are:—

- (1) the granting of compulsory licences in favour of those desirous of working the invention on payment of reasonable royalty determined by designated public authorities or courts, and
- (2) the revocation of patents which are not adequately worked within the country.

183. Questions have often been mooted as to whether the devices of compulsory licensing and revocation for non-working serve any useful purpose or achieve the object of securing an adequate working of the invention within the country. It is a fact that the number of applications for compulsory licences or for the revocation of patents for non-working are very few compared to the number of patents on the register, and even to the number of patents which are not worked. Four principal reasons have been assigned for this phenomenon:

- (1) The mere existence on the statute book of provisions for compelling patentees to grant licences induces them to grant licences voluntarily on reasonable terms.
- (2) The obscurity of the statutory language of the conditions on the establishment of which compulsory licences could be obtained and the narrow construction which the courts have been inclined to adopt of these conditions have tended to nullify the intentions of the Legislature in designing these provisions.
- (3) In modern times, very few inventions could be worked merely on the basis of the information contained in the patent specifications, without the imparting of further technological details of working, comprehensively termed "know-how", which patentees are usually unwilling to

- (4) Patented products are usually marketed under well-known registered trade marks which cannot be used or even referred to by licensees in connection with the sale of the goods made by them unless authorised by the patentee.

184. The last of the above grounds raises really a question as to the proper provision to be made in the law relating to trade marks and I believe that the changes made in Section 29(1) of the Trade and Merchandise Marks Act, 1958 as compared with Section 21(1) of the Trade Marks Act, 1940 would to a large extent overcome the difficulty pointed out.

185. The real difficulties to be surmounted are in relation to grounds 2 and 3 above. I have endeavoured to solve them by—

- (1) enlarging, as compared with the U.K. and other Commonwealth countries, the grounds on which compulsory licences or compulsory endorsement of "licences of right" could be obtained—
  - (a) by deleting all references to the invention being capable of being commercially worked within the country,
  - (b) by making it available even in cases where an export market has to be created for the manufactured product,
- (2) modifying the language so as to obviate the narrow construction of the existing phraseology in the United Kingdom, and
- (3) providing for the revocation of a patent in cases where a patent is not worked adequately to meet the demand for the article from manufacture within the country at any time after two years from the grant of a compulsory licence or two years from the grant of a compulsory endorsement, the latter being a variation from the law in the U.K.

186. In relation to patents for inventions in respect of articles of food and medicine, the Indian Patents and Designs Act, 1911, as amended in 1952 introduced substantially the same provisions as are found in Section 41 of the U.K. Act of 1949. The vagueness of the ground on which the Controller may disallow an application for a compulsory licence under this provision has been said to contribute to the hesitation to make application.

The main changes I suggest to solve the problem regarding these inventions are:

- (1) To vest in the Central Government the function of choosing those who might be entrusted with the task of working these inventions, and to enable the persons so chosen to obtain licences from patentees on demand, any dispute as to the terms of the licence to be settled by the Controller.

- (2) To provide for the revocation of those patents which are not worked in the country adequately to meet the demand for the product within a period of 4 years from the sealing of the patent.

187. I consider that these provisions would (a) induce patentees voluntarily to grant licences readily and on reasonable terms, (b) induce patentees even in the case of compulsory licences to impart "know-how" to the licensees in order to prevent their patents from revocations and (c) enable the elimination of those patents which no one is willing to work in the country but which hurt national economy by serving merely to confer a monopoly of importation on the patentee or otherwise hamper progress or block the working of other inventions.

188. The above deal with the provisions made for facilitating the use of patented inventions by individuals desirous of working them in the country. Besides these, however, the Government might have need to use inventions for their purposes. In regard to this, account had necessarily to be taken of the expansion of the functions of a welfare State in the field of industrial production.

189. If the State or the public corporations through which the State carries on generally its industrial activities, had to resort to the compulsory licensing provisions before it could utilise patented inventions in its several factories, there would be considerable delay besides other inconveniences. This I have sought to overcome by expanding the concept of "the service of the Crown" for which inventions could be used in the U.K. Act, and in the Bill. The result of the expansion would be that the Central Government might if they consider it necessary authorise any Government undertaking to utilise any patented invention without reference to the patentee, the compensation therefor being determined, in the event of dispute, by the High Court on reference.

**VIII. OTHER TYPES OF MONOPOLY ABUSES, RESTRICTIVE TRADE PRACTICES AND MONOPOLISTIC COMBINATIONS**

190. A proper patent law and particularly that branch of it dealing with compulsory working, results from the balancing of three factors: (1) the reward to the inventor so as to stimulate and accelerate invention, (2) ensuring of freedom from competition so that venture capital would be forthcoming to exploit the invention and (3) the interest of the community that inventions are worked in the country within as short a time as possible after the grant, and on as full and ample a scale as practicable—and that if they are not so worked, but are utilised to secure a monopoly of importation, they are promptly enabled to be revoked. In the recommendations I have made in relation to the topic of compulsory working, I have constantly borne these factors in mind and I consider that my recommendations if implemented would improve our patent law so as to minimise abuse of monopoly rights and render it a valuable instrument for industrial advance.

**British United Shoe Machinery Case.**

194. The nature of the problem which the U.K. had to tackle and the effectiveness of the provisions enacted are thus described in an article in the "Economist" (January 16, 1943) thus:

"\* \* \* The present structure of the patent law was built up at a time when free competition between large numbers of firms, many of similar size, was the rule, and when there were virtually no giants. \* \* \* The Act of 1907 did contain clauses designed to prevent some of the abuses which had become common. But the whole of many industries had become so largely dominated by a few concerns, and the policy of industry so dependent upon extracting uncovenanted benefits at the expense of the general community, that nothing less than a radical overhaul of the whole system of encouraging invention and securing the passing on of benefits could have been of any avail.

However this may be, there is no lack of evidence that the existing system acted as a definite encouragement to, and instrument of, monopoly. The case of the British United Shoe Machinery Company was a classic at the time of the Patents Amendment Bill, 1918. That is now a quarter of a century ago, but machinery recently introduced is leased under almost identical conditions, while the terms of the United Shoe lease tied those who accepted it for twenty years, and contracts under these leases are believed to be still running. In cases of this type, a concern secures, by patent, the monopoly to make and supply a given machine. This is not sold outright, but leased to the user who has the option of two forms of lease. One leaves him free to do as he will, the other which is much cheaper contains a number of restrictive clauses. Under the latter, the lessee must work the machines for the period of the lease, whether he is, in fact working at a profit or a loss. If he wishes to expand his business he can only do so by taking over new machines from the same lessor, thus extending the period for which he is tied. All subsidiary machines must be taken from the same lessor, and if materials of a special nature are involved in the operation of the machines, they too may have to be purchased from the lessor. If improvements are made in machinery of the type concerned, but these cannot be supplied by the lessor, they must not be incorporated; nor may the lessee make improvements or adjustments of his own. Every fresh lease protracts the period for which the unfortunate lease is tied.

It may be asked why any industrialist ever accepts such terms when there is an alternative, prescribed by law which is free from such restrictions. The answer is that the terms for free use are so much higher that it is virtually impossible to accept them, once a competitor has taken the other. Should no existing unit in the industry be found sufficiently subservient to accept them, the solution is not

191. So far I have been dealing with one type of abuse of patent rights, namely, by non-working in the country to block industrial progress or to secure a monopoly of importation and the measures to counter that abuse. There are two other types of abuse resorted to in using or working the invention within the country and these consist (1) in using patent rights as a lever to obtain a more extended monopoly or one for a longer duration than what the law allows, by the insertion of conditions in sales, leases or licenses in relation to patented articles or processes and (2) in the utilisation of patents or a group of patents as a nucleus for the formation of combinations and cartels aimed at monopoly control of production and distribution.

Statutory provision against restrictive practices in the U.K. Act of 1907.

192. Before dealing with these two types of abuses it would be convenient to set out in general terms the nature of the problems. It was held by the Courts in England that subject to the rules evolved by the common law as to restraint of trade, patentees were entitled to impose any condition on the sale or lease of articles manufactured under the patent. Some of the conditions which were imposed on the lessees etc. included the prohibition of the purchases of other unpatented articles from sources other than that specified by the patentee, or the use of any other article which could be utilised for a similar purpose, the use of the inventions of other patentees, stipulations requiring the payment of royalties even after the termination of the patent, and the requirement to purchase solely from the patentee both during the life of the patent and even afterwards unpatented articles needed for the use of the invention.

193. This form of abuse became so pronounced in England that Parliament intervened and enacted Section 38 of the Patents and Designs Act, 1907. Stipulations in contracts relating to the sale or lease of patented articles and in licences under patents, requiring the purchaser, lessee or licensee to purchase unpatented articles from the patentee or his nominee, or restraining him from using other patented inventions were invalidated. Section 38 also contained a provision for enabling the repudiation of stipulations for the continued payment of royalty even after the termination of the patent [vide Section 38(2)]. During the passage of the Bill through the House of Lords, two provisos were, however, introduced in the interests of the patentees which greatly reduced the effectiveness of the provision, [vide provisos to Section 38(1) of the Act of 1907]. For instance the first proviso saved from the operation of the main section, those cases where the patentee offered an alternative contract which did not contain the restrictions regarding the purchase or use of unpatented articles. This provided an easy loophole and accordingly patentees offered alternate contracts which required the payment of such exorbitant royalties as to leave no option to the lessees and licensees but to accept the contract containing the restrictive terms regarding the purchase and use of unpatented articles—(see Swan Committee's Second Interim Report page 35).

far to seek. Granted that the lease is, or is the associate of, one of the modern mammoth concerns, money can always be found to set up a new competitor who is the servant of the lessor. It is of course true that this whole argument assumes that the machines leased make it possible to produce goods either better or cheaper than is possible without them. That is true; and their general adoption is in the first place a benefit to society. But it is clear that such a system makes it relatively easy to squeeze out of existence both all smaller competitors in the manufacture of similar machinery, and thereafter all those makes of similar machine products who will not accept the lease. . . In the absence of effective competition at an important stage in any train of industrial operations it is possible by abuse of the monopoly conferred by the Patents Act to restrain in a thousand ways the activities of those who require the product which is the subject of the patent. Once that product is essential for efficient productions, those who require it can be made to deal entirely with the owner of the patent to obtain supplies; to dispose of products, or to secure services, to any extent which the latter desires. Further, the would-be buyer can be prevented from entering upon any course of action which is displeasing or inconvenient to the patentee. The alternative to accepting his orders is to go without the patented article, which may mean abandoning that particular line of business."

#### No provision for avoidance of restrictive practices in the Indian Act

195. The Indian Patents and Designs Act, 1911 which was largely modelled on the U.K. Act of 1907 did not however, contain any provision for countering this type of abuse. The Patents Enquiry Committee did not consider this question and made no recommendation as regards the desirability or otherwise of including a provision on the above lines though the U.K. Patents Act, 1949 (vide Sections 57 and 58) re-enacted these with some alterations. The Bill however, in clause 99 proposed for adoption a part of the provisions in the U.K. Act, 1949 (Section 57) omitting Section 58 dealing with contracts for payment of royalty etc., after the patent has ceased. I consider that clause 99 is essential for inclusion and in the notes on that clause I have suggested the changes that should be made to make the provision effective. Besides, in the notes on clauses I have recommended the inclusion of a clause on the lines of section 58 of the U.K. Act, 1949 for dealing with those cases where a patentee improperly attempts to extend the term of the patent monopoly. In the notes to the relevant clause (clause 99-A) I have set out the drafting changes needed to obviate unjust result, which flow from Section 58 of the U.K. Act, 1949.

#### Cartels and monopolistic combinations

196. The second type of abuse is more insidious and productive of greater harm to the public interest. In the early days of the Patent system, the inventors who were rewarded by this grant of monopoly were those termed as lone inventors; individuals who spent their

time, skill, energy and most often their entire means in solving industrial problems in the hope of obtaining some reward. In such a situation two conditions obtained: (1) There was no excessive concentration of economic power by the reward thus obtained, and (2) the reward itself was obtained by the working of the invention which was the only manner by which it could be put to beneficial use. Things, however, became altered since the 19th century particularly the latter half. Though the lone inventor has not altogether disappeared, it is not incorrect to say that the successful inventor of today is one of a group or a team working in the research laboratories of mighty corporations. The grant of a patent monopoly for inventions made by such research organisations or corporations has had a mixed effect. The immense wealth of these corporations has enabled them to set aside large funds for organised research for evolving inventions by means of trial and error. The result of this has been a very intensive research activity, a portion of the profit obtained from the inventions being ploughed back for research because of its paying good dividends. Besides inventions evolved by their research teams, these corporations also acquire by purchase inventions of others in the field of activity in which they are interested. This has also led to an excessive concentration of economic power in the hands of particular individuals or groups, a power not always utilised in the interests of the community.

197. Bennett speaking of the role of International cartels whose interlocking arrangements threatened national security during the war says:

"Facts disclosed during World War II provide numerous illustrations of the role that patents play in effecting international cartels. Little would be gained by further documenting the tendencies that already have been indicated, but the conflicts of business and national interest that result from international cartels based upon patents have received such wide publicity as to warrant consideration.

The use of patents to obtain nationalistic advantages for war purposes was an issue in the synthetic rubber controversy of 1942, which became a matter of great individual and national concern when the Japanese gained their early military successes in the natural rubber-producing regions of the Western Pacific. The controversy was closely linked with agreements that provided for the interchange of patents relating to synthetic rubber between an American organization, the Standard Oil Company (New Jersey) and its subsidiaries, and the I. G. Farbenindustrie of Germany." (Bennett: "The American Patent System", p. 217).

#### Anti-trust Laws in the U.S.A.

198. Though it is possible that there might be cartels and monopolistic combines, which eliminate competition in various degrees, which are not based upon patents, yet there is no doubt that patent pools and cross-licensing have played a vital role in the creation and maintenance of such institutions. It is therefore, not without significance that the first Anti-trust law was enacted in the United States. Under the Sherman Act, 1890 "every contract, combination... or conspiracy in respect of trade or commerce among the several states or with

was declared illegal and every person entering into such contract etc. was declared guilty of misdemeanour. The decisions on the Act are voluminous and I do not consider that it is necessary nor possible within the compass of a report dealing with the reform of the Patent Law to deal with the details of the American Anti-trust law or practice. The U.S.A. has also enacted legislation dealing with other peculiar forms of restraints on freedom of trade. The Clayton Act, 1914, sought to counter the evil of discrimination between different purchasers of the same commodity and these provisions were strengthened and several forms of similar monopolistic practices were dealt with by the Robinson-Patman Act, 1936.

Laws against restrictive monopoly practices in Canada, France, Sweden, the U.K. and other countries

199. There is legislation on similar lines in Canada. Under the Combines Investigation Act, 1923 which strengthened the provisions of the Criminal Code it was made an offence to be a party to an agreement or arrangement designed to have the effect *inter alia* "of fixing a common price or a resale price or of preventing the lessening of competition in or substantially controlling in any area, the production, purchase or sale of any article". While the enactment of 1923 was primarily concerned with collective action and with monopoly practices as such, there was an amendment of this Act effected in 1951 by which resale price maintenance arrangements were prohibited, including the refusal to sell for the purpose of enforcing resale price maintenance. There are similar enactments in France where the basic law contained in Art. 419 of the Code Napoléon Penal was amended in 1925 and again in 1953 and 1954. Norway and Sweden have similar laws which have been recently (1953-54) amended to render them more comprehensive. The U.K. was really late in the field, her first statute on the subject being of 1948 [The Monopolies and Restrictive Practices (Inquiry and Control) Act]. This however, has been greatly added to and strengthened by the Restrictive Trade Practices Act, 1956.

Appointment of Commission to inquire into monopolies and restrictive practices in India suggested.

200. I have set out these facts to emphasise, that monopolistic combinations and restrictive trade practices are a universal feature of capitalistic economy and that special legislation is needed to protect the public from these practices. The rule enacted in Section 27 of the Indian Contract Act regarding contracts in restraint of trade is much too weak to touch even the fringe of the problem.

201. I am however, not dealing with this matter in any detail for two reasons; first, though patents might sometimes form a convenient nuclei on which monopolistic combinations (and restrictive practices which are the concomitant of combinations and to effectuate which the combination might come into existence) are based, the problem cannot be solved by any amendment of the Patents law but only by dealing with it comprehensively so as to touch the manifold forms which these combinations might assume and in which they could operate. This has been the manner in which legislation in other countries has tackled the problem and with reason. Secondly, any solution that is offered must be related to the precise manifestations

of the combination or restraint which obtains in the country at present. There are no materials available on the basis of which this information could be gathered. It does not need any argument to establish, that without an evaluation of the evil, its nature and extent, the remedy to counter it cannot be devised.

202. For these reasons I have not thought it possible to make any recommendations in regard to this matter. I cannot however pass from this topic without stating that I do not believe India to be an exception to the general rule regarding the existence of combinations and restrictive trade practices which are contrary to the public interest. In this connection I will with advantage extract a passage from a recent work on the subject. The authors observe:

"Restrictive trade practices are as old as trade itself. They represent nothing more than the attempts of intelligent men to interfere, to their own advantage, or that of the industry in which they are engaged, with the free working of supply and demand and with the results of competition. As to practices, the advantages of cornering the market were known to the ancient Egyptians; papyrus are in existence which show the existence of private monopolies in wool and cloth, and a schedule of merchandise which dates from about 3000 B. C. is known, which shows an attempt to fix prices as against those prevailing in free competition. In Greek times the astronomer Thales, having ascertained from the stars that the olive crop for the forthcoming season was likely to be particularly copious, arranged some months in advance to hire all available olive presses, thus proving that philosophers, as well as academic economists, can achieve economic independence....."

Moreover, just as the practice of restriction is endemic in commerce, so the State has from the earliest time sought to interfere by legislation with sectional profit making. There are monuments in India, dating from some centuries before Christ, recording regulations to prohibit merchants and producers from making collective agreements to influence the natural market prices of goods by withholding them from trade: boycotts are mentioned amongst other punishable offences as well as any interference with buying and selling of others, and throughout history sovereigns, constitutional or otherwise, have attempted to repress private monopolies with one hand while often granting monopolistic privileges with the other."

(Wilberforce Campbell and Elles "The Law of Restrictive Trade Practices and Monopolies" 1957—pages 2 and 3).

203. I would therefore recommend the appointment of a commission to enquire into the existence of monopolies in this country in the sense in which the term is understood in this field of the law and the prevalence of restrictive trade practices which are detrimental to the interests of the public generally and to suggest measures to remedy the evil if found to exist. In the context of the large scale industrialisation of the country that is proceeding

I consider that such an enquiry would be found to yield fruitful results and constitute an assurance to the general public that the economic advantages resulting from the country's advance are not being diverted to individual aggrandisement.

### IX. OPPOSITION PROCEDURE

#### Proposal of the Patents Enquiry Committee to delete provision for opposition

204. There is one matter relating to the procedure for the grant of a patent which is of sufficient importance to be dealt with here and not be relegated to the notes on clauses.

The Patents Enquiry Committee suggested a radical change in the procedure for obtaining a patent by the elimination of opposition proceedings. The reasons underlying their recommendation to drop the provisions relating to opposition proceedings are set out and discussed in paragraphs 146 to 155 of their Report. After explaining that the purpose of these proceedings is to ensure that as far as possible an invalid or defective patent is not sealed, they adduce the following matters as rendering the change desirable:—

- (1) The proceeding for opposition before the Controller is not less expensive than the proceeding for revocation before the Court.
- (2) The existence of opposition proceedings delays the grant of patents by reason of the necessary extension of time caused by such proceedings. They calculate this as entailing a delay of at least nine months after the acceptance of the application and add:—"If the opponents resort to dilatory tactics, that delay may be longer still. Numerous instances have been brought to our notice where the opposition proceedings have lingered on for three years."
- (3) Starting on the premises that opposition proceedings are mostly unsuccessful, they conclude that the delay which ensues thereby causes substantial loss to the patentees by reason of the fact that their time and resources which could be concentrated on the development of the invention are frittered away in meeting the challenge of the opponents.
- (4) A further reason adduced is that as the grounds upon which the validity of a patent can be questioned in a revocation proceeding are more extensive than in an opposition proceeding, the latter is unnecessary as being not effective to test the validity of a patent.
- (5) They also urged that as the decision of the Controller in an opposition proceeding did not conclusively establish the validity of a patent because the validity of the patent might still be challenged in revocation proceedings, opposition proceedings were of no substantial value.
- (6) Lastly they stated that representations had been made to them that opposition proceedings were being invoked for

the purpose of blackmailing the applicant by threatening him with expensive litigation.

205. For these reasons, the Committee recommended that proceedings for opposition should be replaced by a procedure by which after the acceptance of a specification, and its being thrown open to public inspection by advertisement, there should elapse an interval of four months within which any person interested might inform the Controller of any grounds upon which the grant of the patent might be withheld by him, and if after considering the points set out, he came to the conclusion that the objection was well-founded, he could refuse the patent. This recommendation is set out in statutory form in Clause 21 of the present Bill.

#### Committee's proposal retrograde

206. Having considered the matter carefully, I have arrived at the conclusion that the proposed step of eliminating opposition proceedings is retrograde and that it is neither in the interests of the patentees themselves nor calculated to further the progress of research or industry in India.

207. Before dealing with the several reasons adduced by the Committee a few figures regarding the number of oppositions entered in relation to the number of applications filed might help to a proper appreciation of the problem. During the eight years 1950 to 1957 the total number of applications for patents in India were 20,222 and the total number of oppositions entered were just 140. I shall discuss the break up of these figures a little later but the figures themselves might be useful to correct any impression that proceedings by way of opposition had lent themselves to a sort of blackmail which was being freely availed of to the great detriment of inventors seeking patent protection.

#### Patent systems classified—The Examination system and the Deposit System

208. There are two main systems relating to the grant of patents prevailing in the several countries of the world, the registration system and the examination system. Under the registration system, the Patent Office merely checks the formalities of the applications and receives fees but does not guarantee in any measure the validity of the patent. This is the system which is prevalent in France and Belgium and in certain South American countries. The other is the examination system. Under this system the Patent Office examines not merely whether the application and the specification formally comply with the requirements of the law but also undertakes a scrutiny of the essential characteristics of the invention for which protection is claimed particularly in relation to novelty. Under the pure examination system, the Patent Office should guarantee the validity of the patent, but most countries have adopted a modified examination system under which there is as thorough an examination as possible of the prime requirements of an invention to justify the grant of a patent, but leave it open to any interested person to attack the validity of a patent notwithstanding the grant. It is this type of examination system that was introduced into the German Patent

Law by an Imperial Decree of 1877. This system is stated by Dr. Ing as having greatly helped the German industry by assuring the patentees of a certain degree of validity such that they were encouraged to raise resources in starting the industry for working the invention.

#### Patent procedure in the U.K.

209. Great Britain started with almost a pure registration system but adopted the German examination system in her Patents Act of 1883. That enactment introduced an examination of specifications for ambiguity, sufficiency of description, disconformity and a few other matters. Until 1902, the examination by the Patent Office did not extend to the novelty of the invention. The Patents Enquiry Committee presided over by Sir Edward Fry suggested this enlargement of the scope of examination by the Patent Office and in their report they adduced the following reason for their recommendation:

"We are of opinion that the grant of invalid patents is a serious evil inasmuch as it tends to the restraint of trade and to the embarrassment of honest traders and inventors."

The Patents Act of 1902 provided for this examination and its scope was further enlarged by the Amending Act of 1932. "Obviousness" or "subject-matter" was still outside the scope of examination until the Patents Act of 1949 to which I shall advert presently.

210. Stated broadly an opposition proceeding constitutes an extension of the investigation undertaken by the Examiner. No doubt there are some grounds open in an opposition proceeding which are not the subject of scrutiny by the Examiner, for instance the ground of prior public user but these are matters of mere detail. What I desire to emphasise is that the history of the patent legislation of the U. K. shows that new matters for examination, and necessarily for opposition have been added from time to time and there has never been any change in the reverse direction, of diminishing the scope of examination or opposition. It is in the light of this history that I consider the proposal of the Committee a retrograde one. I might at this stage refer to the extension of the grounds of opposition in the U. K. by the Patents Act of 1949 by which an objection on the score of "obviousness" or "lack of subject-matter" was brought in. This was based on the acceptance of the recommendation of the Swan Committee. In their second interim report the Committee referred to the representations made to them that the scope of the grounds of opposition ought to be enlarged, to comprehend "subject matter". They accepted the force of these representations and expressed themselves thus:—

"To grant a patent, even though it may be subsequently revoked, for something which quite obviously possesses no inventive merit whatever, is *prima facie* contrary to public policy and contrary to the purpose of the patent law, whose object has always been to encourage genuine inventions without imposing undue restraint upon normal industrial development. Against this, it is urged by those who object to any extension of the Comptroller's powers

in this direction, that little or no harm is done by the continuance of such a practice. We are not convinced of the truth of this plea. The evidence we have heard satisfies us of the fact that people are deterred by the risk that legal proceedings for infringement may involve so serious an expense to the defendant as to deter him from challenging the patent. Thus, an obviously invalid patent may act as a formidable deterrent, and discourage a manufacturer from pursuing research, or from adopting improvements in methods of manufacture which involve nothing more than the application of the normal technique and skill of those experienced in the art."

"The Patent Offices of the principal industrial countries, particularly those of the United States, Germany, Sweden and Holland have power to refuse applications for patents, which, in their opinion, are lacking in subject matter. . . . Several witnesses have expressed the view that patents granted by the Patent Offices of countries which in addition to making a wide investigation for novelty, take the question of subject-matter into account have a higher validity value and therefore a better chance of commercial exploitation than the patents granted in countries where the question of subject matter is not considered. . . . Incidentally it may be observed that the investigation for novelty, which today is an accepted and valued feature of our patent system, was when first proposed before the Fry Committee of 1900, strongly opposed by a number of witnesses as likely to be an expensive and dangerous innovation. . . . As a logical corollary to our recommendation that the Comptroller should have power to reject an application on the ground of lack of subject-matter, it follows that he should similarly have power to refuse the grant of a patent on the same ground in opposition proceedings."

#### Absence of opposition procedure in the U.S.A. Patent law has led to difficulties

211. The opposition procedure which originated in Germany and formed an adjunct as it were to the examination system is the common feature of the Patent laws of all countries which have adopted the examination system except the U. S. A. and Canada (the latter following in essence the Patent law of the U. S. A.) in both of which a highly complicated "interference" procedure obtains. Speaking about the difficulties caused by the American patent system, which does not make provision for opposition proceedings (the interference procedure for which the American and the Canadian Patent Acts make provision being directed to determine priority of invention and not the patentability, of the invention disclosed in an application), Rossman says in his "Psychology of the Inventor" at page 172:

"... Claims and patents are allowed which should never issue on account of poor searches by inexperienced examiners. These invalid patents

tion costing thousands of dollars."

involving with the suggestion for the introduction into America of a system of opposition procedure as obtaining in Great Britain, *Patent* Fox says: (Monopolies and Patents, page 279-280):

... the solution has been suggested as lying in the giving to the Patent Office of the power to entertain proceedings directed to obtaining the cancellation of issued patents comparable to the opposition proceedings in Great Britain ... The United States National Resources Planning Board has suggested this reform in its report: 'The issuance of many unmerited patents might be forestalled by the publication of applications to make possible the challenge of patents on grounds that might otherwise be unknown to the patent office.' This suggestion was made upon the basis of eliminating a great deal of the crushing expense which attaches to patent litigation."

#### Opposition proceeding necessary in the public interests

212. Taking the several grounds urged by the Patents Enquiry Committee in favour of their recommendation to delete the provision for opposition proceedings, I feel unable to accept the soundness of any. As regards cost, the experience in other countries where litigation costs are very much larger than in India, points to the fact that there does not appear to be any difference of opinion on the point, that the costs before the Controller are very much less than before the Court. I have no reason to think that the position here is any different.

213. In cases where an opposition is entered, the grant of a patent would necessarily be delayed, but the question is one of balancing the benefit which accrues to the public from a successful opposition eliminating a possible invalid patent and the inconvenience or hardship caused to an applicant for a legally patentable invention not being promptly sealed because of an opposition. In considering this it has to be borne in mind that under the law the rights of a patentee start from the publication of the complete specification though a suit for infringement could not be filed till the patent is granted. After setting off the one against the other, patent laws in most of the countries of the World which follow the examination system, have provided for an opposition as conducive to public interests and I am unable to see any condition in India to militate against the application of this rule. I consider that the views of the Committee were greatly coloured by those assumptions none of which I consider well-founded—first, that a very large number of applications were opposed; secondly, that most, if not all, of them were unsuccessful and thirdly, these oppositions were *mala fide*, and that this procedure has been utilised to blackmail *bona fide* applicants, particularly those with slender resources, the assumption being that the parties who raised the opposition were rich corporations who blocked the immediate grant of patents by demanding improper concessions as a ground for withdrawing their opposition. I do not find from any of the memoranda submitted to the Committee any representation regarding *mala fide* use of opposition proceedings.

214. I have subjected the statistics of oppositions filed during the eight years from 1950 to 1957 to a careful scrutiny which discloses the following:

Year	Total number of applications filed	Total number of oppositions entered	Result of opposition proceeding
1	2	3	4
1950	1851	8	2* succeeded, 1* application for patent abandoned. 3 dismissed. 1 withdrawn 1 time barred
1951	2108	27	16* allowed wholly or in part. 1* application for patent abandoned. 5 dismissed. 4 withdrawn. 1 time barred.
1952	2272	18	14 disposed of within the year. 7* allowed wholly or in part. 3 dismissed 4 withdrawn
1953	2235	12	11 disposed of within the year. 3* allowed wholly or in part. 2* applications for patent abandoned. 3 dismissed 1 withdrawn
1954	2497	23	18 disposed of within the year. 9* allowed. 1 dismissed. 8 oppositions to one set of cognate inventions withdrawn.
1955	2736	12	7 disposed of within the year. 1* allowed. 1* application for patent withdrawn. 1 dismissed. 4 withdrawn.
1956	3067	19	11 disposed of within the year. 3* allowed. 3* applications for patents abandoned. 1 dismissed. 4 withdrawn.

1	2	3	4
1957	3456	21	6 disposed of within the year. 4* applications for patents abandoned. 2 withdrawn.
Total 1950-57	20222	140	102 (oppositions disposed of) 55* (oppositions successful) 47 (oppositions unsuccessful)

\*Successful oppositions.

215. These figures do not show that oppositions are entered *malafide* with a view to blackmail. Compared to the figures of oppositions entered and analysed according to the success or failure, the figures do not indicate that the right to challenge at the opposition stage has been abused. The total number of applications filed for the eight years 1950 to 1957 were 20,222. The total number of oppositions entered were 140. 102 of them were disposed of within the period. Of these 55 oppositions were successful and 47 failed either because they were rejected on the merits or were withdrawn or dismissed because they were filed beyond the time allowed. I have also made an analysis about the identity of the applicants and of the opponents concerned in these proceedings. It however affords no confirmation of the view that opposition proceedings have been resorted to by rich corporations with a view to blackmail poor inventors. I would also add that the figures of oppositions entered which the Committee have set out in Table 5 of Appendix I of their report at page 126 do not appear to lend support to the theory put forward by them.

216. If the aim of the patent examination is to ensure to some extent at least that patents shall not be granted where the invention in question does not satisfy the statutory tests of patentability, particularly novelty, it is preferable to have the applications rejected at the opposition stage, rather than grant patents and require that parties should go through the process of a petition for revocation to get the patents annulled. It is to be borne in mind that the grant of a patent has a great restraining effect upon manufacturers, a restraint which is justified only if the invention satisfies the statutory tests of novelty, subject-matter, and utility and there is no great point in having merely a perfunctory examination with a simulated opposition and then having a patent on the register which is allowed to continue because of the expenses involved in a petition for revocation or because of the weakness of people in submitting to the exactions of a patentee. It is essential that the public should be guarded against impositions by patentees who, because the unavoidable imperfections of the examination are not remedied by an effective opposition, manage to secure the grant.

217. The fact that the decision of the Controller on an opposition does not conclusively establish the validity of the patent is no ground at all for eliminating that procedure. As for that, even a decision of a court pronouncing a patent valid does not bar the revocation of that patent in other proceedings. The argument therefore based on the

decision of the Controller not being final does not lead anywhere. The way to look at it is this: examination for novelty etc., is to see that those applications which deserve to be thrown out are so dealt with. Opposition aids and secures a more detailed and informed examination. The benefit to the public of the system is to be gauged therefore by the number of applications which are rejected because of opposition. If patents were held invalid by courts even after they have passed through the test of opposition proceedings before the Controller, it only shows the imperfections of the earlier enquiry and is no argument for eliminating all enquiry. On the other hand, it is to the public interest that the examination should be strengthened by the appointment of a sufficient number of well qualified Patent Examiners and strengthening the examination staff and by inviting the cooperation of those who are interested in the invention by entering an opposition and pointing out to the Controller the deficiencies of the invention which would render it unpatentable. The half-hearted opposition which is envisaged by the Patents Enquiry Committee and which is now found in Clause 21 really serves little purpose. I would prefer to enlarge the scope of the examination before the Controller and also of the grounds of opposition to what they are under the U.K. Patents Act of 1949 instead of curtailing the provision as to opposition which has been prevailing in the country up till now. The details of the provision which would carry out my recommendation I have indicated in the notes to Clause 21 (*infra*).

#### X. PATENTS RELEVANT FOR THE PURPOSE OF DEFENCE AND PROVISIONS FOR ENSURING SECURITY OF THESE INVENTIONS

##### Present Law in India

218. I shall now take up for consideration the changes I would suggest in relation to the law regarding patents relevant for defence purposes. The present law on the subject in India is contained in section 21A of the Indian Patents and Designs Act, 1911. This section, which is identical in terms with Section 30 of the U.K. Patents and Designs Act, 1907 was introduced into the Indian Patents and Designs Act, 1911 by an amendment effected by Act VII of 1930.

219. Under the Indian Patents and Designs Act, 1911 when an assignment has been made of an invention before a patent had been granted for it, the Central Government might "at any time before the publication of the specification certify to the Controller that in the interests of public service the particulars of the invention and the manner in which it is to be performed should be kept secret" (sub-section 3). If such certificate were issued, the specifications and drawings were to be kept in a packet sealed by Government (sub-section 4). Sub-section (10) enacts:

"(10) No copy of any specification or other document or drawing by this section required to be placed in a sealed packet, shall in any manner whatever be published or open to the inspection of the public, but, save as otherwise provided in this section, the provisions of this Act shall apply in respect of any such invention and patent as aforesaid."

This is effectuated by the Secret Patent Rules, 1933, which provide that the application would be subjected to the usual examination

by the Patent Office but that the acceptance would not be advertised. The specification would not be published and consequently no opposition would lie against such application. On acceptance of the application the patent will be sealed by the Controller but this patent will be entered not in the Register of Patents but in a separate secret Register. The packet containing the specifications and drawings is directed not to be opened except on the orders of Government during the term of the patent (sub-section 5) and on the expiration of the term of the patent, the packet has to be delivered to Government (sub-section 7). Patents covered by the secrecy directions are not subject to revocation (sub-section 9). Government may at any time revoke the secrecy directions in which event the patents will be covered by the rules applicable to other patents.

#### Defects in the present law

220. The above provisions suffer from two defects. (1) The provisions as to secrecy are attracted only to the cases of those inventions which are assigned to the Government. In the case of other inventions for which applications for patents are made the provision as to secrecy directions do not apply, even if the inventions be relevant in relation to the matters set out in Section 21A and are therefore of vital importance for defence. (2) While the officials of the Patent office are restrained from disclosing the information contained in the specifications in respect of which secrecy directions are passed to other persons, there is no similar restriction imposed upon those who have assigned the inventions to the Government. Both these defects were rectified by provisions which were in operation for the duration of the war in the shape of rule 42 under the Defence of India Rules 1939. The same defects characterised the U.K. Patents and Designs Act 1907-32 and during war time the provisions of the U.K. Act were supplemented by rule 3 of the Defence (Patents, Trade Marks etc.) Regulations 1939-41 framed under the Defence of the Realm Act, 1939. As these war time provisions both in India and England were substantially the same, it is sufficient to refer to Rule 42 of the Defence of India Rules, 1939 which ran:

- "42 (1) For the purpose of this rule, the expression 'Controller' means the Controller of Patents and Designs appointed under the Indian Patents and Designs Act, 1911.
- (2) Where, either before or after the coming into force of the Ordinance, an application has been made to the Controller for the grant of a patent or the registration of a design, the Controller, if he is satisfied that it is expedient for the defence of British India or the efficient prosecution of the war so to do notwithstanding anything contained in the Indian Patents and Designs Act, 1911, omit to do or delay the doing of anything which he would otherwise be required to do in relation to the application, and by order, prohibit or restrict the publication of information with respect to the subject matter of the application, or the communication of such information to particular persons or classes of persons.
- (3) No person shall, except under the authority of a written permit granted by the Controller make an application for

the grant of a patent, or the registration of a design in any country or place not included in His Majesty's Dominions and not being an Indian State.

- (4) If, in the opinion of the Central Government, it is necessary or expedient for the defence of British India, or of the efficient prosecution of the war so to do, the Central Government may by order require any person to furnish to such authority or person as may be specified in the order, any such information in his possession relating to any invention, design or process as may be specified in the order or demanded of him by the said authority or person.
- (5) The right of a person to apply for, or to obtain, a patent in respect of an invention or registration in respect of a design, shall not be prejudiced by reason only of the fact that the invention or design has previously been communicated to an authority or person in compliance with any order given under sub-rule (4), or used by an authority or person in consequence of such communication, and a patent in respect of an invention, or the registration of a design, shall not be held to be invalid by reason only of the fact that the invention or design has been communicated or used as aforesaid.
- (6) In connection with the making, use or exercise of any invention or design on behalf of, or for the services of the Crown (whether by virtue of the Indian Patents and Designs Act, 1911 or otherwise), the Central Government may, by order authorise the use of any drawing, model, plan, specification, or other document or information in such manner as appears to the Central Government to be expedient for the defence of British India or the efficient prosecution of the war, notwithstanding anything to the contrary contained in any licence or agreement; and any licence or agreement, if and in so far as it confers on any person, otherwise than for the benefit of the Crown, the right to receive any payment in respect of the use of any document or information in pursuance of such an authorisation, shall be inoperative."

221. When the Defence (Patents, Trade Marks etc.) Regulations 1939-41 lapsed in England they were very soon replaced by Section 18 of the U.K. Patents Act 1949 but there was no similar legislation effected in India when the Defence of India Rules lapsed in 1946.

#### Provision in the Patents Bill, 1953

222. Clause 23 of the Patents Bill seeks to introduce into the Indian legislation provisions on similar but not identical lines as in Section 18 of the U.K. Patents Act, 1949.

223. There are two essential features underlying the procedure enunciated by clause 23. (1) The Defence Department notifies from time to time the classes of inventions which are relevant for the purpose of defence and the duty of the Controller is to examine the general scope of the invention and to pick out all those inventions which appear to him to fall within these classes. (2) When

the Controller is satisfied that an invention falls within the notified classes, he has to make an order directing the applicant to keep the invention secret and inform the Defence Department of the application and of his having passed the secrecy direction, seeking the orders of the Department as to the continuance or revocation of these directions.

Provision as to notified classes desirable—U.K., Australian and U.S.A. enactments

224. Opinion has been expressed suggesting variations in respect of both the above matters. First as regards the scope of the examination of applications which ought to take place in the office of the Controller. The system of notifying "the classes" which are relevant for defence obtains in the United Kingdom and forms the feature of section 18(1) on which clause 23 is based.

225. The Australian Patents Act, 1952 however departs from the English law and vests the discretion to choose the applications for the imposition of secrecy directions in the Controller without reference to any "notified classes". Section 131(1) of the Australian Act enacts:

"The Commissioner may, if it appears to him to be necessary or expedient so to do in the interests of the defence of the Commonwealth by order in writing under his hand prohibit or restrict the publication of information.."

226. The Patent Law of the U.S.A. is on the same lines as in Australia. The relevant words of Section 181 of the U.S.A. Patents Act are:

"Whenever the publication or disclosure of an invention by the granting of a patent, . . . might, in the opinion of the Commissioner, be detrimental to the national security, he shall make the application for patent in which such invention is disclosed available for inspection to the Atomic Energy Commission, the Secretary of Defence, and the Chief Officer of any other department or agency of the Government designated by the President as a defence agency of the United States."

227. It has been stated that the system of having "notified classes" of inventions relevant for defence, is apt to render the work of the Controller nearly mechanical to see if the title of the invention is substantially covered by the specified classes and that under that system the defence department is called on to scrutinise specifications which have little value for defence purposes, notwithstanding that technically the invention is in the "notified class". It is also said that under that system there is a possibility of inventions of real value for defence escaping the Controller merely because the title of the invention does not exactly fit into the nomenclature of the classes notified. A suggestion has therefore been made that instead of having a system of "notified classes" the matter may be left entirely to the discretion of the Controller to select applications which in his opinion are relevant for defence.

228. I am however of the opinion that even for this system to work satisfactorily, the Controller should have for his guidance a specification of classes of inventions, which in the opinion of the

Defence department are of relevance for the purpose of defence. Military science and defence needs are undergoing rapid changes and a civilian office like the Patent Office cannot be expected to be up-to-date in respect of information relating to defence purposes, which are usually guarded by a veil of secrecy. I therefore consider it essential that either the Act or the rules should make a provision for classes being notified as relevant for defence which should be available for the guidance of the Controller.

Controller to be vested with discretion to include applications outside the "notified classes".

229. The next question is whether the Controller should be restricted to the "notified classes" in the matter of selecting applications for the purpose of passing secrecy directions. On the language of Clause 23 as it stands, it looks as if he would be so restricted. This is not desirable and the Controller should have a discretion to pass secrecy orders even in the case of those inventions which though they do not fall within the "notified classes," are nevertheless in his opinion relevant for the purpose of defence.

230. Closely allied to this is the question whether in the case of inventions falling within the "notified classes" the Controller should be vested with a discretion to select those which appear to him to be *prima facie* relevant for the defence or whether he should mechanically pass secrecy orders in the case of every invention falling within the "notified classes". Taking into account the hardship which a secrecy order might impose upon an applicant I consider that it would be in public interests if the Controller were vested with a discretion not to pass a secrecy order in those cases where, notwithstanding that the invention is of a class which falls within the "notified classes", it does not, in his opinion, appear to be relevant for the purpose of defence. Further, if this preliminary examination is not done by the Controller in the Patent Office, it would necessarily have to be done in the Defence Department and I consider that it would be better in the public interest to economise the time taken in the Defence Department. This suggestion I am making taking into account another recommendation I am making, namely, that the Defence Department may be vested with a power to direct the Controller to pass secrecy orders in respect of any invention in respect of which he has not already passed any such order.

Controller to be vested with power to pass secrecy orders

231. The second point is as regards the officer or authority who should be vested with power to pass the secrecy direction. In England, Australia and New Zealand it is the Commissioner or the Controller of Patents who passes the secrecy direction in the first instance, which is either confirmed or countermanded by the Defence Department after a further and fuller examination, whereas in the U.S.A. and in Canada the order is passed only on the directions of the Government.

232. It has been suggested that we should follow the American model and that the power to pass a secrecy direction in the first instance should vest not in the Controller but in the Government. I am however not satisfied that this would be beneficial or would

serve any useful purpose. It is very necessary for the secrecy direction to serve its purpose, that it should be passed and communicated to the applicant at as early a date as possible, after the application is filed, for until such direction is communicated, there is nothing to prevent an applicant for a patent from disclosing his invention to other persons. The very object therefore of a secrecy direction might be frustrated if these directions are not passed within a reasonable time after the application is filed. If applications have first to be sorted out by the Patent Office and then forwarded to the Defence Ministry for scrutiny and secrecy orders have to await this scrutiny, it is apparent that such procedure would take more time than if the Controller passed orders on his own initiative. There is also a further reason for vesting the power in the Controller. Clause 23(5) corresponding to Section 18(5) of the U.K. Act makes provision for restraining every person resident in this country who is possessed of a patentable invention filing his first application for patent abroad without the written permission of the Controller or where he files his first application for patent in India from making his foreign application within six weeks of the filing of his Indian application. Even if the period of six weeks is enlarged, say to 8 weeks, it might be difficult in the normal course of events for the Controller to select the applications and despatch them to the Defence Department for the purpose of finding out if they are relevant for defence and for the Defence Department to issue directions for secrecy and these being communicated through the Controller to the applicant for patent, all within that period. The time lag would be cut down to a considerable extent if the power to pass secrecy orders is vested in the Controller. After all it has to be remembered that any direction for secrecy passed by the Controller is subject to confirmation or revocation by the Central Government and so long as this supervisory power exists, no great harm will be done by the imposition of a secrecy direction in the first instance by the Controller.

Government to be empowered to inspect applications which are under secrecy orders.

233. There is one other matter to which reference might be made at this stage. Under Clause 23(2)(a) the Central Government is directed to reconsider the orders passed by the Controller periodically and revoke them if it considers that such a secrecy direction is no longer necessary. This function could not obviously be properly discharged except by a close scrutiny of the complete specifications of the inventions. The Patents Act however forbids the Controller from disclosing the specification filed by the applicant until it is laid open to public inspection. This conflict or anomaly is avoided in the U.K. by the consent of the applicant being taken for the examination of the application and specification by the Government when a secrecy direction is passed by the Controller. The procedure adopted in that country is for the Controller to forward to the applicant along with the notice of the secrecy direction a form for his signature giving consent to the Government's inspection of the application and specification. As in the normal course, the secrecy direction passed by the Controller would not be revoked unless Government were satisfied that there was no ground for it and such an order would not be passed without a

complete examination of the application and specification, it is to the interests of the applicant that the Government should inspect and examine his application and the complete specification as early as possible. In the U.K. therefore applicants invariably signify their consent to the examination of their specifications by the Government even during the period when the secrecy orders are in force. I consider that this formality of consent is unnecessary and that Government might be vested by statute with power to inspect these applications and specifications. The suggestion if adopted would be in line with the provisions of the American and the Australian Patents law.

Government to be empowered to inspect any pending application

234. I do not however consider that "notified classes" however exhaustively drawn up would cover all inventions which are of importance for defence and in regard to which it would be essential to make secrecy directions. Apart from the categories comprised in the "notified classes" not being exhaustive, it is possible that the Controller might not include all inventions outside the "notified classes" which would be relevant for defence. To plug any loophole I consider it advisable that the Central Government should be vested with the power to call for any other application outside those in regard to which the Controller has passed secrecy directions which in their opinion might be of importance for military purposes and empowered to give directions to the Controller to issue secrecy directions even in respect of such applications. For these purposes Government should have the same power to obtain and inspect any application and specification even before their acceptance as in the case of those applications for which secrecy directions have been passed by the Controller.

No hearing or appeal in respect of secrecy orders

235. Taking into account the nature of the power and the purpose for which the provision is intended an applicant for a patent would not be entitled to be heard before a direction for secrecy is passed either by the Controller of his own motion or on the direction of the Central Government and it would also follow that the order would not be subject to any appeal. It would be a wholly administrative proceeding conducted entirely in public interest and therefore not subject to those usual safeguards of hearing or of appeal as in the case of other orders by the Controller.

236. I have discussed matters of detail and the draft of the clause I would suggest for implementing the above in the notes to Clause 23.

## XI. REORGANISATION OF THE PATENT OFFICE

Amalgamation of the Patent and Trade Marks Offices and jurisdiction of the offices on zonal basis.

237. The recommendation contained in my report on the Trade Marks law revision to amalgamate the Patent Office and the Trade Marks Office under a "Controller-General of Patents, Designs and Trade Marks" has now been implemented by the enactment of Section 4 of the new Trade and Merchandise Marks Act, 1958.

Under the Rules made under that Act, the head office of that registry is to be located at Bombay with three branch offices at Delhi, Calcutta and Madras, each office having territorial jurisdiction on a zonal basis. I recommend a similar set-up and a similar zonal distribution for the Patent Office also. In addition to the present office which will become the head office, there might be branch offices of the Patent Office at all those places where there are offices of the Trade Marks Registry and combined with the existing Trade Marks Offices. The senior among the two officers in charge of the two sections might be entrusted with the general administration and vested with administrative control over the ministerial and other non-technical staff of the combined office.

238. Applications for patents to be made after the commencement of the new Act should be directed to be made only at "the appropriate office" within whose territorial jurisdiction the applicant has his principal place of business, and all further correspondence in respect of such applications to take place in that office although there would be a single All India Register and the patent granted would have effect throughout the whole of India. All orders in respect of applications for patents will be communicated from the appropriate zonal office where the application was filed. The preliminary examination of the application for patents and of any amendments thereto might be made at the zonal office, while search for anticipation and detailed examination could conveniently be carried out at the head office of the Patent Office. In this respect the provisions of the Trade and Merchandise Marks Rules as regards the determination of the appropriate office, the distribution of work between the Head and branch offices and the entries in the Register relevant to the topic of appropriate office might with advantage be adopted *mutatis mutandis* in the case of patents.

#### Controller-General and other officers

239. The Controller-General will be the head of the combined organisation of both the Trade Marks Registry and the Patent Office. There will be a Joint Controller of Patents and Designs who will be in charge of the day to day administration of the Patent Office with responsibilities and duties similar to those of the present Joint Registrar of Trade Marks, on the Trade Marks side. The Joint Controller will be assisted by Deputy Controllers, Assistant Controllers, Examiners and other technical staff.

#### Increased work and additional responsibilities

240. In determining the staff requirements the following matters have to be borne in mind:—

(1) There has been a steady increase in the number of applications for patents and designs during the last ten years (see table below) and there is no reason to believe that this will not be maintained; on the other hand, with the industrial progress of the country, the number of applications for patents from both Indian and foreign inventors is bound to show a steeper increase; (2) If my proposals for amending the provision in the Patents Act as regards anticipation by publication in India or elsewhere are accepted and implemented, there will be an increase in the work of the Patent Office, and consequently the strength of the Examining staff would

need to be increased; (3) The expansion of the grounds of opposition as compared to those under the Indian Patents and Designs Act, recommended by me, if accepted, will result in a further increase of work in the Patent Office; (4) The expanded grounds for the grant of compulsory licences and the provisions for revocation for non-working could also be expected to add to the work; (5) The proposed branch offices of the Patent Office would require additional examining staff; and (6) Besides, I am recommending (see *infra*) that there should be set up a special section, at the head office or preferably in one of the branch offices where more accommodation is available, which would deal with the work of abstracting foreign patent specifications for the purposes of circulating such abridgements and digests to the Universities, Government laboratories and industrialists who may be interested in research bearing on the inventions disclosed in these specifications. In order that that scheme may function properly it is necessary that the abstracting work should be done as efficiently and within as short a period as possible by qualified technical staff.

241. The following table gives the number of applications for grant of patents and registration of designs filed at the Indian Patent Office from 1949—59 and the increase in the volume of general correspondence during this period:—

Year	No. of Patent Appns.	No. of Design Appns.	Receipts	Issues
1949	1,725	920	36,406	27,761
1950	1,851	1,245	44,366	25,807
1951	2,108	904	43,613	27,293
1952	2,272	1,299	44,209	28,938
1953	2,235	2,513	49,395	31,091
1954	2,497	3,303	59,465	35,105
1955	2,736	3,835	68,273	41,590
1956	3,067	4,376	71,664	48,642
1957	3,456	4,303	73,743	45,585
1958	3,572	4,158	83,100	48,713
*1959	3,900 (estimated)			

\* (1st January to 30th June 1959—six months, 1959 received).

It may be mentioned that the average number of applications for patents at the Indian Patent Office during the period 1930—1943 was only about 1,000 per year whereas in 1949 the number of applications rose to about 1,725.

242. Thus, the number of patent applications has more than doubled in 1958 as compared with the figure in 1949 and this increase has been maintained during the present year. A similar large

whereas there were only 920 applications for registration of designs in 1949, over 4,000 applications for Designs have been filed every year during 1956—58. There is also a two-fold increase in the volume of general correspondence as shown by the number of receipts and issues. There has been no doubt some increase in the staff during the period to deal with the additional work, but the increase, however has not been adequate, with the result that the working of the Patent Office has been adversely affected, and the office is unable to discharge its functions properly.

243. At present though the law does not impose any obligation to conduct a search, I understand that the practice is to make a search usually in respect of the applications of Indian origin. However, as the Patents Enquiry Committee have pointed out, "There is no fixed standard for the examination of patent applications. Investigation for determining the novelty of inventions are made or omitted altogether, at the discretion of the Examiners and Assistant Examiners". In view of my recommendation for compulsory search for anticipation in respect of every application for patent, both of Indian and foreign origin, the Examiner will necessarily have to make search in respect of all applications. At present, however, the Patent Office does not have for search purposes any foreign specifications (due merely to want of space in the library) and therefore search has had to be confined among Indian specifications, published since 1912, and to such abridgements of the foreign specifications, journals and text-books as are available at the Patent Office. In the circumstances the search material is not as large as in some foreign countries and the average time taken for search must be correspondingly less. Even when foreign specifications become available at the Patent Office Library, I think that on an average an Examiner should be able to deal with about 100 applications per year. In this connection, I would suggest the equipment of the Patent Office with modern facilities in the shape of mechanical aids to search, which will considerably save the time of the Examiner and will thus enable a comparatively smaller staff to cope with the increasing work. Such mechanical aids are provided in the Patent Offices of many foreign countries, such as Australia, U.S.A., and U.K. and their cost is not prohibitive either.

244. The present technical staff of the Patent Office consist of—

*Class I*

Joint Controller of Patents and Designs	1	
Deputy Controller of Patents and Designs	2	(1 Temporary)
Assistant Controller of Patents and Designs	1	(Temporary)

*Class II (Gazetted)*

Examiner of Patents-in-charge	1	
Examiner of Patents	15	(8 Temporary)
Examiner of Designs	1	(Temporary)

*Class II (Non-gazetted)*

Assistant Examiner of Patents	16	(5 Temporary)
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**Staff proposals**

245. I am satisfied that the above staff of the Patent Office is wholly inadequate and should be considerably strengthened. My recommendations for the strength of the technical staff having regard to my proposals and the volume of work at the Patent Office are briefly as follows:—

246. (i) **Examiners.**—On the basis that about 100 applications for patents may be examined per year by an Examiner and that about 3,500 to 4,000 applications for patents will be received at the Patent Office every year, the office will require about 35 to 40 Examiners of Patents. In addition some Examiners will be required for the new branch offices and for the section dealing with abstracting of foreign specifications. There will also be an Examiner for the Designs Section.

247. I need hardly emphasise the necessity to recruit persons with very high technical and scientific or engineering qualifications for the post of Examiners. If the Indian Patent Office is to discharge its functions properly and render adequate service to the public, the standard of examination of the applications for patents should be high and should approximate to the standard attained in some of the advanced foreign countries. I would suggest that the appointments should be made by the U.P.S.C. preferably on the basis of a competitive examination as in the case of other All India combined services Class I. In the alternative, in the case of Examiners requiring scientific qualifications, the selection may be made from among candidates who have taken a Doctorate degree in Physics or Chemistry or other branch of technology (after taking first or second Class M.Sc. by examination) and having at least three years of research experience. In the case of engineering graduates, selection may be made from among those who have taken a high rank in the All India Engineering Services Examination. In the case of Examiners requiring special knowledge of any particular branch of technology the qualifications may be suitably varied. The Examiners recruited on this basis should all be classified as Gazetted Class I service and may constitute a separate All India Service to be named The Indian Patents Service (Class I) just as in the case of other All India Services.

248. I recommend that these posts should have the same scale of pay and status as in the case of other similar All India Services and in exceptional cases a higher minimum pay in the prescribed scale may be offered to the selected candidate. It may be mentioned in this connection that qualified technical officers are nowadays in great demand and are able to secure posts with better pay and prospects outside the Patent Office. I understand that several posts of Examiners have been lying vacant in the Patent Office, all the candidates who have been offered the posts on the recommendation of the U.P.S.C. having successively declined the offers and that many of the senior experienced Examiners have left the Patent Office for better prospects. The staff position of the Patent Office is thus extremely unsatisfactory and there is urgent necessity to strengthen the staff of Examiners in Class I gazetted posts who will constitute the Indian Patents Service. These officers might be on probation for 2 years and may be required to pass a departmental examination

conducted by Government in Patents law and Practice before they are confirmed. All future recruitment of Examiners may be only to Class I cadre

249. It appears that at present there are two cadres of Assistant Examiners and Examiners in the Patent Office; the scale of pay of the Assistant Examiner being Rs. 200-10-300-15-450|2-25-500 and of Examiner Rs. 275-25-300-EB-30-650-EB-30-710. I am informed that it has been recently proposed that the post of Assistant Examiners should be merged with that of Examiners and that there should be a combined scale of pay of Rs. 250-25-300-EB-30-710. These posts have been classified as Class II Gazetted. Many of these officers were recruited as Assistant Examiners and Examiners on a scale of pay which could not have attracted persons having sufficiently high technical qualifications as are proposed by me for the post of Class I Examiners.

250. The next question is as regards the future of the present Class II Examiners. As I have said earlier, I would recommend that in the future set-up, all recruitment of Examiners should be to Class I service to be recruited on the basis of the qualifications and scale of pay already indicated. I consider that it would be a hardship if the present Examiners who hold Class II gazetted posts are given merely the chance of competing for the post of Examiners Class I gazetted. I would suggest that in the case of the present Examiners those who qualify by passing a Departmental examination held by Government in the field of science or technology in which the Examiner has specialised, and in Patents Law and practice, might be promoted to Class I Examiners. Each of the present Examiners might be given 3 chances in three consecutive years to thus qualify for promotion. Those who do not pass these examinations should, however, be content to continue as at present in the Class II scales of pay.

251. I have proposed infra the appointment of some senior Scientific Assistants for the Abstracting Section. I would recommend that Senior Scientific Assistants who have passed similar departmental examinations as suggested in the case of Examiners Class II and who have worked as Senior Scientific Assistants for 5 years or more may be treated as qualified along with the present Class II Examiners and subject to the same conditions for promotion for the post of Class I Examiners.

252. (ii) Examiner of Patents-in-charge.—There is at present one post of Examiner of Patents-in-charge which has the same status and scale of pay as Examiner of Patents, but with a special additional pay of Rs. 100 per month. Only Examiners of Patents, with 5 years of service are eligible for promotion as Examiner of Patents-in-Charge. The duties of this Examiner appear to be to supervise the work of the Examiners and to edit abridgements of specifications made by the Examiners. The duties are generally similar to those of the Assistant Controller. Furthermore, an anomalous situation may arise when the person appointed as Examiner of Patents-in-charge, although junior to the Assistant Controller, draws a higher salary than the Assistant Controller, because of the special pay of Rs. 100 attached to his post. I recommend that the post of

Assistant Controller be abolished and an additional post of Assistant Controller be created instead.

253. (iii) Assistant Controller.—There should be a sufficient number of Assistant Controllers to direct and supervise the work of the Examiners and assist the Deputy Controller and the Joint Controller in the administration of the Act. On the examination side there may be three Assistant Controllers, one having high engineering qualifications, another a specialist in Organic Chemistry particularly in the chemistry of drugs and a third in Physics, particularly electronics. In addition there should be an Assistant Controller in charge of the section for abstracting foreign specifications. There should also be an Assistant Controller who should be in charge of legal and policy matters. It is desirable that the last post is filled up by a person having five years judicial experience and about ten years of practice at the Bar and having basic scientific qualifications. In all, therefore, there will be 5 Assistant Controllers.

254. I would suggest that 50% of the posts of Assistant Controllers may be filled up by promotion by selection from among the Examiners of Patents, Class I Gazetted, having atleast five years experience as Examiner at the Patent Office and who have passed the departmental examinations and 50% by direct recruitment, in both cases on the recommendation of the U.P.S.C. The post may carry the scales of pay of Rs. 600-1150 (Gazetted Class I) as in the case of the Assistant Registrar of Trade Marks. Persons who are directly recruited for the post of Assistant Controller should be required to pass a departmental examination in Patents law and practice before they are confirmed. In this connection, the practice of the Australian Patent Office is of interest. In order to enable Examiners of Patents (Grade I) to receive accelerated advance to 360 pounds a year and to qualify for salary advancement beyond 360 pounds per annum and for promotion to the office of Examiners of Patents (Grade II), a candidate has to pass a departmental examination consisting of six papers on Patents law and practice. The requirement of departmental examination on the above lines would be an inducement to the Examiners and Assistant Controllers to keep themselves abreast of Patents law and practice and will conduce to the efficient working of the department.

255. (iv) Deputy Controllers.—There should be three Deputy Controllers, one a specialist in Organic Chemistry, particularly in drugs, another in Physics particularly Electronics, and the third with engineering qualifications. These officers will supervise the work of the Assistant Controllers and Examiners, pass orders on their reports and will also take hearings. As in the case of Assistant Controllers, 50% of the posts of Deputy Controllers, may be filled up by direct recruitment and 50% by selection from among the Assistant Controllers of Patents who have worked for atleast 3 years as Assistant Controllers and have passed the departmental examination and from Examiners of Patents, Class I, who have worked for 10 years or more as Examiners and who have passed the departmental examinations. In the case of direct recruitment only persons with exceptional engineering qualifications or with a doctorate degree and good academic and research record should be selected for appointment. This will enable the office to bring in fresh experts