

# The Indian Journal of Intellectual Property Law

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**Madhav Goel** Trademark and Arbitration: Analysing the Arbitrability of Trademark Disputes

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**Debdeep Das & Mohar Mitra** Copyrightability of Airshows in India





# The Indian Journal of Intellectual Property Law

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## **EDITORIAL NOTE**

We are thrilled to present the 13th volume of the Indian Journal of Intellectual Property Law, a testament to our enduring commitment to fostering scholarly discourse and advancing the understanding of intellectual property law in India and beyond. As we stand at the crossroads of innovation and legal intricacies, this volume showcases the culmination of thoughtful research, rigorous analysis, and insightful discussions.

First and foremost, we extend our heartfelt gratitude to the brilliant minds who have contributed to this volume. The authors' dedication to their craft is evident in the rich tapestry of articles that span a spectrum of intellectual property topics. Their relentless pursuit of knowledge and their willingness to share their expertise continue to be the driving force behind the journal's success.

We would also like to express our sincere appreciation to the peer reviewers who have generously dedicated their time and expertise to ensure the quality and rigor of the articles presented in this volume. Their constructive feedback and thoughtful evaluations have been invaluable in shaping the scholarly content of the journal.

Furthermore, we acknowledge the unwavering support of the university administration, whose encouragement and resources have played a pivotal role in nurturing the growth of the Indian Journal of Intellectual Property Law. Their commitment to academic excellence and their recognition of the importance of intellectual property scholarship have been instrumental in creating an environment conducive to rigorous research and thoughtful discussions.

The landscape of intellectual property law is ever-evolving, and this volume is a reflection of the dynamism and complexity that define the field. From exploring the intersections of technology and intellectual property rights to delving into the intricacies of cultural

heritage protection, the articles in this volume collectively contribute to the ongoing dialogue on intellectual property in the modern world.

As we celebrate the 13th volume of the Indian Journal of Intellectual Property Law, we remain steadfast in our mission to provide a platform for scholars, practitioners, and enthusiasts to engage with the multifaceted dimensions of intellectual property. We invite readers to immerse themselves in the diverse array of articles and to continue supporting our endeavours to foster intellectual curiosity and advance legal scholarship.

Thank you to all the authors, peer reviewers, university administration, and readers who have contributed to making this volume a reality. Your dedication inspires us to keep pushing the boundaries of knowledge and striving for excellence in intellectual property scholarship. The first piece in our volume is authored by Muhammed Zaheer Abbas, in which he offers an informative and analytical overview of the evolution of India's patent opposition mechanism through legislative changes. The article argues that the mechanism, being a product of the linking of substantive patentability provisions along with the procedural mechanism of patent opposition, reflects a strategic use of public health flexibilities provided under the World Trade Organization's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which successfully caters to the Indian welfare goal of providing equitable access to essential medicines as per Article 47 of its Constitution. This is unlike the mechanism of the U.S., with its limiting patent opposition approach, and the EU, which fails to provide a model strategy in its mechanism of providing strictly post-grant opposition proceedings. Such a contrast places India as an exemplary model for other member states of the World Trade Organisation, in terms of balancing national interests and TRIPS obligations. In order to retain its welfarist and public interest-based approach, Abbas argues that India should resist any challenges posed to its national interest as it



has done in the past, considering the recent developments in its TRIPS-compliant pre-grant opposition procedures.

Next, Madhav Goel writes on the contemporary question of arbitrability as a focal point of legal inquiry in the context of trademark disputes. The author very articulately recognizes that arbitrability is a nuanced subject, contingent upon multifarious factors such as legislative intent, the nature of rights implicated, sought relief, and societal welfare considerations. His writing illuminates Arbitration as a probable substitute to resolve trademark disputes, the issues and tests involved with the arbitrability of such disputes and categorically dividing trademark disputes to decide on the arbitrability based on their respective nature. Goel has seamlessly weaved together legislative intent, judicial precedent, and theoretical perspectives, the paper navigates the contours of arbitrability with acuity. He makes a case that portrays how the expeditious resolution of trademark disputes is pivotal for a thriving free-market economy.

In the third article, Lokesh Vyas attempts to problematize what he terms to be copyright's 'balance' metaphor that has come to be entrenched in our social conscious without any sound reasoning, since the creation of the WIPO treaties. While the piece does not offer an alternative or reformulation of the balance metaphor, it lays out a critical discussion against the global glorification of the same. Against this backdrop, Vyas suggests further engagement with underlying politico-legal narratives that impact power hierarchies, and argues that the same should form a springboard to further question, analyze and revamp the existing hierarchies.

In the next piece, Soumil Jhanwar delves into the complex issue of trademark exhaustion in Indian law. It examines the conflicting interpretations of Section 30(3)(b) of the Trade Marks Act, 1999, which deals with the exhaustion of trademark rights, and highlights the ambiguity surrounding whether the term "the market" refers to foreign markets (international exhaustion) or the Indian market

(national exhaustion). The author dissects the divergent viewpoints of the single-judge and division bench decisions in the Kapil Wadhwa-Samsung case and argues for legislative resolution of the matter. The article analyzes various policy considerations, focusing on transaction costs, and proposes the adoption of a "partial international exhaustion" approach that considers the economic entity selling the parallel-imported products. The author suggests that such an approach would minimize transaction costs and provide a balanced solution to the challenges posed by trademark exhaustion in the Indian context.

Then, we present an article by Akshat Agrawal where in the landscape of the COVID-19 global health crises, the author presents a nuanced exploration of the distributive concerns inherent in Intellectual Property (IP) focusing on the pharmaceutical realm. The author encapsulates the historical inequities embedded in multilateral agreements and their implementation and then delves into the intricate interplay of IP, societal disparities, and global health. The paper makes a strong case to underscore the urgency and moves beyond a myopic "IP internalism" to critically examine the far-reaching implications of the TRIPS framework. Within this framework, the article probes the disparities in institutionalization across nations, delving into narratives of capability-building and the paradoxes within transition periods. The article carefully juxtaposes the theoretical intricacies with a call for action that ultimately compels a reader to consider the broader implications of norm shifting in the midst of a global pandemic.

The second half of our journal is initiated by Shubhadip Sarkar, who analyses IP Rights within the larger economic framework that they are intended to serve and strengthen. The article is critical of the high stature held by IP, discussing how the apparent potential associated with such rights is oversold. The paper delves into the factors used to trace the economic performance of a nation, and compares the same

with the utility provided by IP Rights. The author challenges the fundamental notion that IP is used to promote and distribute knowledge, talking about how IP Rights prove to be counter intuitive.

Next, Aditya Iyer and Radhika Sikri delve into the investigation of whether the creation of the Intellectual Property Division effectively addressed the shortcomings witnessed in the functioning of the Intellectual Property Appellate Board. Furthermore, it undertakes a comprehensive analysis of the efficacy and adequacy of the current framework for resolving disputes in the realm of intellectual property. In furtherance of undertaking this analysis, certain parameters have been considered, which include the aspects of available positions, the rate at which cases are resolved, the extent of expert engagement, the level of expertise in handling subject-specific matters, and, crucially, the extent to which the objectives of these bodies have been achieved. The scope of the article has been largely confined to the realm of patents and the process of patent adjudication so as to not only define the boundaries within which the study operates but also presents a more compelling rationale for why the domain of intellectual property necessitates a distinct and specialized approach to adjudication, with patents serving as a prominent exemplar of this need.

Then we have a piece by Ahaan Gadkari and Sofia Dash, who discuss contemporary issues in intellectual property law within the framework of international economic law. The authors identify the problems faced by a global IP regime, and discuss the precarious conflicts caused by international politics. The authors discuss the increasing trend of international IP litigation and arbitration, and the concerns of multiple parties regarding the role played by IP in investment arbitration. The article offers an interesting insight on how IP rights and subject matter are deliberated on in disputes not

isolated merely on questions of IP, but also investment and political concerns.

Next, Rajshree Acharya and Aditi Rathore write about traditional knowledge and traditional cultural expression within the scope of IP Protection. The article discusses the possibilities of protecting culture through IP, positing a regional framework to be adopted by countries forming the South Asian Association for Regional Cooperation (SAARC). The authors contextualise the need of such a framework, and discuss the traditional knowledge and expression of the member states that has come under threat due to a lack of proper IP protection.

To conclude this edition, we have Debdeep Das and Mohar Mitra who write on the copyrightability of airshows. The piece juxtaposes airshows with the existing ambit of subject matter, arguing for their protection as dramatic works and artistic works. Likening airshows to choreography, the authors discuss how, given the basic tenets of copyright are fulfilled, copyright does subsist in the work. The article analyses airshows from the perspective of various jurisdictions, juxtaposing the varying standards used globally to determine the protectability of such works.

*Editorial Board*  
2022-23

# **PATENT LAWS AND THE PUBLIC HEALTH PUZZLE: COMPARING INDIA'S PATENT OPPOSITION MODEL WITH THE US AND EU MODEL**

*Dr. Muhammad Z. Abbas\**

## *Abstract*

*Equitable access to essential medicines is a long-standing policy challenge. The patent opposition mechanism of India demonstrates how this procedural flexibility can be used to improve access to innovative health technologies. The Indian approach of linking its substantive patentability provisions with the procedural mechanism of patent opposition shows that this strategic use of public health flexibilities provided under the World Trade Organization's Agreement on Trade-Related Aspects of Intellectual Property Rights ("WTO TRIPS Agreement" or "TRIPS Agreement") has the potential to reduce some of the financial burdens on governments because of its role in promoting generic competition. This article revisits how the Indian patent laws evolved while keeping a balance between conflicting interests. It offers an informative and analytical look at legislative changes in India in order to comply with the WTO TRIPS Agreement. This article considers the Indian patent opposition model in comparison with the United States of America ("U.S.") and the European Union ("EU") approaches towards patent opposition. This analysis of India's TRIPS-compliant regime will help other World Trade Organisation ("WTO") member states to model their patent laws in line with their public health needs and national interests.*

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**Keywords:** Access to medicines, EU, ever-greening, India, patent opposition, polymorphs, public health, TRIPS flexibilities, U.S.

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## INTRODUCTION

Universal health coverage is a formidable challenge for India, a big developing country with a population of more than 1.3 billion.<sup>1</sup> Health for all has been one of the priorities in India. According to the Indian Constitution, the achievement of universal healthcare is an obligation of the State.<sup>2</sup> Several court judgments in India have interpreted the right to health in India as one of the fundamental rights.<sup>3</sup> The Supreme Court of India (“Court”) ruled in 1955 that the “*right to health is an essential right for human existence and is, therefore, integral to right to life.*”<sup>4</sup> In 1981, the Court held that the right to life “*includes the right to live with human dignity.*”<sup>5</sup> The Court reaffirmed this finding in 1984,<sup>6</sup> 1996,<sup>7</sup> and again in 1997.<sup>8</sup> These court pronouncements establish that the right to health is essential for the protection of the right to life.

Despite constitutional and international commitments on health, India’s progress towards universal healthcare has been slow.<sup>9</sup> The major disease burden of India includes diseases like cancer, diabetes,

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<sup>1</sup> Office of the Registrar General & Census Commissioner India, ‘Census 2011’ <<http://www.censusindia.gov.in>> accessed 10 December 2022 (Census 2011).

<sup>2</sup> The Constitution of India, art 39.

<sup>3</sup> ‘India and Sustainable Development Goals: The Way Forward’ (Research and Information System for Developing Countries, 2016) 23 (India and Sustainable Development Goals 2016).

<sup>4</sup> *Consumer Education and Resource Centre v Union of India* AIR 1955 SC 636.

<sup>5</sup> *Francis Coralie Mullin v The Administrator, Union Territory of Delhi and Ors.* 1981 AIR 746.

<sup>6</sup> *Bandhua Mukti Morcha v Union of India*, AIR 1984 SC 802.

<sup>7</sup> *Paschim Bagga Khet Mazdoor Samiti v Government of West Bengal* AIR 1996 SC 426 (Pashchim Banga Khet Mazdoorsamity).

<sup>8</sup> *State of Punjab v Mahindar Singh Chanla* AIR 1997 SC 1225.

<sup>9</sup> India and Sustainable Development Goals (n 3) 23.

cardiovascular diseases, and HIV.<sup>10</sup> In addition to socio-economic factors and the sheer size of the population, an exceptionally high rate of poverty hinders India's pathway to universal health coverage. The officially estimated poverty rate in India is 28.3%.<sup>11</sup> In fact, a study conducted in 2017 criticises the government for keeping the cut-off point unreasonably low in order to achieve a reasonable statistical result. It notes that the “[t]he low official poverty rates look good only if the cut-off point is an average spending power in villages of Rs. 11.8 per day, per person, and Rs.17.9 in cities.”<sup>12</sup> It estimates that if this number is slightly increased “by Rs. 3 for rural areas and Rs. 2 for cities, the proportion of those who are poor goes up to about 38%. Slowly raise the bar by another tiny fraction, say to Rs. 22, and the proportion swells to an amazing 70%.”<sup>13</sup> Despite the pleasant official claims, the actual situation is alarming for India if 70% of its population finds it hard to purchase even basic commodities. The rate of poverty in some states of India “is no better than in the poorest African countries.”<sup>14</sup>

It is important to note that with 89.2% of private expenditure, “India’s out of pocket health spending rate is one of the highest in the world.”<sup>15</sup> As a result of this private expenditure on health, “annually 55 million people in India are pushed into poverty just to cover health expenses.”<sup>16</sup> It has been estimated that medicines form “around 70% of household expenditure in India.”<sup>17</sup> Because of extremely low purchasing power, large sections of the Indian population lack access to affordable medicines.<sup>18</sup> A vast

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<sup>10</sup> Ibid.

<sup>11</sup> Nandini Gooptu and Jonathan Parry (eds.), *Persistence of Poverty in India* (1<sup>st</sup> edn, Routledge 2017) 130.

<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

<sup>16</sup> Ibid.

<sup>17</sup> Ibid.

<sup>18</sup> Ibid.

majority of people in India lack the financial resources to buy brand-name drugs protected under patents. Buying patented drugs is not a realistic option for average citizens in India because the annual expenditure on patented drugs exceeds their annual income by over 30 times.<sup>19</sup> Extreme poverty is, therefore, a formidable hurdle for India in terms of achieving universal health coverage.

Before signing up for the TRIPS Agreement in 1995, India had chosen to exclude medicines from patent protection. This approach was aligned with India's public health needs as a developing country with a high poverty rate. After becoming a member of the WTO, India did not have the option to exclude medicines from patent protection because the TRIPS Agreement provides mandatory patent protection for all forms of technology and signing up for the TRIPS Agreement is a requirement to become a WTO member state.<sup>20</sup> India had until January 1, 2005, to comply with the TRIPS Agreement because developing countries were provided with a grace period for TRIPS compliance.<sup>21</sup> The freedom to choose patent opposition procedures is one of the public health flexibilities provided under the TRIPS Agreement. India made good use of this flexibility and provided both pre-grant and post-grant patent opposition procedures to ward off unwarranted patents.

National patent laws or international treaties have not defined the phrase patent opposition. According to the Médecins Sans Frontières' Patent Opposition Database, "*patent opposition is a general term to refer to the ways in which it is possible to challenge the validity of a patent – both during the period when a patent application is being reviewed, and after the patent has been*

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<sup>19</sup> Jodie Liu, 'Compulsory Licensing and Anti-Evergreening: interpreting the TRIPS flexibilities in sections 84 and 3 (d) of the Indian Patents Act' (2015) 56 Harv. Int'l LJ 207.

<sup>20</sup> Marrakesh Agreement establishing the World Trade Organization (adopted 15 April 1994, entered into force 1 January 1995) 1867 U.N.T.S. 154, art II(2) (Marrakesh Agreement).

<sup>21</sup> *ibid*, art 65(2).



granted.”<sup>22</sup> The term ‘opposition’ has been defined by the World Intellectual Property Organization (“WIPO”) as “*a request, presented by the opposing party (a person or entity other than the applicant or the owner of the industrial property right) to the industrial property office [patent office] to refuse the application or to revoke the industrial property rights.*”<sup>23</sup> In simple words, it is a low-cost administrative procedure provided to third parties to challenge the validity of questionable patents within a patent office.<sup>24</sup> This procedure is used as a safeguard to make sure that only those inventions make it to grant that meet the requirements of patentability under national patent laws.

In designing its patent opposition model, India enacted a conjunction of two TRIPS flexibilities – the flexibility to decide patentability standards (Article 27.1), and the flexibility to design patent opposition procedures (Article 41.2). India requires higher patentability standards as Section 3(d) of the Indian Patents Act (“Act”) introduced the requirement of enhanced efficacy.<sup>25</sup> India adopted a robust exclusion for new uses of known drugs. As a result of this provision, patent protection is denied to trivial modifications of known substances unless there is an enhanced efficacy.<sup>26</sup> India also raised the bar while defining the inventive step under Section 2(ja) of the Act. The 2005 amendment to the Act defined the phrase ‘inventive step’ to require technical advance and economic significance of the invention in order to be eligible for patent protection.<sup>27</sup> The higher threshold standards

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<sup>22</sup> ‘How to Build an Opposition?’ (*Patent Opposition Database*) <[https://www.patentoppositions.org/en/how\\_to\\_build\\_an\\_opposition](https://www.patentoppositions.org/en/how_to_build_an_opposition)> accessed 10 December 2022.

<sup>23</sup> ‘WIPO Handbook on Industrial Property Information and Documentation’, (World Intellectual Property Organisation 2013) <<http://www.wipo.int/standards/en/pdf/08-01-01.pdf>> accessed 10 December 2022).

<sup>24</sup> Kimberlee Weatherall et al. ‘Patent Oppositions in Australia: The Facts’ (2011) 34 (1) U.N.S.W. Law Journal 93.

<sup>25</sup> The Patents (Amendment) Act 2005 (India), s 3(d).

<sup>26</sup> Ibid.

<sup>27</sup> Ibid, s 2(ja).

set out in Sections 3(d) and 2(ja) of the Act mean less burden on India's health system because of the availability of generic alternatives of pharmaceutical drugs. India's legislative choices are in line with its constitutional obligations to provide good healthcare to its citizens as a welfare country.

This article offers an analytical and informative look at India's approach to balancing its treaty obligations with domestic needs. It revisits the legislative history of the Indian patent opposition model with a focus on debates around protecting the national interest. It considers the key developments at the international level which impacted India's legislative choices. It encapsulates parliamentary debates in India about conflicting goals of protecting the right to health, safeguarding the interest of the generic drug industry, and complying with the international obligations under the TRIPS Agreement. These debates are important in terms of understanding the rationale behind India's well-thought-out patent opposition model. It considers India's patent opposition model in comparison with the U.S. and EU approaches towards patent opposition and offers important insights for WTO member states in terms of balancing their conflicting obligations in relation to public health and patent protection.

### **THE LEGISLATIVE HISTORY OF THE INDIAN PATENT OPPOSITION MODEL**

This paper asserts that India designed its patent opposition mechanism keeping in view two objectives. The first objective was to meet India's obligation under the Constitution to provide healthcare to its citizens by improving the availability of cheap generic versions of drugs. This objective can be referred to as the 'consumer welfare objective'. The second objective was to protect a robust generic drug industry in India with huge pharmaceutical export potential. This objective can be

referred to as ‘industrial or economic development objective’. A view of the historical evolution of the Indian patent laws supports this assertion.

### **A. Pre-Independence Period**

It is worth noting that, like the evolution of India’s patent laws, the growth of the pharmaceutical industry in India also started in the nineteenth century under British rule. In 1888, the Inventions and Designs Act, 1888 was passed by the Governor-General of India in Council as the first consolidated legislation. It superseded the three previous Acts of 1859, 1872, and 1883.<sup>28</sup> In 1907, Britain amended its patent laws.<sup>29</sup> This legislative change in Britain led to the enactment of the Indian Patents and Designs Act, 1911 (“Patents and Designs Act”).<sup>30</sup> This new law aligned India’s patent laws with the revised British patent laws. It established a patent office in India and replaced all previous legislation on patent rights in India.<sup>31</sup> It was not superseded by any other legislation during British rule in India.

Several pharmaceutical companies were set up in British India. For instance, Bengal Chemicals, Alembic Chemical Works, and Bengal Immunity were set up in 1892, 1907, and 1919 respectively.<sup>32</sup> Modelled on British patent laws, the Indian Patents and Designs Act, 1911 protected the interests of foreign-owned corporations by providing strong patent protection for pharmaceuticals. This legislative scheme

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<sup>28</sup> Act No. V of 1888 (India).

<sup>29</sup> Patents and Designs Act 1907 (Britain).

<sup>30</sup> Act No. II of 1911 (India).

<sup>31</sup> Peter Drahos, *The Global Governance of Knowledge: Patent Offices and their Clients* (CUP 2010) 201 (Peter Drahos).

<sup>32</sup> Zoe Lynn Turrill, ‘Finding the Patent Balance: The Novartis Glivec Case and the TRIPS Compliance of India’s Section 3(d) Efficacy Standard’ (2013) 44 *Georget. J. Int. Law* 1558 (Zoe Lynn).

suiting multinational drug companies as it did not include special restrictions on patents related to drugs, chemicals, and food.<sup>33</sup>

## **B. Post-Independence Period**

On August 15, 1947, the partition of British India into the Dominion of Pakistan (presently Pakistan and Bangladesh) and Union of India (presently Republic of India) marked an end to British rule in India. In post-independence India, patent reform became a national priority as foreign corporations owned nearly all drug patents in India and had full control of the industry. The local pharmaceutical companies started pressing for a change in the existing patent laws to ensure the effective use of the patent system to protect India's national interest.<sup>34</sup> Keeping in view the significance of patent law for industrial growth and economic development, the government of India took concrete measures to design the Indian patent law in accordance with its national interests and development goals.

On October 1, 1948, the Patents Enquiry Committee ("Tek Chand Committee") under the chairmanship of retired Justice Bakshi Tek Chand was appointed by the Government of India. The Committee reviewed the existing patent laws and made recommendations for law reform in order to bring India's patent laws in line with the national interests.<sup>35</sup> Its key focus was on patents related to drugs, chemicals, and food. It referred to the changes made in the patent law of the United Kingdom ("UK") in 1919 to introduce special restrictions for

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<sup>33</sup> Shri Justice N. Rajagopala Ayyangar, 'Report on the Revision of the Patent Laws' (1959) <[https://ipindia.gov.in/writereaddata/Portal/Images/pdf/1959-\\_Justice\\_N\\_R\\_Ayyangar\\_committee\\_report.pdf](https://ipindia.gov.in/writereaddata/Portal/Images/pdf/1959-_Justice_N_R_Ayyangar_committee_report.pdf)> accessed 10 December 2022 (Report on Revision of Patent Laws).

<sup>34</sup> Jae Sundaram, 'India's Trade-Related Aspects of Intellectual Property Rights Compliant Pharmaceutical Patent Laws: What Lessons for India and Other Developing Countries?' (2014) 23(1) Info. and Comm. Tech. L. 2 (Jae Sundaram).

<sup>35</sup> Ministry of Industry and Supply, 'Report of the Patents Enquiry Committee' (1948-50) <https://indianculture.gov.in/reports-proceedings/report-patents-enquiry-committee-1948-50> accessed 10 December 2022 (Report of the Patents Enquiry Committee).

patents related to drugs, chemicals, and food.<sup>36</sup> Section 38(A)(1), introduced in the UK patent law, limited patent protection to special chemical processes and the substances resulting therefrom. Under this provision, a new process of manufacturing that produced a new substance by its own chemical reaction was considered a special chemical process.<sup>37</sup> This provision, denying patent protection to chemical substances themselves, made it legal for competitors to use non-infringing processes to manufacture the same substance.<sup>38</sup>

The Tek Chand Committee found that foreign corporations had been making use of the favourable product patent regime to their advantage against India's national interests in several ways, for instance,

*“by importing the patented product rather than manufacturing it here [in India],<sup>39</sup> fixing the prices at high levels, not allowing others to manufacture the product even when it was not itself engaged in manufacturing.”<sup>40</sup> It noted that “[t]he absence of these provisions [like s 38(A)(1) in the UK patent law] undoubtedly favoured the foreigner and enabled him to abuse his patent rights in India to the detriment of the people of this country.”<sup>41</sup>*

The final report (“Report”) of the Tek Chand Committee, submitted in April 1950, suggested a series of changes in India's patent laws to align them with national interests.<sup>42</sup> It recommended denying patent protection to food and medicines, improving the stability of the legal

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<sup>36</sup> Ibid.

<sup>37</sup> Report on Revision of Patent Laws (n 33) 30.

<sup>38</sup> Ibid, 31.

<sup>39</sup> *Bayer Corporation v Natco Pharma Ltd.*, Order No. 45/2013 (Intellectual Property Appellate Board, Chennai).

<sup>40</sup> Sudip Chaudhuri, ‘TRIPS and Changes in Pharmaceutical Patent Regime in India’ (2005) Indian Institute of Management 29.

<sup>41</sup> Report on Revision of Patent Laws (n 33).

<sup>42</sup> Manoj Pillai et al., *Patent Procurement in India* (Intellectual Property Owners Association 2007) 3.

framework, and using compulsory licenses to override patents.<sup>43</sup> By using a language similar to the language of Section 38(A)(1) in the UK patent law, the Tek Chand Committee recommended that “[s]ubstances prepared or produced by chemical processes or intended for food or medicine should not be patentable except when made by the invented processes or their obvious equivalent.”<sup>44</sup> Many recommendations of the Tek Chand Committee were quite similar to those made by the British Swan Committee in 1949.<sup>45</sup>

It is worth noting that the Patents and Designs Act included pre-grant opposition procedures. Any person could oppose the grant of a patent within three months after the publication of a patent application on any of the four grounds provided in the Act.<sup>46</sup> The Report recommended that patent opposition proceedings should be deleted from the Indian patent law because they cause a delay in the grant of patents.<sup>47</sup>

In 1953, a Patents Bill was tabled in the Lok Sabha to give effect to the Tek Chand Committee’s suggestions.<sup>48</sup> The Bill was modelled on the UK Patents Act of 1949. It required the deletion of opposition proceedings in line with the recommendations of the Tek Chand Committee. The Bill sought to replace the existing patent law in India with a completely new law. The reasons for introducing this Bill were provided as under:

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<sup>43</sup> Jae Sundaram (n 34).

<sup>44</sup> Report on Revision of Patent Laws (n 33).

<sup>45</sup> In England, in 1944, the Labor Government appointed a Committee to examine the Patents and Designs Act and make recommendations for changes in the law. The Committee was headed by Sir Kenneth R. Swan, a distinguished patent attorney, and it submitted its report in 1947. The United Kingdom Patents Act of 1949 was passed in the light of recommendations made by the Committee in its report.

<sup>46</sup> Indian Patents and Designs Act 1911 (India), s 9.

<sup>47</sup> Report on Revision of Patent Laws (n 33).

<sup>48</sup> Bill No. 59 of 1953 (India).

*“The Indian Patents and Designs Act, 1911 was enacted at a time when India had not developed industrially. The experience of the working of this Act coupled with the progress of industrial development in the country indicated clearly the need for a more comprehensive legislation so as to ensure that patent rights are not abused to the detriment of the consumer or to the prejudice of the trade or of the industrial development of the country ... the final report of the Patent Enquiry Committee [Tek Chand Committee] was submitted in 1950. The object of this Bill is to give effect to the recommendations of the final report of the Patents Enquiry Committee as have been accepted by Government.”<sup>49</sup>*

However, the Lok Sabha was dissolved, and the Bill could not be enacted into law.<sup>50</sup> This first post-independence attempt to change the patent law in India failed, but it triggered a constructive debate and led to a further government study of the Patents and Designs Act and its compatibility with India’s national interests.

In 1957, another committee was appointed by the Government of India to review the existing patent regime and its alignment with socio-economic conditions.<sup>51</sup> Headed by Shri Justice N. Rajagopala Ayyangar, this committee (“Ayyangar Committee”) was constituted to make recommendations for aligning the patent regime with India’s goal of becoming a self-sufficient and self-reliant nation.<sup>52</sup> Along with other factors, public health concerns resulting from low life expectancy, high death rate, and unaffordability of essential medicines

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<sup>49</sup> Prashant Reddy T. and Sumathi Chandrashekar, *Create, Copy, Disrupt: India’s Intellectual Property Dilemmas* (OUP 2017) 6 (Prashant Reddy and Sumathi Chandrashekar).

<sup>50</sup> Paul Goldstein and Joseph Straus, *Intellectual Property in Asia: Law, Economic History and Politics* (Springer, 2009) 59.

<sup>51</sup> Jae Sundaram (n 34).

<sup>52</sup> Report on Revision of Patent Laws (n 33).

led to this initiative by the Indian government.<sup>53</sup> According to the report (“Ayyangar Report”) submitted by the Ayyangar Committee in 1959, the ratio of patents granted to indigenous patentees was extremely disproportionate to those granted to foreign patentees because foreigners owned around 90% of patents in India.<sup>54</sup> Further, the non-working of many of those foreign-owned patents was detrimental to the national interests of India.<sup>55</sup>

The Ayyangar Report highlighted numerous implications of the patent system for under-developed countries but recommended that the patent system was necessary for India’s industrial growth.<sup>56</sup> In doing so, it also recommended certain safeguards such as the granting of compulsory licences to override patents, revoking patents if not worked or inadequately worked in India,<sup>57</sup> authorising government use of inventions,<sup>58</sup> and adoption of opposition procedures in the Indian patent laws. The Ayyangar Committee found that foreign-owned patents resulted in the high cost of pharmaceutical drugs in India, and suggested that the public interest requires prohibiting product patents for food and medicines.<sup>59</sup> Thus, it proposed the adoption of the following draft provision:

*“(2) No patent shall after the commencement of this Act be granted in respect of inventions claiming – (a) substances intended for or are capable of being used as food or beverage or as medicine (for men or animals) including sera, vaccines, antibiotics and biological*

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<sup>53</sup> Santanu Mukherjee, ‘The Journey of Indian Patent Law towards TRIPS Compliance’ (2004) 2 IIC Int. Rev. Intelect. Prop. Compet. Law 125.

<sup>54</sup> Report on Revision of Patent Laws (n 33) 108.

<sup>55</sup> Ibid, 72.

<sup>56</sup> Ibid, 19-20.

<sup>57</sup> Ibid, 47.

<sup>58</sup> Ibid, 66.

<sup>59</sup> Ibid, 39.



*preparations, insecticide, germicide, or fungicide, and (b) substances produced by chemical processes including alloys but excluding glass.*

*(3) Notwithstanding anything in sub-section (2) inventions of chemical processes for the manufacture or production of the substances mentioned in that subsection shall be patentable.”<sup>60</sup>*

The Committee’s findings were informed by a detailed analysis of patent laws and policy recommendations not only in India but also in other jurisdictions like the UK, Canada, and Australia. The findings of Ayyangar Committee on patent opposition proceedings were exactly opposite to that of the Tek Chand Committee. Justice Ayyangar supported the retention of opposition proceedings in the Indian patent law as a measure to balance the interests of the patent applicant and the public at large.<sup>61</sup> He asserted that patent opposition proceedings were not abused in India to cause unnecessary delay in the grant of patents and supported his assertion with statistics of oppositions filed in India from 1950 to 1957.<sup>62</sup>

In 1957, a U.S. Senate Committee started investigating the effects of drug patents on domestic consumers in the U.S. In May 1961, it submitted its detailed report to the U.S. Senate with proposed reform legislation. Though this reform legislation was rejected by the U.S. Congress, it significantly influenced drug patent policy in India. The following extract from the report was repeatedly used by the opponents of pharmaceutical patents in India as a propaganda coup:

*“India which does grant patents on drug products, provides an interesting case example. The prices in India for the broad-spectrum antibiotics, Aureomycin, are among the highest in the world. As a*

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<sup>60</sup> Ibid, 121.

<sup>61</sup> Ibid, 82.

<sup>62</sup> Ibid, 82-83.

*matter of fact, in drugs generally, India ranks among the highest priced nations of the world – a case of inverse relationship between per capita income and the level of drug prices.*<sup>63</sup>

In 1965, the Patents Bill (“Bill”), drafted in the light of the Ayyangar Committee’s recommendations, was sent to the Joint Committee of the Parliament. Although the Bill lapsed as the Lok Sabha was dissolved in 1967,<sup>64</sup> It came to be passed by both, the Lok Sabha and the Rajya Sabha, post the elections. In September 1970, the Bill became an Act of Parliament after receiving assent from the President of India, and finally came into force in April 1972, as the Patents Act, 1970 (“Patents Act”),<sup>65</sup> 22 years after the submission of Tek Chand Committee’s report.

Most of the Ayyangar Committee recommendations were reflected in the Patents Act, making it clear that the legislature gave more importance to the suggestions made by this committee. The Patents Act provided only process patents for food and medicines to allow freedom for generic competition. The definition of the patentable invention provided under the Patents Act covered both processes and products,<sup>66</sup> but an exception was made for food and medicines under Section 5(a) of the legislation, which specifically excluded from patent protection the “*substances intended for the use, or capable of being used, as food or as medicine or drug.*”<sup>67</sup>

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<sup>63</sup> United on the Judiciary, States Senate, ‘Study of Administered Prices in the Drug Industry’ (27 June 1961) <[https://ipmall.law.unh.edu/sites/default/files/BAYHDOLE/4\\_PREPPED\\_FILES/1961.05.08\\_Senate\\_Report\\_on\\_Administered\\_Prices\\_Drugs.pdf](https://ipmall.law.unh.edu/sites/default/files/BAYHDOLE/4_PREPPED_FILES/1961.05.08_Senate_Report_on_Administered_Prices_Drugs.pdf)> accessed 10 December 2022 (United States Senate Report on Administered Prices).

<sup>64</sup> Sheetal Thakur, *Patenting in India* (L.B.P. 2014) 68.

<sup>65</sup> The Patents Act 1970 (India).

<sup>66</sup> *Ibid*, s 2(ja).

<sup>67</sup> *Ibid*, s 5(a).

Section 3(d) further narrowed down the scope of patentable invention defined in Section 2(ja). It stipulated that: “*The following are not inventions within the meaning of the Act... (d) the mere discovery of any new property or new use for a known substance or of the mere use of the known process, machine or apparatus unless such known process results in a new product or employs at least one new reactant.*”<sup>68</sup> It is worth noting that the original Section 3(d) did not impose the additional requirement of enhanced efficacy for patent eligibility. Moreover, there was no mention of “*new forms of a known substance*” in the original Section 3(d) of the Act. The Patents Act, likewise the Patents and Designs Act, provided for a pre-grant opposition procedure and added more grounds for invoking the procedure.<sup>69</sup>

Before the adoption of The Patents Act, drug prices in India were significantly high mainly because of product patents.<sup>70</sup> The Patents Act arguably aimed at changing this situation. Its objectives were aligned with India’s policy goals stated under Article 39 of the Constitution, which reads as follows:

*“State shall, in particular, direct its policy towards securing (a)...(b) that the ownership and control of the material resources of the community are so distributed as best to serve the common good; (c) that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment; (d)...(e) that the health and strength of workers, men, and women, and the tender age of children are not abused and that citizens are not forced by economic necessity to enter avocations unsuited to their age or strength; (f) that children are given opportunities and facilities to develop in a healthy manner and in conditions of freedom*

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<sup>68</sup> Ibid, s 3(d).

<sup>69</sup> Ibid, s 25(1).

<sup>70</sup> United States Senate Report on Administered Prices (n 63).

*and dignity and that childhood and youth are protected against exploitation and against moral and material abandonment (Emphasis added)."*<sup>71</sup>

The commitment to public health is included in India's public policy objectives because the government of India has a primary constitutional duty to provide the right to health to its population under Article 47 of the Constitution.<sup>72</sup> The judiciary in India has interpreted relevant provisions of the Constitution in a manner to create an enforceable right to health.<sup>73</sup> For instance, in *Paschim Banga Khet Mazdoor Society v State of West Bengal*, the Indian Supreme Court ruled that it is a fundamental right to have access to medical treatment in a public hospital.<sup>74</sup>

India's legislative choice of providing only process patents for medicines was well-thought-out, keeping in view domestic needs and constitutional obligations of a big developing country with a growing population. This approach was compatible with consumer welfare objectives and public health goals of India. It demonstrated the importance of a robust generic drug industry to promote equitable access to cheaper medicines.<sup>75</sup>

### **C. Inclusion of Trade-Related IP in the Uruguay Round of Negotiations**

India was among the nations that negotiated the General Agreement on Tariffs and Trade ("GATT") in 1947.<sup>76</sup> This multilateral agreement was aimed at progressively reducing trade barriers and tariffs. Problems for India's revised patent law regime started with the eighth

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<sup>71</sup> The Constitution of India, art 39.

<sup>72</sup> Ibid, art 47.

<sup>73</sup> Zoe Lynn (n 32).

<sup>74</sup> *Paschim Banga Khet Mazdoorsamity* (n 7).

<sup>75</sup> Jae Sundaram (n 34).

<sup>76</sup> Antony Taubman et al., *A Handbook on the WTO TRIPS Agreement* (CUP 2012) 4-5.

round of GATT talks. These talks among 123 countries are called the Uruguay Round, as they were initiated at Uruguay in 1986.<sup>77</sup> Intellectual property was put on the agenda in the form of the TRIPS Agreement.<sup>78</sup>

Prior to these negotiations, India was not the only country to deny product patents for drugs. Medicines were exempt from patent protection in more than 50 countries, including some of the developed countries of today's world.<sup>79</sup> India's patent regime, resulting in the rapid development of India's generic drug industry, was of particular concern for foreign innovator companies because they were not allowed to compete with the Indian companies in India while the Indian generic companies were able to have a significant market share in lucrative markets. Pharmaceutical Research and Manufacturers of America ("PhRMA") stated that "*the Indian patent system was the most direct motivation for the U.S. efforts in the Uruguay Round negotiations relating to patents.*"<sup>80</sup> India strongly opposed the U.S. idea of including intellectual property in the negotiations in Uruguay. India clearly communicated its opposing views to the Negotiating Group on TRIPS:

*"The protection of intellectual property rights has no direct or significant relationship to international trade. It is because substantive issues of intellectual property rights are not germane to international trade that GATT itself has played a peripheral role in this area and*

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<sup>77</sup> Ibid.

<sup>78</sup> Agreement on Trade Related Aspects of Intellectual Property Rights (adopted 15 August 1994, entered into force 1 January 1995) 1869 U.N.T.S. 299 (TRIPS Agreement 1994).

<sup>79</sup> C.M. Correa and AA Yusuf (eds.), *Intellectual Property and International Trade: The TRIPS Agreement* (Kluwer 2008) 227- 229.

<sup>80</sup> Special 301 Report on Intellectual Property Barriers, 'Submission of the Pharmaceutical Research and Manufacturers of America' (16 February 1999).

*the international community has established other specialized agencies to deal with them.*<sup>81</sup>

Later, however, India reversed this stance due to an economic slowdown, and the fear of trade barriers to its exports, suspension of economic aid, and withdrawal of textile tariff concessions. In April 1989, India fundamentally changed its stance during negotiations at Geneva and agreed to the idea of including intellectual property in the negotiations for TRIPS.<sup>82</sup> India's domestic industry, scientists and public health activists were aggrieved by India's decision. They formed an anti-TRIPS alliance called the National Working Group on Patent Laws. In December 1989, this alliance organized a full-day conference to highlight the implications of TRIPS for India and suggested to the government to issue:

*“an unequivocal policy statement that there will not be any change in the law and policy relating to Patents and Intellectual Property Rights and this position would be maintained in GATT and other national, international and bilateral fora.”*<sup>83</sup>

In the early 1990s, India was facing not only the threat of trade sanctions under the United States Trade Representative (“USTR”) Special 301 mechanism but also a full-fledged economic crisis. In the given circumstances, India decided to accept the proposal on TRIPS despite public criticism and without even issuing a white paper.<sup>84</sup> The first department-related parliamentary standing committee on commerce tried to intervene by using its mandate on the issue of

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<sup>81</sup> Group of Negotiations on Goods (GATT), ‘Standards and Principles Concerning the Availability, Scope and Use of Trade-Related Intellectual Property Rights (Communications from India)’ (10 July 1989) MTN-GNG/NG11/W/37, p.19.

<sup>82</sup> ‘Intellectual Property Rights: The Geneva Surrender’ (1989) 24 Econ. Political Wkly.1201.

<sup>83</sup> B.K. Keayla, ‘Resolution Adopted at the National Conference of Scientists on Science, Technology and Patents’ (4 December 1989).

<sup>84</sup> Rajya Sabha, ‘Written Answers to Government’s Reaction on Dunkel’s Proposals’ (25 February 1992) 90.

TRIPS.<sup>85</sup> It recommended that India should provide protection to only process patents and not product patents. The Indian government, not bound by the the same, decided not to adhere to the recommendation.<sup>86</sup>

When India was close to signing the TRIPS Agreement, four petitioners moved the High Court of Delhi on April 7, 1994:

*“seeking a writ of mandamus restraining the Union of India from signing/ ratifying the existing version of the GATT treaty, or to restrain the Union of India from, agreeing to sign and signing Article 27(3)(b) of the TRIPS Agreement.”*<sup>87</sup>

The petitioners contended that the fundamental rights of Indian citizens would be violated if India signed the TRIPS Agreement. This last attempt to stop India from signing TRIPS failed as the Court dismissed the petition.<sup>88</sup> India then became a member of the WTO after signing the Marrakesh Agreement in April 1994.<sup>89</sup>

#### **D. Legislative Changes for TRIPS Compliance**

India’s policy of staying out of the international patent framework was aimed at maximizing its sovereignty over its national patent laws.<sup>90</sup> However, India had to change its policy to attain membership of the WTO, for which signing up for TRIPS was a necessity.<sup>91</sup> After signing

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<sup>85</sup> Rajya Sabha, ‘Parliamentary Standing Committee on Commerce Draft Dunkel Proposals’ <<https://parliamentofindia.nic.in/ls/ldeb/ls10/sec5/1923129209.htm>> accessed 10 December 2022.

<sup>86</sup> Ibid.

<sup>87</sup> *Vandana Shiva and Ors. v Union of India* 1995 (32) DRJ 447.

<sup>88</sup> Ibid.

<sup>89</sup> Rudiger Wolfrum and Peter-Tobias Stoll, ‘Agreement Establishing the World Trade Organization’ in Rudiger Wolfrum and others (eds), *WTO-Institutions and Dispute Settlement* (Brill Nijhoff 2006) 1-192.

<sup>90</sup> Peter Drahos (n 31).

<sup>91</sup> Marrakesh Agreement (n 20) art II(2).

up for TRIPS in 1995, India subsequently joined both the Paris Convention,<sup>92</sup> and the Patent Cooperation Treaty,<sup>93</sup> in 1998.

The TRIPS Agreement was unprecedented because it not only provided for 20 years patent protection for innovations across all technological fields,<sup>94</sup> but also brought in enforcement<sup>95</sup> and dispute settlement<sup>96</sup> provisions for the effective implementation of the agreed minimum standards.<sup>97</sup>

The TRIPS Agreement had serious implications for countries like India because it was no longer possible to exempt medicines. Yet, India, as a developing country, had until January 1, 2005, to comply with TRIPS.<sup>98</sup> As a legislative measure to comply with TRIPS, India introduced the Patents (Third Amendment) Bill 2003, which lapsed with the dissolution of the Indian Parliament.<sup>99</sup>

On March 17, 2005, a day before the Patents (Amendment) Bill, 2005 (“Amendment Bill of 2005”) was tabled in the Lok Sabha, the Secretary of the Legislative Department received a letter, with a note appended to it, from a Director at the Department for Promotion of Industry and Internal Trade (“DIPP”). The note included provisions on the strengthening of the pre-grant opposition procedure, compulsory licensing, and the scope of patentability. In fact, the present wording of Section 3(d), the most prominent anti-evergreening provision in Indian patent laws, comes from that last-minute amendment to the

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<sup>92</sup> Paris Convention for the Protection of Industrial Property 1883 (adopted 20 March 1983, entered into force 7 July 1984) 828 U.N.T.S. 305.

<sup>93</sup> Patent Cooperation Treaty 1970 (adopted 19 June 1970, entered into force 24 January 1978) 1160 U.N.T.S 231.

<sup>94</sup> TRIPS Agreement 1994 (n 78), art 27(1).

<sup>95</sup> *Ibid*, arts 41 – 61.

<sup>96</sup> *Ibid*, arts 63 – 64.

<sup>97</sup> J.H. Reichman, ‘Enforcing the Enforcement Procedures of the TRIPS Agreement’ (1997) 37 *Va. J. Int'l L.* 339.

<sup>98</sup> TRIPS Agreement 1994 (n 78), art 65(2).

<sup>99</sup> *Ibid*, art 65.



pending legislation.<sup>100</sup> While drafting Section 3(d), the DIPP tried to keep a balance between the obligations under TRIPS and the domestic demands to restrict patent protection to new chemical entities (“NCEs”).

The Amendment Bill of 2005 was passed by the Lok Sabha,<sup>101</sup> followed by the Rajya Sabha, and assented to by the President whereafter it came to be enacted as the Patents (Amendment) Act, 2005.<sup>102</sup> This marked the return of product patents for medicines after a gap of 35 years.

The issue of TRIPS compliance put India in a very difficult situation because India had excluded drugs from patent protection after intensive public debate and an extensive government study supporting this move keeping in view India’s constitutional obligations and ground realities. The Indian Government was being pressurized from within India and abroad as public health non-governmental organizations and the World Health Organization were fully aware of the long-lasting impact of pharmaceutical patent protection in India on millions of patients across the globe, especially in low-income countries.<sup>103</sup>

The TRIPS Agreement, however, provided a number of public health flexibilities, such as compulsory licensing of patents (under Article 31), parallel importation of patented products (under Article 6), freedom to decide patentability criteria (under Article 27(1)), and patent opposition procedures (under Articles 62(2) and 41(2)). These flexibilities provided member states with policy space to craft patent laws at national levels according to their domestic needs.

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<sup>100</sup> Prashant Reddy and Sumathi Chandrashekharan (n 50).

<sup>101</sup> *Ibid.*

<sup>102</sup> ‘Indian Parliament Approves Drug Patents Bill’ (*ABC NEWS*, 24 March 2005) <<https://www.abc.net.au/news/2005-03-24/indian-parliament-approves-drug-patents-bill/1538902>> accessed 11 December 2022.

<sup>103</sup> Jae Sundaram (n 34).

India made good use of public health flexibilities while making legislative changes to comply with the TRIPS Agreement, by crafting detailed compulsory licensing provisions (under Sections 84, 92, and 92A), embraced international exhaustion of rights (under Section 107A), raised patentability threshold standards (under Sections 3(d) and 2(ja)),<sup>104</sup> and provided both pre-grant and post-grant patent opposition as a procedural safeguard to challenge the validity of questionable patents (under Sections 25(1) and 25(2)). This procedural safeguard was also linked to substantive provisions, such as Sections 2(ja) and 3(d), which raised the bar for patentability.<sup>105</sup> Under Sections 25(1)(e) and 25(2)(e), the lack of inventive step is a ground of patent opposition, which makes Section 2(ja) a key provision to oppose questionable patents.<sup>106</sup> Moreover, Section 3(d) raised the bar by imposing a condition of enhanced efficacy.<sup>107</sup> Under Sections 25(1)(f) and 25(2)(f), one of the grounds of patent opposition is that “*the subject of any claim of the complete specification is not an invention within the meaning of this Act, or is not patentable under this Act.*”<sup>108</sup> In this way, Section 3(d) is linked to the Indian opposition proceedings. This approach of the Indian legislature has helped opponents in mounting successful patent oppositions based on Sections 3(d) and 2(ja).<sup>109</sup>

The legislative history of the Indian patent regime shows that the patent opposition model was designed to achieve two objectives. The first objective was to fulfil the constitutional duty of India to provide

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<sup>104</sup> Omar Serrano and Mira Burri, ‘TRIPS Implementation in Developing Countries’ in Manfred Elsig, Michael Hahn, and Gabriele Spilker (eds), *The Shifting Landscape of Global Trade Governance* (CUP 2019) 227.

<sup>105</sup> The Patents (Amendment) Act 2005 (India), ss 2(ja) and 3(d).

<sup>106</sup> *Ibid*, ss 25(1)(e) and 25(2)(e).

<sup>107</sup> *Ibid*, s 3(d).

<sup>108</sup> *Ibid*, ss 25(1)(f) and 25(2)(f).

<sup>109</sup> Sandeep K. Rathod, ‘Patent Oppositions in India’ in Carlos M. Correa and Reto M. Hilty (eds), *Access to Medicines and Vaccines: Implementing Flexibilities Under Intellectual Property Law* (Springer Nature 2022) 154.

good healthcare to its population by promoting price-reducing generic competition, and the second objective was to protect a robust generic drug industry in India with huge pharmaceutical export potential.

**Table 1:** Notable Successful Pharmaceutical Patent Oppositions in India<sup>110</sup>

Drug	Therapeutic area	Patent Application Number	Opponent(s)	Date of Decision(s)
Imatinib (Gleevec)	Anti-cancer	1602/MAS/1998	Cancer Patients Aid Association (CPAA), Hetero, Cipla, Natco	2006
Combivir	HIV	2044/CAL/1997	INP+ and Manipur Network of Positive People	2007 (Patent application abandoned)
Abacavir Sulphate	HIV	872/CAL/98	INP+	2007 (Patent application abandoned)
Tenofovir	HIV	2076/DEL/1997	INP+, DNP+, Cipla	2009
Valganciclovir	Anti-viral	959/MAS/1995	Indian Network of People Living with HIV/AIDS (INP+), Delhi Network of People Living with HIV/AIDS (DNP+), Matrix, Ranbaxy, Cipla, and Bakul Pharma	2010
Ritonavir and Lopinavir (Kaletra)	HIV	339/MUMNP/2006	Matrix, Initiative for Medicines, Access and Knowledge (I-MAK), Cipla, and Okasa	2010 (Patent application abandoned)
Atazanavir Sulphate	HIV	6425/DELNP/2006	Matrix and Cipla	2010
Raltgravir Potassium	HIV	4187/DELNP/2007	INP+, DNP+, and Mylan	2020

<sup>110</sup> Ibid.

Table 1 shows that there are several examples of successful pharmaceutical patent oppositions in India. These examples highlight the significance of these procedures in terms of achieving the objectives not only in relation to public health but also to protect the generic drug industry in India.

**Table 2:** Rate of Pre-Grant Opposition in India (2005-2020)<sup>111</sup>

Year	Number of Pre-Grant Oppositions Filed	Number of Applications Published	Patent Opposition Rate	Number of Patents Granted	Patent Opposition Rate
2005-06	155	23,398	0.66%	4,320	3.59%
2006-07	44	19,310	0.23%	7,539	0.58%
2007-08	64	60,506	0.11%	15,261	0.42%
2008-09	153	40,749	0.38%	16,061	0.95%
2009-10	160	34,305	0.47%	6,168	2.59%
2010-11	154	32,213	0.48%	7,509	2.05%
2011-12	193	27,753	0.70%	4,381	4.41%
2012-13	279	26,159	1.07%	4,126	6.76%
2013-14	309	31,413	0.98%	4,227	7.31%
2014-15	247	26,934	0.92%	5,978	4.13%
2015-16	290	41,752	0.69%	6,326	4.58%
2016-17	206	86,766	0.24%	9,847	2.09%
2017-18	260	46,899	0.55%	13,045	1.99%
2018-19	426	46,345	0.92%	15,283	2.79%
2019-20	800	50,823	1.57%	24,936	3.21%
<b>Total</b>	3,740	595,325	0.63%	145,007	2.58%

Table 2 shows that the rate of patent opposition in India is too low to make a significant impact in terms of achieving its intended objectives. India's well-thought-out patent opposition model is seriously under-utilised. The average opposition rate from 2005-2020 in relation to the number of patent applications published is just 0.63%, which is not encouraging. Civil society organizations and patient groups could use

<sup>111</sup> Office of the Controller General of Patents, Designs & Trademarks, 'Annual Report' (2005-2020) <<https://ipindia.gov.in/annual-reports-ipo.htm>> accessed 11 December 2022.

these procedures to challenge unwarranted pharmaceutical patents, but they are often under-resourced in terms of legal aid professionals.<sup>112</sup>

### PATENT OPPOSITION MODEL OF THE EUROPEAN UNION

The European post-grant opposition system is the most well-known and tried system, as it has been around for decades since the formation of the European Patent Office (“EPO”).<sup>113</sup> On October 5, 1973, The European Patent Convention (“EPC”) provided a procedure for post-grant patent opposition.<sup>114</sup> By using this procedure, third parties can oppose a European patent within 9 months of its publication of the grant.<sup>115</sup> An opposition can be filed by a natural or legal person after the prescribed fee is paid.<sup>116</sup> The grounds of opposition include a lack of industrial application, non-obviousness, a lack of novelty, unpatentable subject matter, and insufficient disclosure.<sup>117</sup> The real party in interest may shield their identity by using a straw man filing on their behalf.<sup>118</sup> This provision is petitioner-friendly because it safeguards the petitioners against a counter-attack in the form of patent infringement litigation.

The Opposition Division of the EPO deals with opposition notices filed by third parties. It comprises of three experienced and technically qualified members, including the primary examiner who examined the

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<sup>112</sup> Jagjit Kaur Plahe and Don McArthur, ‘After TRIPS: Can India Remain the Pharmacy of the Developing World?’ (2021) 44(6) South Asia: J. of South Asian Stud. 1178.

<sup>113</sup> Karen E. Sandrik, ‘The Post-Grant Life: Coordinating & Strategizing Challenges of Issued Patents in Multiple Continents’ (2018) 17(2) Chi.-Kent J. Intell. Prop. 456.

<sup>114</sup> European Patent Convention 1973 (EU), art 99.

<sup>115</sup> Ibid.

<sup>116</sup> ‘Schedule of Fees and Expenses Applicable as from 1 April 2023’ (European Patent Office, 31 March 2023) <<https://new.epo.org/xx/legal/official-journal/2023/etc/se2/p0/2023-se2-p0.pdf>> accessed 10 July 2023 (Schedule of Fees and Expenses).

<sup>117</sup> European Patent Convention 1973 (EU), arts 100, 52 – 57.

<sup>118</sup> *Automobiles Peugeot and Automobiles Citroen v Idem*, G9/93 (OJ 1994, 891); *Indupack AG v Hartdegen, Emmerich Ing.*, G3/97; and *Genetech, Inc. v Delta Biotechnology Ltd., Riatal GmbH and Naobito Oobashi*, G4/97 (OJ 1999, 245, 270).

patent application.<sup>119</sup> The Opposition Division has a quasi-judicial role in this *inter partes* proceeding. The Opposition Division invites the parties to make observations.<sup>120</sup> The EPO procedure is primarily a written procedure during which a written exchange of communications takes place.<sup>121</sup> The Opposition Division may also conduct oral proceedings at the instance of the EPO or if requested by at least one party.<sup>122</sup>

Withdrawal of patent opposition or settlement between the patent owner and the opponent is not forbidden. If the opposition is withdrawn or the opponent is legally incapacitated, the opposition is not necessarily terminated. The Opposition Division can still proceed with the opposition of its own motion and issue a decision.<sup>123</sup> The Opposition Division may even consider other grounds not invoked by the opponent.<sup>124</sup> The EPO's right to pursue opposition on its own motion is a powerful tool to ensure patent quality and to deter settlements between the patent owner and the opponent, as such settlements normally undermine the public interest. This provision may, however, discourage the use of the opposition proceedings by opponents who seek to force patent holders to license their patents.<sup>125</sup>

Before taking a decision, the opposition division ensures that its opinion is communicated to the patentee and the opponent.<sup>126</sup> In

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<sup>119</sup> European Patent Convention (EU), art 19.

<sup>120</sup> *ibid*, art 101.

<sup>121</sup> Fiona Rotstein and Chris Dent, 'Third-Party Patent Challenges in Europe, the United States and Australia: A Comparative Analysis' (2009) 12(5) *J. World Intellect. Prop.* 475.

<sup>122</sup> European Patent Convention 1973 (EU), arts 116 and 117.

<sup>123</sup> *Ibid*, art. 114; Implementing Regulations to the Convention on the Grant of European Patents (Oct. 5, 1973), rules 60(2) and 84(2).

<sup>124</sup> Implementing Regulations to the Convention on the Grant of European Patents (Oct. 5, 1973), rule 8.

<sup>125</sup> Bronwyn H. Hall et al., 'Prospects for Improving US Patent Quality via Postgrant Opposition' (2004) 4 *Innov. Policy Econ.* 125 (Bronwyn Hall et al).

<sup>126</sup> Colleen Chien et al., 'Inter Partes Review and the Design of Post-Grant Patent Reviews' (2018) 33(3) *Berkeley Tech. L.J.* 831 (Colleen Chien).

response to this communication, the patent owner is allowed to make changes to the patent after seeking approval from the Opposition Division.<sup>127</sup> Within two months after the Opposition Division's decision, an appeal can be made to the EPO Technical Boards of Appeal by either party or by both parties,<sup>128</sup> after paying the prescribed fee.<sup>129</sup> If the appellant decides to withdraw the appeal, the appeal proceedings are terminated, and the Technical Board of Appeal does not pursue the appeal proceedings of its own motion.<sup>130</sup>

According to a 2004 study by Hall and Harhoff, the opposition rate (in relation to granted patents) between 1980 and 1995 was approximately 8%.<sup>131</sup> The opposition rate (in relation to granted patents) between 1981 and 1998 was 8.3%, according to a study by Graham.<sup>132</sup> The EPO reported in 2009 an opposition rate of 5.2% in relation to granted patents.<sup>133</sup> A 2009 study by Harhoff also confirmed an opposition rate of around 5%.<sup>134</sup> The opposition rate declined over time, and the current rate, though much better as compared to other jurisdictions, is not very encouraging. The success rate of EPO opposition proceedings is, however, quite high. It has been estimated that 35% of the opposed patents are revoked, and another 33% patents are amended or narrowed down.<sup>135</sup> The combined success rate of 68% in the EPO proceedings is remarkable.

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<sup>127</sup> Ibid.

<sup>128</sup> European Patent Convention 1973 (EU), art 21(4), 106(1) and 107.

<sup>129</sup> Schedule of Fees and Expenses (n 116).

<sup>130</sup> Bardehle Pagenberg, *European Patent Opposition Proceedings* 11, [https://www.bardehle.com/uploads/files/European\\_Patent\\_Opposition\\_en.pdf](https://www.bardehle.com/uploads/files/European_Patent_Opposition_en.pdf). (Accessed December 6, 2022).

<sup>131</sup> Bronwyn Hall et al (n 125).

<sup>132</sup> Wesley M. Cohen and Stephen A. Merrill (ed.), *Patents in the Knowledge-Based Economy* (National Academies Press 2003) 91 (Cohen and Merrill).

<sup>133</sup> WHO, WIPO and WTO, *Promoting Access to Medical Technologies and Innovation: Intersections Between Public Health, Intellectual Property and Trade* (World Health Organization, World Intellectual Property Organization and World Trade Organization, 2012) 173.

<sup>134</sup> Dietmar Harhoff, 'Economic Cost-Benefit Analysis of a Unified and Integrated European Patent Litigation System' (2009) *Final Report to the European Commission* 49.

<sup>135</sup> Cohen and Merrill (n 132).

One of the reasons for a comparatively higher rate of opposition in the EU might be the fact that the decision of the EPO in relation to a notice of opposition binds all EPC signatory countries.<sup>136</sup> The single centralized action saves time, cost and effort, and an enhanced scope of effect provides greater incentive to potential opponents as the rewards of a successful opposition are comparatively much higher. A single action at the EPO can potentially knock out a patent for all EU countries. Unlike the U.S. procedures, the EPO has not provided a second window to challenge a patent. After the expiration of the first window of 9 months, the relevant national authorities hear patent validity challenges. Challenging questionable patents at the EPO within the first 9 months is a more fruitful option for third parties in terms of the impact of successful oppositions.

Another reason for a higher rate of opposition might be the fact that patent opposition proceedings at the EPO do not generate any legal estoppel.<sup>137</sup> The opponent is allowed to initiate national invalidation proceedings. The petitioner may argue the same issues in national revocation proceedings and may even use the same facts, evidence, and arguments.<sup>138</sup> The lack of legal estoppel adds to the attractiveness of the opposition proceedings for potential challengers. The potential opponents are not faced with the risk of losing opportunities for further actions on the same issues if the opposition fails. Moreover, the EPO opposition proceedings provide a relatively less costly opportunity to challenge questionable patents.

Civil society organizations (“CSOs”) and non-governmental organizations (“NGOs”) have opposed patents at the EPO. For instance, in April 2013, the EPO’s Opposition Division, in the ‘Brüstle’

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<sup>136</sup> European Patent Convention 1973 (EU), art 2.

<sup>137</sup> *Ibid*, art 138.

<sup>138</sup> *Glaxo Group Ltd. v Genentech Inc. and Anor* (2008) EWCA (Civ.) 23.



case, revoked the stem cell patent (1040185 B1).<sup>139</sup> In 2015, Gilead's Sofosbuvir patent was successfully challenged by European CSOs.<sup>140</sup> The Myriad Genetics' BRCA1 and BRCA2 patents were challenged by CSOs in Europe.<sup>141</sup> Moreover, CSOs opposed certain contentious animal and plant patents.<sup>142</sup> For instance, in 2018, as a result of opposition by CSOs supported by 75,000 signatures, the EPO revoked Bayer's broccoli patent (1.597.965).<sup>143</sup> In 2019, Novartis abandoned one of its Kymriah patents when Médecins du Monde and Public Eye filed a patent opposition at the EPO.<sup>144</sup>

Despite its numerous merits and achievements, the application of the European patent opposition suggests that the mechanism is not perfect or exemplary. Alfred Spigarelli, Director Quality Support, EPO, estimated in 2012 that on average, the EPO takes 34 months to decide an opposition.<sup>145</sup> In some cases, the EPO opposition proceedings take up to 6 years.<sup>146</sup> Another 2 years are generally taken by the Technical Boards of Appeal to hear the case.<sup>147</sup> Nearly 3 years

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<sup>139</sup> 'EPO Revokes Patent in the Brüstle Case' European Patent Office (11 April 2013) <<https://www.epo.org/news-issues/news/2013/20130411a.html>> accessed 6 December 2022.

<sup>140</sup> Caitlin H. Douglass et al., 'Pathways to Ensure Universal and Affordable Access to Hepatitis C Treatment' (2018) 16 BMC Medicine 5.

<sup>141</sup> Aurora Plomer, *Patents, Human Rights and Access to Science* (Edward Elgar 2015) 3.

<sup>142</sup> Charles Lawson and Jay Sanderson (eds), *The Intellectual Property and Food Project: From Rewarding Innovation and Creation to Feeding the World* (Routledge 2016) 249.

<sup>143</sup> 'EPO Revokes Bayer Broccoli Patent' Kluwer Patent Blog (16 November 2018) <<http://patentblog.kluweriplaw.com/2018/11/16/epo-revokes-bayer-broccoli-patent/>> accessed 10 December 2022.

<sup>144</sup> Oliver Classen, 'Novartis Cancer Treatment for CHF 370,000?! Public Eye Opposes Kymriah Patent' Public Eye (2019) <<https://www.publiceye.ch/en/media-corner/press-releases/detail/novartis-cancer-treatment-for-chf-370000-public-eye-opposes-kymriah-patent>> accessed 11 December 2022).

<sup>145</sup> Alfred Spigarelli, 'The Opposition Procedure at the EPO' European Patent Office 10 (Spigarelli).

<sup>146</sup> Kevin Greenleaf, Chris Benson and David Cheng, 'Beyond Our Borders: Comparing the Opposition Proceedings of Europe, China, and the United States' (2013) 5(6) *Landslide* 40.

<sup>147</sup> 'European Patent Opposition Proceedings' (Bardehle Pagenberg, 2022) 10 <[https://www.bardehle.com/uploads/files/European\\_Patent\\_Opposition\\_en.pdf](https://www.bardehle.com/uploads/files/European_Patent_Opposition_en.pdf)> accessed 6 December 2022.

average time, possibly resulting from timeline flexibility in the EPO proceedings, is a cause of serious concern for both the patentee and petitioners. The thoroughness of the European opposition proceedings, which allow for amendments in the opposed patents to protect the interests of patent owners, contributes to delay in the proceedings.<sup>148</sup> As opposition proceedings in Europe take place after the grant of a patent, the delay in proceedings does not negatively impact patentees in terms of reducing the period of exclusivity. The delay in proceedings, however, impacts the public interest. As stated in the report of the European Commission Pharmaceutical Sector Inquiry,

*“[T]he duration of the [opposition] procedure considerably limits the generic companies’ ability to clarify the patent situation of potential generic products in a timely manner.”*<sup>149</sup> Normally, generic manufacturers are *“afraid to enter at risk without a final determination that the patent is invalid or not infringed, just as people are afraid to build houses on land they don’t own.”*<sup>150</sup>

The EU’s petitioner-friendly opposition proceedings are better as compared to the U.S. but still not exemplary. The EPO needs to fix the problem of delay in opposition proceedings. Even the slightest delay can have substantial social costs. This is particularly important for European patents as patenting decisions of the EPO impact more than 450 million people across 28 countries.<sup>151</sup>

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<sup>148</sup> Colleen Chien et. Al (n 126).

<sup>149</sup> European Commission, ‘Pharmaceutical Sector Inquiry Report’ (*European Commission*, 2008) 12  
<[http://ec.europa.eu/competition/sectors/pharmaceuticals/inquiry/communication\\_en.pdf](http://ec.europa.eu/competition/sectors/pharmaceuticals/inquiry/communication_en.pdf)> accessed 6 December 2022 (Pharmaceutical Sector Inquiry Report).

<sup>150</sup> Dan L. Burk and Mark A. Lemley, *The Patent Crisis and How the Courts Can Solve It* (UCP 2009) 32.

<sup>151</sup> Fabian Gaessler et al., ‘Patents and Cumulative Innovation—Evidence from Post-Grant Patent Oppositions’ (2017) 1 A.O.M Journals 4.

More importantly, the EU provided limited opportunities for challenging patent applications pending before the EPO. Instead of providing full-fledged pre-grant opposition procedures, the EU provided the ‘Third Party Observation Procedure’ to challenge pending patent applications only in relation to substantive requirements. This mechanism can be used by ‘any person’ without paying any fee.<sup>152</sup> These third-party observations may be filed anonymously.<sup>153</sup> By allowing ‘any person’ to make straw-man observations, the EU keeps this mechanism open for anyone, even for those who do not want to disclose their identity.

The ‘Third Party Observation Procedure’, despite allowing straw-man observations from any person, provides a limited opportunity to challenge questionable patent applications. As the third party making such an observation is not a party to the proceedings before the EPO, they will not be directly informed or involved in the further proceedings. The European CSOs could have more effectively challenged pending patent applications to ward off questionable patents if they were provided with full-fledged pre-grant opposition procedures. The Indian opposition model, which provides third parties with administrative invalidation procedures both before and after the grant of a patent, is a comparatively better model.

In terms of substantive requirements for patentability, there are four basic requirements under the EPC: (1) an invention in any field of technology; (2) industrial application; (3) novelty; and (4) inventive step. Substantive requirements are provided in Articles 52 to 57 of the EPC. Unlike India, the EU patent laws are lenient and do not provide

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<sup>152</sup> European Patent Convention 1973 (EU), arts 114 and 115.

<sup>153</sup> European Patent Office, ‘Notice EPO OJ2011, 420 from the European Patent Office dated 10 May 2011 concerning the filing of third party observations under Article 115 EPC by means of an online form’ (XEPC.eu, 2011) <<https://xepc.eu/node/oj2011-420>> accessed 10 July 2023.

anti-evergreening provisions such as Section 3(d). As compared to India, the EU regime is lenient towards patents directed to new polymorphs of known compounds. Patents protecting polymorphs are vital in blocking generic competition and life-cycle management of drug patents.<sup>154</sup>

In 2011, the Board of Appeal of the European Patent Office held in *Warner-Lambert Company LLC v Teva Pharmaceutical Industries* that “*in the absence of any unexpected property, the mere provision of a crystalline form of a known pharmaceutically active compound cannot be regarded as involving an inventive step.*”<sup>155</sup> The Board further noted that “*the arbitrary selection of a specific polymorph from a group of equally suitable candidates cannot be viewed as involving an inventive step.*”<sup>156</sup> The Board established that the mere provision of a polymorph does not meet patentability criteria in the EU. However, in 2013, the Board held that an inventive step threshold is met if an unanticipated advantage is observed for even a single polymorph when compared with the amorphous form.<sup>157</sup> New polymorphs of a known compound can be patented in the EU if an unexpected advantage is observed.

## **PATENT OPPOSITION MODEL OF THE UNITED STATES**

Expensive and lengthy drug patent infringement and patent validity litigation has been a serious issue in the U.S. since the adoption of the modern system of drug regulation under the 1962 Kefauver-Harris

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<sup>154</sup> Guy Brain et al., ‘Patenting Polymorphs at the European Patent Office’ (*J A Kemp*, 2021) <<https://jakemp.com/en/briefings/patenting-polymorphs-at-the-european-patent-office/>> accessed 10 July 2023 (Guy Brain et al).

<sup>155</sup> *Warner-Lambert Company LLC v Teva Pharmaceutical Industries Ltd.* T 0777/08 – 3.3.01, (2011) 2.

<sup>156</sup> *ibid.*

<sup>157</sup> *Teva Pharmaceutical Industries Ltd. v Gallagher, Kirk James* T 1422/12 – 3.3.10 (2013) 10; Guy Brain et al (n 154).

Drug Amendments.<sup>158</sup> After several unsuccessful legislative efforts,<sup>159</sup> the Leahy-Smith America Invents Act, 2011 (“Leahy-Smith Act”) was introduced as an important statutory reform of the U.S. patent laws.<sup>160</sup> Aimed at reducing the amount of patent validity litigation in the U.S., the Leahy-Smith Act replaced *inter partes* re-examination with a procedure that looked more like opposition proceedings in terms of active participation of third-party challengers and producing evidence.<sup>161</sup> The Act provided two new procedures to challenge patent validity after its grant: post-grant review (“PGR”) and *inter partes* review (“IPR”). These proceedings were provided as faster and less expensive administrative alternatives to court litigation.<sup>162</sup> One of the key objectives of these substantial changes in the law was to improve patent quality in America.<sup>163</sup>

Any third party, excluding an owner of the patent, may use either of the two procedures to raise questions about patent validity.<sup>164</sup> Grounds for challenging patents in PGR proceedings<sup>165</sup> are slightly broader as compared to *inter partes* review.<sup>166</sup> Available grounds for challenging patents through PGR proceedings include novelty, non-obviousness, subject-matter eligibility, and written description.<sup>167</sup> The Patent Trial

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<sup>158</sup> Henry Grabowski et al., ‘Updated Trends in U.S. Brand-name and Generic Drug Competition’ (2016) 19(9) *Journal of Medical Economics* 836-844.

<sup>159</sup> An *ex parte* re-examination procedure created under the 1980 Bayh-Dole Act failed to provide an attractive mechanism for potential challengers as the participation of third-party challengers was extremely limited. An optional *inter partes* re-examination procedure created in 1999 also failed because it was too restrictive and too risky to achieve the desired objective of reducing patent litigation.

<sup>160</sup> Leahy-Smith America Invents Act of 2011 (U.S.).

<sup>161</sup> *Ex parte* re-examination proceedings still remain available. The Leahy-Smith America Invents Act did not eliminate these proceedings. See 35 U.S.C. (U.S.), s 302.

<sup>162</sup> House Judiciary Committee, House of Representatives, ‘Report on America Invents Act’ (2012) 78 <<https://www.congress.gov/congressional-report/112th-congress/house-report/98/1>> accessed 10 July 2023 (Report on America Invents Act).

<sup>163</sup> *Ibid*, 39 – 40.

<sup>164</sup> 35 U.S.C. (U.S.), ss 302 and 321.

<sup>165</sup> *Ibid*, ss 101, 102, 103, and 112.

<sup>166</sup> *Ibid*, ss 321(b) and 324(b).

<sup>167</sup> *Ibid*, s 321(b).

and Appeal Board (“PTAB”) of the U.S. Patent and Trademark Office (“PTO”)<sup>168</sup> conducts quasi-judicial PGR proceedings.<sup>169</sup> The PTAB comprises Administrative Patent Judges and does not involve the participation of patent examiners.<sup>170</sup> Unlike that of the European opposition, the challengers are required to disclose the real party behind the petition.<sup>171</sup> This requirement makes the procedure less attractive for petitioners because the petitioners are vulnerable to a counter-attack in the form of patent infringement litigation.

Within 9 months of the patent grant, third-party challengers may file petitions for PGR.<sup>172</sup> No extension to this 9-month period is admissible.<sup>173</sup> The fee for PGR of up to twenty claims is USD 20,000.<sup>174</sup> An additional fee needs to be paid for each additional claim beyond the sum.<sup>175</sup> There is no discounted fee for small entities, community organizations or individuals. This high fee makes the procedure less attractive for resource-constrained civil society organizations and public-spirited individual opponents who challenge patents without financial incentives.

The U.S. outperforms the EPO on timing. The PTAB is required to complete the review proceedings within one year of the institution.<sup>176</sup> An extension of up to 6 months is possible upon a showing of good cause.<sup>177</sup> PGR proceedings are different from European opposition

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<sup>168</sup> Ibid, s 326(c).

<sup>169</sup> Ibid, s 6(a).

<sup>170</sup> Ibid, s 6(a).

<sup>171</sup> Ibid, s 322(b).

<sup>172</sup> Ibid, ss 6(f) and 311(c).

<sup>173</sup> Ibid, s 321.

<sup>174</sup> Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions’ (Federal Register, 2012) <<https://www.federalregister.gov/documents/2012/08/14/2012-17900/rules-of-practice-for-trials-before-the-patent-trial-and-appeal-board-and-judicial-review-of-patent>> accessed 10 July 2023 (Rules of Practice).

<sup>175</sup> Ibid.

<sup>176</sup> Ibid, ss 316(a) and 326(a).

<sup>177</sup> Ibid.

proceedings, where the timeline is much more flexible in the absence of a statutory time limit. PTAB's decision in the PGR proceedings can be appealed by either party to the Court of Appeals for the Federal Circuit.<sup>178</sup>

Unlike the time-tested European opposition procedures, the PGR is a recent development. The PGR proceedings are not perfect or exemplary. As compared to the petitioner-friendly European opposition procedure, the PGR generates troublesome legal estoppel. The challenger is not allowed to bring a future action on any issues that were actually raised in the review proceedings or could potentially be raised during such proceedings.<sup>179</sup> Moreover, facts determined during these proceedings cannot be challenged in a future action.<sup>180</sup> These harsh estoppel provisions make the procedure less attractive to potential challengers as they have to choose this procedure to the exclusion of other invalidity mechanisms.

To renounce the ability to a later challenge by surrendering the right to sue in court is always a difficult decision for any challenger. As noted by David Kappos, then-Director of the USPTO, the estoppel statutes relating to PGR “*mean that your patent is largely unchallengeable by the same party.*”<sup>181</sup> The U.S. needs to reconsider the harsh estoppel provisions. The estoppel provisions were aimed at reducing redundant filings and abusive use of PGR. The European opposition lacks this safeguard, and there is no evidence to suggest that a lack of estoppel provisions resulted in abuse of opposition proceedings in Europe. Moreover, the

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<sup>178</sup> Ibid, s 141(c).

<sup>179</sup> Ibid, s 315(c).

<sup>180</sup> Ibid.

<sup>181</sup> Karen E. Sandrik, ‘The Post-Grant Life: Coordinating & Strategizing Challenges of Issued Patents in Multiple Continents’ (2018) 17(2) Chi.-Kent J. Intell. Prop. 454.

prescribed fee<sup>182</sup> to invoke PGR proceedings is considerably higher as compared to other jurisdictions.

The PGR has not been a preferred procedure to invalidate questionable patents, and it is unlikely to be invoked at a significant rate in future. Still, the most common form of challenging patent validity in the U.S. is court litigation. Court litigation in the U.S. has serious disincentives for potential challengers, which include “*the lack of financial reward for invalidating patents and the risk of triggering countersuits for infringement.*”<sup>183</sup> Moreover, “*patent litigation is notoriously expensive, prolonged, and unpredictable.*”<sup>184</sup> Patent litigation is currently the primary gatekeeper of patent quality in the U.S., but it does not ideally address the problem of low-quality patents. Patent litigation is unattractive for resource-constrained CSOs to challenge the validity of low-quality patents.

Though the U.S. Congress recognized that “*questionable patents are easily obtained*” and are “*too difficult to challenge,*”<sup>185</sup> currently, the U.S. does not provide third parties with a pre-grant opposition procedure to challenge patent applications pending before the USPTO. In the absence of pre-grant opposition procedures, a large number of patents with low or minimal inventive step are granted in the U.S.<sup>186</sup> As compared to revoking questionable patents after grant, preventing the grant of such patents in the first place is a superior policy option to avoid negative social and economic consequences associated with unwarranted exclusive rights.

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<sup>182</sup> Rules of Practice (n 174).

<sup>183</sup> Megan M. La Belle, ‘Patent Law as Public Law’ (2012) 20(1) Geo. Mason L. Rev. 44.

<sup>184</sup> Ibid.

<sup>185</sup> Report on America Invents Act (n 162).

<sup>186</sup> World Health Organization, *Intellectual property and access to medicines: papers and perspective* (World Health Organization Regional Office for South-East Asia 2010) 45.



The U.S. should consider providing simpler and less risky pre-grant opposition procedures as it is the home base for a number of active and capable non-profit organizations willing to bring patent validity challenges with an aim to protect the public interest. For instance, non-profit organizations Patients Not Patents (“PNP”) and the I-MAK have been active challengers of patents related to drugs and medical products.<sup>187</sup> Another non-profit organization Electronic Frontier Foundation (“EFF”) targets questionable internet technology and software patents.<sup>188</sup> These and many other organizations in the U.S., if provided with a more attractive and less risky invalidity mechanism, can contribute significantly towards warding off unwarranted patents in the U.S.

In terms of substantive requirements for patentability, there are five requirements under the U.S. Patent Act: (1) patentable subject matter; (2) utility; (3) novelty; (4) non-obviousness; and (5) enablement.<sup>189</sup>

Unlike India, the U.S. Patent Act does not provide any specific safeguards against the ever-greening of pharmaceutical patents. Patents on polymorphs are allowed in the U.S. Polymorphic patenting allows patentee corporations to block generic competition by extending their market exclusivity. For instance, Pfizer Inc. extended market exclusivity for its blockbuster drug Lipitor through the strategy of polymorphic patenting.<sup>190</sup> Similarly, Vertex Pharmaceuticals extended the market lifetime for Lumacaftor through a polymorph patent.<sup>191</sup> On the contrary, India’s Section 3(d) expressly excluded

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<sup>187</sup> Christopher J. Worrel, ‘Improving the Patent System: Community Sourcing and Pre-grant Opposition’ (2011) 42 U. Tol. L. Rev. 844.

<sup>188</sup> ‘Patent Busting Project’ (Electronic Frontier Foundation, 2004) <<https://www.eff.org/issues/patent-busting-project>> accessed 12 December 2022.

<sup>189</sup> 35 U.S.C. (U.S.), ss 101 - 103 and 112.

<sup>190</sup> Runjhun Tandon et al., ‘Patenting of polymorphs’ (2018) 7(2) Pharmaceutical Patent Analyst 60.

<sup>191</sup> *Ibid.*

polymorphs from patent protection unless they exhibit enhanced efficacy. India's approach of confining patent protection to only true polymorphs with enhanced efficacy is a better policy to check the ever-greening of drug patents.

The U.S. patent regime, with expansive approach on patentability and no procedures to challenge pending patent applications, favours large pharmaceutical corporations with financial might and experienced patent lawyers to exploit the relaxed patentability standards. Patentee corporations benefit from slower and more expensive judicial procedures to challenge questionable patents because, during pendency of proceedings, the patent remains in force to block generic competition.

### **RECENT DEVELOPMENTS IN INDIA**

In August 2022, the Economic Advisory Council to the Prime Minister of India ("EAC-PM") proposed reforms to patent law in India aimed at fast-tracking the process of granting patents. The key proposal in relation to pre-grant opposition is to put a timeline of 6 months from the date of issuance of the First Examination Report ("FER") in order to streamline the process.<sup>192</sup> Currently, no specific timeline is provided to file pre-grant opposition. Without paying any fee,<sup>193</sup> a representation for opposition can be filed at any time after an application for a patent has been published,<sup>194</sup> but a patent has not been granted.<sup>195</sup> The proposal to reduce the pre-grant opposition time to 6 months does not consider the public interest in scrutinising the grant of patents. Grant

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<sup>192</sup> Sanjeev Sanyal and Aakanksha Arora, 'Why India Needs to Urgently Invest In Its Patent Ecosystem?' (2022) Economic Advisory Council to the Prime Minister 14.

<sup>193</sup> No fee has been stipulated for instituting pre-grant opposition proceedings under the Patents Act and the Patents Rules.

<sup>194</sup> The Patents Act 1970 (India), s 11A.

<sup>195</sup> *Ibid*, s 25(1). Prior to 2005 amendment, pre-grant opposition was allowed within four months from publication of the acceptance of a complete specification.

of undeserved patents is a real-world issue.<sup>196</sup> Any restrictions on rigorous scrutiny of patents will lead to the further proliferation of undeserved patents resulting in societal losses.

The approaches taken by EAC-PM to reach its conclusions are murky because neither all details of its working nor all data used by it is publicly available. The proposals made by EAC-PM are overly protective of patentee corporations' private interests at the expense of overlooking the larger public interest. Brand-name pharmaceutical corporations will be notable beneficiaries of the change if the EAC-PM proposal to provide a 6-month timeline for pre-grant opposition is accepted. Opposing pharmaceutical patents is particularly time-consuming. As noted by Menghaney and Joseph,

*“The information in patent applications does not permit the public to rapidly identify the claimed medical product. The identification and further analysis are time-consuming as several applications are pending on the same medicine, vaccine or technology.”*<sup>197</sup>

In January 2023, the Centre for Intellectual Property, Innovation and Technology at Hidayatullah National Law University (“HNLU”) published a report that made recommendations to streamline the process of pre-grant opposition. A key recommendation of the report is to provide a limited timeframe of 6-12 months from the date of issuance of FER to oppose pending patent applications.<sup>198</sup>

Another recommendation of the HNLU report is to allow only interested persons to file pre-grant opposition.<sup>199</sup> Section 25(1) allows

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<sup>196</sup> Dean Baker et al., ‘Innovation, intellectual property, and development: A better set of approaches for the 21st century’ (2017) Shuttleworth Foundation 63.

<sup>197</sup> Leena Menghaney and Roshan Joseph, ‘India’s patent law safeguards under fire’ (*The Hindu*, 3 July 2021) <<https://www.thehindu.com/sci-tech/science/indias-patent-law-safeguards-under-fire/article65592176.ece>> accessed 11 July 2023.

<sup>198</sup> Vivekanandan et al., *A study of patent opposition system* (Centre for Intellectual Property, Innovation and Technology 2023) 28.

<sup>199</sup> *Ibid.*

‘any person’ to file a pre-grant opposition.<sup>200</sup> The phrase ‘any person’ is not defined under the Act. The judicial interpretation of ‘any person’ in some recent decisions is narrowing down the scope of pre-grant oppositions. In November 2020, the Bombay High Court narrowly interpreted the clause to mean a person having certain qualifications. It noted:

*“We have not been informed about the educational background of the Petitioner. The Petitioner has made no statements on oath. It is argued that the Petitioner has employed a team of researchers. Particulars of these researchers and who pays the team are not given.”*<sup>201</sup>

Calling into question the credentials of a patent opponent is against the very purpose of pre-grant opposition. One of the key purposes of this mechanism is to bring forward any additional information that can be helpful in making a novelty or obviousness determination. As noted by Beth Noveck,

*“often ‘ordinary’ people possess extraordinary knowledge that they are willing to share when it is easy to do so ... Patent examination is well-suited to pre-grant community participation because it depends on scientific expertise to make the correct determination.”*<sup>202</sup>

Keeping in view this rationale of pre-grant opposition, it is not logical to consider the qualifications of a person bringing forward any additional prior art information. This is the reason why the EU allows third parties to bring in any valuable information, even anonymously. Even if an individual does not have a personal interest in opposing a patent, the society at large has a collective interest if an undeserving

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<sup>200</sup> The Patents Act 1970 (India), s 25(1).

<sup>201</sup> *Dhaval Dnyora v Union of India and Ors*, No.3718 of 2020 (India) 14.

<sup>202</sup> Beth Simone Noveck, ‘Peer to Patent: Collective Intelligence, Open Review, and Patent Reform’ (2006) 20(1) Harv. J.L. & Tech. 144.

patent is successfully opposed. It is unfortunate if Indian courts ignore this public interest dimension of pre-grant opposition and narrow down its scope to only persons with certain qualifications. This is particularly concerning in relation to pharmaceutical patents because of the far-reaching negative impacts of undeserved patents on public health.

The effectiveness of this round of opposition will be curtailed if this procedure is confined to only ‘persons interested’. The narrow interpretation of ‘any person’ is not in line with the legislative intent of making pre-grant opposition as an expansive safeguard against undeserved patents. It is important to note that prior to the 2005 amendment, pre-grant oppositions could be filed only by an ‘interested person’. In the amended Act, the Indian Parliament purposefully expanded the scope of pre-grant opposition by allowing ‘any person’ to oppose pending patent applications. The possibility of frivolous oppositions is too small to eclipse the overall benefit of allowing ‘any person’ to oppose patents. Only a very small percentage (less than 1%) of patent applications are opposed.<sup>203</sup> The number of frivolous oppositions within this small tally of overall oppositions can be negligible.

The research methods used for preparing the HNLU report are not explained. The report relies on data collected by a leading law firm in India, but there is a lack of public information about the empirical data. As noted by the Executive Director of the law firm, “*the restructuring recommended by this report will improve the patent landscape in India and make it more inventor and/or investor friendly, thereby helping in ease of doing business in India.*”<sup>204</sup>

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<sup>203</sup> See Table 2 above.

<sup>204</sup> ‘Report on Patent Opposition System provides recommendations on enabling ease of doing business in India’ (*Press Trust of India*, 1 September 2023) <<https://www.ptinews.com/pti/report-on-patent-opposition-system-provides->

In January 2023, soon after the release of the HNLU report, the Delhi High Court noted in *Natco v Assistant Controller of Patents*, “*The right to oppose the grant of a patent is just as sacrosanct as the right to seek a grant of a patent.*”<sup>205</sup> It acknowledged the public interest dimension of patent opposition proceedings:

*“The public interest involved in ensuring that patentable inventions are patented, cannot be accorded a greater degree of sanctity than the public interest involved in ensuring that the non-patentable inventions are not allowed to be patented.”*<sup>206</sup>

Pre-grant oppositions have an important role in making sure that undeserved patents are not easily granted. Because of India’s global role as a ‘pharmacy of the developing world’, pre-grant oppositions in India have a significant impact on access to affordable medicines not only for Indian citizens but also for marginalised populations in many other countries.

## CONCLUSION

India made efficient use of both substantive and procedural flexibilities to provide an exemplary patent opposition model. India’s approach to raising substantive threshold standards for patent eligibility is in line with its national interest. The higher threshold standards mean less burden on India’s health system because of the availability of generic alternatives of pharmaceutical drugs. India’s legislative approach is also aligned with its constitutional obligations to provide good healthcare to its citizens as a welfare country.

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recommendations-on-enabling-ease-of-doing-business-in-india/59349.html≥ accessed 10 July 2023.

<sup>205</sup> *Natco Pharma Limited v Assistant Controller of Patents & Designs ANR.*, 2023/DHC/000268, (India) 28.

<sup>206</sup> *Ibid.*

India's approach to reinforcing its heightened patentability requirements with procedural mechanisms of patent opposition is well-thought-out, as it provides third parties with an opportunity to oppose questionable patents by leveraging higher substantive requirements for patentability in India. The legislative history of India's patent laws supports the assertion that the Indian patent opposition model is informed by public health objectives and national interest considerations. This model was designed to promote price-reducing generic competition keeping in view India's constitutional obligation, under Article 47 of the Constitution of India, of providing good healthcare to citizens.

Compared to India, the U.S. approach is to limit patent opposition. The U.S. procedure is not only costly, but it also generates troublesome legal estoppels. The U.S. does not provide third parties with a pre-grant opposition procedure to question pending patent applications. The EU also provides only post-grant opposition proceedings, but the EU's petitioner-friendly proceedings are better as compared to the U.S. model. The EU, however, does not provide a model strategy. EU proceedings lack speed efficiency. On average, the EPO takes around 3 years to decide on an opposition.<sup>207</sup> This inordinate delay is a cause of serious concern as it negatively impacts the public interest.<sup>208</sup>

India made better policy choices in terms of designing its patent opposition model. India's approach of providing third parties with procedures to challenge the validity of patents both before and after their grant and linking these procedures with substantive threshold standards is well-thought-out. This approach is exemplary for the WTO member states in terms of keeping a balance between their obligations under TRIPS and domestic needs.

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<sup>207</sup> Spigarelli (n 145).

<sup>208</sup> Pharmaceutical Sector Inquiry Report (n 149).

Recent developments in India indicate that India's TRIPS-compliant pre-grant opposition procedures are under pressure. India will need to sustain this pressure and resist any changes that undermine the public interest. India's patent regime must remain sensitive to public health needs if India wants to remain a hub of generic medicines not only for its citizens but also for poorer patients in many other countries.



# TRADEMARK AND ARBITRATION: ANALYSING THE ARBITRABILITY OF TRADEMARK DISPUTES

Madhav Goel\*

## *Abstract*

*This paper seeks to explore the tests of arbitrability of disputes developed by Courts in India and apply them to discern if trademark disputes can be resolved through arbitration. An examination of judicial opinion shows that there is no single, conclusive test of arbitrability, and the scheme of the legislation, the nature of rights involved, the nature of relief sought, existence of social welfare considerations has to be examined in order to make this determination. Applying these tests to trademark disputes, this paper argues that disputes relating to infringement, passing off and assignment are arbitrable, while those relating to the registration, validity of registration, etc. are not.*

**Keywords:** arbitrability, trademark, right in rem, right in personam, erga omnes

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## INTRODUCTION

Ever since the liberalisation of 1991 and the consequent unleashing of the free-market economy and competitive forces that come with it,<sup>1</sup> India has seen an explosion in the pace of development as well as the complexity of intellectual property in all forms, be it patents, copyrights or trademarks. Companies are investing considerable resources to

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<sup>1</sup> Pawan Budhwar and Arup Varma, *Doing Business in India* (1<sup>st</sup> edn, Routledge 2010) 548.

produce better products and to create values and associations for their brands, in order to capture the attention of the consumer in a marketplace where she is flooded with options.

As a result, there is an increased focus by companies in protecting their trademark rights in order to ensure that their mammoth advertising efforts are utilized and consumers do not confuse their brands with others competing for their attention. This is evident from the fact that the value of India's advertising industry in 2021 was a staggering Rs. 625 Billion (\$8.40 Billion) and was expected to reach Rs. 700 Billion (\$9.40 Billion) in 2022, witnessing a growth of over 11%.<sup>2</sup> This increased focus on trademark rights<sup>3</sup> was taken note of by the legislature, as far back as 1999, when it enacted the Trade Marks Act, 1999<sup>4</sup> ('**TM Act**') and repealed the Trade Marks and Merchandise Act, 1958<sup>5</sup> that had regulated trademarks in India for over four decades.<sup>6</sup> The Statement of Objects and Reasons clearly highlighted the need for a new law on trademarks due to the fast changing commercial practices and realities.<sup>7</sup>

The increased focus on asserting and protecting trademarks and the rights that accompany them has resulted in considerable rise in trademark litigation.<sup>8</sup> This has resulted in the overcrowding of the

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<sup>2</sup> Press Trust of India, 'Indian Advertising Industry to Grow 10.8% to Rs 62,557 Crore by 2021 End' (*Business Today*, 6 February 2019) <<https://www.businesstoday.in/latest/economy-politics/story/indian-advertising-industry-to-grow-108-to-rs-62557-crore-by-2021-end-286863-2021-02-06>> accessed 8 October 2021.

<sup>3</sup> Akhileshwar Pathak 'Changing Context of Trade Mark Protection in India: A Review of the Trade Marks Act, 1999' (2004) IIMA Working Papers <<https://www.iima.ac.in/publication/changing-context-trade-mark-protection-india-review-trade-marks-act-1999>> accessed 12 January 2021.

<sup>4</sup> The Trade Marks Act 1999 (TMA 1999).

<sup>5</sup> The Trade Marks and Merchandise Act 1958.

<sup>6</sup> George SK, 'Trademark Infringements in India' (2016) 3 Ct Uncourt 22.

<sup>7</sup> Draft Trade Marks Work Manual under the Trade Marks Act, 1999 and Trade Marks Rules, 2002, ch 1.

<sup>8</sup> S.S. Rana & Co. Advocates, 'India: Trademark Applications Cross 5 Million Mark!!' (*Monday*, 30 June 2021)

dockets of the authorities adjudicating such issues, be it the Civil Courts, Commercial Courts, the Intellectual Property Appellate Board ('IPAB') or the Registrar of Trade Marks. In fact, the President has recently abolished the IPAB,<sup>9</sup> due to the fact that the board has not led to the faster disposal of cases and has not been able to reduce the burden on the public exchequer.<sup>10</sup> This is likely to lead to increased burden on the dockets of the judicial authorities that will have to pick up this additional burden, thus increasing the time it takes to resolve such disputes. Given that trademark disputes are commercial disputes,<sup>11</sup> it is imperative that their resolution is done in an expeditious manner. In fact, that is the primary reason behind the enactment of the Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Bill 2015,<sup>12</sup> whose Statement of Objects and Reasons run as follows:

*“The high value commercial disputes involve complex facts and question of law. Therefore, there is a need to provide for an independent mechanism for their early resolution. Early resolution of commercial disputes shall create a positive image to the investor world about the independent and responsive Indian legal system.”*

*6. The proposed Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Bill, 2015 shall ensure that the commercial cases are disposed of expeditiously, fairly and at reasonable cost to the litigant. The proposal to establish the*

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<<https://www.mondaq.com/india/trademark/1086040/trademark-applications-cross-5-million-mark>> accessed 20 October 2021.

<sup>9</sup> Tribunals Reforms (Rationalisation and Conditions of Service) Ordinance 2021, s 8.

<sup>10</sup> Vibhuti Kaushika, 'India: Abolishment Of IPAB: Changes to 'The IP Regime' (Mondaq, 28 May 2021) <<https://www.mondaq.com/india/trademark/1074448/abolishment-of-ipab-changes-to-the-ip-regime>> accessed 11 October 2021.

<sup>11</sup> The Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Act 2015, s 2(1)(c)(xvii).

<sup>12</sup> The Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Bill 2015, Bill No. 253 of 2015 as Introduced in the Lok Sabha.

*Commercial Courts and the Commercial Division of the High Court shall, —*

*(i) accelerate economic growth;*

*(ii) improve the international image of the Indian justice delivery system; and*

*(iii) improve the faith of the investor world in the legal culture of the nation.”<sup>13</sup>*

In light of this background, it is essential to explore the possibility of alternative dispute resolution mechanisms for trademark disputes, in order to increase the speed of resolution, whilst ensuring that the disputes are adjudicated by an impartial authority with the requisite expertise that is following a fair procedure.

### **Arbitration as a Possible Alternative**

Arbitration meets the above-mentioned criteria, and thus has the potential to serve as a possible alternative for resolving trademark disputes. It has, as an alternative dispute resolution mechanism, received endorsement from all organs of the State, and that is evident from the fact that the legislature chose to overhaul the entire framework governing arbitrations in India<sup>14</sup> in 1996, by enacting the Arbitration and Conciliation Act, 1996<sup>15</sup> (“**the Act**”), in order to make arbitration an attractive alternative. The introduction of the Act was an indicator of the marked change in the Indian legal system’s outlook and trust towards arbitration as a means to resolve disputes.

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<sup>13</sup> Ibid, s 6. See also *Ambalal Sarabhai Enterprises Ltd. vs. K.S. Infraspace LLP* (2020) 15 SCC 585 (emphasis added).

<sup>14</sup> The Arbitration Act 1940; The Arbitration (Protocol and Convention) Act 1937; The Foreign Awards (Recognition and Enforcement) Act 1961.

<sup>15</sup> The Arbitration and Conciliation Act 1996.

Based on the UNCITRAL Model Law<sup>16</sup> and the Convention on the Recognition and Enforcement of Foreign Arbitral Awards,<sup>17</sup> it replaced the earlier regime<sup>18</sup> governing arbitrations in India. The idea was to encourage the use of arbitration as a resolution process in a wide array of disputes between private parties by providing for a wide latitude to party autonomy and minimal Court intervention/supervision, whilst ensuring flexibility and fairness. It was designed to enable the arbitrator to apply mediation and conciliation during proceedings as a possible method of resolving disputes.

Given these marked advantages that arbitration has and despite the fact that companies are adopting arbitration as a means to resolve a wide variety of their disputes, why are they not referring trademark disputes for arbitration?

### **THE ISSUE OF ARBITRABILITY**

From a procedural standpoint, there is nothing preventing arbitration from being a possible method for resolution of trademark disputes. It provides for a fair, impartial procedure that allows parties to present arguments and evidence in support of their case, and the arbitral tribunal is bound to make a reasonable decision within the four corners of the law pertaining to the dispute. However, the real question is whether such disputes are by their very nature, or out of public policy considerations, or due to the existing statutory framework,<sup>19</sup> not amenable to arbitration?

It is due to the uncertainty around this question that we are witnessing the hesitancy in referring trademark disputes for arbitration. This

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<sup>16</sup> Model Law on International Commercial Arbitration, 1985 (United Nations Commission on International Trade Law [UNCITRAL]) UN Doc A/40/17, Annex I.

<sup>17</sup> Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 330 UNTS 3 (New York Convention).

<sup>18</sup> The Arbitration Act 1940.

<sup>19</sup> TMA 1999.

question arises because the Act impliedly prohibits the resolution of certain nature of disputes through arbitration, deeming that the same are inarbitrable. Section 34 of the Act,<sup>20</sup> for example, which deals with the narrow grounds of challenge to an arbitral award, creates the possibility of certain types of disputes being inarbitrable. Sub-section 2(b)(i) clearly provides for setting aside an award where the “subject-matter of the dispute is not capable of settlement by arbitration under the law for the time being in force”.<sup>21</sup>

In fact, the question of arbitrability can be raised at six different occasions during the life of an arbitration proceeding, out of which four relate to domestic arbitrations and two to international ones.<sup>22</sup>

However, there is no particular list of disputes which are not considered as arbitrable. As a result, this question has been left entirely for the Courts to determine. In order to deal with such questions, the Courts have evolved certain tests in order to determine whether a particular type of dispute is considered arbitrable under the Act or not.

Nevertheless, the tests evolved are not consistent and have often been criticised as being incomplete.<sup>23</sup> As a result, one needs to carry out an exhaustive exercise to cull out the main principles governing the arbitrability of disputes.

## TESTS OF ARBITRABILITY

The question of arbitrability is concerned with whether the very subject matter of the dispute is suitable for resolution through arbitration? Can such a class/nature of disputes be resolved by a

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<sup>20</sup> TMA 1999, s 34.

<sup>21</sup> TMA1999, s 34(2)(b)(i).

<sup>22</sup> India Cements Capital Ltd. v William 2015 SCC OnLine Ker 24805; O.P. Malhotra & Indu Malhotra, *Law and Practice of Arbitration and Conciliation*, (2nd edn, Lexis Nexis 2006).

<sup>23</sup> Ajar Rab, ‘Defining the Contours of the Public Policy Exception - A New Test for Arbitrability in India’

7 IJAL (2019) 161.

private forum chosen by the parties, such as the arbitral tribunal, or can it only be resolved by public courts exercising the judicial powers of the sovereign?

Any analysis of the question regarding arbitrability of disputes starts at *Booz Allen and Hamilton Inc. v SBI Home Finance Ltd.*,<sup>24</sup> where the Supreme Court was considering the arbitrability of mortgage disputes. In the course of its analysis, the Supreme Court laid down certain tests that should be adopted in order to determine the answer. The Court ruled that while most civil and contractual private disputes are amenable to arbitration, certain type of disputes may be removed from the jurisdiction of the tribunal for a variety of reasons:

*“35. Arbitral tribunals are private fora chosen voluntarily by the parties to the dispute, to adjudicate their disputes in place of courts and tribunals which are public fora constituted under the laws of the country. Every civil or commercial dispute, either contractual or non-contractual, which can be decided by a court, is in principle capable of being adjudicated and resolved by arbitration unless the jurisdiction of arbitral tribunals is excluded either expressly or by necessary implication. Adjudication of certain categories of proceedings are reserved by the Legislature exclusively for public fora as a matter of public policy. Certain other categories of cases, though not expressly reserved for adjudication by a public forum (courts and Tribunals), may by necessary implication stand excluded from the purview of private fora. Consequently, where the cause/dispute is inarbitrable, the court where a suit is pending, will refuse to refer the parties to arbitration, under Section 8 of the Act, even if the parties might have agreed upon arbitration as the forum for settlement of such disputes.*

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<sup>24</sup> (2011) 5 SCC 532.

36. *The well recognized examples of non-arbitrable disputes are: (i) disputes relating to rights and liabilities which give rise to or arise out of criminal offences; (ii) matrimonial disputes relating to divorce, judicial separation, restitution of conjugal rights, child custody; (iii) guardianship matters; (iv) insolvency and winding up matters; (v) testamentary matters (grant of probate, letters of administration and succession certificate); and (vi) eviction or tenancy matters governed by special statutes where the tenant enjoys statutory protection against eviction and only the specified courts are conferred jurisdiction to grant eviction or decide the disputes.*<sup>25</sup>

What is evident from the above list<sup>26</sup> is that besides certain disputes being excluded from the jurisdiction of an arbitral tribunal on the public policy considerations by the Legislature, disputes that are impliedly excluded are those that are not strictly private in nature but have a public element to them as well. In other words, the rights involved in inarbitrable disputes are not just ‘*rights in personam*’, but also are ‘*rights in rem*’. *Rights in rem* refer to rights of a person against the world at large such as title to immovable property, etc., whereas *rights in personam* refer to the rights of a person against another specific person, such as contractual rights.<sup>27</sup> The Supreme Court considered the distinction between *rights in rem* and *rights in personam* to be the dividing line between what was arbitrable and what was not.<sup>28</sup> Disputes arising out of the former are generally considered amenable to and suitable for arbitration, while those arising out of the latter are not.

Why did the Court hold that disputes arising out of/involving *rights in rem* are not fit for arbitration? The reasons are manifold. There is an inherent limitation of jurisdiction of an arbitral tribunal that stems

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<sup>25</sup> Ibid at [35-36] (emphasis added).

<sup>26</sup> Ibid.

<sup>27</sup> Vidya Drolia v Durga Trading Corpn. (2021) 2 SCC 1.

<sup>28</sup> Booz Allen (n 24) 546-547.



from the fact it is a private forum which is a creature of the contract of the parties, and thus obtains its jurisdiction by agreement of the parties. Its jurisdiction thus extends to only those parties that have expressly submitted to its jurisdiction by way of agreement. Its awards, therefore, bind only these parties, and cannot bind a third party. Therefore, when disputes are restricted to *rights in personam*, then the arbitral tribunal is able to effectively resolve the disputes as its awards are binding on the parties to the dispute, and hence binds all those parties whose rights and liabilities are involved.<sup>29</sup> For example, disputes arising out of simple contractual matters involving two parties will be related to *rights in personam* of each of the respective parties. If both have submitted to arbitration, then its award will bind each party and thus, resolve the outstanding dispute arising out of the *right in rem*. In contrast, this limitation on the binding nature of arbitral awards prevents an arbitral tribunal from adjudicating and resolving disputes arising out of *rights in rem*.<sup>30</sup> For example, the right related to ownership of property is a *right in rem*. When a person is the owner of a property, his right over that property is superior to that of anyone else. If a dispute regarding the same arises, and is referred to arbitration, then it will never be resolved completely. The award will only bind those parties that have submitted to the arbitral tribunal's jurisdiction, but not the others. The arbitral award pertaining to the ownership of a particular property will not be binding on the rest of the world, and will thus fail to fully give effect to the person's *right in rem*.<sup>31</sup>

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<sup>29</sup> Ibid.

<sup>30</sup> Prachi Gupta, 'India: The Conundrum Of Arbitrability Of Intellectual Property Rights Dispute In India: An Analysis' (*Mondaq*, 15 July 2022) <<https://www.mondaq.com/india/arbitration--dispute-resolution/1212264/the-conundrum-of-arbitrability-of-intellectual-property-rights-disputes-in-india-an-analysis> > accessed 20 August 2022.

<sup>31</sup> Vidya Drolia (n 27); See also Stavros Brekoulakis, 'The Effect of An Arbitral Award and Third Parties in International Arbitration: Res Judicata Revisited (2005) 16 ARIA 9.

The second reason is that certain matters involve remedies that an arbitral tribunal is not empowered to provide.<sup>32</sup> As noted above, an arbitral tribunal is a creature of agreement and not statute. It does not exercise the judicial powers of the State, only its awards that are private in nature are executed as a decree of the Court by creating a legal fiction. From a public policy perspective as well, there is a limit to its judicial powers.<sup>33</sup> For example, in criminal matters, a Court would have to impose punishments, which an arbitral tribunal cannot do. Imposing coercive punishments is exclusively within the sovereign powers of the State, and the constitutional framework confers this power on the Courts, not private bodies.

The underlying logic behind the '*rights in rem-rights in personam*' distinction propounded by the Supreme Court in *Booz Allen*<sup>34</sup> is that the decision of an arbitral tribunal cannot have an *erga omnes* effect,<sup>35</sup> i.e., it cannot have a binding effect on all.<sup>36</sup> Disputes involving *rights in personam* can be resolved without such a consequence, but those involving *rights in rem* cannot.

However, while this distinction has been vital in resolving the questions around arbitrability, it has often been criticised as an incomplete test that looks at the issue from just one angle, thus severely curtailing the range of disputes that can be and are arbitrated in other jurisdictions. While there is no controversy regarding the accuracy of

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<sup>32</sup> David St. John Sutton & Judith Gill, *Russell on Arbitration*, (22nd Ed., Sweet & Maxwell 2003).

<sup>33</sup> The Arbitration and Conciliation Act 1996, s 34(2)(b)(ii); See also Priyadarshini, 'India: Role of Public Policy Under the Arbitration and Conciliation Act, 1996, For Setting Aside An Arbitral Award' (*Mondaq*, 18 March 2020) <<https://www.mondaq.com/india/arbitration--dispute-resolution/903068/role-of-public-policy-under-the-arbitration-and-conciliation-act-1996-for-setting-aside-an-arbitral-award>> accessed 28 March 2020.

<sup>34</sup> *Booz Allen* (n 24).

<sup>35</sup> Prachi Gupta (n 30); Vidya Drolia (n 27).

<sup>36</sup> Vidya Drolia (n 27); Rab, 'Defining the Contours of the Public Policy Exception' (n 23).

the above distinctions created in *Booz Allen*,<sup>37</sup> fresh question of arbitrability is raised when disputes involve subordinate *rights in personam* that are derived from *rights in rem*. While the Supreme Court left open the question around this class of disputes in *Booz Allen*,<sup>38</sup> there is considerable judicial and academic opinion that such disputes come within the purview of the arbitral tribunal. This test can be termed the ‘Test of Relief Sought’<sup>39</sup>, wherein the arbitrability of the dispute is not looked at from the perspective of the nature of rights involved, but whether the arbitral tribunal is capable of giving the relief sought. The distinction brought about by *Booz Allen*<sup>40</sup> confuses the concept of right in rem and the *erga omnes* effect.<sup>41</sup> Disputes centred around subordinate rights derived from *rights in rem* do not necessarily involve the arbitral award having an *erga omnes* effect. This fine distinction is more accurately dealt with by the test of relief sought.<sup>42</sup>

This test, though not by that name, finds support from the law as it stands in the United Kingdom today, a jurisdiction considered to be arbitration friendly. No bar is placed on such disputes being resolved by means of arbitration.<sup>43</sup> For example, the following passage from *Mustill & Boyd*<sup>44</sup> is instructive of the position that law has come to take in respect of such disputes:

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<sup>37</sup> *Booz Allen* (n 24).

<sup>38</sup> *Ibid.*

<sup>39</sup> Ajar Rab, ‘Redressal Mechanism under the Real Estate (Regulation and Development) Act 2016: Ouster of the Arbitration Tribunal?’ 10 NUJS L. Rev. 1 (2017).

<sup>40</sup> *Booz Allen* (n 24).

<sup>41</sup> Rab (n 23).

<sup>42</sup> Rab (n 39).

<sup>43</sup> Shardool Kulkarni & Malcolm Katrak, ‘Disputes Seeking Declaration of Title in Immovable Property: Arbitrability of Rights in Personam Arising From Rights in Rem Contextualised’ (NLSIU International Seminar on Enforcement Trends of Arbitral Awards, Bangalore, July 2018).

<sup>44</sup> Michael J. Mustill and Stewart C. Boyd, *Mustill & Boyd: Commercial Arbitration* (2nd edn. Companion Volume, Butterworths Law 2001).

“Many commentaries treat it as axiomatic that ‘real’ rights, that is rights which are valid as against the whole world, cannot be the subject of private arbitration, although some acknowledge that subordinate rights in personam derived from the real rights may be ruled upon by arbitrators.”<sup>45</sup>

In India, this test has been tacitly acknowledged by the decision of the Bombay High Court in *Eros International Media Ltd. v Telex Links India Pvt. Ltd.*<sup>46</sup> involving intellectual property rights. It is pertinent to note that this decision explicitly took note of the Supreme Court’s decision in *Booz Allen*.<sup>47</sup> The dispute arose out of a contract by which the Plaintiff had licensed its copyright in films produced by it to the Defendant in order to commercially exploit the same. The Court had to decide if the dispute around copyright infringement and damages was an arbitrable one or not. Arguments against in-arbitrability were based on the fact that such disputes arising out of *rights in rem* could not be adjudicated by way of arbitration. The Court held that the dispute was commercial in nature arising out of a contract, and the relief sought was only against the Defendant. Given that the relief/remedy sought was not against the world at large, the Court held the dispute arbitrable.<sup>48</sup>

In such cases, the arbitral award does not have an *erga omnes* effect, even though it is dealing with issues pertaining to *rights in rem*. A similar finding was made by the Bombay High Court in *Prakash Cotton Mills Pvt. Ltd. v Vinod Tejraj Gowani*,<sup>49</sup> where the Court was dealing with arbitrability of dispute as to title of immoveable property. It was undoubtedly a dispute involving a *right in rem*, but the Court held that

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<sup>45</sup> Ibid.

<sup>46</sup> 2016 SCC OnLine Bom 2179.

<sup>47</sup> Booz Allen (n 24).

<sup>48</sup> Eros International (n 46).

<sup>49</sup> 2014 SCC OnLine Bom 1137.

the same was nonetheless amenable to arbitration as the relief regarding the title had only been sought against the Respondents. It was held that since the relief was sought against specific persons and not against the world at large, the dispute was really regarding a *right in personam* derived from a *right in rem*, and hence the award of the arbitral tribunal would not have an *erga omnes* effect.<sup>50</sup>

The test of relief<sup>51</sup> sought adds another dimension to the *right in personam-right in rem* distinction,<sup>52</sup> and also furthers the objective of encouraging arbitration as a means of dispute resolution, without affecting public policy considerations. It enables the resolution of inter-parties' commercial disputes through arbitration, without disturbing the accepted principles that only statutory tribunals and Courts can adjudicate rights against the world at large.

However, there is a third dimension to the test of arbitrability that needs to be considered, the public policy-social welfare consideration, by virtue of which certain disputes satisfying the above two tests may still not be arbitrable. This test predates the one created by *Booz Allen*<sup>53</sup> and the judgements that followed, with the Supreme Court using it to deny jurisdiction to an arbitral tribunal in *Natraj Studios (P) Ltd. v Navrang Studios*.<sup>54</sup> In the said case, the dispute was between a landlord and a tenant, and the same was regulated by the Bombay Rent Act.<sup>55</sup> The Court held that this dispute is not amenable to arbitration on the grounds of public policy, as the Bombay Rent Act<sup>56</sup> sought to achieve a particular social objective and setup/prescribed a specific machinery

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<sup>50</sup> Ibid.

<sup>51</sup> Rab (n 39).

<sup>52</sup> Vidya Drolia (n 27).

<sup>53</sup> Booz Allen (n 24).

<sup>54</sup> (1981) 1 SCC 523.

<sup>55</sup> Bombay Rents, Hotel and Lodging House Rates Control Act 1947. Section 5, 5A and 28 are relevant in the said case.

<sup>56</sup> Ibid.

for the same. Therefore, the parties could not be allowed to contract out of the statute.

This position has been very well accepted now and has been approved by the Supreme Court in a number of decisions by way of dicta.<sup>57</sup> This position has been adopted in India despite the fact that the issues in dispute might otherwise be totally amenable to arbitration and rights involved may be capable of being alienated by the person. Typically, in such cases, the parties should have the freedom to enter into a contract providing for arbitration as a means of dispute settlement. However, the legislature in public interest, or in order to correct a specific social problem, or to balance unequal bargaining power, grants special protection to individuals involved in these kinds of disputes.<sup>58</sup> This is done as the concerned parties may not always make an informed decision based truly on free choice when referring their dispute to arbitration. For example, consumer disputes though involving *rights in personam* and being otherwise amenable to arbitration, have to be necessarily resolved through the machinery provided by the Consumer Protection Act, 1986<sup>59</sup> and cannot be referred to arbitration. The legislation is a welfare measure and impliedly bars arbitration as consumers are typically unaware of arbitration as an alternative forum for dispute resolution and may lack the understanding of the arbitral process. Similarly, labour disputes and tenancy disputes are barred from being arbitrated as labourers and tenants typically have unequal bargaining power and thus may not be able to exercise the choice to enter into an arbitration agreement freely. Therefore, despite such disputes involving *rights in personam* that may otherwise be amenable to

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<sup>57</sup> Booz Allen (n 24); A. Ayyasamy v A. Paramasivam (2016) 10 SCC 386; Emaar MGF Land Ltd. v Aftab Singh (2019) 12 SCC 751.

<sup>58</sup> Rab (n 23).

<sup>59</sup> The Consumer Protection Act 1986.

arbitration, these individuals or groups have been given judicial protection because of a social objective.

These tests for determining whether a dispute can be the subject-matter of arbitration were succinctly summarised, after a comprehensive discussion, in *Vidya Drolia v Durga Trading Corporation*<sup>60</sup> as follows:

*"76. In view of the above discussion, we would like to propound a fourfold test for determining when the subject matter of a dispute in an arbitration agreement is not arbitrable:*

*76.1. (1) when cause of action and subject matter of the dispute relates to actions in rem, that do not pertain to subordinate rights in personam that arise from rights in rem.*

*76.2. (2) when cause of action and subject matter of the dispute affects third party rights; have erga omnes effect; require centralized adjudication, and mutual adjudication would not be appropriate and enforceable;*

*76.3. (3) when cause of action and subject matter of the dispute relates to inalienable sovereign and public interest functions of the State and hence mutual adjudication would be unenforceable; and*

*76.4 (4) when the subject-matter of the dispute is expressly or by necessary implication non-arbitrable as per mandatory statute(s).*

*76.5 These tests are not watertight compartments; they dovetail and overlap, albeit when applied holistically and pragmatically will help and assist in determining and ascertaining with great degree of certainty when as per law in India, a dispute or subject matter is non-*

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<sup>60</sup> Vidya Drolia (n 27).

*arbitrable. Only when the answer is affirmative that the subject matter of the dispute would be non-arbitrable.*<sup>61</sup>

In order to determine whether any of these conditions apply to trademark disputes, and hence determine whether they are amenable to arbitration, an examination of the nature of trademark disputes as well as the statutory scheme governing them has to be examined.

## **TYPES OF TRADEMARK DISPUTES**

What follows from the above discussion is that the question of arbitrability will essentially depend on whether the various types of disputes arising in the trademark regime fall within one of the excluded categories or not. For that we shall first delineate the types of disputes, the nature of rights involved, and the mechanism with which the TM Act has dealt with each of them. While doing so, in order to ease our analysis, we have categorised the disputes that have to be adjudicated by the Registrar of Trade Marks into one category, and all other disputes into another category:<sup>62</sup>

### ***Category A Disputes***

- (a) Adjudication as to trademark registration application and oppositions thereto;
- (b) Disputes as to validity of registration of trademark;
- (c) Adjudication as to cancellation of registration due to non-use;
- (d) Adjudication as to cancellation, variation, correction, alteration of registration, or adaptation of entries in register etc.; and
- (e) Adjudication of registration of registered user and issues arising therefrom

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<sup>61</sup> Vidya Drolia (n 27) at 76.

<sup>62</sup> For the purpose of this article, we are not delving into 'Offences, Penalties and Procedure' covered by Chapter XII of the TM Act as these are criminal in nature, and hence, are within the exclusive domain of Courts created under the sovereign power of the State. The arbitration of such disputes is undoubtedly impermissible.



**Category B Disputes**

- (a) Suits for trademark infringement
- (b) Suits for passing off
- (c) Disputes arising out of assignment of trademarks

**NATURE OF TRADEMARK DISPUTES**

Let us first take up Category A Disputes. These disputes all relate, in some way or the other, to the registration of a proprietor's trademark. At the core of all these decisions to be taken are the following considerations:

A decision around these issues will have a direct impact on the register of trade marks, i.e., whether some change has to be made to the register or not. If a registration application is accepted, then the register will be modified, and an entry will have to be made to it. If the opposition to the registration application is successful, then the register will not be modified. If the validity of the trademark is impeached, then the register will have to be amended and that particular entry removed. If any sort of cancellation or variation has to be made to the registration, then again, the register will have to be altered. This fact is central to any adjudication regarding issues covered in Category A.

Any decision around these issues has a direct bearing on the nature and extent of rights the proprietor of a trademark can claim and assert. As noted above, the decision has a direct impact on the entries in the Register. The exact entries determine the rights the proprietor can claim. Is the mark registered in the first place? What is the exact description of the mark? Till when is it valid? For what class of goods is it valid? These questions are essentially determined with reference to the entries in the register. Therefore, when the decision is taken regarding these disputes/issues, it has a direct impact on the nature of rights that a proprietor of a mark can assert.

Let us analyse the first consideration that Category A Disputes result in a decision that will alter/not alter the Register of Trade Marks. Given that the register is the central repository of information regarding trademarks, its custody cannot be in the hands of any private party. Public policy dictates that its guardian be an authority appointed under the sovereign powers of the State. What then follows is that only the decision of an official authority (the Registrar of Trade Marks) can result in any amendment of the register. Private adjudicatory bodies like an arbitral tribunal cannot have the power to make decisions affecting the register, as their source of power is agreement between two private parties. Coming to the second consideration as noted above, any decision on these questions has a direct impact on the nature of right(s) the proprietor can claim with respect to her mark against the world at large. The decision affects his *right in rem*, as the proprietor of a trade mark claims certain rights therein against everyone, much like the owner of immoveable property. These decisions, by varying the nature of the right she can claim, impact her right in rem. Can such decisions be permitted to be taken by private adjudicatory bodies? No. These situations are clearly covered by the decision in *Booz Allen*,<sup>63</sup> where the Supreme Court expressly held that issues involving *rights in rem* cannot be decided by arbitration. If an arbitral tribunal takes such decisions, it will have an *erga omnes* effect, i.e., it will create rights/liabilities in favour of one party against those parties that have not submitted to the tribunal's jurisdiction. This is clearly impermissible. Moreover, the rights involved in Category A Disputes are not secondary rights derived from *rights in rem* sought to be enforced against a specific person. They are the very *rights in rem* themselves. A combined consideration of the two aforesaid factors points clearly to the conclusion that Category A Disputes (as delineated

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<sup>63</sup> *Booz Allen* (n 24) at 38-39.

above) are not amenable to arbitration, and the Registrar of Trade Marks is the sole authority to decide such disputes/issues. If arbitral tribunals are given the authority to decide such disputes, it will lead to incongruous results, as their decisions bind only the parties that have submitted to its jurisdiction, and no one else. Is it possible to have a situation where a registration is valid as against one party but not against the other? Or can the subsequent alteration in the description of the mark be applicable against one party while the unaltered version is applicable against the rest? Clearly such a course would be highly illogical and imprudent. The sequitur to this is that such disputes/issues are beyond the pale of arbitrability.

Now let us turn to Category B Disputes. These disputes relate to the assertion of a proprietor's right in his mark, whether registered or not. The form that an action for infringement, passing off or violation of the terms of the assignment takes is that the proprietor enforcing his right impleads the party that has committed the act complained of. There are two features worth noting about such disputes:

While the right from which the dispute arises is a right in rem, it is sought to be enforced against a particular person. The action complained of is not that of the world at large, but that of a specific person. It is the act of that individual that is alleged to be violating the right of the person. It is her action that the proprietor seeks remedy against. Therefore, it can be said that the right sought to be enforced is the secondary *right in personam* against the Defendant that is sought to be enforced, and the said right has been derived from the *right in rem* that the proprietor has in respect of her trademarks.

This is a dispute between two parties and the relief sought is against a specific party. The proprietor in such cases is not seeking relief or a declaration against the world at large. She is seeking damages,

injunction and/or other reliefs against a particular person who has committed the act complained of. Therefore, whatever order is made by the adjudicating authority in this dispute, it will bind only the Defendant. This is similar to the situation in *Prakash Cotton Mills*<sup>64</sup> where the Bombay High Court dealt with the arbitrability of a dispute in which the Plaintiff sought a declaration against a particular person in respect of title to immovable property. The Court observed that because the Plaintiff was not seeking relief against the world at large, but only against the Defendant, the dispute was arbitrable despite involving *rights in rem*.<sup>65</sup>

Do these two features mean that such disputes are arbitrable? We think so. In fact, Category B Disputes do not have features that render them inarbitrable. While these disputes arise out of *rights in rem*, they are really being enforced against a person. The *right in rem v right in personam* test propounded in *Booz Allen*<sup>66</sup> is not considered the sacrosanct test to determine the arbitrability of a dispute. While it is considered to be a good starting point, further judicial and academic opinion have demanded that the analysis be extended to the nature of relief sought, i.e., one should apply the "Test of Relief Sought"<sup>67</sup> to see whether the decision of the arbitral tribunal in a particular dispute will have an *erga omnes* effect. In the case of Category B Disputes, the decisions of the arbitral tribunal have no *erga omnes* effect, as the relief is sought only against the Defendant and the order is only intended to bind the Defendant's behaviour and settle the rights of the parties to the dispute. The arbitral tribunal's decision does not in any manner affect the rights of a third party, unlike in the case of Category A Disputes.

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<sup>64</sup> *Prakash Cotton Mills* (n 49).

<sup>65</sup> *Ibid* at 54.

<sup>66</sup> *Booz Allen* (n 24).

<sup>67</sup> *Rab* (n 39).

This is in line with the discussion in *Eros International Media*<sup>68</sup> dealing with secondary *rights in personam* derived from intellectual property rights that are *rights in rem*.

At this stage, it is necessary to refer to two contradictory decisions of the Hon'ble Bombay High Court in *Steel Authority of India Ltd. v SKS Ispat and Power Ltd.*<sup>69</sup> and *Deepak Thorat v Vidli Restaurant Ltd.*<sup>70</sup> In the former, the High Court chose not to refer the disputes pertaining to infringement and passing off for arbitration on three grounds, namely, that such disputes cannot be decided in arbitration proceedings for they involve *rights in rem*, the disputes do not arise out of the contract which contained the arbitration clause, and certain parties to the suit were not parties to the arbitration agreement. Not only did the High Court not consider the issue of arbitrability of disputes pertaining to infringement and passing off in detail, but the other two factors also formed the basis for its refusal to refer the disputes to arbitration.<sup>71</sup> On the other hand, in the latter, while the Court was dealing with trademark disputes arising out of a trademark licensing agreement, it noted that there was no bar on the arbitrating such disputes since they do involve seeking relief against the world at large, but only against a particular party.<sup>72</sup> In fact, the Hon'ble Delhi High Court also reached a similar conclusion in *Golden Tobie (P) Ltd. v Golden Tobacco Ltd.*,<sup>73</sup> *Hero Electric Vehicles Private Ltd. v Lectro E-Mobility Private Ltd.*<sup>74</sup> and *Vijay Kumar Munjal v Pawan Munjal*,<sup>75</sup> where it held that disputes arising out of trademark licensing agreements are arbitrable. The decisions in

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<sup>68</sup> *Eros International* (n 46).

<sup>69</sup> 2014 SCC OnLine Bom 4875.

<sup>70</sup> 2017 SCC OnLine Bom 7704.

<sup>71</sup> *Steel Authority* (n 69) at 4.

<sup>72</sup> *Deepak Thorat* (n 70) at 8-9.

<sup>73</sup> 2021 SCC OnLine Del 3029.

<sup>74</sup> 2021 SCC OnLine Del 1058.

<sup>75</sup> 2022 SCC OnLine Del 499.

*Deepak Thorat*,<sup>76</sup> *Golden Tobie*,<sup>77</sup> *Hero Electric*,<sup>78</sup> and *Vijay Kumar Munjal*<sup>79</sup> are in line with the evolving jurisprudence of arbitrability, wherein the Courts have moved beyond the simple *rights in rem* versus *rights in personam* test, to one where they assess the nature of relief sought and consequently assess the competence of an arbitral tribunal to grant that relief.

Now that it is established that Category B Disputes, while arising out of *rights in rem*, really seek relief in personam and do not have an *erga omnes* effect, and are hence arbitrable on that count, what requires consideration is whether public policy-social welfare dictates that such disputes be decided by a centralised authority vested with the sovereign powers of the State to adjudicate disputes. This test, as discussed before, was put forth by the Supreme Court in *Natraj Studios*.<sup>80</sup> There is no specific public policy-social welfare objective that is permeating the entire scheme of the legislation. It is not designed to protect any particular class of persons due to their vulnerable status in the society, nor is it designed to empower a particular class due to historic exploitation, discrimination, etc. This is in contrast to legislation like Rent Acts that are designed to balance the scales in favour of the tenant, or labour legislation designed to protect the employee. The Act is to create a framework for regulation of rights and liabilities arising out of trademarks and the disputes therefrom. It is essentially commercial in nature and is designed to regulate the behaviour of commercial entities.

Moreover, the TM Act confers jurisdiction for Category B Disputes not on a specialised body like the Registrar of Trade Marks, but on the

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<sup>76</sup> Deepak Thorat (n 72).

<sup>77</sup> Golden Tobie (n 73).

<sup>78</sup> Hero Electric Vehicles (n 74).

<sup>79</sup> Vijay Kumar Munjal (n 75).

<sup>80</sup> Natraj Studios (n 54).

District Courts having jurisdiction as per the provisions of the Code of Civil Procedure, 1908<sup>81</sup> (**‘the Code’**).<sup>82</sup> However, since the enactment of the Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Act, 2015 (**‘the CCA’**), the jurisdiction to hear such suits has been shifted from District Courts to specialised Commercial Courts.<sup>83</sup> Does this render Category B Disputes inarbitrable, in light of the fact that the CCA creates a specialised forum for dealing with such disputes? The answer lies in decoding the nature and function of Commercial Courts.

Commercial Courts are simply replacements for Civil Courts with certain changes designed to achieve a very specific purpose, i.e., the faster resolution of commercial disputes.<sup>84</sup> There are two reasons for reaching this conclusion:

First, Commercial Courts are not specialised tribunals conferred with special powers to decide disputes arising out of special rights conferred on the parties by virtue of the TM Act read with the CCA. Commercial Courts do not have any special powers, and are supposed to apply the same law as before. Their jurisdiction stems from the fact that certain disputes have been shifted from Civil Courts to them. The procedure adopted by Commercial Courts is largely similar, with certain changes designed to help achieve the above stated purpose, which by itself is not enough to state that they are not mere replacements of Civil Courts.

And second, a perusal of the language of Section 11 of the CCA<sup>85</sup> points to the fact that the legislature also intended that Commercial

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<sup>81</sup> Code of Civil Procedure 1908.

<sup>82</sup> TMA 1999, s 134.

<sup>83</sup> CCA 2015, s 3.

<sup>84</sup> Priya Misra, ‘Commercial Courts: Fast Track or Off the Track?’ (2017) 52(38) Economic & Political Weekly 22-25.

<sup>85</sup> “11. Bar of jurisdiction of Commercial Courts and Commercial Divisions— Notwithstanding anything contained in this Act, a Commercial Court or a Commercial

Courts serve as mere replacements to Civil Courts. It contemplates that the bar that is applicable on a civil court in respect of a commercial dispute shall continue to apply in the case of a commercial court, regardless of any provision in the Act. If Commercial Courts were supposed to be a specialised and exclusive body vested with special powers to adjudicate commercial disputes, then its jurisdiction would have had overriding effect on the jurisdiction of other bodies, and not the other way round. To the contrary, their jurisdiction in respect of commercial disputes is the same as what used to be of Civil Courts, and the disabilities to that jurisdiction have also been applied to Commercial Courts. The conclusion then is irresistible that the legislature intended that Commercial Courts are mere replacements of Civil Courts.

Given this position, what does it mean for the arbitrability of Category B Disputes over which Commercial Courts have jurisdiction. Does a mere replacement of the civil court by another body to adjudicate a certain class of disputes render those disputes inarbitrable, especially when that other body is not conferred with special powers?

We think not. If that were the case, all commercial disputes would be rendered inarbitrable, thus dwindling down the scope of arbitration to a nullity. Nearly no dispute of a mercantile nature will remain arbitrable for the mere reason that the jurisdiction over such disputes has been shifted from Civil Courts to Commercial Courts. Moreover, the objective behind shifting the jurisdiction to Commercial Courts is to fasten the rate of disposal of such disputes. Arbitration helps achieve that very objective. To hold that the CCA renders disputes covered by it inarbitrable would be contradictory to that very objective! There is

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Division shall not entertain or decide any suit, application or proceedings relating to any commercial dispute in respect of which the jurisdiction of the civil court is either expressly or impliedly barred under any other law for the time being in force.”



nothing in the scheme of the CCA that impliedly excludes the jurisdiction of an arbitral tribunal. What then follows is that the mere conferment of jurisdiction *vis-à-vis* Category B Disputes on Commercial Courts does not, *ipso facto*, render them inarbitrable.

All considerations thus point towards the fact that Category B Disputes are arbitrable. But what happens in cases where these disputes are intertwined with a challenge to the validity of the registration itself, or where the Defendant as a way of defence raises a challenge to the validity of the registration? In such cases, the adjudication of the dispute will involve a decision on matters that are arbitrable and matters that are inarbitrable. Can the cause of action be split up between arbitrable and non-arbitrable disputes, with the former being adjudicated by the arbitrable tribunal and the other by the authority designated by the statute? Such a course is clearly impermissible.<sup>86</sup> However, in the case of trademark disputes, the answer for such a situation is provided by Section 124 of the TM Act which runs as follows:

***“124. Stay of proceedings where the validity of registration of the trade mark is questioned, etc.—***

*(1) Where in any suit for infringement of a trade mark—*

*(a) the defendant pleads that registration of the plaintiff's trade mark is invalid; or*

*(b) the defendant raises a defence under clause (e) of sub-section (2) of section 30 and the plaintiff pleads the invalidity of registration of the defendant's trade mark, the court trying the suit (hereinafter referred to as the court), shall,—*

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<sup>86</sup> Sukanya Holdings Pvt. Ltd. v Jayesh H. Pandya & Ors. (2003) 5 SCC 531.

*(i) if any proceedings for rectification of the register in relation to the plaintiff's or defendant's trade mark are pending before the Registrar or the Appellate Board, stay the suit pending the final disposal of such proceedings;*

*(ii) if no such proceedings are pending and the court is satisfied that the plea regarding the invalidity of the registration of the plaintiff's or defendant's trade mark is prima facie tenable, raise an issue regarding the same and adjourn the case for a period of three months from the date of the framing of the issue in order to enable the party concerned to apply to the Appellate Board for rectification of the register.*

*(2) If the party concerned proves to the court that he has made any such application as is referred to in clause (b) (ii) of sub-section (1) within the time specified therein or within such extended time as the court may for sufficient cause allow, the trial of the suit shall stand stayed until the final disposal of the rectification proceedings.*

*(3) If no such application as aforesaid has been made within the time so specified or within such extended time as the court may allow, the issue as to the validity of the registration of the trade mark concerned shall be deemed to have been abandoned and the court shall proceed with the suit in regard to the other issues in the case.*

*(4) The final order made in any rectification proceedings referred to in sub-section (1) or sub-section (2) shall be binding upon the parties and the court shall dispose of the suit conformably to such order in so far as it relates to the issue as to the validity of the registration of the trade mark.”<sup>87</sup>*

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<sup>87</sup> TMA 1999, s 124.

It clearly contemplates that the entire proceedings in the suit shall be stayed for the time being and the Appellate Board shall decide on the challenge raised by the Defendant in a time bound manner. The proceedings in the suit will thereafter be subject to the decision of the Appellate Board. This mechanism can be made equally applicable to Category B Disputes being decided by an arbitral tribunal. The arbitral tribunal will not have to deal with questions beyond its competence and its ultimate decision will be subject to the decision regarding the challenge raised by the Defendant. Therefore, even in cases where validity of the Plaintiff's trade mark registration is questioned as a ground of defence, the arbitral tribunal's competence to adjudicate a Category B Disputes is not taken away.

All in all, there is no feature about Category B Disputes, be it the nature of rights involved, the nature of relief sought, public policy or social welfare considerations or the fact that special Courts have been designated to hear such disputes, that render them inarbitrable.

### **CONCLUDING THOUGHTS**

Speedy and efficacious resolution of trademark disputes is essential to a free-market economy that is growing at unprecedented rates. Numerous steps have been taken in furtherance of that aim, and we believe that it is time that the doors of arbitration be opened for resolving these disputes. Our analysis shows that barring those disputes/issues that are within the exclusive domain of the Registrar of Trade Marks (termed here as Category A Disputes), all other disputes (Category B Disputes) are in fact arbitrable. None of the tests propounded by the Courts render such disputes inarbitrable. Arbitration can thus serve as a useful mechanism of resolving these disputes in a time bound and flexible manner. Whether the parties to the dispute agree to submit the same to arbitration is a matter of

practical concern, but this article highlights that there is no bar to them doing so. The decision of the Bombay in *Deepak Thorat*<sup>88</sup> and of the Delhi High Court in *Golden Tobie*,<sup>89</sup> *Hero Electric*,<sup>90</sup> and *Vijay Kumar Munjal*<sup>91</sup> are a step in the right direction. We believe that this conclusion can be widened to include other disputes as well, including trademark infringement and passing off, i.e., Category B Disputes.

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<sup>88</sup> Deepak Thorat (n 72).

<sup>89</sup> Golden Tobie (n 73).

<sup>90</sup> Hero Electric Vehicles (n 74).

<sup>91</sup> Vijay Kumar Munjal (n 75).

## TAKING COPYRIGHT'S "BALANCE" TOO SERIOUSLY

Lokesh Vyas\*

### *Abstract*

*Copyright's 'balance' metaphor, which allegedly originated in a 1785 British case of Sayre vs. Moore has evaded exhaustive historical research. Although the topic of why and how to achieve "balance" in copyright legislation and adjudication is perhaps the most common topic of copyright scholarship, there is little scholarship that traces its genealogy in copyright law, especially in the Indian context and examines the impact of its use on knowledge governance. This present essay aims to contribute in this regard hoping to fill this gap to some extent or at the very least, underscore the gap more prominently. I make three claims: 1.) The roots of copyright's "balance" talk are in colonialism, and the balance talk only reifies those roots by presenting a fake naturalness of the system; 2.) There exists no clarity regarding what is to be balanced, whether on a national or international level, and neither historically nor contemporarily. Thus, what ultimately gets "balanced" are the self-certified values of access and incentive which in turn share a deep connection with the dominant trade policy narrative.*

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\* Lokesh Vyas completed his B.Com., LL.B. from Nirma University, India, and LL.M. from American University Washington College of Law where he received the Arcadia Fellowship and Aroddhum Scholarship. While the idea of this essay is rooted in his long-term discussions with Mr. Swaraj Paul Barooah and Professor Sean Flynn, it took shape during his involvement with the Arcadia-funded project on the "Right to Research in the International Copyright Law." Mr. Barooah encouraged him to approach a balance-based argument critically and not get swayed by its inherent generalizability, and Prof. Flynn helped him dig deeper into it, especially through Critical Legal Studies (CLS). The author is grateful to Prashant Reddy, Prof. Séverine Dusollier, Prof. Zvi Rosen, Aditya Gupta, Shivam Kaushik, Prof. Brian L. Frye, and Leander Samuel Stähler for their valuable comments and feedback on the draft. Additionally, he thanks the editorial team of IJIPL for their input and comments. Undoubtedly, these are some individuals whom the author recalls having a conscious impact on his thoughts, the actual number goes beyond what can be acknowledged within the prescribed word limit of this essay. Needless to say, all mistakes are of the author who can be reached at [lokeshvyas025@hotmail.com].

3.) *The increasing reliance on fair dealing and rights language further masks the above-mentioned unclarity and oversimplifies the nature of public interest. Although the essay does not offer any alternatives, it suggests, albeit abstractly, speaking in terms of contrasting claims and interests without shrouding them within the “balance” metaphor. The essay can help us understand the changing conceptualization of public interest better, which occupies a pivotal place in the balance discourse, and approach knowledge governance discourse more effectively.*

**Keywords:** Copyright Balance, Colonialism, Fair Dealing, User Rights Language, Critical Legal Studies (CLS), intellectual history.

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## **INTRODUCTION: MADNESS OF LEGAL METAPHORS?**

Law life is full of metaphors.<sup>1</sup> For instance, we *carry* a right; *defendants* need good *defence* in the court otherwise they *lose* (as if: the Court is only meant to be a place of war and not conciliation); corporations are *persons* whose identity is hidden behind a *veil*;<sup>2</sup> we need *standing* in the Court;<sup>3</sup> the law has long *arms*; Courts *find* a legal answer from the sources of law; interests of parties needs to be *balanced* on an

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<sup>1</sup> See generally Peter Goodrich, ‘Law and Language: An Historical and Critical Introduction’ (1984) 11 J. of Law and Society 173; Jonas Ebbesson, ‘Law, Power and Language: Beware of Metaphors’ (2008) 53 Scandinavian Stud. L. 259.

<sup>2</sup> See e.g., Daniel J.H. Greenwood, ‘Introduction to the Metaphors of Corporate Law’ (2005) 4(1) Seattle J. Soc. Just. 273; Felix S. Cohen, ‘Transcendental Nonsense and the Functional Approach’ (1935) 35(6) Columbia L. Rev. 809.

<sup>3</sup> See S. Winter, ‘The Metaphor of Standing and the Problem of Self-Governance’ (1987) 40 Stanford L. Rev. 1371.

(unknown?) scale of justice;<sup>4</sup> some courts are *lower* and some are *higher* (who is more intellectually empowered?); a legal *system* where everything (norm, rules, etc.) at the end, as a matter of truth, merges into a greater whole, and even in a case when there is a clear and obvious absence of norm/rule to guide us, it automatically appears as a 'lacunae' (thanks to the presumption of a 'whole system'); some works are *orphan* as if they once had parents, etc.<sup>5</sup>

While metaphors get us a heuristic lens to see dissimilar things and ease our comprehension of them, taking them unquestionably blinds our critical view of what lies behind them.<sup>6</sup> (Note: in my last sentence, I used the metaphor of 'vision/sight' to convey the idea.) Interestingly, owing to their long-standing usage and normalization, they get an intuitive force, which not only, perhaps subconsciously, limits our capability of making legal arguments outside the metaphorically molded narrative, but also fosters some power hierarchies that go unnoticed.<sup>7</sup> For instance, users are often asked or expected to take permission from the copyright holders to exercise their fair dealings, which, though not given by copyright, is acknowledged in copyright law, so the hierarchy becomes that of an authorizer and authorized.<sup>8</sup> And when a legal issue arises or is about to arise between them, a call for "balance" appears. This balance has various angles such as access versus incentive, author versus owner, author and owner versus public or users, and rights versus exceptions. While the essay is directed to

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<sup>4</sup> Curtis Nyquist, 'Re-Reading Legal Realism and Tracing a Genealogy of Balancing' (2017) 65(4) Buffalo Law Review 771.

<sup>5</sup> Lydia Palla Lorenz, 'Abandoning the Orphans: An Open Access Approach to Hostage Works' (2012) 27 Berkeley Tech. L. J. 1431.

<sup>6</sup> See generally G. Lackoff and M. Johnson, *Metaphors We Live By* (CUP 2003).

<sup>7</sup> See e.g., Duncan Kennedy, 'A Semiotics of Legal Argument' in Academy of European Law (ed), *The Protection of Human Rights in Europe* (Kluwer Academic Publishers 1994).

<sup>8</sup> Scholars have recommended this kind of arrangement. See e.g., Jane C. Ginsburg, 'Fair Use for Free, or Permitted-But-Paid' (2014) 29 Berkeley Tech. L. J. 1383; see also The Wittem Project: European Copyright Code (Copyright Code), art. 5.

question any “balance” notion that begets a zero-sum mindset in copyright law, wherever vagueness emerges, my emphasis should be deemed “author versus public”.

Interestingly, while the topic of why and how to achieve “balance” in copyright legislation and adjudication is perhaps the most common topic of copyright scholarship, there is little historical scholarship that problematizes it, especially in the Indian context.<sup>9</sup> While highlighting this gap in the literature, it is important to note that scholarship on metaphor and intellectual property (“IP”) is plenty,<sup>10</sup> and some IP scholars have argued against using “balance” as a goal.<sup>11</sup> Similarly,

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<sup>9</sup> Although some scholars have argued it in their exploration of law. See e.g., James G. Wilson, ‘Surveying the Forms of Doctrine on The Bright Line-Balancing Test Continuum’ (1995) 27 *Arizona State L. J.* 773; Curtis Nyquist, ‘Re-Reading Legal Realism and Tracing a Genealogy of Balancing’ (2017) 65(4) *Buffalo L. Rev.* 771; Patrick M. McFadden, ‘The Balancing Test’ (1988) 29 *Boston College L. Rev.* 585; See also T. Alexander Aleinikoff, ‘Constitutional Law in the Age of Balancing’ (1987) 96 *Yale L.J.* 943.

<sup>10</sup> Mark Rose, ‘Copyright and its Metaphors’ (2002) 50 *UCLA L. Rev.* 1; Mark Rose, ‘Nine-Tenths of the Law: The English Copyright Debates and the Rhetoric of the Public Domain’ (2003) 66 *Law and Contemporary Problems* 75; Patricia Loughlan, ‘Pirates, Parasites, Reapers, Sowers, Fruits, Foxes . . . The Metaphors of Intellectual Property’ (2006) 28 *Sydney L. Rev.* 211; William Patry, *Moral Panics and the Copyright Wars* (OUP 2009); Patricia Louise Loughlan, ‘You Wouldn’t Steal a Car: Intellectual Property and the Language of Theft’ (2007) 29 *Euro. Intell. Prop. Rev.* 401; Simon Stern, ‘Room for One More’: The Metaphorics of Physical Space in the Eighteenth-Century Copyright Debate’ (2012) 24 *Law and Literature* 113; See also Shubha Ghosh, ‘Patents and the Regulatory State: Rethinking the Patent Bargain Metaphor after Eldred’ (2004) 19 *Berkeley Tech. L. J.* 1315; Christopher A. Cotropia, ‘The Individual Inventor Motif in the Age of the Patent Troll’ (2009) 12 *Yale J.L. & Tech.* 52; Brian L. Frye, ‘IP as Metaphor’ (2015) 18 *Chapman L. Rev.* 735.

<sup>11</sup> See Alan Story, ‘Burn Berne: Why the Leading International Copyright Convention Must Be Repealed’ (2003) 40 *Hous. L. Rev.* 763; Tom W. Bell, ‘Escape from Copyright: Market Success vs. Statutory Failure in the Protection of Expressive Works’ (2001) 69 *U. Cin. L. Rev.* 741; Norman Siebrasse, ‘A Property Rights Theory of the Limits of Copyright’ (2001) 51(1) *Uni. of Toronto L. J.* 1; Abraham Drassinower, ‘From Distribution to Dialogue: Remarks on the Concept of Balance in Copyright Law’ (2009) 34 *J. of Corporation L.* 991; Danilo Mandic, ‘Balance: Resolving the conundrum between copyright and technology?’ (*WIPO*, May 2011) <[https://www.wipo.int/edocs/mdocs/mdocs/en/wipo\\_ipr\\_ge\\_11/wipo\\_ipr\\_ge\\_11\\_topic2-related2.pdf](https://www.wipo.int/edocs/mdocs/mdocs/en/wipo_ipr_ge_11/wipo_ipr_ge_11_topic2-related2.pdf)> accessed 22 July 2023; Alan Story, ‘Balanced’ Copyright: Not A Magic Solving Word’ (*IP Watch*, 27 February 2012) <<https://www.ip-watch.org/2012/02/27/balanced-copyright-not-a-magic-solving-word/>> accessed 6 July 2023 (Balance: A Magic Word); Mike Masnick, ‘The Myth Of Finding A ‘Balance’ In Copyright Laws’ (*Techdirt*, 19 December 2007) <<https://www.techdirt.com/2007/12/19/the-myth-of-finding-a-balance-in-copyright-laws/>> accessed 1 June 2023; Mike Masnick, ‘Could Evidence-Based Copyright Law Ever Be Put In Place?’ (*Techdirt*, 21 August 2009)



Critical Legal Studies ("CLS") scholars have highlighted it as an abstract tool for reifying power hierarchies in society.<sup>12</sup> One of the primary pieces attacking the balance metaphor, as far as my understanding and research go, is Alan Story's 2012 blog post titled "Balanced' Copyright: Not A Magic Solving Word' where he eloquently notes that,

*"It is both illusory and delusory to think that a so-called balanced or re-balanced Berne and /or global copyright system can be constructed; it is not only wishful, but also wistful, thinking and is based on a naive understanding of how this system operates, as well as its ideology and power relationships within it. Employing the metaphor of balance does not work either as a description or a justification of the global copyright system, especially its North-South dimension."*

Except for a few IP scholars, however, the topic has not attracted much critical appraisal. The said gap in the literature has contributed to the sidelining of some constructive queries about copyright law's

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<<https://www.techdirt.com/2009/08/21/could-evidence-based-copyright-law-ever-be-put-in-place/>> accessed 2 July 2023; Mike Masnick, *Is Balance the Right Standard for Judging Copyright Law?* (*Techdirt*, 9 October 2009) <<https://www.techdirt.com/2009/10/09/is-balance-the-right-standard-for-judging-copyright-law/>> accessed 2 July 2023; Mike Masnick, 'Smashing The Scales: Not Everything Needs 'Balance'' <<https://www.techdirt.com/2011/02/09/smashing-scales-not-everything-needs-balance/>> (*Techdirt*, 9 February 2011) accessed 23 July 2023; Mike Masnick, 'There Can Be No 'Balance' In The Entirely Unbalanced System Of Copyright' (*Techdirt*, 1 March 2012) <<https://www.techdirt.com/2012/03/01/there-can-be-no-balance-entirely-unbalanced-system-copyright/>> accessed 2 July 2023; Danilo Mandic, Balance: 'Resolving the Conundrum between Copyright and Technology' (2011) WIPO Working Paper <[https://www.wipo.int/edocs/mdocs/mdocs/en/wipo\\_ipr\\_ge\\_11/wipo\\_ipr\\_ge\\_11\\_topic2-related2.pdf](https://www.wipo.int/edocs/mdocs/mdocs/en/wipo_ipr_ge_11/wipo_ipr_ge_11_topic2-related2.pdf)> accessed 11 August 2023; Mike Masnick, 'Walt Mossberg Asks Congress To Rewrite The DMCA' (*Techdirt*, 22 March 2007) <<https://www.techdirt.com/2007/03/22/walt-mossberg-asks-congress-to-rewrite-the-dmca/>> accessed 22 July 2023.

<sup>12</sup> See e.g., Duncan Kennedy, 'Legal Formality' (1973) 2 J. Legal Stud. 351; Duncan Kennedy, 'Form, and Substance in Private Law Adjudication' (1976) 89 Harv. L. Rev. 1685; Duncan Kennedy, 'The Critique of Rights in Critical Legal Studies, Wendy Brown & Janet Halley eds., *Left Legalism/Left Critique* (Duke University Press 2002); See also Robert F. 'Nagel, Liberals and Balancing' (1992) 63 U. Colo. L. Rev. 319; James A. Boyle, 'The Anatomy of a Torts Class' (1985) 34 AM. U. L. Rev. 1003; Mark Kelman, *A Guide To Critical Legal Studies* (HUP 1987); Paul W. Kahn, 'The Court, The Community and the Judicial Balance: The Jurisprudence of Justice Powell' (1987) 97 Yale L.J. 1.

structure, such as whether the system is “balanceable” in the first place, from whose perspective the said “balance” is to be achieved, and whether the meaning of “balance” changes with political valence and context.<sup>13</sup>

With such a strong neutral-looking narrative of “balance” around copyright law, the problem heightens in times of emergency like the Covid-19 pandemic, where access to copyrighted work for scientific and educational purposes becomes more important, but bargaining a “balance” becomes a hindrance.<sup>14</sup> To resolve this hindrance, which already occurs in a politicized environment with a significant power imbalance, a new legal tactic (such as a new exception, an acknowledgment of a constitutional/human right) is demanded while clinging to the conception of “balance.”<sup>15</sup> This goes on; the call for “balance” never ends but primarily pedals the interests of the powerful (that is, copyright owners), raising an important question: when did “balance” become the goal of international copyright law, so much so that even in situations of the pandemic, countries were bound by their copyright commitments at the cost of public interest. If it was ever a goal, has the same not changed since 1886 when the first international

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<sup>13</sup> See Jack M. Balkan, ‘Ideological Drift and the Struggle Over Meaning’ (1993) 25 Conn. L. Rev. 869.

<sup>14</sup> See Sean Flynn et al., ‘International Copyright Flexibilities for Prevention, Treatment and Containment of COVID-19’ (2022) 29 1 The Afr. J. of Info. & Comm’n; see also Lokesh Vyas, ‘TRIPS Waiver, And Its (Jabby) Journey: Side By Side Comparison Of The (Waiver?) Drafts From 2020 – 2022’ (*Infojustice* 18 July 2022) <<https://infojustice.org/archives/44045>> accessed 23 July 2023; for the importance and impact of framing debates, see Ruth L. Okediji, ‘The International Relations of Intellectual Property: Narratives of Developing Country Participation in the Global Intellectual Property System’ (2003) 7 Sing. J. Int’L & Comp. L. 315; Amy Kapczynski, ‘The Access to Knowledge Mobilization and the New Politics of Intellectual Property’ (2008) 117 Yale L. J. 804; Eleonora Rosati, ‘Copyright reformed: the narrative of flexibility and its pitfalls in policy and legislative initiatives (2011–2021)’ (2022) 30(3) Asia Pacific L. Rev. 1.

<sup>15</sup> *C.f.* Ruth L. Okediji, ‘Does Intellectual Property Need Human Rights’ (2018) 51 NYU J. Int’L. Pol. 1.

copyright treaty was constructed, especially after drastic political changes after decolonization in the 1950s?<sup>16</sup>

This essay is an attempt to appraise these questions and problematize the metaphor using the history of international and Indian copyright while focusing on the concept of public interest, which occupies one side of the “balance”. After contextualizing the discourse in Part I and underscoring the gap in the literature, Part II discusses the global glorification of “balance” in copyright discourse and highlights a historical misplacement in balance talk. Part III underscores how the “balance” metaphor oversimplifies the relationship between the author’s rights and public interest - the two sides of the balance metaphor. It discusses the uncertainty around what is to be balanced at both national and international levels. Part IV problematizes fair dealing which, I argue, has generated a faith-based understanding in recent years and the increasing use of rights language to define the public interest in copyright. This part argues that the faith-based understanding of fair dealing and its rightization not only bolsters “balance” talk but also inadvertently expands the scope of copyright law. Grounded in CLS, the essay can help improve our understanding of legal thought around copyright and unfurl alternative ways to reframe copyright goals.

### **BALANCE: MAKING THE COPYRIGHT’S BAD NAME GOOD?**

In some circles, copyright has a bad name,<sup>17</sup> with the pandemic making it worse by highlighting our desolate dependence on it, especially for

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<sup>16</sup> Eugene M. Braderman, ‘International Copyright— A World View’ 17 Bull. Copyright Soc’y USA 147 (1970).

<sup>17</sup> See Jane C. Ginsburg, ‘How Copyright Got a Bad Name for Itself’ (2002) 26 Colum. J. L. & Arts 61.

research and education purposes.<sup>18</sup> Be it distance education,<sup>19</sup> access to research,<sup>20</sup> blocking generic production,<sup>21</sup> using repair manuals,<sup>22</sup> hindering 3D printing from filling the shortage of ventilators,<sup>23</sup> copyrights have often hindered access to knowledge in undesirable ways. To combat such copyright claims, an emphasis is often placed on the so-called limitations or/and exceptions to copyright infringement,<sup>24</sup> highlighting the ‘balancing’ goals of copyright.<sup>25</sup> For instance, World Intellectual Property Organization (“WIPO”) and its treaties define “balance” as a goal of copyright while citing the Berne Convention as its origin,<sup>26</sup> members nations emphasize the narrative in

<sup>18</sup> See Sean Flynn et al., ‘International Copyright Flexibilities for Prevention, Treatment, and Containment of COVID-19’ (2022) 29 *The Afr. J. of Info. & Comm’n.* 1; Carys J. Craig and Bob Tarantino, ‘An Hundred Stories in Ten Days: COVID-19 Lessons for Culture, Learning, and Copyright Law’ (2021) 57 *Osgoode Hall L. J.* 567.

<sup>19</sup> See Hachette Book Group, Inc. v Internet Archive 20-CV-4160 (JGK) (S.D.N.Y., 2022); Léo Pascault et al., ‘Copyright and Remote Teaching in the Time of Coronavirus: A Study of Contractual Terms and Conditions of Selected Online Services’ (2020) 42 *E.I.P.R.* 548.

<sup>20</sup> See Chantelle Rijs & Frederick Fenter, ‘The Academic Response to Covid-19’ (*Frontiers*, 28 October 2020) <<https://www.frontiersin.org/articles/10.3389/fpubh.2020.621563/full>> accessed 22 July 2023; Adam Marcus, ‘A very unfortunate event’: Paper on COVID-19 vaccine hesitancy retracted’ (*Retraction Watch*, 30 July 2021) <https://retractionwatch.com/2021/07/30/a-very-unfortunate-event-paper-on-covid-19-vaccine-hesitancy-retracted/> accessed 22 July 2023.

<sup>21</sup> See Zvi S. Rosen, ‘Product Labels and the Origins of Copyright Examination’, (*Mostly IP History*, 23 May 2017) <<http://www.zvirosen.com/2017/05/23/product-labels-and-the-origins-of-copyright-examination/>> accessed 22 July 2023; see also Roseann B. Termini & Amy Miele, *Copyright and Trademark Issues in the Pharmaceutical Industry: Generic Compliance or Brand Drug Imitating: Copycat or Compliance?*, Pennsylvania Bar Association Quarterly (2013).

<sup>22</sup> See Kit Walsh, ‘Medical Device Repair Again Threatened With Copyright Claims’ (*Electronic Frontier Foundation*, 11 June 2020) <https://www.eff.org/deeplinks/2020/06/medical-device-repair-again-threatened-copyright-claims> accessed 11 August 2023.

<sup>23</sup> See Faye Brown, ‘Firm ‘refuses to give blueprint’ for coronavirus equipment that could save lives’, (*Metro News*, 16 March 2020) <<https://metro.co.uk/2020/03/16/firm-refuses-give-blueprint-coronavirus-equipment-save-lives-12403815/>> accessed 22 July 2023.

<sup>24</sup> See e.g., Ruth L. Okediji, ‘Toward an International Fair Use Doctrine’ (2000) 39 *Colum. J. Transnat’l L.* 75.

<sup>25</sup> WIPO, ‘A Draft Work Program on Exceptions and Limitations SCCR/42/4’ (*WIPO*, 8 March 2022) <[https://www.wipo.int/meetings/en/details.jsp?meeting\\_id=69311](https://www.wipo.int/meetings/en/details.jsp?meeting_id=69311)> accessed 3 July 2023; see also Tatsuhiro Ueno, ‘The Flexible Copyright Exception for ‘Non-Enjoyment’ Purposes – Recent Amendment in Japan and Its Implication’ (2021) 70(2) *GRUR Int’l* 145.

<sup>26</sup> See ‘Copyright’ (*WIPO*) <<https://www.wipo.int/copyright/en/>> accessed 22 June 2023; ‘Limitations and Exceptions’ (*WIPO*) <<https://www.wipo.int/copyright/en/limitations/>> accessed 12 June 2023; The WIPO Copyright Treaty, 20 December 1996, preamble, TRT/WCT/00 (“Recognizing the need to maintain a balance between the rights of authors and the larger public interest ...”); see also The WIPO Performances and

copyright negotiations,<sup>27</sup> academics, activists, and civil society groups use the "balance" narrative to underscore copyright's focus on public interest.<sup>28</sup> Even in the theorization of IP rests a hue of "balance."<sup>29</sup>

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Phonograms Treaty, 20 December 1996, preamble, TRT/WPPT/001 ("need to maintain a balance between the rights of performers and producers of phonograms and the larger public interest ..."); 'The 45 Adopted Recommendations under the WIPO Development Agenda' (WIPO) <<https://www.wipo.int/ip-development/en/agenda/recommendations.html>> accessed 2 July 2023 ("promote fair balance between intellectual property protection and the public interest."); *c.f.* Agreement on Trade Related Aspects of Intellectual Property Rights (adopted 15 August 1994, entered into force 1 January 1995) 1869 U.N.T.S. 299 (TRIPS).

<sup>27</sup> See e.g., WIPO, A Draft Work Program On Exceptions And Limitations SCCR/42/4 (WIPO, 8 March 2022) <[https://www.wipo.int/meetings/en/doc\\_details.jsp?doc\\_id=568491](https://www.wipo.int/meetings/en/doc_details.jsp?doc_id=568491)> accessed 11 August 2023 ("The African Group is of the view that SCCR should ... towards a fair and balanced copyright system that supports creativity and advances the public interest ..."); WIPO, Proposal For Analysis Of Copyright Related To The Digital Environment by the Group of Latin American and Caribbean Countries (GRULAC), SCCR/31/4 (WIPO, 1 December 2015) <[https://www.wipo.int/meetings/en/doc\\_details.jsp?doc\\_id=322780](https://www.wipo.int/meetings/en/doc_details.jsp?doc_id=322780)> accessed 11 August 2023; WIPO, 'Working Document Containing Comments On And Textual Suggestions Towards An Appropriate International Legal Instrument (In Whatever Form) On Exceptions And Limitations For Libraries And Archives SCCR/26/3' (10 December 2013) [https://www.wipo.int/meetings/en/doc\\_details.jsp?doc\\_id=242388](https://www.wipo.int/meetings/en/doc_details.jsp?doc_id=242388) accessed 11 August 2023 (European Union asking for a balanced framework); WIPO, 'Objectives And Principles For Exceptions And Limitations For Libraries And Archives Document presented by the United States of America SCCR/26/8' (11 April 2014) <[https://www.wipo.int/meetings/en/doc\\_details.jsp?doc\\_id=271559](https://www.wipo.int/meetings/en/doc_details.jsp?doc_id=271559)> accessed 11 August 2023.

<sup>28</sup> See Ruth L. Okediji, 'The International Copyright System: Limitations, Exceptions and Public Interest Considerations for Developing Countries' (2006) (Issue Paper No. 15 UNCTAD - ICTSD 2006); Laurence R. Helfer and Graeme W. Austin, *Human Rights and Intellectual Property: Mapping the Global Interface* (CUP 2016); Paul L. C. Torremans, 'Is Copyright a Human Right' (2007) Mich. St. L. Rev. 271; Vandana Mahalwar, 'Copyright and human right: the quest for a fair balance' in Copyright Law, MK Sinha & V Mahalwar (eds), *Copyright in The Digital World* (Springer 2017); Christophe Geiger and Elena Izyumenko, From Internal to External Balancing, and Back? Copyright Limitations and Fundamental Rights in the Digital Environment, Saiz Garcia and Julian Lopez (eds), *Digitalización, acceso a contenidos y propiedad intelectual* (Dykinson 2022); Christophe Geiger et al., 'Declaration on a Balanced Interpretation of the "Three-Step Test" in Copyright Law' (2008) 39 Int'l Rev. Intell. Prop. & Competition L. 707; Tatsuhiro Ueno, 'The Flexible Copyright Exception for 'Non-Enjoyment' Purposes – Recent Amendment in Japan and Its Implication' (2021) 70(2) GRUR Int'l 145; Llewellyn Gibbons, 'Striking the 'Rights' Balance Among Private Incentives and Public Fair Uses in the United States and China' (2008) John Marshall Rev. of Intell. Prop. L, 488; Christophe Geiger, 'Towards a Balanced International Legal Framework for Criminal Enforcement of Intellectual Property Rights', Hanns Ullrich et al. (eds), *TRIPS PLUS 20, From Trade Rules to Market Principles* (Springer 2016); Rochelle Cooper Dreyfuss, 'TRIPS-Round II: Should Users Strike Back?' (2004) 71 Uni. of Chicago L. Rev. 21.

<sup>29</sup> See e.g., William Fisher, 'Theories of Intellectual Property' in Stephen Munzer (ed), *New Essays in the Legal and Political Theory of Property* (CUP 2001).

I have an inkling of why the metaphor generally resists conscious scrutiny. Such resistance exists as the term “balance” helps rationalize legal stories and issues by creating two sides with a possible scope of for-against arguments. It rationalizes how copyright’s past is presented and how that presentation is perceived. Often, historical (or even contemporary) accounts of copyright underline a “clash or contradiction” theme such as colonized versus colonizer, indigenous versus foreigner, west(ern) versus east(ern), developing countries versus developed countries, Global South versus Global North, trade versus progress of science/culture/art, rich(est) countries versus poor(est) countries, access versus incentive.

With due respect and appreciation for their significant scholarly contributions, it is important to underscore that these clashes only account for the voices that were vocal at that time and could make their way into their history. For such a history, the “balance” metaphor appears as a useful thread to knit all or any narratives.<sup>30</sup> All it demands to define the status quo or an issue is adding a prefix, such as “mis” “im” or “fair/just,” depending on which side of the versus one identifies oneself with. For instance, situations, where public interest appears at the upper hand and authors at the lower end, are more likely to attract the moniker of imbalance.<sup>31</sup> Therefore, creating a new exception in copyright can be easily termed fair balance by advocates of open science whereas lobbies of authors and owners will likely call it a misbalance perhaps by citing some data on loss to piracy or exploitation of royalties. What is particularly interesting is that both sides can justify their stands without losing moral grounding –

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<sup>30</sup> See Carla Hesse, ‘The rise of intellectual property, 700 B.C. – A.D. 2000: an idea in the balance’ (2002) 131 *On Intellectual Property* 26 (Giving a broad overview of IP history and tying it with the narrative of “balance”).

<sup>31</sup> Shamnad Basheer, ‘Pro-Patent vs Anti-Patent: Busting a Baneful Box!’ (*SpicyIP*, 2 March 2016) <<https://spicyip.com/2016/03/pro-patent-vs-anti-patent-busting-a-baneful-box.html>> accessed 2 August 2023.

whichever side one takes, it ultimately coincides with the other. Authors, if they lose, might be argued to suffer a loss of incentive, resulting in reduced production of creative works. Conversely, the opposing side can contend that access to the public is what truly fuels the creation of intellectual property, underscoring the interconnectedness between authors and the public. Moreover, owing to the righteous image of "balance" embedded in our social consciousness, the metaphor possesses dateless usefulness, making it a relevant heuristic tool to use in any situation.<sup>32</sup>

Albeit roughly, the metaphor of "balance" (in its very descriptive and conceptual sense of trade-off) can be argued to have originated in copyright law through a 1774 case of *Donaldson v Becket* suggesting a limitation on the common law right of the authors through the Statute of Anne.<sup>33</sup> More clearly, although not explicitly the term "balance," the trade-off notion was highlighted in the 1785 British case of *Sayer v Moore*,<sup>34</sup> where Lord Mansfield noted that

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<sup>32</sup> See generally David Daube, 'The Scales of Justice' (1951) 63 *Jurid. Rev.* 109; Bernard J. Hibbitts, 'Making Sense of Metaphors: Visuality, Aurality and the Reconfiguration of American Legal Discourse' (1994) 16 *Cardozo L. Rev.* 229.

<sup>33</sup> *Donaldson v Becket* (1774) Hansard, 1st ser., 17 (1774): 953-1003 ("It had been said that the statute of queen Anne was very inaccurately penned, the observation he declared would certainly hold, if it was construed as not to affect the original common-law right of an author, but if on the other hand it was supposed to give a legal security for a limited time only, it was worded with a proper degree of precision and accuracy. The Act most evidently created a property which did not exist before; the words "fourteen years and no longer," limited the security it gave, and the saving clause could not refer to any common-law right, because he was convinced that there existed no common-law right."); See also Ronan Deazley, 'Commentary on *Donaldson v Becket* (1774)', (*Primary Sources on Copyright (1450-1900)*)

<[https://www.copyrighthistory.org/cam/tools/request/showRecord.php?id=commentary\\_uk\\_1774](https://www.copyrighthistory.org/cam/tools/request/showRecord.php?id=commentary_uk_1774)> accessed 11 August 2023 ("It had been said that the statute of queen Anne was very inaccurately penned, the observation he declared would certainly hold, if it was construed as not to affect the original common-law right of an author, but if on the other hand it was supposed to give a legal security for a limited time only, it was worded with a proper degree of precision and accuracy"); see generally Tomas Gomez-Arostegui, 'Copyright at Common Law in 1774' (2014) 47 *Connecticut Law Review* 1.

<sup>34</sup> *Sayer v Moore* (1785) 1 *East* 361n. It is noteworthy that in East's reports, where the case is first formally reported, "Sayer" is alternatively spelled "Sayre" as highlighted by Isabella Alexander. See Isabella Alexander, 'Sayer v Moore (1785)' in Jose Bellido (ed) *Landmark*

*“In deciding we must take care to guard against two extremes equally prejudicial; the one, that men of ability, who have employed their time for the service of the community, may not be deprived of their just merits, and the reward of their ingenuity and labour; the other, that the world may not be deprived of improvements, nor the progress of the arts be retarded.”*

That said, it is also arguable that “balance” as a notion has an inevitable presence in a legal sphere, especially in adjudication where two parties share an adversarial relationship. For people are always connected via some legal relationships and the law only settles/resolves disputes in the given socio-political context, some balancing type scenario inevitably exists – a right in one always births a duty in the other.<sup>35</sup> To understand their issues and adjudicate the interests of “the one with right” and the “other with duty,” “balance” comes as a handy way or approach.

The term “balance” gained dominance in international copyright discourse post-1990 with its mention in both the WIPO Copyright Treaty (“WCT”) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS”).<sup>36</sup> And WCT and TRIPS trace the idea of “balance” to the Berne Convention. This tracing is what

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*Cases in Intellectual Property Law* (Hart Publishing 2017); another interesting aspect that Isabella noted is that the case was not reported initially but was only briefly mentioned as a footnote in another case that took place fourteen years later in *Cary v Longman and Rees* (1801) 1 East 358; 102 ER 138; for a detailed examination see Isabella Alexander, “Manacles Upon Science”: Re-Evaluating Copyright in Informational Works in Light of 18th Century Case Law’ (2014) 38 *Melbourne Uni. L. Rev.* 317.

<sup>35</sup> Talha Syed thoroughly argues this notion in his in-progress paper. See ‘LPE Society At Berkeley: “From Critique To Construction: Legal Realism And CLS From An Lpe Perspective” With Talha Syed’ (*LPE Project*, 1 November 2022) <<https://lpeproject.org/events/from-critique-to-construction/>> accessed 4 April 2023.

<sup>36</sup> Duncan Kennedy traces the prevalence of “balancing” after 1945. See Duncan Kennedy, ‘Three Globalizations of Law and Legal Thought: 1850–2000’ in David M. Trubek & Alvaro Santos (eds), *The New Law and Economic Development: A Critical Appraisal* (CUP 2006). A quick boolean search of Manupatra (Indian legal database and search engine) also corroborate this showing the prevalence of “balancing” in India legal sphere (not in IP law though) post-1940.



makes the term more contestable given that the Berne Convention was constructed at a time when the contemporary world order did not exist - the Convention was created by certain powerful countries for their trade interest at a time when most countries of today either did not exist or were colonies with no say in its creation.<sup>37</sup> Hence, the "balance," if it was ever meant, involved the public and authors of colonizer countries. It was they who were meant to occupy the two scales of "balance."

The conception of "balance," whatever it was, was driven from the perspective of colonizer countries and it was the colonizers who defined and steered the "balance."<sup>38</sup> Professors Bently and Sherman nicely explain Britain's tumultuous joining of the Berne Convention disregarding the interests of colonies, especially India.<sup>39</sup> As they note, the draft Berne Convention of 1884 proposed granting a translation

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<sup>37</sup> See generally Harry G. Henn, 'The Quest for International Copyright Protection' (1953) 39 Cornell L. Rev. 43; Barbara A. Ringer, 'Role of the United States in International Copyright-Past, Present, and Future' (1968) 56 Geo. L. J. 1050; see also Alberto Cerda Silva, 'Beyond the Unrealistic Solution for Development Provided by the Appendix of the Berne Convention on Copyright' (*PIJIP Research Paper no. 2012-08*, April 2012) <<https://digitalcommons.wcl.american.edu/research/30/>> accessed 12 July 2023 (Alberto Cerde Silva).

<sup>38</sup> The impact and implications of Britain's education and cultural policies on India during the colonization period for the economic and political interest of Britain is an open secret. See e.g., B. K. Boman-Behram, *Educational Controversies in India The Cultural Conquest of India Under British Imperialism* (D. B. Taraporevala 1943); Gauri Viswanathan, 'Currying Favor: The Politics of British Educational and Cultural Policy in India, 1813-1854' (1988) *Social Text* 85.

<sup>39</sup> Brad Sherman and L. Bently, 'Great Britain and the Signing of the Berne Convention in 1886' (2001) 48 *J. of the Copyright Society of USA* (Citing a British Official noting the issue with a translation right In a letter from Dufferin to the Foreign Office, July 16, 1886, Dufferin explained that "the Government of India, may, we think, be trusted to conform to the general principle of English legislation in this matter, while there are peculiarities in connection with the copyright in Indian books which may require special treatment. Thus, India differs from other British possessions in having an extensive and growing vernacular literature. That literature is at present in the stage of abridgments and translation, and special care will be needed with a view, on the one hand to protect authors from the unauthorized abridging and translating of original works and on the other hand, to avoid all unnecessary checks on the production of such abridgments and translations as, it may be hoped, are destined to be the precursors of original literature."); see also Lionel Bently, 'Copyright, Translations, and Relations between Britain and India in the Nineteenth and Early Twentieth Centuries' (1993) 12(4) *Chi.-Kent L. Rev.* 1181.

right to authors in a contracting state. However, this right was new and did not exist under the Imperial Literary Copyright Act of 1842 and more importantly, conferring this would be problematic for some colonies like India. This was because translation played a crucial role in colonial governance, whether it involved translating local works into English to help the colonists comprehend local practices and attitudes or rendering English texts into the vernacular for Anglicization and educational purposes. Having the right to control translation could have hindered or, at the very least, raised the expenses associated with translating such works. Yet, Britain joined Berne Convention regardless.<sup>40</sup>

Relevantly, since colonies did not have political freedom, the original Berne Convention of 1886 (“Convention”) texts contained a colonial clause through which the countries (that constructed the Convention) were given leeway to regulate copyright for the public interest including the interests of the colonized countries’ public.<sup>41</sup> Though this authority eventually dwindled in favor of stronger copyright.<sup>42</sup> Expectedly, the then colonies including India ~~joined~~ were made part of the Convention through Article 19 of the 1886 draft which stated that,

*“Article 19 Countries acceding to the present Convention shall also have the right to accede thereto at any time for their Colonies or foreign possessions. They may do this either by a general Declaration*

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<sup>40</sup> Article 5 of Berne Convention Draft 1886; see also Ronan Deazley, ‘Commentary on International Copyright Act 1886’ (*Primary Sources on Copyright (1450-1900)*) <[https://www.copyrighthistory.org/cam/tools/request/showRecord.php?id=commentary\\_uk\\_1886](https://www.copyrighthistory.org/cam/tools/request/showRecord.php?id=commentary_uk_1886)> accessed 10 August 2023.

<sup>41</sup> See Shivam Kaushik, ‘Oops! India fell into the Berne Convention’ (*SpicyIP*, 19 June 2023) <<https://spicyip.com/2023/06/oops-india-fell-into-berne-convention.html>> accessed 12 July 2023.

<sup>42</sup> The Berne Convention revisions for limitations and exceptions to copyright (KEI, August 2012) <<https://www.keionline.org/copyright/berne-convention-exceptions-revisions>> accessed 2 July 2023.

*comprising in the accession all their Colonies or possessions, or by specially naming those comprised therein, or by simply indicating those which are excluded.*"<sup>43</sup>

The "balance" equation began to change after the 1950s when decolonization began; the imaginary sides of "balance" were then supposed to occupy the colonized public and authors whose interests were to be governed by the newly decolonized countries.<sup>44</sup> This hand-over of balancing from colonizer countries to colonized countries is what the metaphor "balance" hides. Tellingly, these new countries were given this authority to "balance" their interests at a time they lacked resources and were inescapably reliant on their erstwhile colonizers.<sup>45</sup> These countries, particularly India, lacked a literate populace which stood at less than 20% during independence,<sup>46</sup> and was short of foreign reserves to import books.<sup>47</sup> These factors, if not solely, were crucial determinants of who could produce works (that is, produce knowledge and participate therein) and be protected as authors, let alone the progress of science, culture, and arts.<sup>48</sup>

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<sup>43</sup> Article 19 of Berne Convention Draft 1886.

<sup>44</sup> See generally Michael D. Birnhack, *Colonial Copyright Intellectual Property in Mandate Palestine* (OUP 2012).

<sup>45</sup> See e.g., Nora Maija Tocups, 'The Development of Special Provisions in International Copyright Law for the Benefit of Developing Countries' (1982) 29 J. Copyright Soc'y U.S.A. 402 ("The former colonies, those which fall into the category of developing nations today, had minimal input in the drafting of the Berne Convention or of its Rome or Brussels Revisions. As colonies they were not responsible for their foreign relations. Thus, provisions regarding the special copyright needs of underdeveloped areas of the world are missing from early multilateral copyright agreements.").

<sup>46</sup> Ministry of Human Resource Development, 'Literacy in India: Steady March Over the Years' (*Press Information Bureau*, 6 September 2003) <<https://archive.pib.gov.in/archive/releases98/lyr2003/rsep2003/06092003/r060920031.html>> accessed 19 September 2023.

<sup>47</sup> See Jaman H Shah, 'India and the International Copyright Conventions' (1971) 8(13) *Econ. Polit. Wkly.* 645 – 8; see also 'A short history of Indian economy 1947-2019: Tryst with destiny & other stories' (*Mint*, 14 August 2019) <<https://www.livemint.com/news/india/a-short-history-of-indian-economy-1947-2019-tryst-with-destiny-other-stories-1565801528109.html>> accessed 3 August 2023.

<sup>48</sup> See generally Shivam Kaushik, 'How India Learnt to Stop Complaining and Love Copyright', (*SpicyIP*, 7 July 2023) <<https://spicyip.com/2023/07/indian-copyrights-stockholm-syndrome-or-how-india-learnt-to-stop-complaining-and-love-copyright.html>> accessed 2 August 2023.

To exemplify the dire condition of developing nations, the final report of the Meeting of Experts on Book Production and Distribution in Asia, held in Tokyo, over 25-31 May 1966, can be useful. Noting trade barriers, translation, and copyright as notable reasons behind the problems of the flow of books, the report expressed serious concern over the low level of book supply in the Asia region. Among other flabbergasting facts, it noted in paragraph 18 that in 1964, the 18 developing countries in the Asian region had a combined population of approximately 910 million, around 28% of the world's total. These countries produced 29,790 book titles, constituting only 7.3% of the estimated world total of 408,000 titles. This translated to merely 32 book titles per million population, significantly lower than the world average of 127 titles and the European average of 418 titles.<sup>49</sup> As an aside, it should be noted that the relationship between literacy or education of people and the production of creative works is a separate subject of an investigation considering IP rights' failure to recognize and protect indigenous works and intelligence.<sup>50</sup>

However, being born in a pre-existing international copyright environment, these developing countries were required to protect foreign authors' rights regardless of the need for access to copyrighted works in their countries.<sup>51</sup> As a copyrighted work needs permission to be produced and translated. One may ask: why did developing countries not leave the Convention after their independence? Valid question, it is. While a detailed answer to this question is out of the scope of this essay, one can get an answer to the annals of the Stockholm Revision Conference, 1967, also known as the time of the 'International Copyright Crisis,' when India and African Nations stood

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<sup>49</sup> Final Report of the Meeting of Experts on Book Production and Distribution in Asia (Tokyo 25-31 May 1966).

<sup>50</sup> William Fisher, 'The Puzzle of Traditional Knowledge' (2018) 67 *Duke L.J.* 1511.

<sup>51</sup> Lea Shaver, 'Copyright and Inequality' (2014) 92 *Wash. U. L. Rev.* 117.

against the Western hegemony and sought to reform international copyright law as per the needs of developing countries.<sup>52</sup> Interestingly, India did consider the option of withdrawing from the Convention; however, the plan never worked out amidst intense politics.<sup>53</sup> Alan H. Lazer's words can give some glimpse of it:

*"Why did developing countries voluntarily affirm the obligations of the Berne Union after independence?" By far the largest number, the 11 Sub-Saharan developing nations, was so totally dependent economically and culturally upon France (and Belgium) and so inexperienced in copyright matters that their adherence was, in effect, politically dictated by the "mother country" during the aftermath of reaching independence."*<sup>54</sup>

Given such a checkered history, saying that the Convention reflects "balance" is, as Alan Story says, "a mere propagandistic slogan that acts as cover" for a long-standing colonial quashing of the majority world.<sup>55</sup> This way, the very conception of "balance" in copyright law is deeply rooted in imbalance. These roots are nonetheless constantly fortified at both international and national levels by indulging in the talk of "balance" for knowledge governance.<sup>56</sup> Lawyers and academics peddle the narrative to endorse their arguments; law schools (especially in India) emphasize the narrative to teach copyright law using the very cases and scholarship that underlie the narrative; judges and policymakers

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<sup>52</sup> See Charles F. Johnson, 'The Origins of the Stockholm Protocol' (1970) 18 Bull. Cr. Soc. U.S. 91; see also Barbara Ringer, 'The Stockholm Intellectual Property Conference of 1967' (1966) 14 Bull. Copyright Soc'y U.S.A. 417.

<sup>53</sup> See Prashant Reddy and Sumathi Chandrashekar, 'New Delhi Challenges the Berne Convention', in Prashant Reddy and Sumathi Chandrashekar (eds) *Create, Copy, Disrupt: India's Intellectual Property Dilemmas* (OUP 2017).

<sup>54</sup> Alan H. Lazer, 'Developing Countries and Authors' Rights in International Copyright' (1969) 19 Copyright L. Symp. 1; see also S. Ricketson, 'The International Framework for the Protection of Authors: Bendable Boundaries and Immovable Obstacles' (2018) 41 The Columbia J. of L. & The Arts, 341.

<sup>55</sup> Balance: a Magic Word (n 12).

<sup>56</sup> See generally Alberto Cerda Silva (n 39).

indulge in a “balance” talk to justify their outcomes and policies. Voila! The metaphor, just like a magic word, works for all perfectly - as if there are *just* two sides, which are well understood. However, here’s a mirage that this magic word “balance” makes us fall into - author’s rights versus public interest. But the question is - whether it is true and so simple. Are authors not part of the public? Or is this an oversimplification? I elaborate on this point in the next part, arguing that the “balance” metaphor oversimplifies copyright discourse.

### WHAT IS TO BE BALANCED?

Having highlighted the hysterical history hidden in the balance talk, it is important to note that before balancing anything, a balancer has to first know and show what is to be balanced and how much weight each side carries.<sup>57</sup> The importance of such knowing and showing increases when the said balance(ing) happens in a mental realm through imaginary scales and self-verified weights. As Arthur Allen aptly noted:

*“The [balance] metaphor is drawn from the process of weighing, more particularly from weighing in balance pans. But actual weighing is only possible because all matter is equally affected by the force of gravity, i.e., with respect to physical weight there are no relevant qualitative differences between things being weighed against each other: There is a universally applicable unit of measurement in terms of which everything can be described and arranged on a smooth scale vis-a-vis everything else. But that is not necessarily the case with respect to what is subject to metaphorical weighing in a legal system.”*<sup>58</sup>

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<sup>57</sup> See Paul W. Kahn, ‘The Court, the Community and the Judicial Balance: The Jurisprudence of Justice Powell’ (1987) 97 Yale L. J. 1 (“The concept of “balancing” is itself both a metaphor and an abstraction. The metaphor is ambiguous. It describes both a process of measuring competing interests to determine which is “weightier” and a particular substantive outcome characterized as a “balance” of competing interests. The abstract concept of balancing, furthermore, tells us nothing about which interests, rights, or principles get weighted or how weights are assigned.”).

<sup>58</sup> See Arthur Allen Leff, ‘The Leff Dictionary of Law: A Fragment’ (1985) 94 Yale L. J. 2123.

This way, any balancer has to answer a bimodal inquiry: 1.) What is to be balanced (for instance, right versus right, exception versus norm, et cetera.), and 2.) What weight each side of the balance carries?<sup>59</sup> These questions, especially the second, however, are not necessarily asked or answered by proverbial balancers, i.e., those who indulge in balance talk, notably judges and policymakers. Rather, these questions (often) meet the invisible-instinctual-ideological answers from the balancer. In the copyright context, this inconsistency fares more prominently as there is no certainty around what is placed in the balancing scales, let alone the apt allocation of weights. Before coming to the uncertainty aspect, this section focuses on the complex nature of copyright discourse that cannot be reduced to two sides - authors' rights and public interest. Prof. Lawrence Liang relevantly remarked in this regard that:

*“The idea that copyright is a system of balances runs the risk of being a cliché. If the idea of balance has thus far been framed primarily in terms of the provision of incentives to authors versus ensuring that the public has access to works, it might be time to acknowledge that the fault lines lie less in pitting the interest of authors against a robust public sphere and more in the structural arrangements of knowledge production, where private monopolies threaten both authors and the public sphere.”*<sup>60</sup>

Appositely, the copyright's balance narrative is generally said to have two sides namely the public's access to works which is oft defined as public interest, and (or versus) the author's incentive to create works resulting in author's rights. However, the equation has an inherent multivalence, especially on the public side. As apparent the latter is

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<sup>59</sup> Ibid at 1843.

<sup>60</sup> Lawrence Liang, 'Paternal and defiant access: copyright and the politics of access to knowledge in the Delhi University photocopy case' (2017) 1 Indian L. Rev. 36.

defined in terms of an author's right, automatically creating corresponding duties in public.<sup>61</sup> However, the nature of the former is unclear. This is because public interest as a concept is vaguer and more spacious than the author's rights, given the public includes authors.<sup>62</sup> As the public can have compensated (such as through compulsory or statutory licenses which see copyright owners receiving consideration) and uncompensated interests (idea-expression dichotomy, fair use, de-minimis use, and anti-circumvention measures) in copyrighted works, which results in a different kind of legal relationship with copy'right'.<sup>63</sup>

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<sup>61</sup> It is also arguable that since IP is a bundle of rights, it can be further nuanced into privileges, power, and immunities which have their jural opposites (which negate the presence of other relations, for instance, a right holder won't be the duty-holder with respect to the same subject) and jural correlatives (necessitates the presence of jural relation e.g., right holder will have some another duty-holder w.r.t something). In this sense, copyright (perhaps, all IPRs) has all the Hohfeldian elements – 1.) (IP) 'Privilege' to use your work because there exists no duty in you to not use your work, and nobody else has a right to use your work. 2.) (IP) 'right' to stop others from using the work and duty in others to not use your work, 3.) (IP) 'immunity' against others to alter your legal relations (for instance, somebody cannot just make you a licensor without your permission, so the changing the legal relationship remains in you), and 4.) (IP) 'power' to change others' legal relationships w.r.t to a work (e.g., you can make somebody the licensee of the work and become licensor, thereby changing the underlying relationships of the work.). Moreover, whether IP including copyright is a property right has witnessed intense theoreticohistorical contestations in the past. See e.g., Justin Hughes, 'A Short History of Intellectual Property in Relation to Copyright' (2009) 33 *Cardozo L. Rev.* 1293; see also Swaraj Paul Barooah & Lokesh Vyas, 'IP Reveries: Class 3: Parsing the P -'Property' of IPR' (*SpicyIP*, 23 May 2022) <<https://spicyip.com/2022/05/ip-reveries-class-3-parsing-the-p-property-of-ipr.html>> accessed 1 August 2023; There have also been cases in India and the U.S.A such as *Macmillan And Company Ltd. v K. And J. Cooper* (1924) 26 *BomLR* 292, *Hafizullah Hamidulla v Sk. Papa and Ors.* AIR 1933 Nag 344, *Sony Corporation of America v Universal City Studios, Inc.* 464 US 417 (1984), *Bobbs-Merrill Co. v Straus* 210 US 339 (1908), dissenting opinion in *Creative Technology Ltd. v Aztech System PTE Ltd.* 61 F.3d 696 (9th Cir. 1995); *William & Wilkins Co. v United States* 487 F.2d 1345 (Ct. Cl. 1973), which defined copyright as a privilege.

<sup>62</sup> One argument that is not currently explored in this essay is about the semantical senselessness of "balance" talk in copyright. "Balance" only identifies two interests, that is, authors and public; however, copyright by its very structure is tripartite law which includes authors, owners, and the public. Plus, there is an unavoidable overlapping among them.

<sup>63</sup> Prof. Ruth L. Okediji provides this categorization although she uses the term. She provides two more categories namely i.e., L&E in the Digital Copyright Regime and Implied L&E, however, I do not see them as separate categories but include them in compensated and uncompensated categories; See Ruth L. Okediji, 'The Limits of International Copyright Exceptions for Developing Countries' (2020) 21 *Vand. J. Ent.* 689.



However, all this complexity and depth gets oversimplified when it is overlain by the ostensibly neutral and all-encompassing appearance of the "balance."

Theoretically speaking, copyright law (and IP law in general) can be understood to encapsulate both constitutive and regulatory acts of a state. The rights granted to copyright holders are the constitutive act of the state, meaning they are specifically created by the state, especially in India, and they lack pre-legal existence.<sup>64</sup> On the other hand, public interest pre-dates copyright and has merely been molded in the context of copyright through provisions relating to fair dealing, compulsory licenses, and the like which also have the effect of regulating and restricting public interest, et cetera, signifying a regulatory act of a state.<sup>65</sup> In terms of legal relations, while copyright creates a duty in public, the same is not necessarily in every public interest claim which can potentially come in the form of legal interest like power, privilege, right, or immunity.

On top of this theoretical complexity, various courts, academics, and organizations at national and international levels define public interest differently. Predominantly, they are called Limitations or/and Exceptions ("L&E") by many academics, activists, and institutions.<sup>66</sup> World Intellectual Property Organization ("WIPO") is a prime example to have this terminology and harp on the same through the "balance" narrative.<sup>67</sup> Some use the term "privilege" in the Hohfeldian

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<sup>64</sup> See Copyright Act 1957, s 16.

<sup>65</sup> See Frederick Schauer, *Hohfeld on Legal Language* (CUP 2022); see also Sanya Samtani, 'IP and' Claims in India: Integrating International and Domestic Legal Methods' (2022) 12 *IJPL* 43.

<sup>66</sup> See e.g., P. Bernt Hugenholtz & Ruth L. Okediji, 'Conceiving An International Instrument On Limitations And Exceptions To Copyright' (*IVIR*, March 06, 2008) <[https://www.ivir.nl/publicaties/download/limitations\\_exceptions\\_copyright.pdf](https://www.ivir.nl/publicaties/download/limitations_exceptions_copyright.pdf)> accessed 2 July 2023.

<sup>67</sup> 'Limitations and Exceptions' (*WIPO*) <<https://www.wipo.int/copyright/en/limitations/>> accessed 10 August 2023.

sense, showing that users have no duty (especially with respect to fair dealing) and copyright holders have no right in that context.<sup>68</sup> There is another coterie, mainly consisting of academics who use the language of “rights”. Arguably, this coterie can have two further categorizations - those defining public interest within a constitutional setting that is, as fundamental rights,<sup>69</sup> and those grounding them in human rights jurisprudence.<sup>70</sup> Then there are some including courts, as explained in the following sections, who use all the terms together and synonymize “exemptions,” “limitations”, and “exceptions.” Flexibility is another term that is used to highlight public interest, albeit mostly in the context of trade and IP. (Though not explicitly dealt with here, it is worth pondering upon whether it is the theoretical complexity of public interest that paves the way for its different descriptions or if it is the different descriptions of public interest that make it a complex subject to touch upon. In any case, it makes the use of the “balance” as a good cover-up to hide complexity, giving us all the more reason to question it.<sup>71</sup>

In the following sections, I will explain how at both national and international levels, there is uncertainty around what is to be balanced, I name them ‘International “Don’t-know”’ and ‘National “Don’t-know”’ respectively.

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<sup>68</sup> See Arthur L. Corbin, ‘Fundamental Legal Conceptions as Applied in Judicial Reasoning’ (1964) 26(8) Yale L. J. (“[W]hen one is fighting for a “right”, he is asking the state (the public organization of men) to create and enforce a “duty” on another and that when he is fighting for a “privilege” he is asking the state to deprive another of an existing “right”.”).

<sup>69</sup> See e.g., Christophe Geiger, ‘Fair Use through Fundamental Rights in Europe: When Freedom of Artistic Expression allows Creative Appropriations and Opens up Statutory Copyright Limitations’ (*PIJIP/TLS Research Paper Series no. 63*, 2020) <<https://digitalcommons.wcl.american.edu/research/63>> accessed 2 July 2023.

<sup>70</sup> See e.g., Desmond O. Oriakhogba. ‘The Right to Research in Africa: Making African Copyright Whole’ (*PIJIP/TLS Research Paper Series no. 78*, 2022) <<https://digitalcommons.wcl.american.edu/research/78>> accessed 12 June 2023.

<sup>71</sup> Alan Hunt, ‘The Ideology of Law: Advances and Problems in Recent Applications of the Concept of Ideology to the Analysis of Law’ (1985) 19 Law & Society Review 11.

## A. International Uncertainty

Chronologically speaking, both historically and contemporarily, there exists no clarity regarding what values or interests are placed in the imaginary balance scales.<sup>72</sup> From a historical angle, I ground this claim in the Berne Convention, the first international copyright treaty which is applicable to all WTO members through recent agreements, notably TRIPS. Similarly, WCT, another international treaty not applicable to all the WIPO members, also grounds itself in Convention. To begin with, the scope of public interest in the Convention can arguably be construed in two ways - subject matter (that is, what can be protected) and use (that is, how a work can be used by the public). Since the 1886 draft, the former has expanded from selected works to include "any" work and the latter has reduced its scope from using copyrighted works for scientific and education purposes freely to use them in a limited manner.<sup>73</sup> My arguments are specifically directed toward the second, that is, use of work.

From the official debates of the Convention, it appears that never in the history of the Berne Convention was the nature of public interest and their relationship with copyrights clearly conceptualized. In retrospect, there does not seem to be any need to expect certainty as it was anyway a small club of the powerful states who were aware of their interest and dominated the majority of the world. Still, it needs highlighting, as elaborated below, that various terms have been used to describe public interest. The translated documents show that the discussion on public interest started with a German proposal

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<sup>72</sup> See e.g., Sara Bannerman, 'Copyright and the Global Good? An Examination of "The Public Interest" in International Copyright Regimes', in Pradip Ninan Thomas & Jan Servaes (eds) *Intellectual Property Rights and Communications in Asia: Conflicting Traditions* (Sage 2006) ("This reference to "balance" places "the public interest" as being separate from, or even in conflict with the interests of authors, ... is a divergence from the WIPO master narrative ... that conflates the "public good" with the protection of intellectual property.').

<sup>73</sup> Ibid.

introduced on 9 September 1884, in the second meeting of the Conference. The proposal sought “reciprocal rights” for the public, especially for scientific and educational purposes whereas the French proposal regarded the same as “la faculté réciproque”.<sup>74</sup> For reader’s ready reference, the French proposal and its English translation are reproduced below in the table:

<b>German Proposal (Original text in French)</b>	<b>German Proposal (English Translation)</b>
<p><i>“Conformément à ce qui a été admis pour presque toutes les conventions littéraires actuellement en vigueur, ne serait-il pas utile de consacrer, pour toute l’Union, la faculté réciproque: a. De reproduire sans le consentement de l’auteur, dans un but scientifique ou pour l’enseignement, des extraits ou des morceaux entiers d’un ouvrage, cela sous certaines conditions? b. De ‘publier, sous certaines conditions, des chrestomathies composées de fragments d’ouvrages de divers auteurs, sans le consentement de ces derniers? c. De reproduire, en original ou en traduction, les articles extraits de journaux ou de recueils périodiques, à l’exception des romans-feuilletons et des articles de science ou d’art?”</i></p>	<p><i>“In line with what has been accepted for practically all literary conventions at present in force, would it not be appropriate to establish, for the whole Union, the reciprocal right: (a) To reproduce, without the author’s consent, for scientific or teaching purposes, excerpts or whole sections of a work, subject to certain conditions? (b) To publish, under certain conditions, chrestomathies consisting of fragments of works by various authors, without the latter’s consent? (c) To reproduce, in the original or in translation, articles excerpted from newspapers or periodical journals, with the exception of serialized novels and articles on science or art?”</i></p>

The proposal later became Article 8 in the Draft Convention and currently stands as Article 10 in the latest draft of the Convention. Given that the initial official texts of the Convention were in French

<sup>74</sup> See Sam Ricketson, *The Berne Convention for The Protection of Literary and Artistic Works from 1886 To 1986* (CCLS, Queen Mary College 1986) 91; see also Sara Bannerman, ‘International Copyright and Access to Scientific Knowledge’, in *International Copyright and Access to Knowledge* 32 (CUP 2016).

which is the binding language of the Convention in the case of the conflict between English and French text,<sup>75</sup> their English translations vary. For instance, Sam Ricketson and Jane Ginsburg in their book 'International Copyright and Neighbouring Rights' translate Article 8 in the sense of "liberty".<sup>76</sup> Their translation is (only the relevant portion is reproduced here):

*"As regards the **liberty** of extracting portions from literary or artistic works for use in publications destined for educational or scientific purposes, ... is not affected by the present Convention."*

On the other hand, Tanya Aplin and Lionel Bently define it as "freedom." in their book 'Global Mandatory Fair Use the Nature and Scope of the Right to Quote Copyright Works'.<sup>77</sup> They translate it as (only the relevant portion):

*"As regards the **freedom** of including excerpts from literary or artistic works for use in publications destined for teaching or scientific purposes, ... is not affected by this Convention."*

Adding to the medley, the French text uses the term "*la faculté*", which as stated above means "faculty."<sup>78</sup> As per the French text, Article 8 reads

*"En ce qui concerne la faculté de faire licitement des emprunts à des œuvres littéraires ou artistiques pour des publications destinées à l'enseignement ou ayant un caractère scientifique, ou pour des chrestomathies, est réservé l'effet d'e la législation des pays de l'Union et des arrangements particuliers existants ou à conclure entre eux."*

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<sup>75</sup> Berne Convention for the Protection of Literary and Artistic Works, art 37, Sep. 9, 1886, as revised at Paris on July 24, 1971 and amended in 1979, S. Treaty Doc. No. 99-27 (1986).

<sup>76</sup> Sam Ricketson & Jane C. Ginsberg, *International Copyright and Neighboring Rights: The Berne Convention and Beyond*, (vol 1, 2nd ed., OUP 2006) 580.

<sup>77</sup> Tanya Aplin & Lionel Bently, *Global Mandatory Fair Use the Nature and Scope of the Right to Quote Copyright Works*, (CUP 2020) at 7.

<sup>78</sup> Berne Convention for the Protection of Literary and Artistic Works, art 8, Sep. 9, 1886.

From 1908, it became Article 10 where the term liberty/freedom/la faculté remained (though the provision was modified) until the 1948 revision. In the 1948 revision's English draft, the word "liberty/freedom" was replaced with "right".<sup>79</sup> Since the 1971 revision conference, it is neither a "right" nor a "liberty/freedom/ability" but a "matters for legislation in the countries of the union", subject to certain limitations.<sup>80</sup> However, the French text kept the word "la faculté" throughout. These changing terms at different times somehow concealed the relationship between copyright and public interest i.e., how copyright ought to engage with public interest, thus, making it subject to the power politics and a trade-investment-driven economy.<sup>81</sup>

The reason for underscoring these different terms is that words carry weight and contain meanings that change over time.<sup>82</sup> Each one of these terms (right/liberty/freedom/faculty) can have different meanings and implications; when "balanced" against copyright law, they can affect different outcomes as they may share a different relationship with copyright. With TRIPS and WCT, this confusion was carried over with some additional terms such as exceptions, limitations, exemptions, privileges, and flexibilities coming into the limelight.<sup>83</sup>

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<sup>79</sup> Berne Convention for the Protection of Literary and Artistic Works, art 10(2), Sep. 9, 1886, as revised at Brussels June 26, 1948.

<sup>80</sup> Berne Convention for the Protection of Literary and Artistic Works, art 17, Sep. 9, 1886, as revised at Paris on July 24, 1971, and amended in 1979, S. Treaty Doc. No. 99-27 (1986).

<sup>81</sup> See generally, Peter Drahos & John Braithwaite, *Information Feudalism Who Owns the Knowledge Economy?* (The New Press 2007).

<sup>82</sup> Kennedy (n 12).

<sup>83</sup> 'For Limitations & Exceptions language see Limitations and Exceptions', (WIPO) <<https://www.wipo.int/copyright/en/limitations/>> accessed on 2 June 2023; for 'rights' language, see David Vaver, *Copyright Law* (Irwin Law Inc. 2000); Reto M. Hilty et al., 'International Instrument on Permitted Uses in Copyright Law', (2021) 52 IIC - Int'l Rev. of Intell. Prop. & Comp. L. 62; Reto M. Hilty et al., *Explanatory Notes, International Instrument on Permitted Uses in Ment Copyright Law*, SSRN ELECTRONIC JOURNAL <[https://www.researchgate.net/publication/349083145\\_International\\_Instrument-on-Permitted\\_Uses\\_in-Copyright\\_Law\\_and\\_Explanatory\\_Notes](https://www.researchgate.net/publication/349083145_International_Instrument-on-Permitted_Uses_in-Copyright_Law_and_Explanatory_Notes)> (Jan. 2021.); Carys J. Craig, 'Globalizing User Rights-Talk: On Copyright Limits and Rhetorical Risks' (2017) 3 Amer. Uni. Int'l L. Rev 1.

Here, one can aver that Article 8, which later became Article 10, is only an aspect of public interest, and what these academics translated may not impact how "balance" is understood. This averment is valid but the kernel of my claim is that how copyright law engages with public interest cannot be understood from history. Terms like freedom and liberty speak of wider powers of countries than a limitation or exceptions or permissible authority. The very fact that these terms representing public interest changed shows that the equation of "balance" is also dynamic and uncertain. The next section of the essay explains how similar confusion around public interest also exists at the national level, notably, in Indian courts.

## **B. Indian Unclarity**

(Un)surprisingly, the confusion around public interest and how it engages with copyright is not just at the international level. India, a country oft-regarded as a flag bearer of public interest in the international IP landscape,<sup>84</sup> is an apt example of a State carrying this confusion that has permeated its courts. Indian Courts use numerous terms interchangeably and even simultaneously to describe Section 52 of the Copyright Act, 1957 regarding fair dealing – a concept often extolled for taking care of the public interest side of the balance and is often attributed to impact the balance equation.<sup>85</sup> Below, I non-exhaustively list out Indian cases involving Section 52 which define the provision differently.

Delhi High Court's *The Chancellor, Masters & Scholars of University of Oxford and Ors. v Rameshwari Photocopy Services and Ors.* (DU photocopy

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<sup>84</sup> Lazar (n 54).

<sup>85</sup> A similar confusion with a focus on the misdescription of legal interests as 'rights' was highlighted by Wesley Newcomb Hohfeld; see Wesley Newcomb Hohfeld, 'Some Fundamental Legal Conceptions as Applied in Judicial Reasoning' (1913) 23 YALE L. J. 16; Wesley Hohfeld, 'Fundamental Legal Conceptions as Applied in Judicial Reasoning' (1917) 26 YALE L. J. 710.

case), a hailed case for access to knowledge,<sup>86</sup> in both its single and division bench judgments, used different terms to define the fair dealing provision. The single judge bench described the fair dealing provision as a user ‘right’,<sup>87</sup> whereas the lawyers of the case provided different terminologies: plaintiffs described it as an “immunity”,<sup>88</sup> one counsel considered it as an independent user ‘right’,<sup>89</sup> and the student body (ASEAK) supporting DU contended that the description of fair dealing as an exception or user right immaterial.<sup>90</sup> The division bench also continued the confusion: first, it used ‘limitation’ and ‘exceptions’ interchangeably,<sup>91</sup> then described it as ‘right’,<sup>92</sup> then named it a ‘permissible activity’.<sup>93</sup> The counsels for the appellants defined Section 52 as a privilege.<sup>94</sup>

Similarly, in *Syndicate of The Press of the University of Cambridge v B.D. Bhandari*,<sup>95</sup> the Delhi court used the terms “limitations” and “exceptions” interchangeably (para 33). In *Super Cassettes v Hamar Television*,<sup>96</sup> the Delhi High Court used different descriptions of the same provision. In one place, it used the expression “exception or limitation,” suggesting the synonymy of the two terms. In other places, it defines section 52 as an “exception” and used the expression

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<sup>86</sup> SpicyIP did a detailed post linking different academic articles on the issue ‘The Chancellor, Masters & Scholars of the University of Oxford & Ors. v Rameshwari Photocopy Services & Ors. [DU Photocopying Case]’ (*SpicyIP*) <<https://spicyip.com/resources-links/du-photocopy-case>>; see also Prashant Reddy, ‘The DU Photocopy Judgement – A Chronicle of the Missed Arguments’ (2018) 2 Indian L. Rev. 224.

<sup>87</sup> The Chancellor, Masters & Scholars of University of Oxford and Ors. v Rameshwari Photocopy Services and Ors. DLT (2016) 279 at 41.

<sup>88</sup> Ibid at 14.

<sup>89</sup> Ibid at 15.

<sup>90</sup> Ibid at 18.

<sup>91</sup> The Chancellor, Masters & Scholars of University of Oxford and Ors. v Rameshwari Photocopy Services and Ors. (2017) DLT (2016) at 73-74.

<sup>92</sup> Ibid at 76.

<sup>93</sup> Ibid at 79.

<sup>94</sup> Ibid at 25.

<sup>95</sup> RFA (OS) No.21 of 2009.

<sup>96</sup> 2011 (45) PTC 70 (Del).



“right to make fair use or to deal fairly with the copyrighted work” as well.

Likewise, in the *Periyar Self Respect v Periyar Dravidar Kazhagam*, and *Fermat Education v M/S Sorting Hat Technologies Ltd.*, the Madras High Court described Section 52 as an “exemption.”<sup>97</sup> Similarly, in *Gramophone Co. of India Ltd. v Mars Recording Pvt. Ltd.*, the Karnataka High Court and in *Super Cassettes Industries v Mr Chintamani Rao* and the *Gramophone Company of India v Super Cassette Industries*, the Delhi High Court regarded the same provision as “exception.” Then there is *Chancellor Masters & Scholars v Narendera Publishing House*,<sup>98</sup> where the Delhi High Court used the terms “exception” and “exemption” synonymously. Interestingly, in the same judgment, the Court defined copyright as a “privilege” and user interests as the “competing interest of enriching the public domain.” The Delhi High Court’s *Wiley Eastern Ltd. and Ors. v Indian Institute of Management*,<sup>99</sup> is also a riveting ruling which grounded Section 52 in Article 19(1)(a) of the Indian Constitution related to the right to free speech whereas the counsel argued it as an “exception.”

The main idea here is that the inconsistent use of different terms to describe the same provision, even though its real-life impact requires further empirical study, indicates a level of confusion about what the underlying concept is, how it is understood, and how it relates to and is thought to be related to the right of copyright holders. Such understanding, in turn, delineates the limits of copyright. Remember, the focus is not on delineating the contours of public interest and assigning an apt overarching term for it. The focus, instead, is to highlight that an understanding infused with such unresolved

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<sup>97</sup> The *Periyar Self Respect v Periyar Dravidar Kazhagam* (2008) MHC at 41.

<sup>98</sup> *Chancellor Masters & Scholars v Narendera Publishing House* (2009) ILR 2 Delhi 221 at 22, 32.

<sup>99</sup> 61 (1996) DLT 281.

confusion about the nature of fair dealing can result in the misidentification of legal issues which, in turn, can attract undesirable policy outcomes.<sup>100</sup>

Illustratively, as exemptions, exceptions, privileges, and limitations, the nature of public interest automatically gets hierarchized in balancing where copyrights appear as a pre-existing and more natural legal entitlement.<sup>101</sup> Internationally, a WTO decision highlights this hierarchy by noting that “an exception or limitation must be limited in its field of application or exceptional in its scope. In other words, an exception or limitation should be narrow in quantitative as well as a qualitative sense.”<sup>102</sup> Separately, Professor Carys Craig captures by pointing out, “When authorial right is a baseline assumption, copyright exceptions or limitations are inevitably viewed with suspicion, manifesting as prima facie unjust encroachments upon the natural entitlement of the worthy, rights-bearing author.”<sup>103</sup>

On the other hand, as “rights”, a public interest claim may appear similar to copy‘right’ but would ultimately drive the “balancer” into policy arguments and other non-legal considerations,<sup>104</sup> which are

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<sup>100</sup> See Tito Rendas, ‘Are Copyright-Permitted Uses ‘Exceptions’, ‘Limitations’ or ‘User Rights’? the Special Case of Article 17 CDSM Directive’ (2022) 17 J. of Intell. Prop. L. & Practice 54 (explaining the difference among all these terms); see also Alan D. Hornstein, ‘The Myth of Legal Reasoning’ (1981) 40 338 Md. L. Rev. (“The more clearly a problem is posed, the more manageable it becomes, the less is one likely to embark on false trails to the solution, and the more precise will be one's thinking about the problem”).

<sup>101</sup> Panel Report, United States—Section 110(5) of the US Copyright Act, WTO Doc. WT/DS160/R 6.109 (adopted Jul. 25, 2000). (“[A]n exception or limitation must be limited in its field of application or exceptional in its scope”); see also Craig, (n 26) at 12 (“when authorial right is a baseline assumption, copyright exceptions or limitations are inevitably viewed with suspicion, manifesting as prima facie unjust encroachments upon the natural entitlement of the worthy, rights-bearing author”).

<sup>102</sup> World Trade Organization, United States—Section 110(5) of the US Copyright Act, WT/DS160/R 6.109.

<sup>103</sup> Carys J. Craig, ‘Globalizing User Rights-Talk: On Copyright Limits and Rhetorical Risks’ (2017) 33 Am. U. Int’L Rev. 2, 12.

<sup>104</sup> Balkan (n 13); Kennedy, *Rights Critique* at 198 (Wendy Brown & Janet Halley eds., 2002) (“[T]he question involv[ing] [rights] cannot be resolved without resort to policy, which in turn makes the resolution open to ideological influence. ... once it is shown that the case

often driven by popular legal consciousness.<sup>105</sup> In the words of Duncan Kennedy

*“Sometimes the judge more or less arbitrarily endorses one side over the other; sometimes she throws in the towel and balances. The lesson of practice for the doubter is that the question involved cannot be resolved without resort to policy, which in turn makes the resolution open to ideological influence. The critique of legal rights reasoning becomes just a special case of the general critique of policy argument: once it is shown that the case requires a balancing of conflicting rights claims, it is implausible that it is the rights themselves, rather than the “subjective” or “political” commitments of the judges, that is deciding the outcome.”*<sup>106</sup>

Given the strong property image of copyright and the more concrete nature of “propertarian” claims which perceive public interest claims as an encroachment on the property rights of authors, it would not be gaffe to say that the “balance” would likely tilt towards copyrights.<sup>107</sup> Tellingly, while having unresolved confusion is menacing, what is more, menacing is its masking - a masking that thwarts any potential

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requires a balancing of conflicting rights claims, it is implausible that it is the rights themselves, rather than “subjective” or “political” commitments of the judges, that are deciding the outcome.”); see also Morton J. Horwitz, *Rights*, 23 HARV. C.R.-C.L. L. REV. 393 (1988) (“[F]raming issues of social justice in terms of individual rights has the additional effect of denying equal legitimacy to claims that the overall social distribution of wealth and power is unjust.”).

<sup>105</sup> See Matt Sag et al., ‘Ideology and Exceptionalism in Intellectual Property: An Empirical Study’ (2009) 97 Cal. L. Rev. 801, 849 ([T]he stronger relationship between IP and ideology for conservatives suggests that the status of IP rights as the private property may well be trump against other competing values.”); see also Lee Epstein & Jeffrey A. Segal, ‘Trumping the First Amendment?’, Wash. U. J.L. & Pol’y 81, 85.

<sup>106</sup> Duncan Kennedy, *The Critique of Rights in Critical Legal Studies*, in *Left Legalism/Left Critique* (Duke Press, 2002).

<sup>107</sup> See Harvey S. Perleman, ‘Taking the Protection-Access Tradeoff Seriously’ (2000) 53 VANDERBILT L REV 1831, 1834 (“In the contest between property rights and access rights, property rights have the home field advantage. The incentives created by property rights are clear and the rhetoric is powerful.”). See also Severine Dusollier, ‘Intellectual Property and the Bundle-of-Rights Metaphor’ (2020) 4 *Essays in Intellectual Property* (Edward Elgar).

scrutiny. The next section of the paper discusses this masking by our beloved concepts- fair dealing and user rights.

### **MASKING OF “UNCLARITY”**

My argument thus far has been that the “balance” metaphor in copyright law, in addition to being a historically misplaced term, oversimplifies the copyright discourse, and therefore suggests semantic senselessness. On the top, there is no clarity around what is to be balanced. In this section, I will take these claims further, arguing that the above-averred confusion is masked by firstly, a faith-based understanding of fair dealing considering it as the only way to tackle copyright claims, and secondly, increasing use of rights language to define the public interest, especially fair dealing. This masking would eventually undercut the scope of public interest and expands copyright.<sup>108</sup>

It is largely accepted that “fair use” or “fair dealing” is a crucial aspect of public interest. It needs highlighting here that while fair dealing and fair use are generally understood to be different concepts where the former is construed to be of an open character and the latter entails an exhaustive list of permissible dealings, recent research shows that the difference is not that strict.<sup>109</sup> Instead, there are countries that have

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<sup>108</sup> Another coinciding argument that several scholars have run, is regarding the public domain as the absence of copyright control. See e.g., JE Cohen, ‘Copyright, Commodification, and Culture: Locating the Public Domain’, in Guibault L. & P. B. Hugenholtz (eds), *The Public Domain of Information* (Amsterdam: Kluwer Law International 2006), Séverine Dusollier, ‘(Re)introducing Formalities in Copyright as a Strategy for the Public Domain’ in L. Guibault & C. Angelopoulos, eds., *Open Content Licensing: From Theory to Practice* (Amsterdam University Press, November 2011) (If the function of the public domain ... is to exempt authors from the exercise of an exclusive proprietary right, then it should include not only those elements in which such rights are non-existent, but also resources or practices that are left untouched by the exercise of those rights).

<sup>109</sup> See Sean Flynn *et. al.*, ‘Research Exceptions in Comparative Copyright’ (2022) *PJIIP/TLS Research Paper Series no. 75*. <<https://digitalcommons.wcl.american.edu/research/75>> accessed 2 March 2023.

used fair dealing but kept it open like fair use. However, for clarity and convenience of readers, I will use fair dealing in this essay.

The "conflict" underlying an urge to "balance" is apparent when a fair dealing claim comes: copyright restricts copying/use without authorization, whereas fair dealing allows copying/using without authorization though in a limited manner. The interesting part is that while, copyright has expanded since Berne Convention,<sup>110</sup> the fair dealing has been hailed to heave the burden of public interest whenever a tussle between copyright and public interest has arisen. These years have gestated a faith-based understanding of fair use, with "balance" as the ultimate goal to achieve. This is especially true for national copyright policies. There are arguably two interconnected places to understand it—invoking fair dealing defense against copyright claims and the new-technology-new-law approach in copyright law as clear from the recent demands of making TDM a fair dealing exception.

### A. Faith-Based Fair Dealing

Faith-based IP is a topic that has attracted the attention of scholars, especially after Professor Mark Lemley's seminal piece in 2015 with the same title.<sup>111</sup> Notably, Professor Shamand Basheer called out this issue back in 2008 through his post on SpicyIP with a similar title.<sup>112</sup> This essay attempts to take this theme forward, though in the context of fair dealing. Without offering a precise definition, a loose meaning of

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<sup>110</sup> Sara Bannerman, *Access to Knowledge' in International Copyright and Access to Knowledge* (Cambridge University Press 2016).

<sup>111</sup> Mark A. Lemley, 'Faith-Based Intellectual Property' (2015) 62 UCLA L. REV. 1328; Contra Robert P. Merges, 'Against Utilitarian Fundamentalism' (2016) 90 ST. John's L. Rev.

<sup>112</sup> Shamnad Basheer, 'World IP Day: From "Faith" Based IP to "Fact" Based IP' (*SpicyIP*, 26 April 2008) <<https://spicyip.com/2008/04/world-ip-day-from-faith-based-ip-to.html>> accessed 29 July 2023; see also Swaraj Paul Barooah, 'Faith (in IP) be damned! (But Happy World IP Day!)' (*SpicyIP*, 26 April 2015) <<https://spicyip.com/2015/04/faith-in-ip-be-damned-but-happy-world-ip-day.htm>> accessed 30 August 2023.

"faith-based fair dealing/use" means relying on the fair use or fair dealing doctrine to defend against any existing or potential copyright claims with the main intention of avoiding legal responsibility, prioritizing liability avoidance as its primary objective. This can be observed from the increasing reliance on fair dealing provisions in copyright litigation in India. Such reliance can be attributed to the discussion of copyright infringement which inevitably revolves around (from the defense side) on whether the impugned use was fair dealing (i.e., a statutorily permissible uncompensated use of protected works) or, subject to license (which was/was not to be taken, hence, compensation). Realistically, it is prudent for defendants to have more faith in fair dealing than in proving non-infringement and running the risk of paying damages. When the bargaining positions of the parties vary greatly (e.g., a music label company versus a new YouTuber with few followers). The accused infringer here would likely prefer a route that helps them escape legal liability to think of policy questions of access to knowledge and information and its relation to inequality and diversity in a democratic set-up. In this situation, the invocation of fair dealing may be a better litigation tactic.

To an extent, there is no problem with such a strategy; fair dealing is meant to (though not limited to) serve that purpose i.e., to save one from copyright liability. The problem arises when fair dealing becomes a sheer matter of faith, where every copyright claim is expected to be controverted by fair dealing, where instead of examining whether the defendant's use is infringing, the assumption is that the use is infringing causing the focus to remain on "escaping" liability *via* exceptions to copyright infringement which consequently develop a saviour-like image in our legal thought and become a defense against copyright.<sup>113</sup> For example, Madras High Court in the case of *E.M. Forster and Anr. v*

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<sup>113</sup> See *E.M. Forster and Anr. v A.N. Parasuram* (1964) 1 MLJ 431, at 5.

A.N. Parasuram clarified the relationship between fair dealing and copyright infringement more than five decades ago, noting:

*“With the propositions relating to "Fair Dealing" ... will arise only if it could be otherwise established ... that there has been an infringement by substantial reproduction in the present case. If that is not made out, there is a failure at the threshold of the claim, and the question does not really arise whether ... (respondent) could claim that he is protected by any of the objectives of "Fair Dealing.”*<sup>114</sup>

How fair dealing can inadvertently aid in an expansion of copyright scope can be better exemplified by a semi-hypothetical.<sup>115</sup> Suppose a case reaches a Court involving audio summaries wherein the plaintiff alleges that the defendant violated its copyright by providing audio summaries of its books. In this case, the plaintiff could potentially argue the infringement of its adaptation right which includes abridgment. Against this, the defendant can invoke fair dealing, specifically “review” of the work (which, to me, appears the most relevant from Section 52’s list). Assumably, the defendant’s fair dealing claim works out and proves to be a useful escape route. Defendant escapes the liability either completely or, at least, partially. Voila, problem solved? Perhaps, no. There is more to this story— the fair dealing victory also results in the fact that audio summaries become an encroachment on the plaintiff’s abridgment right and it was but a “review” that defendant’s use was justified.

Here is an upshot: per Section 2(a)(iii) of Copyright Act, 1957, adaptation means “in relation to a literary ... work, any abridgement of the work or any version of the work in which the story or action is

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<sup>114</sup> AIR 1964 Mad 331.

<sup>115</sup> I say semi-hypothetical because the example is partially real. See Aparajita Lath and Lokesh Vyas, ‘Audio Books v Audio Summaries: Delhi HC and Copyright Implications’ (*SpicyIP*, 22 October 2022) <<https://spicyip.com/2022/10/audio-books-v-audio-summaries-delhi-hc-and-copyright-implications.html>> accessed 30 July 2023.

conveyed wholly or mainly by means of pictures in a form suitable for reproduction in a book, or in a newspaper, magazine or similar periodical.” From the ordinary meaning of the provision, it appears that abridgment can only happen when a work is converted from one literary work to another literary format such as newspaper, magazine, or periodical. Thus, it could be argued that audio summaries do not, per se, constitute “abridgment” when reading the Copyright Act strictly. However, since the defendant's fair dealing claim succeeded, it means that the defendant has accepted that without a fair dealing exception, liability would arise. This, in turn, suggests that abridgment can also happen in a non-literary version. This novel *not-so-visible* understanding is an inadvertent extension of the abridgment right that could restrict the use of, and access to, works in the future.

This expansion argument may appear far-fetched presently as it does not flow directly from the law but emerges from an interpretation of a case outcome. There is some validity in this far-fetched claim, but we cannot forget how *stare decisis* works - precedents come with a legal lode, and they influence judgments of other courts, or at least, can influence the outcomes of future cases. Perhaps not today or this year, but in the future when the legal consciousness around copyright protection heightens (making us IP-sciious, if I may), a good lawyer can use this “fair dealing comes with the acceptance of infringement” argument relying on some old fair dealing victory case and bring their point home. As Arthur L. Goodhart noted, “The logic of the argument, the analysis of prior cases, the statement of historical background may all be demonstrably incorrect in a judgment but the case remains a precedent nonetheless.”<sup>116</sup>

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<sup>116</sup> Arthur L. Goodhart, ‘Determining the Ratio Decidendi of a Case’ (1930) 40 The Yale L. J. 161, 162.



From a broader policy angle, a faith-based understanding of fair dealing cuts deeper. Keeping the focus on escaping liability can sideline the scrutiny about the internal limitation on copyright law, i.e., whether copyright covers the use in the first place. Fair dealing is not the only limitation on copyright; rather, it is an external limitation. Faith in fair dealing invisibilizes the internal limitations in the sense of what copyright law does not cover, notably the idea-expression dichotomy. This undermines the extent of public interest outlined in copyright policy, which goes beyond just fair dealing. Such faith shifts the discussion about the unauthorized use of protected works from “whether the use of a work was at the level of ideas or expressions” to “whether the defendant is liable for the act.” This shifted focus to “whether the defendant is liable” does not only concern copyright litigation but can also influence the framing of copyright policy. Given its short-sighted vision of escaping copyright liability, it may take the shape of a “new-technology-new-policy” approach where the utilization of every new technology that engages with copyright law appears to require an amendment in the law, ensuring that technological utilization remains exempt from liability. I explain this approach in the next part.

### **B. Rightizing Fair Dealing and Fuelling Faith**

Balance talk has an intuitive appeal of “equalizing” interests just as it happens in physical scales. Some changes are made here and there; as soon as both sides “look” equal, the problem is deemed solved. Justice arrived. This exercise works fine when balancing is of quantifiable entities. In legal balancing, however, where scales are imaginary, the weights of values or interests greatly vary and demand a more careful look and weighing. But when the interests to be weighed are unknown (as averred above), the commonsensical conception (which is grounded in the popular politico-legal narrative of the time) of what

each side “should” weigh in a given case takes precedence. The chances of having a hierarchical understanding increase in such cases e.g., norm (copyright) versus exception (a public interest claim e.g., fair dealing). The equation and its understanding change when both sides already appear equal from the start such as copy“right” versus user“right” or reproduction “right” versus “right” to do research.

While defining public interest in terms of rights is over a century old, as clear from the German proposal discussed in the previous sections, in recent years, it has increased, especially in defining fair dealing.<sup>117</sup> I have verbalized this phenomenon as “right-ize” something; to put it contextually, this is the rightization of public interest. While courts worldwide have accepted this notion, the same can be observed more in academics. It is especially relevant and more problematic for technologies that do not engage with copyrighted works in the traditional sense of “use” and “access”.<sup>118</sup> The recent demand for the Right to Research (“R2R”) to legitimize Text and Data Mining (“TDM”) is an apt example in this regard.<sup>119</sup> My thesis is that creating new rights or exceptions based on an R2R will generalize the whole research and access issue in a way where “accessing” works necessarily results in its “use.” To legitimize such usage, it becomes necessary to

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<sup>117</sup> See *Globalizing User Rights* (n 27) (providing a bird’s eye view of increasing use of rights language worldwide, though she supports the same at the end of her paper).

<sup>118</sup> C.f. Amanda Levendowski, ‘How Copyright Law Can Fix Artificial Intelligence’s Implicit Bias Problem’ (2017) 93 WASH. L. REV. 579, 625 (“When humans experience [copyrighted] works, we call them “works.” When AI systems do it, these works are transformed into “data.”).

<sup>119</sup> See Christophe Geiger, ‘The Missing Goal-Scorers in the Artificial Intelligence Team: Of Big Data, the Fundamental Right to Research and the failed Text and Data Mining Limitations in the CSDM Directive’ (2021) PIJIP/TLS Research Paper Series no. 66. 2021 <<https://digitalcommons.wcl.american.edu/research/66>> accessed 2 March 2023; M. P. Ram Mohan and Aditya Gupta, ‘Right to Research and Copyright Law: From Photocopying to Shadow Libraries’ (2022) 11 NYU J OF INTELL. PROP. & ENTERTAINMENT L.; Christophe Geiger and Bernd Justin Jütte, ‘The Right to Research as Guarantor for Sustainability, Innovation and Justice in EU Copyright Law’, in Taina E. Pihlajarinne et al., (eds), *Intellectual Property Rights in the Post Pandemic World: An Integrated Framework of Sustainability, Innovation, and Global Justice* (EE 2022).

create a new amendment or exception in copyright law, drawing R2R. When conflicts arise between copyright and R2R, the focus naturally shifts to the defendant's use or the public interest, which encroach author's "property" rights. This gives an impetus to "balance" thinking as a way to reconcile these competing interests. I exemplify this below. However, before doing that, it is to be noted that this argument may not be currently relevant for the Indian context where the discussion on TDM has been limited.<sup>120</sup>

Illustratively, allowing TDM as or through R2R would mean accepting that copyright can restrict research otherwise. Such a generalization would indirectly include those technologies that do not involve a prohibited "use" and are argued to engage with copyrighted works in a non-infringement sense.<sup>121</sup> It will dilute the scope of the idea-expression dichotomy, an internal limitation on copyright. With such

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<sup>120</sup> See e.g., Arul Scaria, 'Should Indian Copyright Law Prevent Text and Data Mining?' (*SpicyIP* 21 August 2019) <<https://spicyip.com/2019/08/should-indian-copyright-law-prevent-text-and-data-mining.html>> accessed 05 August 2023; Swaroop Mamidipudi, 'Is the JNU Data Depot Even "Reproducing" Papers?' (*SpicyIP*, 29 August 2019) <<https://spicyip.com/2019/08/is-the-jnu-data-depot-even-reproducing-papers.html>> accessed 05 August 2023; Prashant Reddy, 'Malamud's New TDM Venture May Not be Shielded by Section 52 of the Copyright Act' (*SpicyIP*, 22 August 2019) <<https://spicyip.com/2019/08/malamuds-new-tdm-venture-may-not-be-shielded-under-section-52-of-the-copyright-act.html>> accessed 5 August 2023; Viraj Ananth, 'Crawl Cautiously: Examining the Legal Landscape for Text and Data Mining in India – Part I' (*SpicyIP* 29 June 2020) <<https://spicyip.com/2020/06/crawl-cautiously-examining-the-legal-landscape-for-text-and-data-mining-in-india-part-i.html>> accessed 5 July 2023; Viraj Ananth, 'Crawl Cautiously: Examining the Legal Landscape for Text and Data Mining in India – Part II' (*SpicyIP*, 29 June 2020); <https://spicyip.com/2020/06/crawl-cautiously-examining-the-legal-landscape-for-text-and-data-mining-in-india-part-ii.html> see also Prashant Reddy, 'On Gandhi, Malamud and the JNU Data Depot' (*SpicyIP*, 7 September 2019) <<https://spicyip.com/2019/09/on-gandhi-malamud-and-the-jnu-data-depot.html>> accessed 5 August 2023.

<sup>121</sup> See e.g., Mark A. Lemley and Bryan Casey, 'Fair Learning', (2021) 99 TEXAS L. REV. 743; Matthew Sag, 'The New Legal Landscape for Text Mining and Machine Learning' (2019) 66 J. OF THE COPYRIGHT SOCIETY OF THE USA 291; James Grimmelmann, 'Copyright for Literate Robots' (2016) 101 IOWA L. REV. 657; Maurizio Borghi and Stavroula Karapapa, 'Non-Display Uses of Copyright Works: Google Books and Beyond', 1 QUEEN MARY J. INTELL. PROP. 21 (2011); Matthew Sag, 'Copyright and Copy-Reliant Technology' (2009) 103 NW. U. L. REV. 1607, 1608 (2009); see also Edward Lee, 'Technological Fair Use' (2010) S. CAL. L. REV. 797.

dilution, the distinction between expressive and non-expressive use of works would disappear; it will nullify all those arguments and claims that prove that some technologies including TDM do not engage with copyrighted works at the level of expressions but are only non-expressive use of works at the level of ideas.

Here, non-expressive uses are, as Prof. Sag explains, “acts of copying that do not communicate the author’s original expression to the public—should not generally be regarded as infringing”.<sup>122</sup> Prof. Severine Dusollier in her piquing paper further explored this argument to reconstruct economic rights in copyright around the idea of exploitation.<sup>123</sup> A relevant example of such non-expressive use can be Ted Underwood’s study on the Transformation of Gender which analyzed over 100,000 novels in the HathiTrust Digital Library collection, published between 1703 to 2009. The study investigated the language variation used to describe fictional characters that were either male or female.<sup>124</sup> The study here was not *per se* concerned with the protected expression; instead, its analysis was at the level of ideas. Matthew Sag in his article convincingly defines the use of TDM as a “non-expressive use”.<sup>125</sup> Mark A. Lemley and Bryan Casey call it “fair learning” noting “Fair learning is not fair because it is a machine doing it, or because it happens outside the public view. It is fair because the

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<sup>122</sup> Matthew Sag, ‘Copyright and Copy-Reliant Technology’ (2009) 103 Northwestern University L. Rev. 1607.

<sup>123</sup> Dusollier, Severine, ‘Realigning Economic Rights with Exploitation of Works: The Control of Authors Over the Circulation of Works in the Public Sphere, in B. Hugenholtz (ed), *Copyright Reconstructed: Rethinking Copyright’s Economic Rights in a Time of Highly Dynamic Technological and Economic Change* (Kluwer Law International, Information Law Series, 2018).

<sup>124</sup> Ted Underwood et.al, ‘The Transformation of Gender in English-Language Fiction’ (2018) 3 J. of. Cul. Analytics (2018). For other TDM examples see Sean Flynn and Lokesh Vyas, ‘Examples of Text and Data Mining Research Using Copyrighted Materials’ (Kluwer Copyright Blog, 6 March 2023) <<https://copyrightblog.kluweriplaw.com/2023/03/06/examples-of-text-and-data-mining-research-using-copyrighted-materials/>> accessed 2 July 2023.

<sup>125</sup> See also Matthew Sag, ‘Orphan Works as Grist for the Data Mill’ (2012) 27 Berkeley Tech. L.J. 1503.

value the [Machine Learning] system gets from the copyrighted work stems from the part of the work the copyright law has decided belongs to the public, not to the copyright owner.”<sup>126</sup>

Similarly, James Grimmelmann raises some existential copyright questions while arguing for robotic use as a ‘reading’ unrestricted by copyrights. His point is that “[P]aying attention to robotic readership refocuses our attention on the really fundamental questions: what is copyright, and what is it for? To say that human readers count and robots cannot is to say something deep about the nature of reading as a social practice, and about what we want robots— and humans—to be.”<sup>127</sup> In a similar vein, Maurizio Borghi and Stavroula Karapapa defines the use of work by machines as “non-display uses” devoid of any copyright infringement.<sup>128</sup> Here, the “non-display uses” involve digital copies of works, but do not involve displaying them to the public. Furthermore, Edward Lee's explanation of his tripartite taxonomy of creational, operational, and output uses of copyrighted works can also lend support to a TDM as non-infringing use.<sup>129</sup> While he notes that “it is difficult to find uses that are purely operational, where the only use of a copyrighted work is made internally within the machine,” AI and TDM can be argued to be examples of making operational use.

All these arguments get nullified, once TDM is accepted as an exception. Rather, once this trend of new TDM exceptions gets normalized and reaches the international level, there is no retreat. Instead, it will pressurize the countries with weak bargaining positions

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<sup>126</sup> Mark A. Lemley & Bryan Casey, ‘Fair Learning’ (2021) 99 TLR 744.

<sup>127</sup> James Grimmelmann, Copyright for Literate Robots 101 Iowa L. Rev. 657 (2016); *cf.* Jessica D. Litman ‘Readers’ Copyright’ (2011) 58 J. Copyright Soc’y 325; Jessica D Litman, ‘The Exclusive Right to Read’ (1994) 13 Cardozo Arts & Entertainment L. J. 29.

<sup>128</sup> Maurizio Borghi and Stavroula Karapapa, ‘Non-Display Uses of Copyright Works: Google Books and Beyond’ (2011) 1 Queen Mary J. of Intell. Prop.

<sup>129</sup> Edward Lee, ‘Technological Fair Use, (2010) 83 S. Cal. L. Rev. 797.

in international negotiations to make such amendments if TDM is to be allowed in their countries.

Furthermore, the right-*izing* approach to bring balancing not only broadens copyright's scope but also entrenches an individualistic understanding of public interest as fair dealing is structurally limited to private use and does not rescue mass copying or access to works.<sup>130</sup> Such inadvertent expansion of copyright can worsen the negotiating positions of developing or low-income countries, which would have to rely on new rights or exceptions to use new technology for their public interest.<sup>131</sup>

## FINAL THOUGHTS

As stated in the beginning, this essay's primary purpose is not to provide an alternative to the "balance" metaphor but to raise a critical discussion around the metaphor "balance" which generally resists conscious scrutiny. It is understandable that copyright law cannot be just abolished nor do I intend to make any such appeal currently; we have long had it regardless of who gave it and how it was given. My intention is to focus on how best it can work in the current political economy (with acute power imbalance and economic inequalities) to make knowledge governance just and equitable, especially where diversity and inequality can be accounted for. Undoubtedly, this is a

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<sup>130</sup> See e.g., Ruth L. Okediji, 'Reframing International Copyright Exceptions and Limitations as Development Policy', in Ruth L. Okediji (ed), *Copyright Law in an Age of Exceptions and Limitations* (CUP 2017) 429 ; Ruth L. Okediji, 'Intellectual Property in the Image of Human Rights: A Critical Review' in Rochelle Cooper Dreyfuss and Elizabeth Siew-Kuan Ng (eds), *Framing Intellectual Property Law in the 21st Century Integrating Incentives, Trade, Development, Culture, and Human Rights* (CUP 2018) 35 ("Intellectual property doctrines that are primarily intended to balance the interests of individual authors and users are ill-suited to address the collective interest in, and need for, consistent and effective access to knowledge goods.").

<sup>131</sup> *C.f.* Ruth L. Okediji, 'The Limits of International Copyright Exceptions for Developing Countries (2020) 21 VANDERBILT J. OF ENTERTAINMENT & TECH. L. 689 ("Conceiving of L&Es as a tool to achieve copyright goals reduces the pressure to design copyright law to serve large-scale socially beneficial outcomes.").

difficult multilateral question capable of catapulting several “for-against”, “either-or”, and “pros-cons” responses. Every claim for a policy will have something to claim against. And judgments, cases, and academic scholarship can be cited for either side.

My suggestion, albeit abstract, is that instead of sidelining these contrasting claims, and putting them in an overarching chimeric chassis of “balance,” we should underscore that “contrast” and bring the dominant politico-legal narratives to the fore that drive the “balance”. It is on the fore, they can be better questioned, analyzed, and revamped. If it works within capitalism, liberalism, or whatever-ism (or post-whatever-ism), make that come out, then contest that in search of better. If that cannot be done and modification cannot happen, it is still okay - at least we are conscious of our inability and not deluded by any mirage. Once this discussion is broached and these questions are comprehensively examined, the question can be raised about what copyright does not cover or the internal limitations on the scope of copyright law. And when these fundamental questions are appropriately underscored and understood, the focus can be shifted to the larger policy question of how common ground can be established for incorporating new technologies in copyright policies to improve our current knowledge governance system.

Through this counter-intuitive (anti-)balancing talk, we can unearth, as Prof. Robert Gordon puts it: “the low-lying details of how law makes itself felt or is ignored, minimized, or resisted in everyday life.”<sup>132</sup> The fog of balance talk’s “neutrality” can cloud our judgment and paralyze our thinking to see these “low-lying details” and raise relevant questions. As Thomas Pynchon said, “If they can get you asking the wrong questions, they do not have to worry about the answers.”<sup>133</sup>

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<sup>132</sup> Robert Gordon, 'Revisited Critical Legal Histories' (2012) 37 *Law & Social Inquiry* 200.

<sup>133</sup> Thomas Pynchon, *Gravity's Rainbow* (Penguin Classics 2006).

Unless we ask the correct IP questions (e.g., what to balance?, why to balance?, who will balance, balance for what?, how to balance, can balance happen, what is IP protection- a right, privilege, or something else? who are the “public” in a public interest claim and what “interests” it entails? what are the underlying values and the goals of copyright law?), we will keep living under the presumption of knowing the right answers. The framing of issues matters.<sup>134</sup>

The so-called IP balance is, in reality, a battle of many players. They include those begging balance (“IP hoppers”, if I may), those backing balance (IP owners doing it behind the shield of IP authors, as the system, is said to be created for protecting authors<sup>135</sup>), those berating balance (IP Critics, if I may, like Alan Story, who think it was not and will never be a neutral and effective system of knowledge governance), those bringing balance (IP vigilantes, like Sci-hub and Libgen, who leap the IP limits), and those boasting balance (International bodies like WIPO).

The irony of this (anti-)balance talk that it is likely to be perceived in two brackets. For some, it will be too trivial to require or bring any change, making it easy to ignore. For others, it will be too difficult to actualize, thus, not worth investing in (again, making it ignored if not ignorable). But then, there will come a time when some will ask for a “balance” between these two perspectives. And to these responses, my response will be Duncan Kennedy’s words “If there is “revolution” in

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<sup>134</sup> See e.g., Amy Kapczynski, ‘The Access to Knowledge Mobilization and the New Politics of Intellectual Property’ (2008) 117 YALE L. J. 804; Eleonora Rosati, ‘Copyright reformed: the narrative of flexibility and its pitfalls in policy and legislative initiatives (2011–2021)’ (2022) 30 Asia Pacific L. Rev. 1.

<sup>135</sup> C.f. Brian L. Frye, ‘OK, Landlord: Copyright Profits Are Just Rent’ (*Jurist*, 8 April 2020) <<https://www.jurist.org/commentary/2020/04/brian-frye-copyright-profits/>> accessed 2 June 2023.



the air, it is not primarily institutional, but psychic territory which is at stake, or the whole thing is a waste of time."<sup>136</sup>

On this note if I am ever asked to poetically conclude (and question) what the "balance" notion has caused to our consciousness around IP, I would say it has made us an inescapable player of a zero-sum game where one's loss becomes another's gain, giving us a fray-fused mindset to perceive knowledge governance.

### **Prey of the IP Fray**

They say "All the rights are reserved".

We ask "For whom/by whom?"

They say "We own them,"

We ask "So?"

They said "Shut up, we created it,"

We said, "For what?"

They say "We hail (now)"

We implore "Hark back!"

They angle us as "Anti"

We paint them "Pro"

But in this fray, don't all (we + they) become the prey?<sup>137</sup>

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<sup>136</sup> Duncan Kennedy, 'How a Law School Fails: A Polemic' (1971) 1 Yale Rev. L. & Soc. Action 71, 84.

<sup>137</sup> Lokesh Vyas, 'Happy World IP Day – Let us not become the Prey of the (IP) Fray!' (*IPRMENRLAW*, 26 April 2022) <<https://iprmentlaw.com/2022/04/26/happy-world-ip-day-let-us-not-become-the-prey-of-the-ip-fray/>> accessed 2 June 2023.

# EXHAUSTION AND PARALLEL IMPORTS IN THE INDIAN TRADEMARK LAW

Soumil Jhanwar\*

## *Abstract*

*In the Kapil Wadhwa-Samsung judgment, a division bench of the Delhi High Court had held that India follows the “international exhaustion” of trademarks under Section 30(3)(b) of the Trade Marks Act, 1999. This article analyses the case law with respect to international exhaustion in India to outline the fault with the interpretation of Section 30(3)(b) in both the polarizing decisions by the single-judge and division bench of the Delhi High Court in Kapil Wadhwa-Samsung, to demonstrate that the principle governing exhaustion of trademarks ought to be legislatively resolved in India. Thereafter, the article analyses various policy considerations involved in the determination of the issue of exhaustion of trademarks to propose the applicability of “partial international exhaustion” in India. The article specifically uses the reduction of transaction cost as a means for analysis and as a justification for its conclusion.*

**Keywords:** trademarks, exhaustion of IPR, Trade Marks Act, trademark policy, international exhaustion

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## INTRODUCTION

In India, Section 30(3)(b) of the Trade Marks Act, 1999 deals with the issue of exhaustion of trademark rights. It exempts any lawfully

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acquired goods from infringement, if such goods had been put on the market under the registered trademark by the proprietor or with his consent.<sup>1</sup> However, Section 30(3)(b) does not clarify whether the term “the market” includes foreign markets (making it “international exhaustion”) or the Indian market (making it “national exhaustion”). This very issue had arisen in the *Kapil Wadhwa-Samsung* dispute, where a single judge of the Delhi High Court discerned the incorporated principle to be that of “national exhaustion”, holding that “the market” evidently referred to the Indian market.<sup>2</sup> Overturning this, the Division Bench saw the Section as a manifestation of “international exhaustion”, finding that the word “market” meant “any market” due to the absence of an explicit qualification.<sup>3</sup> This was subsequently appealed to the Supreme Court in Civil Appeal No. 8600/2013, which still stands undecided.

This article first outlines the rationalization in each of the aforesaid decisions, to demonstrate that the existing law is grossly indeterminate and the true solution to the problem only lies in a legitimate amendment rather than in a superficial interpretation. Second, the article identifies the factors that the legislature ought to consider while drafting the exhaustion rule. Third, it posits the best exhaustion regime should be the one that minimizes the transaction costs associated with alternative remedies in law. Finally, it proposes a new “partial international exhaustion” as the new rule that minimizes such transaction costs.

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<sup>1</sup> Michael Sardina, ‘Exhaustion and First Sale in Intellectual Property’ (2011) 51 Santa Clara L. Rev. 1055, 1056.

<sup>2</sup> *Samsung Electronics Co Ltd & Anr v Kapil Wadhwa and Ors* (2012) SCC Online Del 1004 (“Kapil Wadhwa (Single Judge)”).

<sup>3</sup> *Kapil Wadhwa and Ors v Samsung Electronics and Anr* (2012) SCC Online Del 5172 (“Kapil Wadhwa (Division Bench)”).

## SAYING NO TO A JUDICIAL SOLUTION

The only statutory interpretive aid to the determination of the exhaustion principle incorporated in the Trade Marks Act is the phrase “put on the market under the registered trade mark” in Section 30(3)(b).<sup>4</sup> Since this phrase does not evince a clear answer, the Single Judge and the Division Bench in the *Kapil Wadhwa-Samsung* dispute indulged in different methods of purposive interpretation.

### A. The Single Judge – Objective Harmonious Interpretation

Conducting a harmonious interpretation, the Single Judge analysed the words “the registered trade mark” to conclude that the phrase is only indicative of “the” mark (singular and definite) registered in India in accordance with the Act.<sup>5</sup> He also interpreted “the market” (singular and definite) to construe “Indian market”.<sup>6</sup> This interpretation was bolstered by the fact that the Act also mentions “the market” in Section 29(6)(b), which prohibits unauthorized offering for sale in the market.<sup>7</sup> Since the Act only governs infringements within India, “the market” inevitably means the Indian market in this section as well. Moreover, wherever the Act intends to describe markets in all jurisdictions, it uses the phrase “any market” (singular but indefinite), as it does in Sections 30(2)(b) and 76(1)(a).<sup>8</sup> Had “the market” been used to connote the global market as a unified market, even these sections would have used the phrase “the market”, rather than “any market”. Therefore, through a harmonious interpretation, the phrase

<sup>4</sup> See Trade Marks Act 1999, s 30(3)(b).

<sup>5</sup> Kapil Wadhwa (Single Judge) (n 2) at 82(b).

<sup>6</sup> Ibid at 82(a).

<sup>7</sup> Ibid at 68(e)(IV)-(V).

<sup>8</sup> While the Single Judge did not expressly mention this distinction, they took pains to explain the difference between the concepts of “the market” and “any market”, presumably addressing an argument on the aforesaid sections. See Kapil Wadhwa (Single Judge) (n 2) at 68(e)(II)-(III).

“the market” can only be construed as the “Indian market”, which indicates the application of “national exhaustion”.

### **B. The Division Bench – Subjective Interpretation**

Equally legitimate was the Division Bench’s purposive construction of the statute, through legislative material. The Bench used committee reports<sup>9</sup> and India’s statements at the WTO to demonstrate that the Indian government had favoured “international exhaustion”.<sup>10</sup> Importantly, the Bench used a discarded draft of the objects and purposes of the Act, that had explicitly specified the incorporation of the international exhaustion principle.<sup>11</sup> The Bench finally concluded that the word “market” is indicative of any market across the globe.<sup>12</sup>

The Division Bench’s decision was followed in various subsequent cases as well, but they are not pertinent for discussion,<sup>13</sup> given that they merely apply the *Kapil Wadhwa* Division Bench’s decision as an authority, rather than making an independent assessment of the doctrine.<sup>14</sup>

### **C. The Need for a Legislative Intervention**

Evidently, two contrasting but equally legitimate interpretations of Section 30(3)(b) can be justified, through different methods of purposive interpretation.<sup>15</sup> The objective harmonious interpretation

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<sup>9</sup> Kapil Wadhwa (Division Bench) (n 3) at 62.

<sup>10</sup> Ibid at 61.

<sup>11</sup> Ibid at 56-60.

<sup>12</sup> Ibid at 53-55.

<sup>13</sup> Microsoft Corporation & Anr v Jayesh & Anr (2014) SCC Online Del 803 (“Microsoft Corp.”); Philip Morris Products SA & Anr v Sameer & Ors (2014) SCC Online Del 1077 (“Philip Morris”); Hindustan Unilever Limited v Union of India & Ors, WP No. 22822 of 2012 (Mad HC, 20 Jul 2021) (“Hindustan Unilever”); Lifestyle Equities CV & Ors v Amazon Sellers Service, CS (COMM) 1015/2018 (Delhi HC, 14 Sep 2022) (“Lifestyle Equities”).

<sup>14</sup> Microsoft Corp. (n 13) at 14; Philip Morris (n 13) at 40; Hindustan Unilever (n 13) at 3-7; Lifestyle Equities (n 13) at 21.

<sup>15</sup> Aharon Barak has laid out a thesis explaining how purposive interpretation can lead to multiple correct outcomes depending on the primacy attached to a particular method of

can be faulted for over-analysis of the statutory scheme, by contending that the draftspersons may not have paid heed to such harmonization.<sup>16</sup> The discernment of the subjective purpose of the Parliament can be controverted by arguing that sporadic statements by a couple of parliamentarians cannot constitute “Parliamentary purpose” and override the clearly harmonized use of the words “the market”.<sup>17</sup> Consequently, the true legislative intent remains beclouded, and even the Supreme Court can only undertake a superficial analysis, using either of the aforementioned methods. However, since the choice of the method of exhaustion is a policy decision that has important ramifications for businesses and consumers,<sup>18</sup> the choice must not be left to an arbitrary and superficial interpretation. Therefore, the legislature must deliberate concerns associated with different forms of exhaustion to lay out a clear policy, that works the best for the Indian market.

Apart from concerns with the interpretive techniques, the principle laid down in *Kapil Wadhwa* Division Bench also results in a practical absurdity, that can be demonstrated from the most recent decision of *Lifestyle Equities CV & Ors v Amazon Sellers Service* by the Delhi High Court (“*Lifestyle Equities*”).<sup>19</sup> In the said case, Lifestyle Equities (the Plaintiff) was the exclusive licensee for the trademark of Beverly Hills products in India.<sup>20</sup> Despite having acquired an exclusive license from Beverly Hills itself (situated in the US), Lifestyle Equities was naturally

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interpretation or due to conflict in the values that the legal system incorporates. See Aharon Barak, *Purposive Interpretation in Law*, (Princeton Uni. Press 2005) 339-69.

<sup>16</sup> Bennion highlights that judges often cite “inadvertent errors in drafting” to justify an interpretation reasonable through other means. See FAR Bennion, *Statutory Interpretation*, (3rd ed., Reed Elsevier 1997) 676.

<sup>17</sup> This was in fact an argument specifically raised by the Single Judge Bench in *Kapil Wadhwa* (Single Judge) (n 2) at 137-38.

<sup>18</sup> Ariel Katz, ‘The First Sale Doctrine and the Economics of Post-Sale Restraints’ (2014) *BYU L. Rev.* 55, 74-88.

<sup>19</sup> *Lifestyle Equities* (n 13).

<sup>20</sup> *Ibid* at 5.

under the impression that it won't face competition from the manufacturers of Beverly Hills product sellers. However, the Plaintiff soon discovered that Amazon was indulging in arbitrage, whereby, it was purchasing Beverly Hills products abroad at cheap prices and selling them on its platform in India, without the Plaintiff's permission.<sup>21</sup> Due to the sheer popularity of Amazon, the Plaintiff was naturally heavily losing out on revenue due to competition.

While in the order, the Plaintiff was successful in getting a temporary injunction over the sale of Beverly Hills products on Amazon, the Delhi High Court also categorically noted that this was merely an interim relief and that India follows international exhaustion otherwise.<sup>22</sup> Meaning thereby, eventually, the Plaintiff will face competition from other producers of Beverly Hills products overseas, despite having procured the exclusive rights to sell Beverly Hills products in India. This is outrightly unfair to an entity that has obviously paid a premium to be the exclusive licensee of a trademark across the whole of India.

The example of *Lifestyle Equities* evinces that, apart from concerns with the interpretive methods, the principle laid down in the *Kapil Wadhwa (Division Bench)* is also practically absurd and patently unfair. The next section analyses the various relevant considerations while drafting such a provision and argues for a "transaction cost"/ "legal efficiency" method to weigh these considerations.

### **NATIONAL OR INTERNATIONAL EXHAUSTION? A TRANSACTION COSTS APPROACH**

The exhaustion debate is usually shaped by weighing the respective pros and cons of national exhaustion and international exhaustion, to

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<sup>21</sup> Ibid.

<sup>22</sup> Ibid at 21.

discern the more suitable regime. This part demonstrates that concerns with either of the approaches are largely resolvable through alternative legal solutions. Due to this, it concludes that the best solution is one that minimizes the transaction costs associated with such alternative legal solutions.

## A. Common Factors

### *Price inflation under national exhaustion*

From a consumer perspective, the major concern with national exhaustion is that it permits the proprietor to artificially increase prices in a country, without facing arbitrage from its cheaply sold products in other countries.<sup>23</sup> This not only hampers consumer choice but also reduces the real income of the consumer who is forced to unnecessarily pay a higher price.<sup>24</sup> The cross-border price arbitrage facilitated by international exhaustion limits the price differentiation permissible to a proprietor.<sup>25</sup>

However, the aforesaid problem is highly overstated for two reasons. First, since India is a third-world country, its customers are anyway usually the beneficiaries of international price differentiation, rather than its victims.<sup>26</sup> Consequently, even with a national exhaustion scheme, it is unlikely that the prices charged in the Indian market will be substantially higher than those in other markets.

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<sup>23</sup> Irene Calboli, 'Trademark Exhaustion in the European Union: Community-Wide or International--The Saga Continues' (2002) 6 Marq. IP L. Rev. 47, 85.

<sup>24</sup> Ibid.

<sup>25</sup> Christopher B Conley, 'Parallel Imports: The Tired Debate of the Exhaustion of Intellectual Property Rights and Why the WTO Should Harmonize the Haphazard Laws of the International Community' (2007) 16 Tul. J. Int'l Comp. L. 189, 202.

<sup>26</sup> In cases across jurisdictions, the exhaustion issue inevitably arises only in cases where the price in a third-world country was low, which facilitated arbitrage of the same against the manufacturer's high price listings in first-world countries. See *Sebago Inc et al v GB-Unic SA* (1999) Case C-173/98, 2 CMLR 1317 (ECJ) at 508 (Goods arbitrated from El Salvador to Belgium); *Kirtsang v John Wiley and Sons* (2013) 568 US 519, at 39 (Books arbitrated from Thailand to the US).



Second, a dominant proprietor can be prevented from charging unfairly excessive prices under Section 4(2)(a) of the Indian Competition Act.<sup>27</sup> Furthermore, the government can also use the Essential Commodities Act, to ensure price parity for essentials.<sup>28</sup> While the comprehensiveness and efficiency of these alternatives are highly doubtful, they theoretically provide some alternative legal solutions.

### ***Proprietor interest and product availability under international exhaustion***

A rationale at absolute loggerheads with “price inflation” is that of the proprietor's interest.<sup>29</sup> The differential pricing permitted by national exhaustion has categorical benefits for proprietors and even consumers. First, since the profit-maximizing equilibrium price vastly varies across countries due to varying patterns and elasticity of demand, price discrimination allows the producer to maximize its profits by tailoring its prices to the demand, supply, and consumer preferences in each jurisdiction.<sup>30</sup> Second, this ensures the cheap

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<sup>27</sup> The section prohibits a dominant enterprise from charging unfair prices in the market. While usually dominance is unilateral, the Competition Commission has on instances provided relief against multiple entities in the same market charging excessive prices. One example is that of the unfair prices charged by car manufacturers on car parts and after sales services. See *Shamsber Kataria v Honda Siel and Others* (2014) Case No. 03/2011 (Competition Commission of India) at 2.5.86-2.5.99 <[https://www.cci.gov.in/sites/default/files/032011\\_0.pdf](https://www.cci.gov.in/sites/default/files/032011_0.pdf)>.

<sup>28</sup> The Act empowers the Central Government to impose price ceilings for commodities like drugs, fertilizers, foodstuffs, petroleum, seeds, N-95 masks, amongst other things. See Essential Commodities Act 1955, s 3 read with Schedule I (India).

<sup>29</sup> This argument is mostly the rationalization provided by EU for avoiding international exhaustion. See European Commission, ‘Tiered Pricing for Medicines Exported to Developing Countries, Measures to Prevent their Re-importation into the EC Market and Tariffs in Developing Countries’ (22 April 2002) s.3.1 <[https://trade.ec.europa.eu/doclib/docs/2005/april/tradoc\\_122196.pdf](https://trade.ec.europa.eu/doclib/docs/2005/april/tradoc_122196.pdf)>.

<sup>30</sup> Nicholas Petit, ‘Parallel trade’ in *Trade and Competition Law in the EU and Beyond* 332 (Elgar 2011) 336; Lazaros Grigoriadis, *Trade Marks and Free Trade* (Springer 2014) 5, 15-18. This has been explained through graphical method by Fisher and Syed. See William Fisher and Talha Syed, ‘Differential Pricing’ *Harvard Cyber Blog* (2 April 2012) 5-6 <[https://cyber.harvard.edu/people/TFisher/Drugs\\_Chapter6.pdf](https://cyber.harvard.edu/people/TFisher/Drugs_Chapter6.pdf)>.

availability of a product in poorer countries, while also allowing the proprietors to recoup their investment from the pocket of the consumers in richer countries, who can afford it.<sup>31</sup> This also benefits the consumers in poorer countries, who may have had to pay a higher price in an internationally uniform price system, where the proprietor would be forced to raise prices across the board to ensure profitability.<sup>32</sup>

The benefits of national exhaustion are also overstated. Since India's prices are likely to be relatively lower, national exhaustion in India is irrelevant for the facilitation of international price differentiation. For instance, a drug sold at \$1 in India is likely to be sold at \$3 in the US. If the US allows international exhaustion, then irrespective of India's exhaustion policy, Indian wholesalers will be able to conduct arbitrage by reselling in the US. Similarly, if the US follows national exhaustion, then irrespective of India's exhaustion policy, Indian wholesalers will not be able to conduct arbitration by reselling in the US. Lastly, since India's prices are anyway lower, the American wholesalers will not be able to conduct arbitrage by reselling in India, irrespective of India's exhaustion regime. Consequently, only the exhaustion policies in the richer countries will determine whether price differentiation is possible or not.<sup>33</sup>

Having said that, even if the "lower-price" assumption is falsified in exceptional cases, the availability of essential products like pharmaceutical goods will be governed by the patent exhaustion

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<sup>31</sup> This argument is especially sensitive for the Pharma Industry, where it is crucial for the drug to be available in another country. It is important to note that this is mostly done in the context of patent exhaustion and not trademark exhaustion. See Katz (n 18) 78-79. Posner says this also encourages investment. See Richard Posner, *Anti-trust Law* (2nd ed., University of Chicago Press 2001) 203-07.

<sup>32</sup> Guy Rub, 'The Economies of *Kirstaeng v. John Wiley & Sons Inc*' (2013) 81 *Res Gestae* 41, 45-47.

<sup>33</sup> Samuel Dobrin & Archil Chochia, 'The Concepts of Trademark Exhaustion and Parallel Imports' (2016) 6(2) *Baltic J. Eur. Stu.* 28, 43.

policy, and not the trademark exhaustion policy. Without trademark rights, the product can still be sold by change of branding.<sup>34</sup> However, without patent rights, the foreign-originated product itself cannot be sold.<sup>35</sup> Therefore, it is erroneous to bring in the perspective of the availability of pharmaceutical drugs to the trademark exhaustion debate.

Most importantly, a “regional resale clause” in any distribution contract can be an alternative solution to national exhaustion, which mitigates the risks of arbitrage.<sup>36</sup> While this solution may be incomprehensive and have distribution-chain-loopholes, the use of such loopholes by smaller entities down the distribution chain would make arbitrage so expensive as to only be viable in extremely high levels of price differentiation.<sup>37</sup> Therefore, while the proprietor and product-availability issues usually do not arise in India (especially when talking about trademark exhaustion), any issues that do arise can be substantially addressed through regional resale clauses.

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<sup>34</sup> For example, AstraZeneca’s COVID-19 vaccine is being sold under different trademarked names, such as Vaxzevria and Covishield in different countries. See ‘Introducing Vaxzevria’ (RT, 30 March 2021) <<https://www.rt.com/news/519574-astrazeneca-name-change-vaccine-vaxzevria/>> accessed 20 February 2023.

<sup>35</sup> Daniel Hemel & Lisa Ouellette, ‘Trade and Tradeoffs: The Case of International Patent Exhaustion’ (2016) 116 Colum. L. Rev 17, 21

<sup>36</sup> Such clauses mandate the wholesaler of the product to only resell the product in the country of original sale. Since their buyers are relatively small retailers with limited resources to export, this can prevent parallel exports. Moreover, even if there is a loophole through which entities down the chain indulge in arbitrage, it reduces the profit margin for resale in a foreign country by increasing the levels in the distribution chain. This is akin to the clause included by Levi Strauss with its wholesalers in Mexico, who were not permitted to sell outside of the country. See Joined Case C-414-416/99, *Zino Davidoff v A&G Imports, Levi Strauss v Costco Wholesale UK, Levi Strauss v Tesco Stores* (20 November 2001) at 25; Rub (n 27) 44-45; Amelia Smith Rinehard, ‘Contracting Patents: A Modern Patent Exhaustion Doctrine’ (2010) 23 Harv. J. L. Tech. 483, 484.

<sup>37</sup> It is doubtful whether such excessive levels of price differentiation should at all be allowed. Therefore, not addressing the same cannot be called as a criticism of the contractual circumvention of parallel imports. A good criticism of price differentiations can be found in *Kirtsaeng v John Wiley* (n 26).

### ***Product quality and uniformity in international exhaustion***

Another major concern with international exhaustion is that different products or different versions of the same product may be sold under the same trademark in different jurisdictions, due to various possible reasons. First, the proprietor may design market-taste-specific products that are not intended to be sold in other markets.<sup>38</sup> Second, the proprietor may sell different versions of the same product in different markets, again due to differences in factors of demand and consumer preferences.<sup>39</sup> Lastly, a proprietor may have permitted unrelated entities to sell products under the trademark in different jurisdictions through territorial licenses and assignments.<sup>40</sup> Such products may have different qualities or attributes.

This market differentiation germinates three important objections to international exhaustion. First, the inferiority or difference in the quality of a foreign product may either dissatisfy or confuse consumers, defeating the fundamental purpose of uniform-quality-assurance associated with trademarks.<sup>41</sup> This may also be due to the increased risk of counterfeited products being mixed with such authentic products.<sup>42</sup> Second, the infrastructure for the after-sales-

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<sup>38</sup> A simpler example of the same, is that manufacturers make different chargers for the US and Europe as the power outlets in the former country deliver only 110 volts whereas the power outlets in the latter deliver 220 volts. See Kyle Cattani *et al.*, 'Simultaneous Production of market-specific and global products: A two-stage stochastic program with additional demand after recourse' (2003) 50(5) *Naval Research Logistics* 438, 54.

<sup>39</sup> The Economic & Social Committee of the EU emphasized this point by using the example of how people in the UK prefer mint flavoured toothpaste whereas those in Indonesia prefer Clove flavoured ones. See EU Economic and Social Committee, 'Opinion on the Exhaustion of Registered Trademark Rights' (2001) C-123 Official Journal 28, at 3.1.1 <[eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52001IE0042:EN:HTML](http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52001IE0042:EN:HTML)>.

<sup>40</sup> For example, Schweppes had permitted Coca Cola to sell products under its trademark in the UK through assignment of its UK trademark to Coca Cola. Subsequent parallel imports from UK to Germany had led to a recent exhaustion dispute between Schweppes and Coca Cola. See *Schweppes SA v Red Paralela SL* (2017) ECLI:EU:C 990 (European Court of Justice) at 7.

<sup>41</sup> Dobrin & Chochia (n 33) 37-39.

<sup>42</sup> EU Economic & Social Committee (n 39) at 3.1.5.

services of such products may not be readily available in India, denting both consumer satisfaction and brand image.<sup>43</sup> Third, the Indian proprietor would not be able to honor the warranties on the product, due to logistical problems, especially when the foreign product was sold by a separately-functioning entity.<sup>44</sup> Similar concerns have also been raised in the *Kapil Wadhwa* Division Bench decision.<sup>45</sup>

The solutions to the latter two would be to develop unnecessarily broad after-sales infrastructure and complex mechanisms to honour warranties, which is certainly a highly onerous task that further causes detriment to the proprietor.<sup>46</sup> A solution to the first objection lies in a resort to Section 30(4) which has been broadly interpreted to prevent any parallel import that may cause a loss of reputation or consumer confusion.<sup>47</sup> The position on whether the inability to provide after-sales-services or honouring warranties prohibits parallel imports remains unclear.<sup>48</sup>

## B. The Rule Utilitarianism Path

The above discussion demonstrates that all the concerns with international and national exhaustion are, at least to some extent, resolvable by resorting to alternative legal solutions. Having said that,

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<sup>43</sup> The EU agrees with this argument of post-sale services in imposing a regional exhaustion. See EU Economic & Social Committee (n 39) at 3.1.4; Edward Iacobucci, 'The Case for Prohibiting Resale Price Maintenance' 19(2) *World Competition* 71.

<sup>44</sup> The Canadian Supreme Court has recognized that differences in warranties may be of substantial importance in deciding whether to allow the sale of foreign goods. See *Consumer Distributing v Seiko Time Canada* (1984) 1 CPR 3d 1 (Canadian Supreme Court) 24-25.

<sup>45</sup> *Kapil Wadhwa* (Division Bench) (n 3) at 66-68.

<sup>46</sup> *Ibid.*

<sup>47</sup> See *Kapil Wadhwa* (Division Bench) (n 3) at 68; *Amazon Seller Services v Amway India* (2020) SCC Online Del 454, at 119.

<sup>48</sup> On the one hand, the Division Bench in *Kapil Wadhwa* cited various American judgements saying that such can be grounds for restriction of sale of other goods. On the other hand, it still allowed parallel imports of Samsung Korea products, despite the same objections. See *Kapil Wadhwa* (Division Bench) (n 3) at 68, 75.

these solutions (especially ones involving legal proceedings under other provisions) impose undue time and cost burdens, and also leave the resolution uncertain.<sup>49</sup> Meaning thereby, these solutions differ in their effectiveness/comprehensiveness and in their efficiency in addressing the concerns.<sup>50</sup> The exhaustion regime should be such that addresses the concerns that have no efficient or comprehensive alternative solutions, and leaves out only such concerns that can anyway be efficiently and comprehensively resolved through alternative means already available in the legal system. This is called the minimization of “transaction costs”.<sup>51</sup> This solution is in pursuance of the theories of rule utilitarians, who argue that law should facilitate the most efficient resolutions to problems.<sup>52</sup> The next chapter proposes a suitable alteration of the exhaustion regime, that would maximize efficiency and minimize transaction costs according to the rule utilitarian formula.

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<sup>49</sup> For example, a recent report has highlighted huge backlogs in processing of investigations and appeals in the Indian Competition regime. See Vedika Mittal *et al.*, ‘Systemizing Fairplay, Key Issues in the Competition Law Regime’, Vidhi Center for Legal Policy (November 2017) 12-13, 17-18.

<sup>50</sup> For example, competition proceedings may not be a very effective or efficient solution for the need of price parity. However, proceedings under Section 30(4) may be quite effective in removal of sub-standard or different quality products.

<sup>51</sup> Transactions are the monetary and temporal costs incurred by the subjects of the state, in achieving the same goal through alternative means, in the absence of legal intervention by state. When a state must choose between two conflicting policies with their own respective sets of advantages and disadvantages, it must choose the one with the minimal transaction costs, in order to ensure efficiency in the legal system. High transaction costs mandate state intervention. See Oliver Williamson, ‘Transaction Cost Economics Meets Posnerian Law and Economics’ (1993) 149(1) *J. Insti. Theo. Eco.* 99, 101

<sup>52</sup> Despite their internal disagreements, rule utilitarians like Coase, Calabresi, Posner and Williamson agree that the purpose of law is to posit “the most efficient” solution to the problems of its subjects by minimizing “transaction costs”. See *ibid*; Ronald Coase, ‘The Institutional Structure of Production’ (1992) 82 *Am. Eco. Rev.* 713, 716; Guido Calabresi & Douglas Melamed, ‘Property Rules, Liability Rules, and Inalienability: One View of the Cathedral’ (1972) 85(6) *Har. L. Rev.* 1089, 1097; Richard Posner, ‘Transaction Costs and Antitrust Concerns in the Licensing of Intellectual Property’ (2005) 4 *John Marshall Rev. IP Law* 325, 325.

## MINIMIZING THE TRANSACTION COST

The preceding discussion culminates into an interesting dilemma of choice between the schemes of national exhaustion and international exhaustion, with both regimes having various policy and economic considerations favouring them. This Chapter proposes ‘partial international exhaustion’ as a solution to the dilemma, demonstrating how the same brings together the best of both worlds – national and international exhaustion. But before that, the Chapter brings another relevant consideration into the multi-dimensional debate – that of the territorial division of trademarks.

### A. Proliferation of Territorial Divisions

Modern multinational corporations with recognizable trademarks often simultaneously operate in different jurisdictions to optimize profits. However, due to managerial headaches, such corporations often segregate regional operations through either of two solutions. Either they create subsidiaries in each region, all of whom have regional trademarks with exclusive rights to deal in such regions [“corporate-pyramid structure”].<sup>53</sup> Or they make region/country-specific exclusive licenses or assignments of the trademark to external entities alongside trade secrets, to cash-in on the brand name with minimal managerial hassles [“outsourcing structure”].<sup>54</sup>

Both these structures cause separate legal entities to function in contractually divided exclusive territories. The evident purpose behind this territorial division is to maximize profits by preventing intra-brand competition between the different entities selling the same brand.<sup>55</sup>

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<sup>53</sup> For example, Samsung operates with 14 different subsidiaries that have 285 worldwide operations, one of which is Samsung India. See Kapil Wadhwa (Division Bench) (n3) at 2.

<sup>54</sup> For example, Cadbury Schweppes had assigned its trademarks in certain regions to Coca Cola. See *Schweppes v Red Paralela* (n 40) at 7.

<sup>55</sup> Intra-brand competition reduces profitability, which in turn reduces incentive to sell and incentive to invest in improvement of product and related services. See Edoardo Fornani,

However, the first-sale doctrine poses a unique problem for such a structure, in that the subsequent wholesaler of such products is perfectly capable of undertaking international arbitrage of such products. This had been the scenario in the recent *Schweppes Case* and the *Levi Straus* cases.<sup>56</sup> Such arbitrage creates undesirable competition between the possessors of the same trademark in different jurisdictions.

These two kinds of structures are not directly addressed by the Trade Marks Act, which stipulates the ambiguous requirement of “consent” of the proprietor. Due to varying interpretations, this “consent” requirement has led to absurd and conflicting results.<sup>57</sup> For example, the products sold by one’s unrelated assignee have been held to have been sold through the proprietor’s consent by the Barcelona Civil Court in *Schweppes*, only to be overturned by the Court of Appeal, which had contrasting views on the matter.<sup>58</sup> Further, it’s unclear whether two subsidiaries in a corporate-pyramid having no power over

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‘Effects of Intra-brand competition between private labels and manufacturer brands’ (2011) 21(5) *Int. Rev. Retail Distri. Con. Research* 541, 544.

<sup>56</sup> Despite strict territorial divisions, in the *Schweppes* case, the Coca Cola product “Red Paralela” still entered the Spanish and the German markets. See *Schweppes v Red Paralela* (n 40) at 7-8. In the *Levi Strauss* case, the Levi’s jeans were being parallelly imported into the EU by wholesalers and subsequent sellers from the US, Canada, and Mexico. See *Levi Strauss v Costco* (n 36) at 24-26.

<sup>57</sup> There are two kinds of absurd results this has caused. First, it has led to conflicting decisions by different authorities in the same cases, on whether the consent was actually there. Example of the conflict between the ECJ (broad interpretation) and Barcelona Court of Appeal (strict interpretation) in *Red Paralela*. See *Schweppes v Red Paralela* (n 40); *Schweppes SA v Red Paralela, SAB B 9587/2019* <<https://www.poderjudicial.es/search/documento/TS/8851962/derecho%20mercantil/20190801>>. Second, the understanding of “consent” by the same entity (ECJ) has also changed and still remains unclear. This distinction is manifest between the narrow “unequivocal consent” approach in *Levi Strauss* and the broad “similar branding” approach in *Schweppes*. See *Levi Strauss v Costco* (n 36) at 45; *Schweppes v Red Paralela* (n 40) at 56-57.

<sup>58</sup> *Grau & Angulo, ‘Exhaustion of trademark rights: Barcelona Court of Appeal rules in Schweppes Case’ Lexology* (2 December 2019) <[lexology.com/library/detail.aspx?g=56c815d5-290e-43c3-a464-ad95ecb884b3](https://www.lexology.com/library/detail.aspx?g=56c815d5-290e-43c3-a464-ad95ecb884b3)>.



each other can exhaust each other's rights under this "consent" test.<sup>59</sup> Consequently, the Act also needs to alter its language to address the issue of territorial divisions.

## **B. The Partial International Exhaustion Approach: An American Solution**

As discussed, India needs to follow an exhaustion regime that minimizes the transaction costs of alternative solutions that are the most effective. The paper first examines the concerns of proprietor interest, product availability, and price inflation in the general context, as for these concerns it is irrelevant who originally sold the parallel imports. Then the debate is complicated by analysing the concerns of market differentiation and product uniformity/quality, by differentiating between scenarios where the same economic entity sells the product and where different entities sell products in different countries.

### ***General Context***

This sub-part analyzes the concerns of proprietor interest, product availability, and price inflation in the general context.

*Proprietor Interest and Product Availability:* As discussed, since India is anyway likely to have lower prices for a product, the nationality or internationality of exhaustion in India is likely to be irrelevant for the facilitation of price differentiation.<sup>60</sup> Even if international exhaustion exists, the arbitrage problem can be dealt with efficiently by regional resale clauses in contracts, mitigating the risk of price arbitrage.<sup>61</sup> While

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<sup>59</sup> For example, there may be two subsidiaries of the same company who cannot control each other (like Samsung has subsidiaries in India and the UK). While sale by Samsung India and Samsung UK can be said to be with consent of Samsung Korea, it is unclear whether sale by Samsung UK can also be said to be through consent of Samsung India, which does not have independent control over Samsung UK.

<sup>60</sup> See text to n 27.

<sup>61</sup> See text to n 30.

this alternative may still have loopholes when the price differentiation is excessively high, such loopholes are desirable to ensure that price differentiation does not exceed its limits.<sup>62</sup> Most importantly, the availability of essential products depends more on patent exhaustion than trademark exhaustion.<sup>63</sup> Consequently, proprietor interest and product availability concerns have comprehensive and efficient solutions, outside of mere imposition of a national exhaustion scheme.

*Price Inflation:* National exhaustion may lead to undesirable levels of price inflation. While the alternative solution to this is the competition regime, the same only deals with cases of extremely unfair prices (and that too only in cases of dominance),<sup>64</sup> rather than general price differentiation.<sup>65</sup> Moreover, competition proceedings are highly unpredictable and mount immense monetary and temporal costs.<sup>66</sup> Therefore, unlike national exhaustion, international exhaustion is not substitutable with alternative remedies, as such remedies are extremely inefficient and uncertain.

Admittedly, both the aforesaid concerns are overstated in the Indian context as India is a low-price country.<sup>67</sup> Having said that, the aforesaid analysis demonstrates international exhaustion to be a better solution, as national exhaustion is easily substitutable with alternative contractual schemes, that provide protection against arbitrage within desirable limitations. Now the paper brings another dimension to the debate by assessing the effect of the identity of the original seller of

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<sup>62</sup> See text to n 31.

<sup>63</sup> See text to n 28-29.

<sup>64</sup> For example, in *Shamsber Kataria* the price was unfair as it the automobile manufacturers were earning 5000% profits over car parts. See *Shamsber Kataria* (n 27) at 2.5.86-2.5.99.

<sup>65</sup> Katz mentions that competition law is a highly imperfect solution to price differentiation as antitrust law does not prohibit price discrimination by itself. It merely deals with certain kinds of price discrimination that may be egregiously unfair. See Katz (n 18) 83-84.

<sup>66</sup> The unpredictability arises out of the infancy of the competition regime in India, especially in context of assessment of unfairness of prices. Investigation and appellate delays have also been major concerns. See Vedika Mittal *et al.* (n 49) 12-13, 17-18.

<sup>67</sup> See text to n 20-22, 27-29.

parallelly imported products in the context of territorial divisions and product quality/uniformity issues.

### **C. Territorial divisions and Product Quality/Uniformity: The American Way**

As highlighted, the current exhaustion regime leaves ambiguity in scenarios with conscious territorial trademark divisions. This allows exhaustion of rights in product sold by another entity in another territory goes against the fundamental purpose behind contractual territorial divisions.<sup>68</sup> A straightforward solution to this problem is to introduce a regime of national exhaustion.<sup>69</sup> However, the previous analysis shows that international exhaustion is a more efficient solution to the general concerns, although such concerns are less relevant to the Indian exhaustion regime. This is because product availability and price differentiation in poor countries like India in fact rather depends on exhaustion regimes in richer countries.<sup>70</sup> Since product quality/uniformity and territorial divisions are more legitimate concerns that can directly be affected by the Indian exhaustion regime, the presumption in favour of international exhaustion is rebuttable. To conclusively resolve the issue, the author differentiates scenarios where the two entities with territorial divisions are *de facto* controlled by the same group or company (“**same economic unit**”),<sup>71</sup> from one where the two entities do not have a common controlling source (“**separate economic entities**”), as often found in the outsourcing structure of territorial division.

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<sup>68</sup> See text to n 48-49.

<sup>69</sup> This is because national exhaustion will by default disallow parallel imports, no matter what the entity.

<sup>70</sup> See text to n 27.

<sup>71</sup> This may also be in a scenario where two entities do not control each other but are controlled by the same parent entity. This structure is usually prevalent in larger corporate pyramids. See Y Chauhan *et al.*, ‘Board Structure, Controlling Ownership and Business Groups’ (2016) 27 *Emerging Markets Rev.* 63, 63-65.

The author proposes that the solution found in the US is a viable solution in such a scenario. In the US, international exhaustion is followed if the original product had been sold by the same economic unit,<sup>72</sup> i.e., entities controlled by a common proprietor. As against this, national exhaustion applies to the products sold by a separate economic entity under the same trademark, though it may have been through consent or permission of the main proprietor in the USA.<sup>73</sup>

The twofold economic rationale behind this differentiation is impeccable. *First*, parallel imports of products first sold by separate legal entities impose higher transaction costs. This is primarily because, products sold/manufactured by separate entities are naturally likely to differ in attributes and quality,<sup>74</sup> which may spur a higher number of Section 30(4) proceedings by the Indian proprietors. As against this, when an entity in the same economic unit sells the product, there is higher product uniformity,<sup>75</sup> and are also other internal contractual mechanisms of preventing parallel imports (that can be compelled by the common controller),<sup>76</sup> which reduces the need to resort to Section 30(4).

Moreover, it is highly unfair for a separate entity to honor warranties or develop after-sales-services to suit products sold by an unrelated company.<sup>77</sup> Contrastingly, it is reasonable for the same ultimate

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<sup>72</sup> Dobrin & Chochia (n 33) 37-38.

<sup>73</sup> Ibid; *K Mart Corporation v Cartier* (1988) 486 US 281 (Supreme Court, US) 291.

<sup>74</sup> Irene Calboli, 'Trademark Exhaustion in the European Union: Community-Wide or International--The Saga Continues' (2002) 6 Marqee IP L. Rev. 47, 58.

<sup>75</sup> Ibid. This is of course more likely as the manufacturer would be the same and uniformized production methods would be used. Even if the product itself differs, the quality will be according to the general quality assurances of the brand.

<sup>76</sup> The previously discussed solution of "regional resale clauses" can be used as a policy to prevent parallel imports by the same economic unit. This solution does not work when different entities function in different markets, as neither of them will have incentive to cut their market short by including such clauses. For discussion on regional resale clauses, See text to n 30-31.

<sup>77</sup> See text to n 37-38.

controller to bear the loss of honoring a warranty,<sup>78</sup> and to globally uniformize after-sales-services for its products.<sup>79</sup>

Since, parallel imports of products by separate economic entities inflict high transaction costs, in such a context, the presumption in favour of international exhaustion gets overturned in favour of more efficient national exhaustion. However, since parallel imports of products by entities within the same economic unit impose almost no transaction costs, the presumption in favour of international exhaustion stands in that context.

This conclusion is bolstered by the *second* rationale regarding the enforcement of contractual market delineations. When separate economic entities (say licensor and licensee) divide exclusive territories for the use of the same trademark, the same is to avoid such intra-brand competition that causes loss to both of them.<sup>80</sup> However, when both entities form part of a single economic unit, then the unfair detriment and unfair gain through international movement of goods is only superficial, because, at the end of the day, they have the same controller/owner.

While it is true that this regime leaves the legislature and the courts with the arduous task of determining whether two entities form part of a “single economic unit”, the same is not a substantial transaction cost as this is a comparatively simpler legal issue, which has fairly settled positions in Indian corporate law.<sup>81</sup> These standards can be

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<sup>78</sup> This is perhaps the reason why the Division Bench in Kapil Wadhwa was inclined on discarding the “warranties and after-sales services” concern, by saying that the Indian subsidiary can provide the same instead and put up a notice clarifying that it is the Indian entity doing so and not the Korean one. See Kapil Wadhwa (Division Bench) (n 3) at 74-75.

<sup>79</sup> Ibid.

<sup>80</sup> See text to n 48.

<sup>81</sup> The well-established test of control in *Subhkam Ventures* was recently upheld by the Supreme Court in *Arcelormittal India. v Satish Kumar Gupta* (2019) 2 SCC 1, at 48-57; *Subhkam Ventures v SEBI* (2010) SCC Online SAT 35, at 6.

further fossilized by legislative guidance and through judge-made law over time, gradually making the partial international exhaustion regime even more efficient. Further, treating goods from a single economic entity as the same would be in compliance with the “*one mark, one source, one proprietor*” rule endorsed by the Supreme Court of India.<sup>82</sup>

Summing up, the legislature must adopt the American approach (i.e., the “partial international exhaustion” approach) through a legislative amendment, imposing national exhaustion on parallel imports by unrelated entities and international exhaustion on those by the same legal entity.

## CONCLUSION

The paper has demonstrated that Section 30(3)(b) of the Trade Marks Act is inherently indeterminate, which leaves the question of exhaustion completely ambiguous, the answer to which depends on the means of interpretation preferred by the interpreter. To avoid such arbitrary determination of a policy with vast possible ramifications, the legislature must intervene to redraft the exhaustion principle in the Act.

The paper has also compared the schemes of international exhaustion and national exhaustion, demonstrating that international exhaustion is a preferable scheme when the foreign seller forms part of a single economic unit as the Indian proprietor, irrespective of whether the Indian proprietor itself “consented” to such sale or not. Contrarily, national exhaustion is preferable as a more efficient scheme when the original seller was a separate economic entity, even though such an entity may have acquired its right to sell by the “consent” of the Indian proprietor. Therefore, the paper implores the legislature to remove the “consent” test, to introduce an “ownership and control” test, as is prevalent in the competition and takeover regimes.

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<sup>82</sup> *Power Control Appliances vs Sumeet Machines Pvt. Ltd.* (1994) SCC 2 448, at 41.

# IP AS AN END IN ITSELF? THE CASE OF THE COVID WAIVER

*Akshat Agrawal\**

## *Abstract*

*This paper addresses distributive concerns regarding intellectual property (IP), particularly in the pharmaceutical realm, emphasizing the historical inequities in multilateral agreements and their implementation. The COVID-19 pandemic's stark impact on health access prompts a shift beyond IP internalism to scrutinize fundamental TRIPS-related disparities. Focusing on IP Gradualism, the paper underscores worldwide institutionalization disparities, delving into capability-building narratives, transition period hypocrisy, and their impact on global IP politics. The pandemic exposes longstanding skewed capabilities, prompting a region historically denied self-determination to request a waiver of the same agreement sustaining this inequity. Examining nations opposing the waiver, the paper reveals their imitation-based resistance, using time to highlight critical realities for waiver discussions, even diplomatically. The paper asserts that addressing the knowledge divide, decolonizing IP, and achieving distributive justice necessitate a geo-historically attuned trade perspective. Analyzing WTO Agreement waivers, the paper exposes interpretational hypocrisy in exceptional circumstances, further bolstering claims of inequity and advocating for global diplomatic restructuring. Ultimately, the paper underscores the need for conscious recognition of historical context and reasons behind*

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*present inequities, calling for global solidarity grounded in these realities.*

**Keywords:** COVID Waiver, TRIPS, Access to Health, Pandemic, WTO, IPR in Pharmaceutical Industry.

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## INTRODUCTION

Much has been spoken about the impact of Intellectual Property (“IP”) on the distribution and development of vaccines essential to combat the menace of the COVID-19 pandemic. IP is often considered to be an essential enclosure on access to enable invention and creation in a capitalist society. In context of vaccines and therapeutics, these enclosures on knowledge and technology required for inventing and producing gain legitimacy through globally legitimized exclusionary norms of regulatory inducement. Negotiating a temporary waiver of those enclosures and exclusionary rights embedded within the Agreement on Trade-Related Aspects of Intellectual Property Rights (“**TRIPS Agreement**”) at the World Trade Organization (“WTO”) in interests of global solidarity towards accessibility of vaccines and therapeutics has been a mammoth task.

For context, India and South Africa had tabled a proposal titled “*Waiver from certain provisions of the TRIPS agreement for the prevention, containment and treatment of COVID-19*” on 2<sup>nd</sup> October 2020,<sup>1</sup> before the Council for TRIPS, WTO emphasizing on World Health Organization’s (“WHO”) declaration of COVID-19 to be a “Public Health Emergency of International Concern”, as well as on the WTO’s

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<sup>1</sup> World Trade Organisation, Waiver from certain provisions of the TRIPS Agreement for the prevention, containment and treatment of COVID-19- Communication from India and South Africa , Council for TRIPS of 2<sup>nd</sup> October 2020, IP/C/W/669 (2020), available at < <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/IP/C/W669.pdf>>.



own statement that the pandemic represents an unprecedented disruption to the global economy and world trade due to the growing supply-demand gaps. The aim was to avoid exclusionary rights over essential therapeutic products, processes, and their technologies to enable widespread development and use during the pandemic without exclusionary regulatory inducements.

The waiver proposal was not limited to vaccines. It aimed at scaling up research, development, manufacturing, and supply of all kinds of medical products that would be essential to combat COVID-19. It emphasized upon need for “rapid” access to affordable medical products like diagnostic kits, medical masks,<sup>2</sup> other protective equipment and ventilators, apart from essential medicines and vaccines for patients who were in dire need across the world. The focus of the proposal was on “capacity development” for timely and urgent access, without imposing barriers, especially in countries where technology could not have been developed from ground zero due to various historical reasons dictated by incongruent periods of freedom, of industrial transition, and its consequent effect on the global political economy of care.<sup>3</sup>

On use of internal safeguards within TRIPS— a prerequisite to overcome prior to requesting a waiver- the proposal highlighted that many nations without any manufacturing capacities might have had to rely on Article 31 *bis* of TRIPS. This Article is a procedural labyrinth, a

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<sup>2</sup> Morgan Watkins, ‘Kentucky Gov. Andy Beshear calls on 3M to release patent for N95 respirator amid pandemic’ *The Courier Journal*, (Louisville, 3 April 2020) <<https://www.courier-journal.com/story/news/2020/04/03/beshear-calls-3-m-release-patent-n-95-respirator-amid-pandemic/5112729002/>> accessed 19 May 2021.

<sup>3</sup> For context on where I borrow the phrase “political economy of care” from, and the emerging scholarship around it, see Amy Kapczynski, ‘Coronavirus and the politics of care’ (*LPE Project*, 3 March 2020) < <https://lpeproject.org/blog/coronavirus-and-the-politics-of-care/>> accessed 17 June 2022; See also LPE Project, *How to Vaccinate the World* (13.08.2021) available at < <https://lpeproject.org/events/how-to-vaccinate-the-world/>>.

negotiation nightmare as well as an institutionally burdensome undertaking having immense implications on bilateral relations. This is relevant specifically in context of dependent countries with weak bilateral bargaining powers in relation to fulfilling their alternate, yet essential, needs. This would deter as well as take away the “rapidity” which could only have been enabled by a global collective waiver.<sup>4</sup> Accordingly, these 63 countries requested for a waiver of Section 1,4,5 and 7 of Part II of the TRIPS Agreement, for the purposes of therapeutics and research to be used for COVID-19’s prevention, treatment and containment.

This proposal, however, ended as a significantly watered-down compromise, only taking force a couple of years after it was tabled, and three gruesome years into the pandemic- i.e., on 17<sup>th</sup> June 2022 (known as the Ministerial Decision of the TRIPS Agreement).<sup>5</sup> The final text of the Agreement to waive was limited to a non-waiver i.e., a compromise only applicable in case of patents on vaccines and use of protected clinical trial data for regulatory approval, and only limited to relieving proposers and sponsors of a few procedural burdens present

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<sup>4</sup> Interestingly, Bolivia approached the WTO TRIPS council on February 17<sup>th</sup>, 2021, to use this provision and seek exports from Canada, and it notified the details of the drugs needed to be exported on 12<sup>th</sup> May. But there has been no notification from Canada on this, and no compulsory license had been issued. See World Trade Organization, Council for Trade-Related Aspects of Intellectual Property Rights, Notification under the Amended TRIPS Agreement, Notification of intention to use the special Compulsory Licensing system as an importing member (19 February 2021), IP/N/8/BOL/1, 21-1434, available at <<https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/IP/N/8BOL1.pdf&Open=True>>; See also Luis Gil Abinader, ‘Bolivia seeks to import COVID-19 vaccines from Biolyse, if Canada grants them a Compulsory License’ (*Knowledge Ecology International*, 11 May 2021) <<https://www.keionline.org/36119>> accessed 27 December 2021; See also Biolyse Pharma, ‘Bolivia and Biolyse sign landmark agreement for export of COVID-19 vaccines’ *News Wire* (Canada, 12 May 2021) <<https://www.newswire.ca/news-releases/bolivia-and-biolyse-sign-landmark-agreement-for-export-of-covid-19-vaccines-832670191.html>> accessed 2 September 2021.

<sup>5</sup> Ministerial decision on the TRIPS agreement, Published June 22, 2022. Available at <<https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/MIN22/30.pdf&Open=True>>.

in the *flexibilities* already present within TRIPS.<sup>6</sup> Essentially, there was waiver of the procedural burden envisaged under Article 31 (b)–requiring to seek right holder authorization (and government use, emergency decrees were allowed even if the said exporting/important had no compulsory licensing provision); and 31 (f) on export beyond domestic use– as against a *waiver* of any of the enclosures enabled through IP Rights. A pathetic picture that emerges out of this negotiation period of around two years is that while the so-called industrially supra-competent world was busy fighting with 63 nations–nations with histories of subordination and domination through colonialism- that sponsored the waiver proposal - more than 6 million people officially lost their lives to COVID,<sup>7</sup> despite a vaccine having existed and administered for the first time on 8<sup>th</sup> December 2020 in the United States.

What I seek to emphasize in this article is in fact something that was completely ignored during this long and myopic i.e., economically focused negotiation - The *context of the ask* of a waiver, and the histories leading to its *need*.

To make it clear, many have argued and continue to argue that an IP waiver does nothing to accelerate vaccine development and access, and it is rather manufacturing incompetence or bureaucratic unwillingness to quickly enter into licensing agreements that has largely contributed to loss of lives.<sup>8</sup> Many have also pointed out that India can reach a

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<sup>6</sup> Tahir Amin and AS. Kesselheim, ‘A Global Intellectual Property Waiver is Still Needed to Address the Inequities of COVID-19 and Future Pandemic Preparedness’ (2022) 59 INQUIRY < <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC9500257/#bibr2-00469580221124821>> accessed 12 December 2022.

<sup>7</sup> See World Health Organization, Coronavirus (COVID-19) dashboard <<https://covid19.who.int/>>; See also ‘The pandemic’s true death toll’ *The Economist* (California, 2 November 2021) <<https://www.economist.com/graphic-detail/coronavirus-excess-deaths-estimates>> accessed 11 November 2021.

<sup>8</sup> Prashant Reddy T and Yogesh Pai ‘Why IP Waiver for vaccines is not so ‘IP ‘IP hooray at all’ *The Economic Times* (New Delhi, 6 May 2021)

billion vaccinations without an IP waiver.<sup>9</sup> Many have argued that the waiver, even if it were granted as proposed, would have been insufficient as it does not ensure technology transfer of essential know-how important in the case of developing biologicals.<sup>10</sup>

These arguments ignore the context of the *need* to enter complex licensing arrangements, involving negotiations in lieu of every product (and a web of products and processes)<sup>11</sup> involved in producing the vaccine in a globally urgent situation. They also ignore the context of the *need* to make bilateral sacrifices in case a global waiver is not effectuated. They also completely ignore that optimal enablement for firms producing vaccines had already been provided through advanced payments, market orders and public subsidies, that substantially de-risked vaccine development, making further *need* of exclusionary rights for enablement of production an overkill.<sup>12</sup> The need to seek a license, however less formal that might be, should have been a *non-starter*.

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<<https://economictimes.indiatimes.com/opinion/et-commentary/why-intellectual-property-Waiver-for-vaccines-is-not-so-ip-ip-hooray-at-all/articleshow/82438489.cms>> accessed 2 July 2022; See also Yogesh Pai and Prashant Reddy 'Even if WTO waives IP on vaccines, India will face challenge translating it into mass production' *Scroll* (New Delhi, 1 June 2021) <<https://scroll.in/article/996079/even-if-wto-waives-ip-on-vaccines-india-will-face-challenge-translating-this-into-mass-production>> accessed on 17 August 2022.

<sup>9</sup> Ibid.

<sup>10</sup> Prabhash Ranjan, 'A TRIPS Waiver is useful but not a magic pill' *The Hindu* (New Delhi, 10 May 2021) <<https://www.thehindu.com/opinion/lead/a-trips-Waiver-is-useful-but-not-a-magic-pill/article62106288.ece>> accessed 21 October 2022; Prashant Reddy, 'In India, COVID-19 faces a more urgent problem than IP' *Bloomberg Quint* (Mumbai, 20 April 2021) <<https://www.bqprime.com/coronavirus-outbreak/in-india-covid-19-vaccines-face-a-more-urgent-problem-than-ipr>> accessed on 3 March 2022; Praharsh Gour, 'A Recipe for Disaster: Export Bans, TRIPS Waiver and Hyper Nationalism' *SpicyIP* (New Delhi, 25 April 2021) <<https://spicyip.com/2021/04/a-recipe-of-disaster-export-bans-trips-Waiver-and-hyper-nationalism.html>> accessed on 7 December 2022.

<sup>11</sup> Supply Agreement, dated as of October 9, 2020, by and among Pfizer Inc., BioNTech SE and TriLink BioTechnologies, LLC, Exhibit 10.26, (Justia Business Contracts), available at <<https://contracts.justia.com/companies/maravai-lifesciences-holdings-inc-11469/contract/137780/>>.

<sup>12</sup> As reported by Guardian and the Wall Street Journal, the estimated remuneration in 2021, out of the doses already pre-booked by these vaccine candidates through pre-orders and public funding by Governments range between fifteen to thirty Billion Dollars in the case of Pfizer, eighteen to twenty Billion Dollars in the case of Moderna and Two to Three Billion Dollars in the case of the Oxford-AstraZeneca's vaccine candidate. In the case

I argue that, even if insufficient, a waiver was definitely necessary to express social solidarity towards the urgency of saving lives, as well as to structurally assure oneself that our lives are not submerged under the logic of *compete or die*.

In any case, a detailed defense for the statement above has been offered by many. Much has already been written on the merit of the debates and its implications on pharmaceutical policy and access to therapeutics during a pandemic.<sup>13</sup> I only seek to highlight what has completely missed this debate, in two parts – Parts II and III.

Part II emphasizes on the historical context of Intellectual Property Gradualism which forms a reason for the *need* of the waiver. I highlight the global inequalities in administration of IP regimes for technological development – and show how *(un) freedom* to develop technology and be capable to produce one's own vaccine is embedded in historical social relations and power dynamics beyond any concept of *will* and *agency*. This important factor, which provoked the existence of the waiver provision in the global neo-liberal TRIPS regime, went completely un-acknowledged during negotiations.

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of India as well, SII has already received an advance purchase deal of Rs. 1732.50 crores for 11 Crore doses of Covishield and Covaxin, and an advance payment of Rs. 787.50 crores had been, admittedly released to Bharat Biotech for 5 crore Covaxin doses for the months of May, June, and July 2021.

<sup>13</sup> See Siva Thambisetty *et. al.*, 'The TRIPS Intellectual Property Waiver Proposal: Creating the Right Incentives in Patent Law and Politics to end the COVID-19 Pandemic'(2021) LSE Legal Studies Working Paper 06/2021,43 <[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3851737](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3851737)> accessed 21 December 2022; William W.Fisher, Ruth L. Okediji and Padmashree Gehl Sampath, 'Fostering Production of Pharmaceutical Products in Developing Countries' (2021) 43 MJIL 69; Cory Doctorow, 'Debunking the Arguments for Vaccine Apartheid' (*Medium Coronavirus Blog*, 21 May 2021) available at <<https://coronavirus.medium.com/debunking-the-arguments-for-vaccine-apartheid-7466e4c5d242>> accessed 17 September 2022; Brink Lindsay, (@lindsey\_brink), Twitter (5<sup>th</sup> May 2021, 9:44 PM), available at <<https://twitter.com/PharmaCheats/status/1390044539537211397>>; see also, Matthew Lane, (@MattCameronLane), Twitter, (6<sup>th</sup> May 2021, 2:06 AM), available at <https://twitter.com/MattCameronLane/status/1390042773731086341>.

Part III then emphasizes upon the logic of the waiver provision in the Marrakesh Agreement and surveys its past practice, to highlight its essential ability to enable norm shifting and remedy circumstances of inequality provoked by a global neo-liberal and *market dependent* regime. I then argue that upon being mindful of this logic, the negotiations for waiving IP urgently for a short period to enable vaccinations and therapeutics across the world would have been unnecessary.

Finally, Part IV concludes the paper.

### UNDERSTANDING IP GRADUALISM

The incorporation of Intellectual Property into the World Trade System through the TRIPS Agreement, in 1994, compressed 100 or more years of IP *'gradualism'*<sup>14</sup> for Europe and North America, to around 5 to 50 years for the rest of the world. The pre-TRIPS Intellectual Property policy in the now *developed* countries, were very different. Most prominently, foreigners' IP rights were deliberately left out for indigenous knowledge development and growth of domestic industries.<sup>15</sup> Japan, Korea, Taiwan,<sup>16</sup> Switzerland,<sup>17</sup> Germany<sup>18</sup> and the US had a pattern of copying and absorbing technologies through a liberalized foreign intellectual property regime, permissible in absence

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<sup>14</sup> Graham Dutfield (@gmdutfield), Twitter (May 12, 2021, 11:25 PM), Available at <<https://mobile.twitter.com/gmdutfield/status/1392539051798978562>>- The phrase "IP Gradualism" coined by Prof. Dutfield and reiterated in this tweet.

<sup>15</sup> Ha-Joon Chang, *Bad Samaritans: The myth of free trade and the secret history of capitalism* (Bloomsbury Press 2007) 119-122; See also Christopher May and Susan Hell, *Intellectual Property Rights: A Critical History* (Lynne Rienne 2006) 205-207.

<sup>16</sup> May (n 15) 205; See also Nagesh Kumar, 'Intellectual Property Rights, Technology and Economic Development: Experiences of Asian Countries' (2003) 38(3) EPW 209, 214-216.

<sup>17</sup> Dominique S. Ritter, 'Switzerland's patent law history' (2004) 14(2) Ford, IP Media Entertainment L. J. 463, at 483-485.

<sup>18</sup> Von Frank Thadeusz, 'No Copyright Law: The Real Reason for Germany's Industrial Expansion' *Spiegel International* (18 August 2010) <<https://www.spiegel.de/international/zeitgeist/no-copyright-law-the-real-reason-for-germany-s-industrial-expansion-a-710976.html>> accessed on 22 November 2020.

of TRIPS.<sup>19</sup> This method of absorption by copying/reverse-engineering was followed until a point of knowledge development was reached that was voluntarily deemed to be enough to compete in the global knowledge market.<sup>20</sup> By the time TRIPS was signed, these nations possessed enough technological capability often induced by their sovereign ability. This technological superiority, due to their *ability* and *freedom* to do so, became a medium to enforce industrial superiority using IP to their benefit. The Swiss in fact emphasized that they were able to reach their industrial prowess only because of their *ability* to freely exact tribute from the foreigners, and if this was thievery, then all Swiss industries were thieves - although on the right side of moral conscience.<sup>21</sup> Even in Japan, an expansionary patent regime, including both product and process patents, was “voluntarily” adopted only in the 1970s when the Japanese enterprises had developed enough of their domestic knowledge capability, and now needed such protection to capitalize upon their own innovative activity abroad.<sup>22</sup> This translated to productivity defined *development*- something which would define the social *status* of global participants in relation to each other.

This transition period of *development* for these nations, *albeit* due to their early independence and political freedom, took more than a 100 years of flexible policy regimes prior to and since the Paris agreement.<sup>23</sup> Importantly, the Paris Agreement, often referred to as the “elite club” and touted in terms of harmonization, was conducive to the indigenous developmental needs of the members to the Agreement, as it provided legislative freedom by creating heterogenous patent rules

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<sup>19</sup> Thambiseti (n 13) at 43.

<sup>20</sup> Graham Dutfield and Uma Suthersanen, ‘Harmonization or differentiation in intellectual property protection? The lessons of history’ (2005) 23(2) Prometheus: Critical Studies in Innovation 131, 135-136.

<sup>21</sup> Ritter (n 17) at 489-490.

<sup>22</sup> Kumar (n 16) at 214.

<sup>23</sup> May (n 15) at 206-207.

wherein countries could adopt different standards of industrial property protection. For instance, Switzerland and Spain did not grant any patents on chemical products, and France and Italy did not grant any patents on pharmaceuticals, based on their indigenous productivity capacity, and needs at that point of time.<sup>24</sup> In the US, the patent provision was introduced as a *means to an end*, i.e., to promote the progress of sciences. International works were initially resisted from being protected, with a reasoning that it would hinder diffusion of knowledge, development of *bodily and mental power* and productive capacity of domestic industries.<sup>25</sup> Easy access was considered as a prerequisite to knowledge absorption and copying was incessant to knowledge development, in a newly post-colonial American state, that was struggling to form its independent knowledge economy. This is exactly why the American committee of the Senate rejected various bills for protection of IP in foreign works. An international agreement like TRIPS, which significantly cut down this period of productive capacity building and policy freedom, would have had deleterious implications on the state of American industrialisation and productive capacity that we see today.

However, this was not deemed appropriate in the context of nations which were on the brink of independence or had barely completed half a century of sovereign existence, as TRIPS was brought in mandating a maximalist compulsory IP regime. Post TRIPS, if these countries (the ones who had been denied years of capability building) wanted to export their goods, agricultural or otherwise, they were essentially

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<sup>24</sup> Surendra J. Patel, 'Intellectual Property Rights in the Uruguay Round: A disaster for the South?' (1989) 24(18) EPW 978, 980-982.

<sup>25</sup> Balasz, 'A short history of book piracy' in J. Karaganis (ed.) *Media Piracy in Emerging Economies* (New York Social Science Research Council 2010) stating, "All the riches of English literature are ours. English authorship comes to us as free as the vital air, untaxed, unhindered, even by the necessity of translation; and the question is, shall we tax it, and thus impose a barrier to the circulation of intellectual and moral light? Shall we build up a dam, to obstruct the flow of the rivers of knowledge?"



mandated to protect foreign IP.<sup>26</sup> TRIPS placed important constraints on the sovereignty of countries of the “developing world” to implement innovation schemes and use absorption methods of reverse engineering for technological learning of their choice. The histories of inequity in bargaining towards a multilateral agreement in respect of intellectual property, as well as in its implementation has been widely documented.<sup>27</sup> In fact, TRIPS was a “package deal” for developing nations,<sup>28</sup> where consent, which was obtained, was governed by patterns of relationship which were largely non-voluntary from the point of view of the worse-off participants.<sup>29</sup> As has been recorded,<sup>30</sup> developing countries were reluctant, and in fact strongly resisted their inclusion in TRIPS to safeguard domestic industries. However, fear of trade sanctions, and a bargained exchange of concessions in textiles and agriculture were factors contributing to their consent. The concessions - promised for agreeing to sacrifice their IP and technological developmental interests - were increased market access for tropical products, agricultural output and export subsidies from the EU.<sup>31</sup> Due to the largely agricultural market then, this is what was deemed to be worth prioritizing by the developing

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<sup>26</sup> Keith Aoki, ‘Neocolonialism, Anticommons Property, and Biopiracy in the (Not-so-Brave) New World Order of International Intellectual Property Protection’ (1998) 6(1) *Indiana J. Global L. Stu.* 18, 45.

<sup>27</sup> For the history on TRIPS negotiations and their skewed nature, see Susan K. Sell, *Private Power, Public Law: The Globalization of Intellectual Property Rights* (CUP 2003); Ruth L. Gana, ‘The Myth of Development, The Progress of Rights: Human Rights to Intellectual Property and Development’ (1996) 18 (2-3) *Law & Policy* 315, 334-335.

<sup>28</sup> Dominique S. Ritter, ‘Switzerland’s patent law history’ (2004) 14(2) *Ford. IP Media Entertainment L. J.* 463, 483-485

<sup>29</sup> Charles R. Beitz, ‘Justice and International Relations’ (1975) 4(4) *Philosophy Public Affairs* 360, 374.

<sup>30</sup> Hamed El-Said and Mohammed El-Said, ‘TRIPS, Bilateralism, Multilateralism & Implications for Developing Countries: Jordan’s Drug Sector’ (2005) 2(1) *Manchester J. Int’l Eco. L.* 59, 60-62.

<sup>31</sup> Frederick M. Abbott, ‘Commentary: The International Intellectual Property Order Enters the 21st Century’ (1996) 29(3) *Vanderbilt J. Trans. L.* 471, 473.

nations.<sup>32</sup> However, the problem isn't this bargain, but rather the need to prioritize one or the other, and the need to have to make this trade-off or to choose, which can again be traced to historical inability and colonial suppression of these nations. TRIPS also promised to naturally foster technology transfers, to the benefit of the developing countries.<sup>33</sup> However, it is quite evident as to how that has panned out otherwise, we would not have had this debate during a global pandemic.

Estrangement of these *transitional periods* for many nation-states, which attained freedom around 50 years prior to TRIPS, and were subject to colonization prior to that, have had a huge role to play in undermining knowledge *capabilities*, and the freedom to use flexibilities. This has significantly affected their ability to be truly "free", and resist being dependent upon the dominance of a few. Continued dominance, through internationally harmonizing instruments like TRIPS, persists to widen this dependence gap by estranging capacity building and by normalizing the idea of dependence for development.

A critical take on analysing knowledge and industrial "capabilities", ought to be contextualized in light of prolonged colonial histories of the developing world. The period of development enjoyed by the free, non-colonized countries, or nations which gained early independence, were much longer than the developing world. This transition period has been "unprecedentedly short" for this part declining it the opportunity to equitably build its knowledge base by using and learning/absorbing from foreign works. In the case of India, which

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<sup>32</sup> Rahul Rajkumar, 'The Central American Free Trade Agreement: An End Run around the DOHA Declaration on TRIPS and Public Health' (2005) 15 Albany L. J. Sci. Tech. 433, 459-460; See also J. H. Reichman & David Lange, 'Bargaining around the TRIPS Agreement: The Case for Ongoing Public-Private Initiatives to Facilitate Worldwide Intellectual Property Transactions' (2003) 5 Int'l IP L. Policy 9-1.

<sup>33</sup> Fisher (n 13).

attained independence only in 1947, this period has not even been 60 years, given that India's voluntary ability to work through reverse-engineering was stripped away in 2005. It was even noted in the Ayyangar Committee report of 1959,<sup>34</sup> now that the patent system was supposed to ensure the fulfilment of the developmental needs of the domestic scientific and technological market, and hence an expansionary patent model, protecting product patents, and restricting reverse engineering was inappropriate for the research and health needs of the nation, and could even detrimentally affect the industrial and scientific/technological developmental process of domestic concerns. Within a short while, in the presence of a restricted regime of only process patents for pharmaceuticals limited for seven years which allowed for an environment of reverse engineering and developing pharmaceutical "products", India had a flourishing generic industry. This has supposedly been argued to be one of the reasons/triggers for the inducement towards the TRIPS compromise.<sup>35</sup> Among various other reasons like development of research centres, investment in healthcare policy etc., this restricted patenting regime was instrumental in allowing the growth of the generic pharmaceutical industry. India had already reached the intermediate capability stage, through access to learning and imitative Research & Development, and was on the path to attain advanced capabilities in pharmaceutical development, in a relatively shorter transitional period of only about less than 60 years.<sup>36</sup> In fact, this is when the developed world, that had

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<sup>34</sup> Sh. Justice N. Rajagopal Ayyangar, *Report on The Revision of the Patents Law in India*' (September, 1959), Available at: <[https://ipindia.gov.in/writereaddata/Portal/Images/pdf/1959-Justice\\_N\\_R\\_Ayyangar\\_committee\\_report.pdf](https://ipindia.gov.in/writereaddata/Portal/Images/pdf/1959-Justice_N_R_Ayyangar_committee_report.pdf)> [30-38, 180-181].

<sup>35</sup> Peter Drahos, 'Developing Countries and International Intellectual Property standard setting' (1995) 5(5) *J. World IP* 765, 772-773.

<sup>36</sup> Dinar Kale and Steve Little, 'From Imitation to Innovation: The Evolution of R&D Capabilities and Learning Processes in the Indian Pharmaceuticals Industry' (2009) 19(5) *Tech. Anal. Strategic Mang. J.* 607-608.

depended on over a century (as the transition period) of appropriation allowed by “independent” flexibilities with respect to their own suitable ideas of patentability (to support their domestic needs), started questioning the newly free, and developing/ transitioning nations as to whether the international system was tilted too far towards the appropriation of knowledge rather than its diffusion.

Interestingly, most of the exclusionary IP regimes in Africa and Asia were initiated by European colonies.<sup>37</sup> The 1852 Patent Law Amendment Act in Britain transformed the multiplicity-oriented system as in England, Scotland and Ireland, to a common streamlined and cheaper uniform patent system of a single British Patent.<sup>38</sup> To allow for wide industrialization, British colonies, by 1864, enacted patent laws<sup>39</sup> with an anomalous debate on whether all British patents should attain exclusionary privileges across the full stretch of the colony. The idea was to be able to locally patent inventions in all these colonies and earn from licenses and sales thereof.<sup>40</sup> The 1856 statute allowed importers (who were primarily colonizers, in the colonies) to earn the exclusive privilege accorded under the statute. This Act also allowed for special rights to British patentees, who were the inventors of the invention in Britain (and not the importers) to secure exclusive privileges for their invention within twelve months of securing their

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<sup>37</sup> Honduras Patent Act, 1862; Cape of Good Hope Patent Act, 1860; Indian Patent Act, 1856; Indonesian Patents Act, 1844; Barbados Patent Act, 1852; Fiji Patent Act, 1877; Trinidad Patent Act, 1867.

<sup>38</sup> Act for Amending the Law for Granting Patents for Inventions, 1852, 15 & 16 Vict. c. 83 (Gr. Brit.). - as in Lionel Bently, “The “Extraordinary Multiplicity” of Intellectual Property Laws in the British Colonies in the Nineteenth Century” (2011) 12(1) *Theoretical Enquiries in Law* 161, 163.

<sup>39</sup> Royal Commission, Report of The Commissioners Appointed to Inquire into the Working of The Law Relating to Letters Patent for Inventions, 1864, C. (1st Series) 3419, 30.

<sup>40</sup> See Doris Estelle Long, ‘Exposing the Processes of Empire in the International Protection of Intellectual Property in Intellectual Property in Context: Law and Society Perspectives’ (Cambridge University Press 2015).

patents in Britain.<sup>41</sup> As has been accounted by Rajesh Sagar, in “Patent Policy in India under the British Raj”, the total number of patents in 23 years of the initiation of the Patent Regime in India had a miniscule number of 2.63% native inventors.<sup>42</sup> There was a sheer lack of emphasis on any kind of knowledge or capability/capacity development of the colonies during these legislations, as is visible from the 1859 “Exclusive Privileges” grant<sup>43</sup> which required a domestic patent application to be novel both in India and in Britain (which was a much more developed nation in terms of the capability approach then) for it to be patentable. In fact, the Indian Patent Act during the colonial rule, of course, recognized the ability of foreigners to get patents in India and was a means to protect British patentees from colonies and their acts of imitating and learning out of the goods invented in Britain, which, paradoxically, is a strategy that was highly successful as a means of knowledge development in western independent nations. This lack of sovereignty, in effect, cut-short the developmental/transitional period for these colonies, as the focus of the colonizers was to build industries to support this colonization, rather than building indigenous capabilities of knowledge and technological development, through practices of access and absorption.

Getting rid of this knowledge and capability divide requires an alternate accent where global trade ought to be looked at from the eyes of geo-

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<sup>41</sup> Rajesh Sagar, *Patent Cultures: Diversity and Harmonization in Historical Perspective* (Graeme Gooday and Steven Wilf eds. (CUP 2022) 273, 274.

<sup>42</sup> Ibid at 279.

<sup>43</sup> Act V of 1859, Section XIX- “An invention shall be deemed a new invention within the meaning of this Act if it shall not, before the time of applying for leave to file the specification, have been publicly used in India or in any part of the United Kingdom of Great Britain and Ireland, or been made publicly known in any part of India or of the United Kingdom by means of a publication, either printed or written or partly printed and partly written”.

historical attentiveness.<sup>44</sup> With the COVID-19 pandemic, and its gruesome impact on access to health, this narrative comes clearly into perspective, and the need to shift the conversation beyond IP internalism,<sup>45</sup> questioning the fundamental inequities which come with TRIPS in sovereign decision making and domestic implementation of constitutional rights, is imminent. IP cannot be *naturalized* and needs to be understood as a historically specific phenomenon arising out of the logic of a market society- an ensemble of social relations where humans are involuntarily subjected to commodity logics to fulfill basic including health.<sup>46</sup> Could the waiver have been an instrument to address these inequities and account for this challenge?

### **THE WAIVER PROVISION AND ITS EMPHASIS ON “EXCEPTIONAL CIRCUMSTANCES”**

Part I of this paper highlighted the practice of granting *wavers* under Article IX.3 of the WTO Agreement, which is in fact a tool to protect conflicting sovereign priorities of nations part of the WTO Agreement.<sup>47</sup> International political processes and agreements often involve a conflict of values and “norms”. In the case of WTO, the narrow economic focus on trade and IP protection<sup>48</sup> neglect the values which are prioritized by certain sovereign nations, including values

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<sup>44</sup> Anjali Vats, *The Color of Creatorship: Intellectual Property, Race and the making of Americans*, (Stanford Uni. Press 2020) 206-207.

<sup>45</sup> Amy Kapczynski, ‘The Cost of Price: Why and How to get beyond Intellectual Property Internalism’ (2012) 59(4) UCLA L. Rev. 970, 978-979, 999-1000.

<sup>46</sup> See Oren Bracha, *The History of Intellectual Property as The History of Capitalism*, (2020) 71 Case W. Rsrv. L. Rev. 547, 574-575 for tracing the History of IP to the process of commodification which is an output of an ensemble of social relations that constitute capitalism and found specific phenomenological presence only during the 17th Century. The argument tries to denaturalize Intellectual Property law; See also Talha Syed, *Capital as a Social Relation* (unpublished), draft on file.

<sup>47</sup> Isabel Feichtner, ‘The Waiver power of the WTO: Opening the WTO for Political debate on reconciliation of Competing interests’ (2009) 20(3), Euro. J. Int’l. L. 615-619 stating “Waiver power bears a specific potential to open the WTO for political debates on the coordination and reconciliation of competing norms and interest”.

<sup>48</sup> Chris Buccafusco (@cjbuccafusco), Twitter (January 13, 2021, 8:38 PM), Available at <<https://twitter.com/cjbuccafusco/status/1349372696287735808>>.

such as the human right to health care or protection of indigenous traditional knowledge,<sup>49</sup> not falling into the ossified norms of IP. These conflicts are structurally “value” and priority-oriented conflicts,<sup>50</sup> and are often overlooked in consensual negotiations by political organs, ignoring the priorities of domestic institutions and pressures involved.

The provision of a Waiver eradicates circumstantial rigidity and allows for accommodation to do away with the rigidity of the agreements when there is a change in context, affecting different members of the agreement differently or at different levels/intensities. Such ability holds all the more importance in the context of the global COVID-19 pandemic, which could never have been foreseen by the TRIPS delegates, and negotiators. The flexibility of a provision within the statute, which enables the possibility of a waiver from IP obligations, allows for an inclusive attitude towards social concerns of certain member states that may have been amplified due to the current context of the pandemic. It also helps bring into perspective, priorities of our society and the context-ridden-ness of the idea of global policy making.

The waiver power of the WTO is an internal and often fruitful solution to these underlying value conflicts as it allows for a mechanism of temporary modification of the treaty to take into account alternate *urgent* priorities.<sup>51</sup> This power helps contextualize the WTO legal framework,<sup>52</sup> and allows for flexibility in respect of values, especially when institutionally internal solutions do not have the proximate ability of resolving or acting as a resort to these context-ridden value

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<sup>49</sup> Ibid at 616.

<sup>50</sup> Ibid at 617.

<sup>51</sup> Feichtner (n 47) 618 stating “Waiver power bears a specific potential to open the WTO for political debates on the coordination and reconciliation of competing norms and interest”.

<sup>52</sup> Robert Howse and Joanna Langille, ‘Permitting Pluralism: The Seal Products Dispute and Why WTO Should Accept Trade Restrictions Justified by Noninstrumental Moral Values’ (2012) 37 Yale J. Int’l. L. 368-369; See also Isabel Feichtner, ‘Subsidiarity in the World Trade Organization: The Promise of Waivers’ (2016) 79 L. Contem. Problems 75, 82.

conflicts. As Isabel Feichtner argues, the policy preferences of individual WTO members are highly context dependent and might not lend themselves well to generalization of fixated negotiations which were entered into at a particular point of time with certain prevailing circumstances and foreseeable consequences in mind.

WTO, in its decision making power, within the Marrakesh Agreement/WTO Agreement, which was signed on 15<sup>th</sup> April 1994, by 123 nations (marking the culmination of the 8 year long Uruguay Round Negotiations on the future of GATT), has vested the sole authority with the Ministerial Conference and also the General Council (which conducts functions within conference meetings), to allow for a waiver of the obligations in the Marrakesh Agreement or its Annexed multilateral treaties, including the TRIPS Agreement- upon following the terms and conditions mentioned in the provision. This power is codified within Article IX (3) of the Marrakesh Agreement.

A waiver decision, firstly, is a move towards addressing allegations that argue WTO norms to be polarized- by modifying the said norms itself, *albeit* temporarily.<sup>53</sup> The point is that the flexibility of suspending certain norms, and not merely resorting to institutionally internal exceptions, allows the house to set its priorities in order, depending on the context or the proximate/urgent requirements of the situation.<sup>54</sup> Further, as against the case of enumerated exceptions, the deliberations during the waiver process allow for normative re-thinking, and institutional transformation, beyond legal arguments and arguments concerning trade, and towards contextual, ethical and non-economic considerations- that may be triggered due to certain unforeseen events, or even unpredictable/ unexpected developments in global scenarios. The waiver process, by itself, enables inclusive discussions at the WTO

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<sup>53</sup> Feichtner (n 47) at 638.

<sup>54</sup> See Andreas F. Lowenfeld, *International Economic Law*, (OUP 2002) 41.



within its purported economic rationality,<sup>55</sup> giving heed to public interests which are non-economical but are incidentally affected by the framings of trade-based norms. It contributes to *embedding* the ‘social’ within the pure market logics of trade.

### **A. History**

The provision for a waiver existed even under Article XXV of GATT, and had a similar substantive requirement of an “exceptional circumstance” warranting a Waiver from global trade obligations. During GATT deliberations upon the waiver provision, the drafting country- USA had clarified that the intent of the drafters was to ensure that the escapes mentioned in this provision were to “cover cases which were exceptional and caused particular hardship to any particular member”, and importantly were “not covered by other escapes provided within the charter. The statement of the French delegate during GATT Negotiations crystallized the opinion of the western countries during these negotiations to the effect that – “No country should escape the obligations which it has undertaken.... All we suggest is that in more exceptional cases, temporary exemptions might be granted when the precise obligations of the charter would impose some economic hardships on some countries, those hardships being of a temporary character.”<sup>56</sup>

“Exceptional circumstances” was not defined during the GATT regime, and having been left loosely open, the waiver provision has not been solely used in emergencies. 115 original waivers had taken place from 1947-1995, including as many extension waivers. In fact, one of the most controversial waivers was a waiver availed by the United

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<sup>55</sup> Feichtner (n 47) at 634.

<sup>56</sup> United Nations Economic and Social Council, Preparatory Committee of the International Conference on Trade and Employment, Verbatim Report of the Ninth Meeting of Committee V, Westminster (7 November 1946), E/PC/TC.V/PV/9. at 4-5, available at < [https://www.wto.org/gatt-\\_docs/English/SULPDF/90230015.pdf](https://www.wto.org/gatt-_docs/English/SULPDF/90230015.pdf)>.

States to maintain import restrictions on Agricultural products' as against GATT disciplines. The only reason given, which was deemed to qualify as an exceptional circumstance under this provision, was the need to safeguard the domestic agricultural industry and to ensure that the US Department of Agriculture programs or operations with respect to agricultural commodities, were not rendered ineffective due to GATT norms.<sup>57</sup>

During the Uruguay Round of re-negotiations of the global trade treaties, this waiver power was substantially reviewed. The European Economic Community had suggested a reconsideration and reform to Article XXV paragraph V of the GATT, and the waiver proceedings, through their communication in the Uruguay negotiation on 18<sup>th</sup> May 1987. Their main claim was that the agreement was a collective contract between nations and a waiver of obligations had an adverse impact on the balance of rights and obligations of the subjects of the contract. The specific plea in the communication was to consider revising time limitations on waiver privileges, and to consider an annual review of waiver power. It finally added the caveat that the aim of this communication was to revise and limit this power, not to remove the flexibility, but rather to prevent the perpetuation of, or to forestall, permanently privileged situations.<sup>58</sup> Academics have argued that the trigger to this communication was the waiver granted to the

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<sup>57</sup> Dale E. McNiel, 'United States' Agricultural Protectionism after the Uruguay Round: What Remains of Measures to Provide Relief from Surges of Agricultural Imports' (1997) 23(2) North Carolina Journal of International Law 296; See also General Agreement on Tariffs and Trade, Working Party 6 on the United States Waiver, Proposed Decision to Grant a Waiver to the United States in Connection with Import Restrictions Imposed Under Section 22 of the United States Agricultural Adjustment Act (of 1933) as Amended, (26<sup>th</sup> February 1955), W.9/228, available at <<https://docs.wto.org/gattdocs/q/GG/W/9-228.PDF>>.

<sup>58</sup> Multilateral Trade Negotiations The Uruguay Round, Negotiation Group on GATT Articles, Communication From the European Economic Community (18<sup>th</sup> May 1987), MTN.GNG/NG7/W/4, available at <<https://docs.wto.org/gattdocs/q/UR/GNGNG07/W4.PDF>>.

US for import restrictions to be allowed,<sup>59</sup> however no discussions with respect to the interpretation of “exceptional circumstance” or to limit the same, was forwarded in this communication.

Because of this communication from the European Economic Community, the Negotiating group had requested the Secretariat to prepare a note on waiver powers and furnish before the group. The initial draft of this note was presented before the Negotiating group on GATT Articles on 4<sup>th</sup> September 1987.<sup>60</sup> The note provided for the history of the provision and clarified that “*exceptional circumstances*” had not been defined but were largely concerned with economic and legal hardships and not non-economic and geographical concerns. Reliance was placed on the working party reports during the application of the provision<sup>61</sup> in the previous GATT regime and the decisions thereto were quoted. There was a clear acknowledgment in the note that waivers have been granted for economic recovery of fragile economies, which required trade policies aimed at sustained investment and transitional growth, as was done in the case of United States Caribbean Basin Recovery Act on 16<sup>th</sup> February 1985.<sup>62</sup> The note also clearly recognized that contracting parties never made use of their power to define certain categories of “exceptional circumstances” to which other voting requirements would apply for waiver of obligations.<sup>63</sup> Finally the note also noted that out of the 61 waivers that were listed to have been granted by then, 57 waivers were granted to individual

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<sup>59</sup> John Croome, *Reshaping the World Trading System, A history of the Uruguay Round*, (1st Edn, Kluwer Law Publications 1998), 191-192; Feichtner (n 47) at 80.

<sup>60</sup> *Multilateral Trade Negotiations The Uruguay Round, Negotiation Group on GATT Articles, Article XXV:5 (Waiver Power)*, Note by Secretariat (4<sup>th</sup> September 1987), MTN.GNG/NG7/W/18, available at <<https://docs.wto.org/gattdocs/q/UR/GNGNG07/W18.PDF>>.

<sup>61</sup> *Ibid* at 3.

<sup>62</sup> *Ibid* at 3.

<sup>63</sup> *Ibid* at 6.

members and 4 were “collective waivers”, granted to a defined group of contracting parties.<sup>64</sup>

An addendum to this note was added by the Secretariat on 10<sup>th</sup> November 1988<sup>65</sup> clarifying the updated number of waivers that were granted, being 78, until 1988. Certain waivers were granted without an expiry date, but instead with a requirement of fulfillment of a specific condition, as in the case of the waiver granted to France and the Federal Republic of Germany in 1957 relating to trade with the SAAR- where the only condition of expiry was when intra-trade became duty free, which is in fact stated to have happened in 1970, i.e., after 13 years of the grant.<sup>66</sup>

The European Economic Community, further attempted to clarify its position and its request for changing the prevailing provision under the GATT regime, by issuing another communication dated 22<sup>nd</sup> February 1990.<sup>67</sup> It made a formal six-point request- (i) a maximum time limit for a waiver, although not a uniform one, but one that is deemed fit at the time of the waiver being granted; (ii) Clear, precise and economic justification being provided for the waiver; (iii) a reason ought to be given as to why the member(s) requesting a waiver are not resorting to internal provisions/ exceptions of the agreements for their policy goals; (iv) there shall be an annual review of all the waivers granted, as to whether the waiver is yet justified; (v) the waivers in existence during the commencement of the new agreement ought to be phased out and

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<sup>64</sup> Ibid at 6.

<sup>65</sup> Multilateral Trade Negotiations the Uruguay Round, Negotiation Group on GATT Articles, Article XXV:5 (Waiver Power), Note by Secretariat, Addendum (10<sup>th</sup> November 1988), MTN.GNG/NG7/W/18/Add. 1, available at <<https://docs.wto.org/gattdocs/q/UR/GNGNG07/W18A1.PDF>>.

<sup>66</sup> Ibid.

<sup>67</sup> Multilateral Trade Negotiations the Uruguay Round, Negotiation Group on GATT Articles, Article XXV:5, Communication from the European Economic Community (23<sup>rd</sup> February 1990), MTN.GNG/NG7/W/69, available at <<https://docs.wto.org/gattdocs/q/UR/GNGNG07/W69.PDF>>.

(vi) a waiver does not preclude one from invoking dispute settlement provisions of the treaty, where it believes that the waiver is unjustifiably nullifying or impairing the benefits accorded to it by the agreement.<sup>68</sup>

In pursuance of this communication from the European Economic Community, a draft decision was developed, to govern all future waivers with clearer conditions and disciplines and was published on 23<sup>rd</sup> July 1990<sup>69</sup> for being forwarded to the negotiation committee.<sup>70</sup> The draft required a specific policy declaration for an extension of a prevailing waiver. It also required the nations seeking a fresh waiver to state the exceptional circumstances which justified the grant of a waiver, with a particular termination date. It further stated that all waivers were to be renewed annually, and that if a termination date was not provided, the waiver would automatically terminate within a specified period, however this time was left blank to be decided during negotiations.

This draft was thereafter sent to the negotiations committee and was negotiated in the early 1990s by the Trade Negotiations Committee at Ministerial Level, starting from December 1990, in Brussels.<sup>71</sup> Negotiations on this draft, took place without any difficulty. The final draft was released on 15<sup>th</sup> December 1993,<sup>72</sup> wherein it established the

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<sup>68</sup> Ibid.

<sup>69</sup> Multilateral Trade Negotiations The Uruguay Round, Negotiation Group on GATT Articles, Status of Work in the Negotiating Group, Chairman's Report to the GNG (23<sup>rd</sup> July 1990), MTN.GNG/NG7/W/73, at 2, available at <<https://docs.wto.org/gattdocs/q/UR/GNGNG07/W73.PDF>>.

<sup>70</sup> Ibid at 15.

<sup>71</sup> Multilateral Trade Negotiations The Uruguay Round, Trade Negotiations Committee, List of Representatives (10<sup>th</sup> January 1991), MTN.TNC/INF/11/Rev.1, available at <https://docs.wto.org/gattdocs/q/UR/TNC/INF11R1.PDF>.

<sup>72</sup> Multilateral Trade Negotiations The Uruguay Round, Trade Negotiations Committee, Final Act Embodying The Results Of the Uruguay Round of Multilateral Trade Negotiations (15<sup>th</sup> November 1993), MTN/FA-1, available at <<https://docs.wto.org/gattdocs/q/UR/MTN/FA.PDF>>.

“Multilateral Trade Organization”, later to be replaced with the “World Trade Organization”.<sup>73</sup>

This was the draft which was to be signed at the Marrakesh Ministerial Meeting by all the participants. Interestingly, this draft scrapped off Article XXV of the GATT and the waiver provisions appeared twice. Once in the WTO Agreement at Article IX.3 and IX.4, and once within the GATT 1994, phrased as the ‘Understanding in respect of waiver of obligations under GATT 1994’. Article IX.3 changed the voting requirement to the need for a three-fourth vote, as was the practice of the General Council’s decision-making process.<sup>74</sup> The method of grant of a waiver was intended to firstly be consensual, and voting was only to be resorted to in the absence of a consensus.<sup>75</sup> However, the limitation on the vote requirement, in any case, was increased from a two-third vote, to a three-fourth vote.<sup>76</sup> The provision continued the requirement of an “*exceptional circumstance*”, however with no details as to how to interpret the said phrase. It further established a time period of 90 days for the consideration of the waiver proposals by the Ministerial Conference. It procedurally established the requirement that

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<sup>73</sup> Multilateral Trade Negotiations The Uruguay Round, Trade Negotiations Committee, Final Act Embodying The Results Of the Uruguay Round of Multilateral Trade Negotiations, Corrigendum (15<sup>th</sup> December 1993), MTN/FA/ Corr.1, available at <<https://docs.wto.org/gattdocs/q/UR/MTN/FAC1.PDF>>.

<sup>74</sup> Feichtner (n 47) at 80.

<sup>75</sup> World Trade Organization, Decision-Making Procedures Under Article IX and XII of the WTO Agreement, Statement of Chairman (24<sup>th</sup> November 1995), WT/L/93 (95-3663), available at <<https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=Q:/WT/L/93.pdf&Open>>.

<sup>76</sup> United Nations Economic and Social Council, Drafting Committee of the Preparatory Committee of the United Nations Conference on Trade and Employment, Sub Committee on Tariff Negotiations, Suggested Amendments prepared by the Secretariat, (12<sup>th</sup> February 1947), E/PC/T/C.6/65/Rev.2, available at <<https://docs.wto.org/gattdocs/q/UN/EPCT/C6-65R2.PDF>>; United Nations Economic and Social Council, Second Session of the Preparatory Committee of the United Nations Conference On Trade and Employment, Report of the legal drafting committee of the tariff agreement committee on Part III of the General Agreement, (19<sup>th</sup> September 1947), E/PC/T/209, at page 8, available at <<https://docs.wto.org/gattdocs/q/UN/EPCT/209.PDF>>.

the waiver request was first to be submitted to TRIPS, which would then refer it to the Ministerial Conference (inclusive of General Council as per the footnote 6. As per IX.4, in line with the communication from the European Economic Communities, the exceptional circumstance justifying the waiver was to be stated by the requesting parties, and the terms and conditions of the waiver, as also the time when it would terminate was to be clearly specified.<sup>77</sup> The waiver, if granted, was to be reviewed every year, as to whether it was to be continued or not, in terms of the exceptional circumstance mentioned.<sup>78</sup> In respect of waivers already granted under the previous GATT regime, an understanding was established mostly to govern extensions of waivers already existing, the reasoning thereto, as well as the dispute resolution mechanism that was highlighted in the previous draft, pursuant to the communication by the European Economic Community.<sup>79</sup>

## B. Interpretation and Practice

Surveying the practice and use of the waiver power shows that the power has been used broadly, i.e., to allow for regional economic integration, as well as to justify import restrictions for domestic industrial development. The interpretation of “hardship” has been relatively liberal than is ideally conceived/ expected to be.<sup>80</sup>

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<sup>77</sup> Appellate Body Reports, *EC – Bananas III (Article 21.5 – Ecuador II) / EC – Bananas III (Article 21.5 – US)*, (9<sup>th</sup> September 1997), WT/DS27/AB/RW2/ECU, at para [380] available at < [https://www.wto.org/english/tratop\\_e/dispu\\_e/27abr\\_w\\_e.pdf](https://www.wto.org/english/tratop_e/dispu_e/27abr_w_e.pdf) > The limited duration of the waivers as provided within Article IX.4 has further been judicially confirmed by the Appellate body in *EC Bananas -II*, where the Appellate Body held that the waiver ought to define the date of termination and can only be granted for limited period of time.

<sup>78</sup> Multilateral Trade Negotiations The Uruguay Round, Trade Negotiations Committee, Final Act Embodying The Results of The Uruguay Round of Multilateral Trade Negotiations (15<sup>th</sup> April 1994), MTN.THC/W/ FA II.

<sup>79</sup> Ibid at A 1 A-1 (e).

<sup>80</sup> For a table of Waivers granted in the WTO until 2015, see World Trade Organisation, General Council, Waivers 1995-2015, Note by the Secretariat (27<sup>th</sup> June 2016), WT/GC/W/718, available at <<https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/GC/W718.pdf>>. For a table of Waivers granted in 2019, see World Trade Organisation, General

- i) In *Restrictions on the importation of Sugar and Sugar Containing Products- waiver extension*, that was sought by the US in 1991,<sup>81</sup> US vehemently argued the fact that Waivers were an essential tool for furthering the liberalization of trade by providing flexibility to accommodate the individual problems of the contracting parties in multilateral agreements. The US even pointed towards certain precedents where waivers were granted for indefinite periods, and were required so, due to the need of the individual contracting members at that point of time. The US's stand was vehement against a narrow interpretation of the waiver provision, which was opposed by the European Economic Community. The dispute resolution had ultimately decided in favour of the US, thus extending the waiver that was granted on 5<sup>th</sup> March 1955 and dismissing the complaints of the EEC.<sup>82</sup> As a result of this prolonged waiver and enactment of Section 22 of United States Agricultural Adjustment Act, where import restrictions were levied, US imports of sugar had declined from 5.3 million metric tonnes (raw value) in 1977 to 1.2 million metric tonnes (raw value) in 1987 and its production of sugar (beet and cane) had risen from 5.8 million metric tonnes (raw value) in 1977 to 6.6 million metric tonnes (raw

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Council, Waivers 2019, Note by Secretariat (18<sup>th</sup> December 2019), WT/GC/W/795, available at <[https://docs.wto.org/dol2fe/Pages/FE\\_Search/FE\\_S\\_S009-DP.aspx?language=E&CatalogueIdList=-259951&CurrentCatalogueIdIndex=0&FullTextHash=&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&CatalogueIdList=-259951&CurrentCatalogueIdIndex=0&FullTextHash=&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True)>; For a table of Waivers granted under the GATT 1947 see WTO, Analytical Index, Guide to GATT Law and Practice (1995), ii, at 892 -906, available at <[https://docs.wto.org/gtd/analytical/AI\\_WTO\\_Vol\\_1.pdf](https://docs.wto.org/gtd/analytical/AI_WTO_Vol_1.pdf)>.

<sup>81</sup> General Agreement on Trade and Tariffs, United States - Restrictions On The Importation Of Sugar and Sugar- Containing Products Applied Under The 1955 Waiver And Under The Headnote To The Schedule Of Tariff Concessions - Report of the Panel (7<sup>th</sup> November 1990), L/6631, 37S/228, available at <<https://docs.wto.org/gattdocs/q/GG/L6799/6631.PDF>>.

<sup>82</sup> Ibid at 29.



value) in 1987.<sup>83</sup> Yet the waiver was deemed fit to be continued by the Committee, and the panel.

- ii) In one of the earlier waiver requests, which was made by Belgium and Luxemburg, under Article XXV of the GATT, the scope of this adversity, and the meaning of exceptional circumstances was considerably examined, *albeit* in context. This request was also in terms of obligations under Article XI (quantitative restrictions) of the GATT in respect of agricultural products. The working party examined the request of both Belgium and Luxemburg and evaluated as to whether putting restrictions on import as against the provisions of Article XI of the agreement were necessary for the domestic industry of these nations or not.<sup>84</sup> Another question was as to whether alternate measures consistent with GATT obligations were possible to be taken instead of a waiver. Belgium in its request had pleaded that the Belgium agriculture industry comprised of very small enterprises that had an average area holding and were the smallest in Western Europe. The farms were also family run and there were no alternate qualifications that were enjoyed by these farmers, due to which they could not shift to alternate industrial activities. It was therefore essential to maintain import restrictions and allow for domestic farmers to run, for their income to be stabilized, and for them to not lose the 20 per cent share of income that was estimated to have been earned only on account on this import restrictions.<sup>85</sup> Apart from income concerns, the quality of life of these farmers also had to be

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<sup>83</sup> Ibid at 4.

<sup>84</sup> General Agreement on Trade and Tariffs, Belgium and Luxemburg Request for Waivers, Report by the Working Party (29<sup>th</sup> November 1955), Spec/382/55, at page 2, para 5, available at <<https://docs.wto.org/gattdocs/q/GG/SPEC/55-382.pdf>>.

<sup>85</sup> Ibid at (6-7).

maintained for which the restrictions were argued to be necessary.<sup>86</sup> The Working Party, after analyzing the scope of internal subsidies and tariffs that could have been provided to Belgium, within the structure of the GATT, concluded that removing the restrictions was not practicable and allowed for the waiver on the condition that the restrictions were to be removed after a period of 7 years.<sup>87</sup> The Working Party concluded that this request satisfied the necessary requirements of Article XXV and qualified as an “exceptional circumstance”, therefore allowing the waiver decision and submitting the same to the contracting party for their approval by vote.<sup>88</sup> On the request of Luxemburg as well, the reasoning that was given to justify the waiver was- (i) highly unfavorable natural factors for the domestic agriculture industry;<sup>89</sup> (ii) serious injury to the domestic producers in Luxemburg,<sup>90</sup> (iii) historical relevance of these restrictions and the long standing need for Luxemburg to provide special assistance to its agriculture industry.<sup>91</sup> The Working party considered the request and deemed the situation to be “Exceptional” due to the fact of the narrowness of the Luxemburg market and its less than significant impact on trade interests of other countries.<sup>92</sup> In accordance with this, the request for Luxemburg was approved and the Working Party had recommended the waiver for approval by the contracting states.<sup>93</sup>

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<sup>86</sup> Ibid.

<sup>87</sup> Ibid at (11).

<sup>88</sup> Ibid at (14,17).

<sup>89</sup> General Agreement on Trade and Tariffs, Report by the Working Party, Draft Section of the Working Party Report, II. Luxemburg Request (29<sup>th</sup> November 1955), Spec/379/55, available at <<https://docs.wto.org/gattdocs/q/GG/SPEC/55-379.pdf>>

<sup>90</sup> Ibid.

<sup>91</sup> Ibid at (3).

<sup>92</sup> Ibid at (5).

<sup>93</sup> Ibid at (6).

- iii) Waivers, from the Most Favored Nation principle, have been granted merely on the basis of a need to maintain long standing relationships with countries. Canada in its CABIBCAN request for a waiver of this MFN principle<sup>94</sup> justified the same on the ground of the long-standing relationship in terms of trade between Canada and Caribbean Commonwealth nations.
- iv) Another request by the France and European Economic Communities for a waiver to permit preferential trading with Morocco was granted/ recommended by the Committee merely on the ground of the existing “traditionally strong ties” between France and Morocco and the objectives of this arrangement being “sound economic development of Morocco and assistance thereto”.<sup>95</sup>
- v) Even in the case of the waiver request by the US for special trade preference to the Andean Nations, the reasoning was merely the need to curb the illicit drug production and trafficking in Andean nations, and to promote their trade and economic capability to overcome the need of drug trafficking.<sup>96</sup> This was primarily due to US’s own interests of curbing the production of drugs that were being frequently transported to the US from these countries. This waiver request was also approved and

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<sup>94</sup> World Trade Organisation, Council for Trade in Goods, CARBICAN Request for Extension of Waiver (3<sup>rd</sup> September 1996), G/L/100, available at <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=Q:/G/L/100.pdf&Open=True>.

<sup>95</sup> World Trade Organisation, Council for Trade in Goods, Trading Arrangements with Morocco, Extension of Waiver, Decision of Revision, (17<sup>th</sup> September 1996), G/C/W/59/Rev.1, available at <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=Q:/G/C/W59R1.pdf&Open=True>, at page 1.

<sup>96</sup> World Trade Organisation, Council for Trade in Goods, Andean Trade Preference Act, Request for Renewal of Waiver (4<sup>th</sup> September 1996), G/L/102, available at <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=Q:/G/L/102.pdf&Open=True>.

recommended on the ground of the exceptional circumstance of a need for trade and economic development of beneficiary developing countries situated in the Andean region.<sup>97</sup>

- vi) In a more recent instance, a waiver request that was made by Philippines, to waive off its obligations under Article 4.2 of the Agreement on Agriculture in order to maintain quantitative import restrictions on rice imports, for the need to protect domestic rice farmers from foreign competition, and for capacity building, was recommended and granted.<sup>98</sup> The said request was granted after a period of 2 years. Although the waiver was granted in 2014, yet the structure and scope of the negotiations that took place, did not focus on the “needs of the Philippines”, which requested for the waiver, and the exceptional circumstances, if any, thereto, but rather on ensuring that the economic needs of the exporting western nations were not sacrificed/compromised upon. This was a significant departure from past precedents, where the subject of negotiation always for the *need* of the requesting nation/nations to have a waiver, as against the economic interests of other parties to the WTO Agreement.

Even Collective waivers have been adopted at WTO to suspend obligations for groups of members that are affected by onerous obligations in exceptional circumstances. They have been adopted to address claims by developing nations that GATT/ WTO take

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<sup>97</sup> World Trade Organisation, Council for Trade in Goods, Andean Trade Preference Act, Draft Decision (4<sup>th</sup> September 1996), G/C/W/54, 96-3472, available at <<https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=Q:/G/C/W54.pdf&Open=True>>.

<sup>98</sup> World Trade Organisation, General Council, Decision on Waiver Relating to Special Treatment for Rice of the Philippines, Waiver Decision, (24<sup>th</sup> July 2014) WT/L/932, 14-4313, available at <<https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/L/932.pdf&Open=True>>.

insufficient account of their developmental and survival-based needs,<sup>99</sup> with a few important ones being concerned with the enforcement of TRIPS, and obligations therein concerned with pharmaceuticals.

<i>Decision No.</i>	<i>Provisions waived</i>	<i>Beneficiaries</i>	<i>Grounds of the waiver</i>	<i>Duration</i>
WT/L/478	TRIPS Agreement Article 70.9 with respect to pharmaceutical products	LDC members	In accordance with Paragraph 7 of the Doha Declaration on the TRIPS Agreement and Public Health, LDC members do not have to implement, apply or enforce Section 5 (on patents) and Section 7 (on protection of undisclosed information) of the TRIPS Agreement.	Until 1 January 2016 (about 13 years) Update: Extended to 1 <sup>st</sup> July 2021
WT/L/540	TRIPS Agreement Paragraph 6 decision waiving Paragraphs (f) and (h) of Article 31	All WTO members except those who opted out	The need to implement Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health to find a rapid solution to help countries with insufficient or no manufacturing capacities in the pharmaceutical sector make effective use of compulsory licenses.	Until the date on which an amendment to the TRIPS Agreement replacing its provisions takes effect for that member

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<sup>99</sup> Feichtner (n 47) at 86-87.

WT/L/971	TRIPS Agreement Article 70.8 and 70.9 with respect to pharmaceutical products	LDC members	In line with the waiver decision WT/L/478, reaffirm that LDC members do not have to implement, apply or enforce obligations under Article 70.8 and 70.9 of the TRIPS Agreement with respect to exclusive market rights and mailbox obligations.	Until 1 January 2033, or until a country graduates from the LDC status (about 17 years)
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**Table:** Examples of Article IX waivers granted with respect to provisions under the TRIPS Agreement as a collective measure.<sup>100</sup>

As can be seen from the above table, waivers, and extensions thereto, against the enforcement of their obligations under Articles 70.8, 70.9 of the TRIPS, have been granted to Least Developed Countries (LDCs) in the past for the purposes of transitional capability development. However, the narrow scope that has been adopted while defining LDCs<sup>101</sup> has left many developing nations, with much more proximate transitional need, begging for time. Especially nations, which had gotten independence and had started sovereign policy making in mid 1900s, thereby starting to develop capability and

<sup>100</sup> Table taken from MSF Access, “*India and South Africa Proposal for WTO Waiver from Intellectual Property Protections for COVID-19 related medical technologies*”, Briefing Document, Medicines San Frontiers (8<sup>th</sup> October 2020), Table developed with the support of the Third World Network, at page 8, available at <[https://msfaccess.org/sites/default/files/202010/COVID\\_Brief\\_ProposalWTO-Waiver\\_ENG\\_2020.pdf](https://msfaccess.org/sites/default/files/202010/COVID_Brief_ProposalWTO-Waiver_ENG_2020.pdf)>.

<sup>101</sup> List of 49 nations including Angola; Bangladesh; Benin; Burkina Faso; Burundi; Central African Republic; Chad; Congo, Democratic Republic of the; Djibouti; Gambia; Guinea; Guinea Bissau; Haiti; Lesotho; Madagascar; Malawi; Maldives; Mali; Mauritania; Mozambique; Myanmar; Niger; Rwanda; Senegal; Sierra Leone; Solomon Islands; Tanzania; Togo; Uganda; Zambia. Nine additional least-developed countries are in the process of accession to the WTO. They are Bhutan; Cambodia; Cape Verde; Laos; Nepal; Samoa; Sudan; Vanuatu and Yemen. See more here: <[https://www.wto.org/english/thewto\\_e/minist\\_e/min01\\_e/brief\\_e/brief03\\_e.htm](https://www.wto.org/english/thewto_e/minist_e/min01_e/brief_e/brief03_e.htm)>.

beginning to compete with the western market, have been eradicated from the use of this waiver, substantially cutting off at least a period of 20-30 years from their transitional development, as against centuries enjoyed by the western countries. In fact, the timing and scope of the TRIPS Agreement clearly shows that there was a deliberate effort by the west to cut-short the transitional period of developing economies like India, which had started intermediate development of a generic industry, thus cutting off the revenue capacities of the west.<sup>102</sup> To that extent, the enforcement of the waiver for LDCs has not borne any fruit *qua* those who already have the manufacturing capability to serve the needs of these LDCs at their economic level- due to the benefit of a prolonged tech-development period not having been extended to them, but rather only to a very narrow zone of nations which relatively still have a long way to go to reach any closer to the time/ volume of transitional periods enjoyed by the west.

The TRIPS waiver that was adopted on 30<sup>th</sup> August 2003, is an interesting historic instance at the WTO, as it was a collective waiver granted to all nations, against the enforcement of Article 31(f) and (h) of the TRIPS Agreement, apart from those who opted out from availing it.<sup>103</sup> The purpose of this waiver was to facilitate access to pharmaceuticals for those nations which did not possess manufacturing capabilities, and depended on export from nations which could invoke compulsory licenses and develop the same. Article 31(f) provided that upon the invocation of a compulsory license, the products that were manufactured could have only been used for domestic supply. This was deemed to be ineffective for nations which

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<sup>102</sup> Kale (n 36) at 607-608.

<sup>103</sup> World Trade Organisation, Implementation Of Paragraph 6 of The Doha Declaration On The Trips Agreement And Public Health, decision of 30<sup>th</sup> August 2003 (2<sup>nd</sup> September 2003), WT/L/540, available at <<https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=Q:WT/L/540.pdf&Open=True>>.

required access to pharmaceuticals but lacked the manufacturing capacity to produce the same, and depended on exports from developing nations like India, which could subsidize the same for them.

The TRIPS waiver of 2003 was symbolic, in the sense that it took into consideration, non-economic reasons for a waiver, and was a conscious attempt on the part of the Contracting parties to recognize conflicting norms (not associated solely with economic development) concerned with protection of health and healthcare, which were incidentally impacted by the trade and transitional restrictions that were imposed upon by the TRIPS Agreement. Upon the expiry of the transitional period for developing countries like India and South Africa, which were important producers of generics for the developing world and especially for the LDC's that lacked the manufacturing capacity to produce pharmaceuticals, it was argued in the request for a waiver - that TRIPS Agreement's restriction on access to affordable medicines for the developing world impeded the fulfillment of human rights such as the right to life, under Article 6 of the ICCPR and the right to health under Article 12 of the ICESCR. In this light, there was a debate on TRIPS and its role in impeding access to essential medicines inside the WTO, with arguments focusing on accessibility and domestic manufacturing capability, as well as the capability to export until manufacturing was possible- contested against the incentive (read: windfall) interests of the big pharmaceutical companies stationed in the west.<sup>104</sup> This debate took place from 18th – 22<sup>nd</sup> June 2001, in the TRIPS Council, Geneva, post which, on 14<sup>th</sup> November

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<sup>104</sup> World Trade Organisation, Council for Trade Related Aspects of Intellectual Property Rights, Special Discussion on Intellectual Property and Access to Medicines, Held in the Centre William Rappard during the meeting of the Council from 18 to 22<sup>nd</sup> June 2001 (10<sup>th</sup> July 2021), IP/C/M/31, available at < <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=Q:/IP/C/M31.pdf&Open=True>>.



2001, the Ministerial Conference of the WTO adopted the Doha Declaration on the TRIPS Agreement and Public Health,<sup>105</sup> acknowledging the serious health problems that the developing and the LDC countries were facing due to insufficient or no manufacturing capacity, or tech/ know-how availability which was protected under Articles 5 and 7 of the TRIPS Agreement. The conference examined the provisions of Compulsory licensing that were present within the TRIPS Agreement and recognized its inefficiency for countries which did not have any manufacturing capability, and which depended on exports for access to essential medicines - perhaps due to their economic status, as well as the lack of a transitional period and the histories of suppression that are pertinent to our global civilization.

On September 19, 2001, the TRIPS council discussed two drafts of a proposed ministerial declaration:

- i) The developing country draft asserted that the TRIPS Agreement does not prevent members from taking measures to protect public health. Thus, TRIPS does not remove a member's sovereign power to address public health emergencies within its own borders.
- ii) The developed country draft argued that the most effective strategy for addressing public health emergencies is a combination of economic, social and health policies which require a strong patent regime for incentives and effective drug development.

Notwithstanding these divergent positions, a Declaration on TRIPS and Public Health was issued by a consensus of all WTO members at

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<sup>105</sup> World Trade Organisation, Ministerial Conference, Fourth Session, Doha, Declaration on the TRIPS Agreement and Public Health, (20<sup>th</sup> November 2001), WT/MIN(01)/DEC/2, available at < <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=Q:WT/Min01/DEC2.pdf&Open=True>>.

the Doha Ministerial meeting in Qatar in November 2001. The Declaration provides:

*“We agree that the TRIPS Agreement does not and should not prevent members from taking measures to protect public health. Accordingly, while reiterating our commitment to the TRIPS Agreement, we affirm that the Agreement can and should be interpreted and implemented in a manner supportive of WTO Members' right to protect public health and, in particular, to promote access to medicines for all.”*<sup>106</sup>

Pursuant to this, a Draft waiver decision was forwarded to the conference for a consensus, in terms of the provisions under Article IX.3 of the WTO/ Marrakesh Agreement, showcasing “exceptional circumstances” i.e., the widespread issue concerning HIV/Aids, Malaria and other epidemics in developing countries and the LDCs - which lacked the manufacturing capacity to develop pharmaceuticals for the same. In lieu thereof, a draft of waiver of Article 31(f) (*Motta Draft*) - which posed restrictions on export after resorting to compulsory licensing for developing drugs, and Article 31(h) which required the nation issuing a compulsory license to pay adequate remuneration to the rightsholder, was put before the Contracting parties for a consensus. However, this draft was rejected by the United States, which was adamant on restricting the scope of the application of the waiver to HIV/Aids, Malaria and Tuberculosis, instead of the broadly worded “other epidemics”.<sup>107</sup> Given the history of the interpretation and use of the phrase “exceptional circumstance”, it was

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<sup>106</sup> Ibid.

<sup>107</sup> World Trade Organisation, Council for Trade Related Aspects of Intellectual Property Rights, Minutes of the Meeting, Held in the Centre William Rappard On 25<sup>th</sup>, 27<sup>th</sup> and 29<sup>th</sup> November and 20<sup>th</sup> December 2002 (5<sup>th</sup> February 2003), IP/C/M/38, at [34], available at <<https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=Q:/IP/C/M38.pdf&Open=True>>.

quite unreasonable of the United States to have raised an objection to an issue of epidemics and unavailability/ inaccessibility of drugs at affordable prices, citing it as unjustifiably vague, and wide-encompassing, however the draft was further deliberated upon, and was forwarded to the General Council for adoption on 28<sup>th</sup> August 2003.<sup>108</sup> The General Council proceeded to adopt this waiver on 30<sup>th</sup> August 2003- covering a waiver of Article 31(f) and 31(h) obligations on patents (products and processes) of the pharmaceutical sector that needed to address public health problems as recognized in the Doha Declaration.<sup>109</sup> Interestingly, the decision did not include a termination date in terms of Article IX.4 of the Marrakesh Agreement, but rather provided for termination when an amendment replacing the said decision would come into place in the TRIPS Agreement.

The deliberations on the date of adoption of the waiver clearly show the element of norm-shifting that was fostered by this waiver, moving away from the sole-economic focus of the WTO, and towards addressing “exceptional circumstances” of hardship which went beyond “economic needs” and were in fact incidentally affected by the global trade regime. The minutes of the meeting highlight this aspect of the Chairman’s statement:

*“He also found a special satisfaction because Members’ action today in completing the Doha Declaration on the TRIPS Agreement and Public Health demonstrated for all to see that the WTO was committed to pursuing its trade mandate in a way which fully respected and protected humanitarian concerns.”<sup>110</sup>*

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<sup>108</sup> World Trade Organisation, Council for Trade Related Aspects of Intellectual Property Rights, Minutes of the Meeting, Held in the Centre William Rappard on 28 Aug. 2003 (7<sup>th</sup> November 2003), IP/C/M/41, at [3] and [10], available at <<https://docs.wto.org/dol2fe/Pages/-/SS/directdoc.aspx?filename=Q:/IP/C/M41.pdf&Open=True>>.

<sup>109</sup> Ibid at 168.

<sup>110</sup> World Trade Organisation, General Council, Minutes of the Meeting, Held in the Centre William Rappard on 25<sup>th</sup>, 26<sup>th</sup> and 30<sup>th</sup> August 2003 (13 November 2003), WT/GC/M/82,

The focus on public health needs of the developing countries and the LDCs and how these concerns were gravely impacted with the restrictive compulsory licensing provisions in the TRIPS Agreement was duly acknowledged by the WTO, showing a shift in norms and priorities from sole economic policymaking to socio-economic and well-being/health related concerns as well. This waiver was the first attempt to normatively shift focus towards addressing humanitarian concerns of the Developing countries and the LDCs, who have been denied their claim to a sufficiently long transitional period, and manufacturing capability- due to histories of colonialism, oppression, and global policy coercions, as can be seen from Part - I of this article. This shows that the WTO has, in fact in the past, already ventured into intersectional policy making, and the COVID-19 waiver won't be an unprecedented arena for essential norm shifting.

On a consideration of these interpretations taken in the past, there can be no doubt that the COVID-19 situation is one that qualifies as an “Exceptional circumstance” for a waiver from IP obligations under the TRIPS agreement. TRIPS obligations themselves have played a role in denying domestic industries of developing countries the capability of knowledge development through reverse engineering, or a significant transitional period. Its impact has been significant in respect of the capability to produce vaccines, or other pharmaceutical products in situations of such urgencies.

Any debate on the grant of a waiver from IP obligations under TRIPS during this global pandemic should have, in fact, been a clear non-starter. The hypocrisy in the interpretation of “Exceptional Circumstances” under Article IX.3 of the WTO Agreement, further

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at [34], available at <<https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=Q:/WT/GC>>.

supports the normative claims of inequity and a need to fundamentally restructure the global diplomatic regime that govern indigenous capability building.

## CONCLUSION

The core reflection from this part is – Why does a provision to “waive” off obligations even exist in the WTO Agreement? And if not now, then when? Prioritizing norm shifting in the context of a global pandemic, giving heed to historical inequality and oppression, is the basic core of Article IX.3 of the WTO Agreement, lest its symbolic existence in the Agreement should just be done away with.

I do not shy away from the fact that manufacturing incompetence and the unwillingness or the lack of a pro-active approach by governments in quickly entering into licensing agreements- largely contributed to this loss of lives, but it was IP and TRIPS obligations which provoked this “need” for a negotiation, in exchange of so many lives. This is the neo-liberal leviathan which Prof. Amy Kapczynski spoke about,<sup>111</sup> where the “social” is completely dis-embedded from the economic sphere,<sup>112</sup> where the market regulates human activity,<sup>113</sup> case against social conscience regulating markets. To resort to such an extreme is to “subordinate the subsistence of society itself to the laws of the market, and the interest of the marketers, thus disenfranchising humans of the ability to direct the trajectories of their social institutions.”<sup>114</sup>

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<sup>111</sup> Amy Kapczynski, ‘Intellectual Property’s Leviathan’ (2015) 77(4) *Law and Contemporary Problems* 131.

<sup>112</sup> Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time*, (Farrar and Rinehart 1944, Reprinted in 1957 by Beacon in Coston) 60, 272.

<sup>113</sup> Timothy Macneill, “*The End of Transformation? Culture as the Final Fictitious Commodity*”, *Problematique* 12 (January 2010), 17.

<sup>114</sup> *Ibid* at 20.

# HAVE INTELLECTUAL PROPERTY RIGHTS FAILED TO ACHIEVE THE SOCIO - ECONOMIC EQUILIBRIUM?

Subhadip Sarkar\*

## *Abstract*

*Due to the advent of the knowledge and data-driven economy, intellectual property rights (**IPRs**) have become important and essential components of economic development of any country. IPRs provide the creator and owner of the intellectual property (**IP**) exclusive and limited monopolistic rights, thereby generating higher returns on investments for the innovator. However, it may not be necessarily true that strong and aggressive IPR systems and approaches, backed up by stringent legal frameworks around IP processes nurture innovation for the benefit of the common public and create stronger socio-economic development of a country. Therefore, it can be argued that there is a need to re-define the legal systems regulating IPRs to enable the socio-economic equilibrium of IP, and to bring tangible impact created by IP to the development of economy.*

**Keywords:** economic equilibrium, IPR, Intellectual Property, Public Policy, Socio Economic Impact, Knowledge dissemination.

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## **INTRODUCTION AND BACKGROUND**

The study of socio-economic dynamics of IPRs sounds quite fascinating and exciting. IPR provides the creator and owner of the IP exclusive and monopolistic rights, thereby generating higher returns on investments.<sup>1</sup> However, the real value of IP to the new society can come only when IPs are managed effectively through appropriate and structured economic and public policies, procedures, judiciaries and enforcement models, and a highly efficient governance programme.<sup>2</sup> A number of renowned economists, including Joseph Stiglitz believe that the differences between developed and developing countries are not only resource gaps, but also the gaps in knowledge and information.<sup>3</sup> Consequently, the success of economic development is to reduce this gap.

As stressed by Keith Maskus, the issue is complex, the effectiveness of IPRs in development and growth, depends on the circumstances of each country.<sup>4</sup> The effects on economic growth and technological progress are positive only if they are structured in such a way as to promote competition.<sup>5</sup>

The investments associated with the creation of IP are costs that relate to advanced R&D, marketing, legal and associated costs and expenses related to preservation, protection and enforcement of IP,

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<sup>1</sup> Stanley Besen & Leo Raskind, 'An Introduction to the Law and Economics of Intellectual Property' 5(1) *The Journal of Economic Perspectives* (1991) 3–27.

<sup>2</sup> S. Bhaduri *et al*, 'Politico-Historical Contingencies, Intellectual Property Rights, and Economic Performance Across Countries: A Simultaneous Equation System Perspective' 18 *The Journal of World Intellectual Property* (2015).

<sup>3</sup> Joseph E. Stiglitz, 'Economic Foundations of Intellectual Property Rights' 57 *Duke Law Journal* (2008) 1693.

<sup>4</sup> Livia Ilie, 'Intellectual Property Rights: An Economic Approach' (21st International Economic Conference, Romania, May 2014).

<sup>5</sup> Keith E. Maskus, 'Intellectual Property Rights and Economic Development' 32(3) *Case Western Reserve Journal of International Law* (2000).

maintenance of IP, so on and so forth.<sup>6</sup> At the same time, having IP creates the ability to charge premiums to its users, thereby not only protecting the Ips for the future and getting the limited exclusive rights, but also generating more income and profits for the inventor.<sup>7</sup>

This in turn enables companies and individuals to invest further in R&D and develop more advanced products and services. As the cycle perpetuates, higher returns on investments are generated. This process makes good sense because inventors would need incentive to create good and valuable IPs and therefore, having a strong IPR ecosystem definitely enables these financial goals. The creation of valuable IPs is a time-exhaustive process and requires high investments in R&D and other areas. As widely recognised, creating IP is not only expensive but the administrative hassles, time and complexity in IPR laws in different countries. Consequently, it becomes a complicated process which involves engaging experts on IPR to create documentations, protect and commercialize IP. Hence, inventors, innovators, and corporations need a very good reward mechanism and process so that they can continue to invest and create more IPs for the nation. The limited exclusive and monopoly rights possibly provide that incentive to the innovators. This is how a nation becomes innovative, powerful and more progressive.<sup>8</sup> Thus, this cyclic process of IP generation, its protection, monopoly rights, and commercialization creates rewards and motivation for the IP creators.

As rightly mentioned by Joseph E. Stiglitz, “the intellectual property regime is part of society’s innovation system, and its intent is to provide incentives to innovate by allowing innovators to restrict the use of the

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<sup>6</sup> C. May and S. Sell, *Intellectual Property Rights: A Critical History* (Lynne Rienner Publishers 2005).

<sup>7</sup> Stiglitz (n 3).

<sup>8</sup> Carsten Fink and Keith E. Maskus, *Intellectual Property and Development: Lessons From Recent Economic Research* (Washington, D.C.: World Bank and Oxford University Press, 2005).



knowledge they produce by allowing the imposition of charges on the use of that knowledge, thereby obtaining a return on their investment.”<sup>9</sup> However, it is also argued that the conventional IP system also leads to exploitation. Zakir Thomas in his article wrote that Martin Shkreli, the Chief Executive of Turing Pharmaceuticals was the “most hated man in America”, and his infamy was a direct reaction to the rise in the price of Daraprim, a generic drug originally developed in the 1950s, by 5000%.<sup>10</sup>

However, there are a few pertinent questions that require some deep thinking and intrinsic analysis, such as:

- 1) How does IP benefit the people and society and create any economic development of a nation?
- 2) Does IP create a socio-economic equilibrium and impact in society?
- 3) What are the metrics and value index to measure the success and can we think of alternative models to break this monopoly chain, or
- 4) Can we have a hybrid model?

The above questions do not comprise an exhaustive list of queries or issues in hand to discuss. There are more of such fundamental questions. The key, however, is to draw a fine balance and trade-off between the protection of IP and the dissemination of knowledge for the benefit of society.

Notably, historically, the alliance between trade and intellectual property is a contemporary beast. The significance of the onset of

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<sup>9</sup> Stiglitz (n 3).

<sup>10</sup> Zakir Thomas & Martin Shkreli, ‘The Man of the (Pharma) Year 2015’ (*SpicyIP*, 15 January 2016) <<http://spicyip.com/2016/01/guest-post-martin-shkreli-the-man-of-the-pharma-year-2015.html>> accessed May 4 2023.

COVID represents the convergence of the trade regime's disadvantages with that of the patent regime's failings, begging, nay, forcing us to examine the ill-fated historic and yet contemporary alliance of trade and intellectual property rights. In that, contemporary IP laws are independently embroiled in a struggle to define the limits of the involved exclusivities, especially in the context of addressing the system's ability to deliver its purported objective.<sup>6</sup>

The paper aims in coming out with some recommendations to address the above issues. The paper is divided into four broad sections. The first section generally talks about the advantages of IP for any economy and why IPR systems are important for a country. The second section talks about the challenges faced by a strong IPR regime and how the impact of IPRs and innovation fails to significantly impact the general public.

The third section will provide the readers with a suggestive framework advocating for a hybrid solution, and approaches that provide a window of opportunity for a fine balance to be struck between a strong IP regime and a culture of open innovation, through the intervention of public policy and governance. The final section depicts a Socio-Economic Value Index of IP, which measures the social and economic impact and effectiveness of IP through the interplay between various dynamic variables. The author argues that a hybrid model enables the maximum socio-economic impact for a country and leads to the creation of an effective economic equilibrium.

### **HISTORICAL RELEVANCE OF IPR SYSTEM**

The patent system was developed to encourage innovation and technological advancements which would benefit the society. The system was designed to capture the objective of enhancing public benefit by incentivizing creativity without imposing undue social cost.

patent law is a misfit within the traditional property regime. That is, the prevailing notions of patents as an extension of property rights lead one to construe patents in terms of rights rather than obligations. Property law posits rights in correlative terms and thus, defines rights from the perspective of the duty of third parties. Thus, acquisition of patent rights signals a societal duty to forbear from the patented invention. However, the property-based construct of patents does a poor job of defining the limits of the rights. As such, patent law lacks a clear outline or measure of the patent owner's duties corresponding to the rights.<sup>11</sup> However, the current practice is designed in a manner that is intended to exploit the patent system in such a manner that is detrimental for the benefit of society with almost no obligations expected from the inventors.

### **IPR AND ITS IMPACT ON ECONOMY**

It is needless to say that the generation, protection and monetization of IP have significant impact on the economy of a nation. Knowledge helps create IP, thereby creating an entire lifecycle of the protection and monetization of IP. Unless continuous investments are made to generate, develop and improvise the existing knowledge and IP, new developments or enhancement do not occur.

The speed of innovation is also critical in today's technology world. Speed will require rapid investments. This is how development advances in any area of technology and eventually leads to the development of a nation. In order to incentivize the inventors and technologists, reward in some form is mandatory. Hence, the entire concept of monopoly rights that is associated with the protection of

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<sup>11</sup> Srividhya Ragavan & Swaraj Paul Barooah, 'Historic Tensions involving international intellectual property protection of medical technology with disastrous public health consequences' Seton Hall Review: Forthcoming <[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=4386259](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4386259)> accessed 24 April 2023.

IP and the legal framework surrounding the protection of IP is required. It is also important to note that the structure of the IP programmes and policies, including reforms brought by the government should ideally bring in innovativeness, creation of knowledge economy, which further lays the economic foundation of knowledge and leads to the growth of a nation.

There are enough historical data to demonstrate the success of a nations that have invested in the generation and protection of IP.<sup>12</sup> However, there is also an underlying assumption, that is, that IP is consumed by people, and its benefits accrue to people, both in the public and private domains.<sup>13</sup> Thus, there is a larger benefit to society and the public.

At this point, it is important to bring in the economic concept of Public and Private Goods, and knowledge is a public good. It is pertinent to point out that throughout the paper, the readers will come across the word “knowledge” and “IP”, which have a close relationship. The basic assumption behind these two words is that “knowledge” creates “IP” and hence they are closely linked to each other.

Economists use the concept of “public goods” in technical terms. Paul Samuelson defined it precisely more than fifty years ago.<sup>14</sup> A “public good” is a good whose consumption is non-rivalrous. By contrast, “private goods” can only be consumed by one person. In other words, a tangible private good can be consumed or used by a single person at any given point of time. Whereas, knowledge, IP and all forms of intangible knowledge can be consumed by many at any given point of

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<sup>12</sup> OECD, *World's Top R&D Investors: Industrial Property Strategies in the Digital Economy* (European Commission and OECD, Brussels and Paris, 2017) <<https://www.oecd.org/sti/world-top-rd-investors.pdf>> accessed March 23 2023.

<sup>13</sup> Stiglitz (n 3).

<sup>14</sup> P.A. Samuelson, ‘The Pure Theory of Public Expenditure’ 36 Rev. Econ & Stat. (1954) 387.

time. Thus, there is no marginal cost associated with the use of knowledge. This “public” nature of knowledge as a good was described eloquently in 1813 by Thomas Jefferson in his letter to Isaac McPherson. He said that knowledge is like a candle- when one candle lights another, it does not diminish the light of the first candle.<sup>15</sup>

Understanding this concept is at the core of understanding efficiency in the use of knowledge. It is more efficient to distribute knowledge freely to everybody, than to restrict its use by charging for it. Therefore, the key question is whether knowledge, when converted into a tangible form, restricts the benefits for society? The paper aims at addressing this question.

The regulation and management of knowledge, and more importantly, the access of knowledge by the general public determines the benefits associated with knowledge. Therefore, it is imperative that the production, preservation, and distribution of knowledge are key in deriving the benefits of knowledge for the economic growth of a country, and for the overall growth of the knowledge economy.

In general, IP helps a country become technologically stronger, more advanced and innovative. Innovation leads to the generation of employment, creation of new companies and opportunities, higher revenues and profits for corporations, which further leads to higher taxes and cesses for the country, exports, FDIs, GDPs and further investments in a country.<sup>16</sup> All these have direct and indirect benefits for the development of a nation and its people. In the long run, these benefits further yield positive outcomes for the nation as well. These profits ultimately lead to further investments in technology and

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<sup>15</sup> Letter from Thomas Jefferson to Issac McPherson (Aug, 13, 1813), in *The Writings of Thomas Jefferson*, 326, 334 (Andrew A Lipscomb ed 1904).

<sup>16</sup> R. A. Atun *et al*, ‘Innovation, patents and economic growth’ 11(2) *International Journal of Innovation Management* (2007) 279–297.

innovation, creation of more IPs, and this cycle continues itself. These also lead to the opening of different avenues for employment, as well as the emergence of newer business streams and opportunities for the overall development of the public.<sup>17</sup>

It is also important to note that the creation of IP needs to be backed by a strong legal framework and laws around Intellectual Property.<sup>18</sup> This is important for the protection and enforcement of IPs. Currently, IPRs and related laws create a strong framework for creation, protection, enforcement, and monetisation of IP.<sup>19</sup>

A strong IPR regime also creates a lot of job opportunities for people in a country. This is evident from the significant presence of the several hundred IPR professionals in our country who support various emerging innovators and enable the protection of these IPRs. The field of IPRs has not only created opportunities for innovators, scientists, engineers and doctors, but for individuals across domains and other areas.<sup>20</sup> Innovation also opens doors for newer areas of investment opportunities and newer business models. IP creation has catalytic effects for employment opportunities and growth. Today, a job-seeker has many choices for new areas of studies and job opportunities. Exclusive disciplines and areas of studies around Data Mining or science, agro-engineering and other fields within science, technology, arts, finance, commerce, and medicine significantly contribute to the overall development of a nation.

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<sup>17</sup> J. Hudson *et al*, 'Innovation, intellectual property rights, and economic development: a unified empirical investigation' 46 *World Development* (2013) 66–78.

<sup>18</sup> O. Granstrand, 'Innovation and intellectual property rights' in J. Fagerberg *et al* (eds), *The Oxford Handbook of Innovation* (OUP 2009).

<sup>19</sup> R.J. Rossberger *et al*, 'Participative and team-oriented leadership styles, countries' education level, and national innovation: the mediating role of economic factors and national cultural practices' 49(1) *Cross-Cultural Research* (2015) 20–56.

<sup>20</sup> Keith E. Maskus (n 5).

Countries that are unable to invest money, time or capabilities to develop IPs and foster innovation can adopt new technologies. These countries get an opportunity to innovate in the application side of IP. These opportunities, in turn, help their economy, create job opportunities, enhance their technology, innovate manufacturing techniques, and spur innovation in the service side of IP, including distribution and logistics.<sup>21</sup> Therefore, even though some countries may not be the principal creators of IP or the investors in the creation and development of core technologies, they may end up being innovators in the downstream innovation cycle. For example, country A may develop the core technology in a particular area. The technology may move to country B through licensing arrangements, where manufacturing, distribution, other services, and support may occur. Country B gets an opportunity not only to create jobs for local people but also innovate the manufacturing processes, enhance the technology through local R&D, and so on. Therefore, the entire supply chain participates in the innovation and creation of IP. This is a perfect example of a win-win situation for all the participating economies. However, going back to the key questions that were raised in the beginning of the paper, we examine whether the common man benefits from these innovations, and whether these innovations reach the public quickly. Additionally, are we in a position to effectively disseminate this knowledge? These issues will be addressed in the subsequent sections of the paper.

### **EMPIRICAL INSIGHTS**

Gould and Gruben related economic growth rates across many countries to a simple index of patent strength and other variables. They found no strong direct effects of patents on growth, but there was a

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<sup>21</sup> P. Neves et al, 'The Link between Intellectual Property Rights, Innovation, and Growth: A Meta-Analysis' 97 *Economic Modelling*, (2021) 196-209.

significantly positive impact when patents were interacted with a measure of openness to trade.<sup>22</sup>

Their argument was that open economies tend to experience greater competition, higher amounts of competitive FDI, and enhanced needs to acquire advanced technologies for the purposes of raising product quality. Moreover, firms in such countries would be more likely to undertake the costs of effective technology transfer and adaptation to local circumstances. However, such innovation would be more prevalent in economies with adequate IPR systems in place.

In 1997, Park and Ginarte studied how IPRs affect growth and investment. They found no direct correlation between patent strength and growth, but there was a strong and positive impact of patents on physical investment and R&D spending, which in turn, raised growth performance.<sup>23</sup>

Kanwar and Evenson related strong IPR protection with economic growth based on the reasoning that strengthened patent rights positively increase innovation through cost-saving technology and new product creation, and hence lead to economic growth.<sup>24</sup>

The evidence presented above suggests that a robust IPR protection system could lead to more international economic activity, and better indigenous innovation. But such effects would be conditional on certain circumstances.

Circumstances vary widely across countries and the positive impacts of IPRs should be stronger in countries with appropriate

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<sup>22</sup> D.M. Gould & W.C. Gruben, 'The Role of Intellectual Property Rights in Economic Growth' 48 *J. Dev. ECON.* (1996) 334-35.

<sup>23</sup> J. C. Ginarte and W. G. Park, 'Determinants of Patent Rights: A Cross-National Study', 26 *Research Policy* (1997) 283.

<sup>24</sup> Sunil Kanwar and Robert Evenson, 'Does Intellectual Property Protection Spur Technological Change?' 55(2) *Oxford Economic Papers* (2003) 235-64.



complementary endowments and policies.<sup>25</sup> Countries face the challenge of ensuring that their new policy regimes become pro-active mechanisms for promoting beneficial technical change, innovation, and consumer gains.

However, the hypothesis that aggressive IP approaches, backed up with strong IPR systems and processes nurture innovation for the benefit of the common public, thereby creating stronger socio-economic development of a country, is debatable. The subsequent sections will cover elements of this particular argument and will conclude with a proposal for a hybrid model.

### **IMPACT OF IPR ON THE “BOTTOM OF THE PYRAMID”**

In the previous section, how “Knowledge” is closely related to IP, was emphasized. Knowledge creates IP and a strong IPR regime restricts the distribution and use of knowledge.<sup>26</sup> Therefore, can it be inferred that strong and conventional forms of IPR systems have a detrimental effect on the economy, and create negative socio-economic impact on a society? However, caution must be exercised in arriving at such conclusions until more specific details and principal issues are analysed deeply.

The current model of IPRs encompasses a strong legal framework which governs and controls the creation, use, distribution, making, and consumption of the knowledge or the IPs. This essentially means that knowledge is not free, but restrictive, and this is completely opposed to the concept of the free distribution of knowledge.

If knowledge is not free, then the further development and enhancement of knowledge is not free. If development and

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<sup>25</sup> C. Forero-Pineda, ‘The Impact of Stronger Intellectual Property Rights on Science and Technology in Developing Countries’ 35(6) *Research Policy* (2006) 808-824.

<sup>26</sup> P. David and D. Foray, ‘Economic Fundamentals of the Knowledge Society’ 1(1) *Policy Futures in Education* (2003).

enhancement of knowledge is not available in an economy, then the common public cannot use the associated IPs because the system provides the innovators with limited monopoly rights and no incentive for the distribution of knowledge.

The IP regime is part of society's innovation system, and its intent is to provide incentives to innovate by allowing innovators to restrict the use of the knowledge they produce by allowing the imposition of charges on the use of that knowledge, thereby obtaining a return on their investment. Monopoly leads not just to inequities in the economic balance but also to major distortions in resource allocations. Thus, monopoly power is limited and this is precisely also the focus of anti-trust policies.

A predicament arises as we do not only tolerate this distortion and inefficiency by restricting the use of knowledge, which further creates monopoly power, but also sanction it. This is part of our legal framework as we operate under the belief that this behaviour fosters innovation.<sup>27</sup> More importantly, we assume that this framework will also help improve the socio-economic condition of a nation and innovation would reap benefits for the needy and the poor.

When we attempt to recollect the top ten IPRs of the last two decades and study the velocity of the penetration of the knowledge associated with these IPRs to a common person, anyone would find it difficult to make that list. It can, therefore, be argued that an excessively strong IPR regime and framework can impede innovation and this has little or no impact on the socio-economic development of a nation.

One of the most important reasons for the establishment of conventional IPR systems was the disclosure of innovation for the further enhancement of technology in society, so that the reinvention

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<sup>27</sup> Stiglitz (n 3).

of the same things could be prevented. The legal framework is also built upon the same philosophy. As per the Patent Laws in most countries, sufficient disclosure of an invention is mandatory.<sup>28</sup> The disclosure of a patent document should be in such a manner that anyone who reads the patent can understand the invention completely without making a single phone call to any of the inventors. However, how many, and to what extent can the patents be understood by a common person?

Sometimes, even inventors struggle to understand their inventions even though their patent applications drafted by very competent patent lawyers entail their very own creation(s). Majority of the inventions are owned by large corporates who have unlimited budgets, efforts and time to invest in R&D, who continuously develop patent portfolios with the intent of blocking competition, ever green their monopoly rights and, charge premium from customers to quickly recover the costs and return on investments.<sup>29</sup> The most important point to consider is whether or not these inventions and innovations reach the common person, and even if they do reach, when?

Even if the enhancement of technology by a common person as a concern is disregarded, the pertinent question of how many people are able to access these inventions and innovations, remains unanswered. Even if these inventions reach common people, they come at a very high cost, which many are not able to afford in the first few years. The access to these inventions by society comes much later in the lifecycle when the actual impact of the invention is lost, or has very minimal effect on society and the economy of a country. It is important to note that not just high-end technological innovations are being referred to

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<sup>28</sup> J. C. Fromer, 'Patent Disclosure' 94 *Iowa Law Review* (2009) 539.

<sup>29</sup> Emdad Islam and Jason Zein, 'Inventor CEOs' 135 *Journal of Financial Economics* (2020) 505-527.

here, but even inventions and technologies that significantly improve the quality of life of people, and have larger impact on society that are inaccessible by the general public.

Further, another related topic concerning disclosure and patent rights is the concept of “prior art” and publication. A patent is granted to an inventor only if it is novel, and is not available as any “prior art” in the form of publication, articles, patents, or other similar public disclosures.<sup>30</sup> Therefore, common knowledge, which is known to the general public and creates an impact on society may not be always documented because it is generally known to everyone, and does not necessarily warrant publication. However, if this knowledge is not published or available through tangible means in the public domain, then it may not meet the requirements of being called “prior arts”, as per the patent language. By remaining unpublished, a patent for the same can be filed, and may also get granted as the patent examiner may not find any “prior art” to reject the patent. Technically, thus, a known innovation, in the absence of a valid “prior art”, can give monopoly rights to an inventor unless such a patent is challenged by others, by providing valid documents, evidences and justifications, which is a long-drawn process of invalidation. Such complexities of the IPR regime within the realm of Patent Law may sound unconventional, but the current legal framework under the strong IPR regime supports this approach and rightfully so, because the objective of the system is to provide the inventor with premium monopoly rights even if the period is limited.

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<sup>30</sup> *Graham v John Deere Co.* 383 U.S.1 (1966).

It is important to draw attention to the study by Ginarte and Park on the index of patent rights<sup>31</sup>, and the subsequent studies done by Keith E. Maskus.<sup>32</sup>

These findings may be explained by the nature of technological development. Least-developed countries devote virtually no resources to innovation, and have little intellectual property to protect.<sup>33</sup> As incomes and technical capabilities grow to intermediate levels, some adaptive innovation emerges, but competition flows primarily from imitation.<sup>34</sup> Thus, the majority of economic and political interests at this stage are inclined towards the weak protection of IPs. As economies mature to higher levels of technological capacity, and the demand shifts towards higher-quality products, domestic firms start favouring stronger, and more protective IPR systems. Finally, the strength of IPR systems shifts upwards sharply at the highest income levels, as these latter processes are cemented.<sup>35</sup>

Here, it becomes imperative to refer to certain basic concepts of economic theory. The output cost and supply of a manufacturing set up or any industrial investment depends on the cost and availability of the input material or resources.<sup>36</sup> In the case of IPRs, the primary input for creating IP is knowledge and the output could be highly innovative and commercially viable IP or IP assets. If we restrict the knowledge as the input, the output is not only less but also becomes expensive because of the costs of creation or through the increase in operational

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<sup>31</sup> Ginarte and Park (n 23).

<sup>32</sup> Keith E. Maskus (n 5).

<sup>33</sup> UNCTAD, *The Least Developed Countries Report 2007: Knowledge, Technological Learning and Innovation for Development*

<sup>34</sup> C. Lorenczik and M. Newiak, 'Imitation and innovation driven development under imperfect intellectual property rights' 56(7) *European Economic Review* (2012) 1361-1375.

<sup>35</sup> Yee Kim *et al*, 'Appropriate Intellectual Property Protection and Economic Growth in Countries at Different Levels of Development' 41 *Research Policy* (2012).

<sup>36</sup> David A. Shapiro, *Principles of Microeconomics* (2017)

costs. If we increase the price of an input, it reduces the supply of the output.

Since the input is knowledge; a strong IP regime would increase the price of this input, which in turn, would reduce the availability and reach of the output for the common man. Therefore, an excessively aggressive and strong IPR regime impedes innovation and leads to an insignificant socio-economic impact on a country.

Further, as indicated in the earlier sections, patents directly create monopolistic rights, thereby providing incentives to inventors and innovators. The common economic theory of monopoly is that when someone has monopolistic rights in manufacturing, the production is controlled and regulated in such a way that premium can be charged for low supply. Also, the motivation to further innovate is also low as long as the monopoly is able to generate sufficient income and revenue stream for the innovators.

Furthermore, monopolists through a strong IPR regime prohibit innovation by others, especially by blocking competitors or raising the cost of the innovation for third parties. This either increases the cost of replacement products/innovation, or prohibits further innovation in the market. Hence, overall, this approach impedes future innovation and technology growth, thereby affecting the overall economy and growth of a country.

Even if competition emerges, it does not survive and more importantly, follows the same approach of commercialization and revenue generation. Even competitive innovation cannot create impact on society or the common man as the end goal remains the same- that of- creating monopoly rights, exclusivity, premium pricing, thus, blocking further competition. One monopoly follows another as new companies try to displace the existing monopolistic economy. This

leads to intense competition. This kind of competition is generally referred to as Schumpeterian Competition.<sup>37</sup>

## THE SCHUMPETERIAN COMPETITION THEORY AND INNOVATION

Standard competitive equilibrium theory has paid very little attention to innovation.<sup>38</sup> The only rigorous proof of the efficiency of competitive markets is provided by the Arrow-Debreu model, and that model assumes that technology is fixed.<sup>39</sup> One might think this is strange- how could economic theory pay any attention to models that assume technology is fixed in a dynamic economy? That is a question that sociologists ought to address, but the Arrow-Debreu competitive model is the standard, reigning paradigm, and sadly, it ignores innovation. However, there was a strand of thought associated with Joseph Schumpeter that focused on innovation, and argued that this competition for innovation resulted in temporary monopolies.

Intense competition between competitors prohibits collaboration and partnerships between companies.<sup>40</sup> In today's interconnected economy, in all technology domains, collaboration is the key for faster innovation.<sup>41</sup> Most companies are moving towards focusing on niche technologies with more attention on a particular area of technology in building smarter products and services. Therefore, in order for a

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<sup>37</sup> Joseph A Schumpeter, *Capitalism, Socialism and Democracy* (1st edn, Routedledge 1976) 102.

<sup>38</sup> Nicolas Petit and David Teece, 'Innovating Big Tech Firms and Competition Policy: Favoring Dynamic over Static Competition' *Industrial and Corporate Change* (2021) 1-31.

<sup>39</sup> Kenneth J. Arrow and Gerard Debreu, 'Existence of an Equilibrium for a Competitive Economy' 22 *Econometrics* (1954) 265.

<sup>40</sup> R. Gilbert and A. Melamed, 'Innovation: A Bridge to the New Brandeisians?' (*Competition Policy International Columns*, 21 February 2022) <[https://www.pymnts.com/cpi\\_posts/innovation-a-bridge-to-the-new-brandeisians/#:~:text=The%20New%20Brandeisians%20believe%20that,to%20democracy%20and%20social%20justice.>](https://www.pymnts.com/cpi_posts/innovation-a-bridge-to-the-new-brandeisians/#:~:text=The%20New%20Brandeisians%20believe%20that,to%20democracy%20and%20social%20justice.>) accessed February 27 2023.

<sup>41</sup> W. Kerber, 'Competition, Innovation, and Competition Law: Dissecting the Interplay' (12<sup>th</sup> Annual Conference of the GCLC: Dynamic Markets and Dynamic Enforcement: Which Competition Policy for a World in Flux?, Brussels, January 2017).

complex technology or innovation to exist, strategic partnership among multiple companies and alliance partners is required, and such parties must be willing to jointly work and collaborate, thereby creating a win-win situation for all. This is an ideal model to bring innovation quickly to the market and create ground-level economic impact.

Gone are the days when a single company would build a complete technology or a big invention indigenously. Partnering with smaller companies who are experts in their respective fields generates better and faster innovation.<sup>42</sup> However, the competitive IPR regime creates fierce competition with the sole aim of achieving premium pricing, strong IPR enforcements, costs, and procedures. In this restrictive regime, innovation and knowledge sharing is lost, let alone economic impact. Some inventions are perpetually kept as “trade secrets” and confidential information and the knowledge never reaches the public domain.

Today, some companies spend more time, effort and investments in defending their Patent rights, than in marketing their products or creating socio-economic impact. These costs are eventually recovered through their product offerings by charging premium from the public. Knowledge sharing is delayed, and the process becomes even more complex. It generally requires 10-12 months to distribute and spread knowledge. It is not only important for such knowledge to reach the public, but also reach at a point in time when its relevance is retained. There is no point making the knowledge available to the public, when the importance and relevance of it is lost.

As rightly pointed out by Keith E. Maskus in his paper, a fundamental concern raised about the IPR system is that its exploitation could result

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<sup>42</sup> J. Hartley, ‘Collaborative Innovation: A Viable Alternative to Market Competition and Organizational Entrepreneurship’ 73(6) *Public Administration Review* (2013) 821-830.



in the diminished access to technological information.<sup>43</sup> As suggested above, pharmaceutical and biotechnological patents could raise imitation costs, and place considerable pressures on the imitating enterprises in the developing economies. Improving trade secrets protection also makes it more difficult to acquire technologies through misappropriation. Additionally, copyright protection makes it more difficult to copy computer software.

Another unique process in the Patent system is on the “black out” period for publication of patent. It generally takes 18 months from the date of patent filing for a patent application to appear in the public domain. Therefore, for that period, no one else is made aware of the filed patent. In this period, there could be many third parties and other innovators across the globe who may be working on the same invention or technology, and possibly using a similar or even identical approach. Suddenly, after 18 months of investing time, effort and finances, the inventors realize that their work needs to be stalled because a patent has been filed in their country by someone else who may prohibit the inventors from practicing or using the technology in the country where the patent is filed, without valid permission or license (which of course, does not come free). The second innovator(s), who missed the opportunity to file a patent, or decided not to file the patent, may have been able to use the technology for society. Therefore, this opportunity is also lost for the country. Hence, this process not only demotivates inventors but also delays the innovation process, thereby causing a hindrance in the overall impact on socio-economic growth.

If a country or company wants to import IPR protected innovation from another country, the process of technology transfer, licensing,

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<sup>43</sup> Keith E. Maskus (n 5).

negotiation, and other legal processes are so cumbersome, that the impact of the technology for society is lost or diminished. This is one of the ways through which imitators who find it easier to copy, evolve. This process not only prohibits innovation, but creates legal complications, litigations, and creates a negative image of a country. However, instead of creating strong IPR regime, if the focus is shifted in defining and implementing a framework that motivates other innovators to further develop technology and use it for the general public, then better socio-economic impact for the country would be generated.

### **OTHER HINDRANCES IN THE PROCESS OF INNOVATION**

The patent system evaluates an invention on the merits of “novelty”, “utility” and “non-obviousness”. However, the second criterion, which is about the utility and the usefulness of an invention, is the least focused area of evaluation. The utility of the invention is viewed from the perspective that it should not cause harm to society or the public and have positive benefits for the people.<sup>44</sup> However, it does not focus on whether the invention will reach the poor and if it does, then how and when. It never looks at how this invention can create positive and socio-economic impact on society and the reach (the breadth and spread) to society and the common public. The conventional IPR system also does not look at the working process and the implementation plan of the invention. The focus remains on meeting the legal requirements only. While, the legal requirements are important and must not be ignored, there is also a need to have additional parameters or check-points during the evaluation process. Therefore, the design and framework of the patent system significantly

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<sup>44</sup> D. Encaoua *et al*, ‘Patent systems for encouraging innovation: Lessons from economic analysis’ 35(9) Research Policy (2006) 1423-1440.

affects the efficiency of the economy, its innovativeness, and effectiveness.

The patent system and the IPR system, in general, need to be remodelled to meet the requirements of the modern world, keeping in mind primarily the socio-economic impact. The current system may not fully focus on the dynamic pace of the efficiency of innovation. Rather, it slows down the pace of innovation and more importantly, the economic impact of innovation. In other words, the current system does not provide incentives to the general innovators and inventors on the basis of social impact or social return of their invention.

The provision of monopoly rights and the lack of an appropriate framework to monitor and control the misuse of the monopoly rights lead to negative economic and social growth of the economy. This distortion has far reaching consequences for the economy. While there are avenues available in the current legal framework in some countries, like compulsory licensing, or disclosure requirements on the use of a patented technology, or the disclosure of licensing revenues through the commercialization of a patent etc., these mechanisms are more in the nature of monitoring and recording controls, and not necessarily avenues to create or monitor the socio-economic impact of IPRs. Therefore, it can be strongly argued that it is time to re-define the system, processes, controls and the overall legal and operational framework of the existing IPR regimes to bring about real impact on the economy and the general public.

### **ECONOMIC EQUILIBRIUM**

Currently, it appears that there is an equilibrium dis-balance with the conventional IPR systems. IPR systems under the existing regime are essential to the overall framework of innovation. More importantly, the legal IPR system should be considered as one of the essential

components of the overall framework, but may require upgradation to meet the economic requirements. Further, we need to strengthen the other components of the framework or introduce newer components and re-model the overall framework to increase the economic benefits, and create meaningful impact on the socio-economic aspects, reduce costs, speed up innovation awhile enabling a platform for knowledge dissemination in society.<sup>45</sup> This will create an economic equilibrium in society.

In the paper by Srividhya Ragavan, it is rightfully stated that the “shift in rhetoric towards a rights-centric approach has resulted in a more Blackstonian view of patent protection, causing patent law to move away from the public benefit goals of the system. Consequently, instrumental elements of the patent system have coalesced to predominantly protect the inventor. In turn, public benefit aspects of the system have been relegated to the status of a by-product. Patent law has long suffered from a lack of a realistic scale to measure its output, which has led to technical measures such as the number of patents to become predicates of its outcome. Slowly, patent disclosures increasingly became perceived as the sole exchange for gaining exclusivity.”<sup>46</sup>

In order to streamline the framework, support has to be obtained from innovators, the government and public policy experts, IPR experts, and the international community to model the framework. Some of the suggestions are briefly indicated in the subsequent sections.

Reward mechanisms or incentives-based approach is good alternative to motivate inventors and innovators.<sup>47</sup> The exact nature of the reward

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<sup>45</sup> L.Y. Yueh, ‘Global Intellectual Property Rights and Economic Growth’ 5(3) *Northwestern Journal of Technology and Intellectual Property* (2007).

<sup>46</sup> Ragavan (n 11).

<sup>47</sup> J. Behrens and H. Patzelt, ‘Incentives, resources and combinations of innovation radicalness and innovation speed’ 29(4) *British Journal of Management* (2018) 691-711.

system may vary from one country to another, and depend on multiple factors. However, depending on the benefits that a society or government may decide to vest in the inventors, the reward mechanisms may be decided through appropriate public policy models. There are many open innovation systems across the globe, which have multiple approaches to the reward model.<sup>48</sup> Some countries have mandatory patent reward policies, while there are many countries in the world which still do not have any inventor reward system.<sup>49</sup> A proper reward mechanism for the inventor's nurtures innovation, creates motivation, and further incentivises innovators to innovate. It provides recognition for the invention, and also helps generate revenue and benefit for innovating further. Incentives may be based on the extent of disclosures done by the inventors. It is not just the disclosure, but the means by which the disclosure, its availability to the public, its ease of access, and preservation is documented.<sup>50</sup>

There is also a need to establish a strong governance program on knowledge management, and implement models to allow the strategic dissemination of knowledge to the public. The governance program should also model on how such knowledge can be utilized by the public to create impact for society.

The disclosure by innovators and inventors can provide multiple set of benefits to the innovators such as tax incentives or rebates, priority access, financial breaks, and easy availability of loans or other financial and operational benefits from the government, the ease of business,

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<sup>48</sup> H. Chesbrough, 'The logic of open innovation: managing intellectual property' 45(3) *California Management Review* (2003) 33-58.

<sup>49</sup> A. Jaffe, 'The US Patent System in Transition: Policy Innovation and the Innovation Process' 29(4) *Research Policy* (2000) 531-557.

<sup>50</sup> P.M. Bican *et al*, 'Managing knowledge in open innovation processes: an intellectual property perspective' 21(6) *Journal of Knowledge Management* (2017) 1384-1405.

and the list can go on.<sup>51</sup> However, there is a need to have appropriate systems and processes in place to provide that incentive to innovators. These forms of rewards will incentivize the innovators, provide them with lower costs of R&D, reduce overall product costs, reimburse patent filing costs or overall cost of protection, allow priority grants that reduce the time for the grant of patents, etc. The framework should also provide priority to start-ups and small-scale innovators and provide them with incentives to be more innovative. These beneficial factors will, in turn, help increase the access of the technologies to the common public and society, thereby creating socio-economic impact.<sup>52</sup>

The IPR policies of a country should also measure the effectiveness of the patent(s) and the IPR system. Inventions which are merely filed but not utilized by the inventors should have a mechanism to either get traded in the market or be utilized by others at lower costs. This will help create value for these innovations, and create impact for society. The country's policies should also keep a watch on the foreign filings of public inventions that are invented in the host country, and are meant to be for common public. Any international filing or transfer of public innovations should be monitored and controlled efficiently.

The idea is not to prevent foreign filings but to monitor the distribution of knowledge prevent the monopolisation of such knowledge.<sup>53</sup> If an invention which is created for the upliftment of society in a country (host country), the inventions should be monitored and reviewed by the authorities in the host country before they go out for foreign filings or protection in other countries, or before they are licensed out to third parties.

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<sup>51</sup> Jinhwan Kim and Kristen Valentine, 'The Innovation Consequences of Mandatory Patent Disclosures' 71 *Journal of Accounting and Economics* (2021).

<sup>52</sup> I. De Leon, *Innovation, startups and intellectual property management* (Springer 2017).

<sup>53</sup> E. Petit *et al.*, 'Global patent systems: Revisiting the national bias hypothesis' *Journal of International Business Policy* (2021) 1-12.

These innovations can come out from general public or through government-funded labs etc. Government can play a key role in owning these innovations, funding them internally through academia or through collaborations with private parties and ensuring that the benefits of such valuable innovations reach the common public.<sup>54</sup> The innovators shall be rewarded in exchange of these innovations.

It should be noted that the reward system may not be able to replace the entire benefit that an innovator may obtain through the normal IPR system. However, the idea behind the incentive model or reward system is to provide a mechanism to the inventor to open up the invention to the general public at a low cost or provide other benefits of the innovation to society in exchange of the reward. This may create a partial compromise of the large revenue stream for the inventors, which may be very insignificant in the larger scheme of things. Nothing stops the inventor from continuing on the path of making revenue through the conventional IPR system.

Further, there is a need to have an effective IPR policy for private and public R&D labs and institutions. These labs and institutions should be provided with market demands and the investments on R&D should be aligned to those demands. The output from those labs should be demonstrated to public with sufficient details to nurture further innovation and real-life products and services.<sup>55</sup> There should also be a strong IPR framework and innovation framework, which will enable strategic alliances and partnerships with corporates and academia with clear policies and benefits of such collaborations.<sup>56</sup> The

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<sup>54</sup> J. Hong *et al*, 'Government grants, private R&D funding and innovation efficiency in transition economy' 27(9) *Technology Analysis & Strategic Management* (2015) 1068-1096.

<sup>55</sup> B. Becker, 'Public R&D policies and private R&D investment: A survey of the empirical evidence' 29(5) *Journal of Economic Surveys* (2015) 917-942.

<sup>56</sup> A.N. Link, *Public/private partnerships: innovation strategies and policy alternatives* (Springer Science & Business Media 2006).

benefits should be linked to the creation of societal impact and not necessarily the revenue outcome of the innovations. These policies, if implemented properly, will help in creating jobs, strengthening human capital and skill acquisition, promoting flexibility in the innovation network, ensuring healthy competition on domestic markets, and developing a transparent, non-discriminatory, and effective competition regime, which will help create a notable socio-economic impact in the country. The framework should also focus on marketing innovations to public, creating a platform for all innovators to come together, brainstorm and work on problem statements to find an innovative solution (akin to the 'hackathon' concept). The platform can be hosted and managed by the Government or administered through private parties. The government through this program can provide appropriate incentives and benefits to the successful innovators through the program to nurture the innovation. The government should also try and build a strong innovators' network by partnering with innovators, inventors, public labs, and private labs through the CSR model, wherein real-life problem statements can be provided to run low costs R&D and innovation.<sup>57</sup> The IPs generated through this model shall be made open to public. Further, the framework should also have a model for the government to license-in technologies from third parties at a reasonable cost and benefits provided back to the innovators. These licensed technologies will be provided to start-ups and MSMEs who will be able to work on these innovations and develop products and services for public.<sup>58</sup> This model will provide mutual benefits to innovators, third parties, smaller companies and public at large. Likewise, a common platform should

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<sup>57</sup> P. Ratajczak and D. Szutowski, 'Exploring the relationship between CSR and innovation' 7(2) *Sustainability Accounting, Management and Policy Journal* (2016) 295-318.

<sup>58</sup> M. Morsing and F. Perrini, 'CSR in SMEs: do SMEs matter for the CSR agenda?' 18(1) *Business Ethics: A European Review* (2009) 1-6.



be provided to all individual inventors for them to share their IPs and ideas/innovation so that others can benefit or invest in productizing the ideas or commercializing the ideas.<sup>59</sup> Currently, there is a lack of a unified platform to enable this objective. This platform can enable creation of a good ecosystem of innovations which can then create long-term impact and benefits for society.

It should also be noted that just a good innovation ecosystem and framework may not be enough to witness the success of the model. The ecosystem should also have a measurement system to determine the impact of the ecosystem. In order to measure the impact, there is a need to have an innovation index. This innovation index can be benchmarked with global standards. There are multiple models that are currently available on measuring innovation and innovation index. However, the use of the innovation index is not necessarily linked to the socio-economic impact and creation of societal IPs. Therefore, the proposed index should focus on being an integral part of the company's trading index and share price and how the success of a company is measured. The innovation index should be an important component to drive the share price of a company when the company's share price is publicly traded or when a company is acquired etc. Further, the index should not be based on the just the quality of innovation but should comprise multiple other factors. The driving factor for this index should be the socio-economic impact innovation to society or value index of intellectual property, and the next section talks more about such an index.

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<sup>59</sup> F. Murray and S. O'Mahony, 'Exploring the foundations of cumulative innovation: Implications for organization science' 18(6) *Organization Science* (2007) 1006-1021.

## **SOCIO-ECONOMIC VALUE INDEX OF INTELLECTUAL PROPERTY**

There are lot of research that talks about “prize” system or “reward” mechanism, which many researchers and authors argue should either replace the patent system or be a complement to the existing system as it is a better approach to incentivize innovators who may eventually generations inventions for society. However, a new system may not be able to completely replace the existing system and create the economic impact. We would need both the old system and a new system, which focusses on a mechanism to evaluate innovation and create a value index of innovation. The Value Index helps evaluate the merit of an innovation or intellectual property. The merit is not based on the quality of innovation, or novelty or revenue impact etc. Those parameters can be part of the existing or modified legal framework. The merit in the Value Index is based on the socio-economic impact of an invention or innovation or in general IP. The index can act as an invention rating mechanism, which can be used to trade on IP or innovation, have an IP trading index, can be used by investors to fund an idea or innovation, can be used by investors during mergers or acquisitions and a host of other benefits. This Index can also be used by governments to provide aid to innovators or provide them with rewards or prize or even tax and other benefits.

The proposed Value Index should form an important component of the framework. The index focusses primarily on a mechanism to determine the impact of an IP or innovation to society and how the IP creates socio-economic impact for a country. The index section below should be read in conjunction with the earlier section on economic equilibrium as most of the metrics or parameters under this Value Index relates to the earlier section. The parameters under the Value Index are as follows.

### **A. Span and Accessibility of the IP**

This parameter demonstrates the spread and reach or accessibility of the IP to common public and society. This parameter determines how the IP affects the society in general and helps reduce the socio-economic imbalance in society. This metric can be further broken down into actual measurable parameters and unit of measurement to measure the potential impact. How may offerings have reached society at a low and reasonable costs and in how much time? What was the adoption rate and the measure of impact? These measurements under this metric will be an important element to determine the value of the innovation. The “span” metric also covers the breadth of technology/innovation. Does the innovation target only a small section of society or has far-reaching consequences for many sections of people across the globe in multiple technology domains? This is again very critical information to determine the value of the innovation.

### **B. Competitive Pricing**

This metric or parameter should evaluate the pricing competitiveness. If the price of innovation is high, then it will not reach the public quickly. Hence, the price and costing of the new innovation that are meant for common people should be fair and reasonable. The benchmark for pricing can be obtained by comparing price of comparable offerings in market to determine the reasonableness and fairness.<sup>60</sup> Another important aspect of this metric is to evaluate the impact of the pricing on competitive products/offerings. Has the innovation lead to influencing the competitive price of similar

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<sup>60</sup> J.A. Ordover & R.D. Willig, ‘An economic definition of predation: Pricing and product innovation’ 91(1) *The Yale Law Journal* (1981) 8-53.

products, thereby changing the overall ecosystem and creating more or better and positive economic impact?

### **C. Time to Market and Low Barriers to Entry**

Time is an important factor in the evolution of IP and the overall lifecycle of IP. However, we are not referring to the time taken to recover R&D costs or a simple measure of payback period or a determinant return on investments. It is the “time” to demonstrate its socio-economic impact and how the invention caused grass-root impact on the “bottom of the pyramid.” Low barriers to entry are an important factor, which determines how quickly an innovation enters common market.<sup>61</sup> Common market may not necessarily mean local market but general common people in global market. It is also important to note that whether the innovation helped generate new distribution or alliance network. It essentially means that through the innovation, have the innovators or company enabled newer service providers/partners or new lines of business models to collaborate with the inventor’s network and generate newer business opportunities, jobs and create an overall impact for society and economy? Further, this metric also determines the overall velocity of global reach of the innovation and how quickly and widely can the invention touch lives of people across the world.

### **D. Knowledge dissemination**

This metric focusses on how quickly the knowledge is disseminated to public or in other words, how easy it is for public to access the information or knowledge base of the IP or innovation. The idea is not about making the entire innovation open to public. However, the focus is to ensure that certain aspects of the knowledge is open and made available to public and more importantly, quickly, while the core

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<sup>61</sup> B. Buettner, ‘Entry barriers and growth’ 93(1) *Economic Letters* (2006) 150-155.

processes/technology can be kept as “protected IP” for the people belonging to the top of the pyramid and for a limited time. This metric aims at creating a fine balance between the typical IPR systems and an open knowledge distribution system to reduce or optimize the “monopolistic” nature of the IP and move away from the traditional IPR system regime. The availability of information or knowledge should be made available to public quickly and not after several years when the information or knowledge may become redundant. This would enable and create the adequate impact for society or at least help create some positive impact on the society.<sup>62</sup>

### **E. Brand Enrichment of Society and Country**

The final metric evaluates how the innovation may help create a good brand story for a country and enhances the image of a country or a society to position itself as a leader, innovator in creating “innovation for society”. This metric also measures the effectiveness of a country in spreading innovation across the globe, sharing and distribution of knowledge to create a larger impact on society and on the welfare of common public.

The above parameters can be further broken down into multiple smaller elements or metrics or quantitative parameters depending on various factors. Each of those metrics can be mathematically evaluated and scored using different statistical methods to determine the overall value or score of the innovation or IP. It should be noted that the idea is not to always generate a very high Value Score and it is also not the aim of the author to propose that all innovations should be an open book and should be implemented in the open innovation network. The proposal is to create a balance between both worlds and have some

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<sup>62</sup> K. Carlaw *et al*, ‘Beyond the hype: Intellectual property and the knowledge society/knowledge economy’ 20(4) *Journal of Economic Surveys* (2006) 633-690.

percentage of innovation targeted for societal improvement (let's assume A) and the remaining could be for revenue generation through the traditional IP systems (let's say B). The A will drive the Value Index, which will come with a host of benefits, rewards and incentives. These benefits will drive the motivation of the inventor for future development and also partially or fully compensate for the possible loss or decline of earnings through the B model (assuming that if B model was used for 100% of the deployment, there would be additional profits for the inventors, which may not happen if there is a combination of A and B model).

### **CONCLUSION AND FUTURE WORK**

In essence, IPRs and the conventional methodologies, processes and systems existing today are critical, but the potential benefits of the IPR systems to economic growth and development may have been exaggerated, as they talk about only one pillar of the overall innovation ecosystem. The proposed new system that I talked about in this paper comprises several other important and critical pillars, which should also be considered to create the impact from such systems. When all these pillars work together and in tandem with a more realistic and practical judicial system, maximum impact for society is created, thereby bringing large-scale socio-economic impact for any country. The policy makers, judiciaries, bureaucrats and all innovators and creators of IPs need to unite themselves to understand and debate on this topic and jointly re-create the unified new innovation ecosystem to bring in that economic equilibrium in society.

The policy-makers around the globe play a very critical role in determining the right model for a country. While the overall framework can be uniform and generic, some of the country specific customizations are required to meet local demands and to focus on

immediate priorities of a country. The overall aim should be to create the socio-economic equilibrium and impact to the “bottom of the pyramid” and for general public at large. While the traditional IP commercial models may still continue to exist with some modifications and changes, focus should be placed on creating a parallel system to nurture ground level innovations, knowledge dissemination and distribution and making faster impact for society. If innovations don't reach people quickly, economic development gets delayed and with the rapid change of technology today, there is a need to revisit our entire IPR and innovation systems and processes and join hands to make the change.

This paper provides a brief overview of the need for such a new and improved system and framework. The author shall continue to do more research on this topic, which will help drill down further into the details of developing and implementing such new IPR ecosystem. The readers can expect further papers in future from the author on the same topic.

# EXAMINING INDIA'S JOURNEY TOWARDS SPECIALIZED IP JURISDICTIONS– CHARTING A TRAIL FROM COMPARATIVE LAW AND HISTORY

*Aditya Mahalingam Iyer & Radhika Sikri\**

*Abstract*

*The following paper explores the 'promise to practice' dilemma of specialized IP jurisdictions in India. The focus is on the IP division bench of the Delhi High Court (IPD) and the abolished Intellectual Property Appellate Board (IPAB). The paper explores whether the failure of the IPAB has been remedied by the subsequent establishment of the IPD, and analyzes the satisfactoriness of the existing dispute resolution regime. As 'failure' and 'success' are relative terms, the paper explores this within the metrics of vacancies, disposals, expert involvement, subject matter competency, and whether these bodies have ultimately fulfilled their intended object. Furthermore, our focus here is almost exclusively on patents, and patent adjudication. Not only does this narrow down the scope of the paper, but using patents showcases a stronger reasoning for why IP matters require specialized adjudication in the first place.*

**Keywords:** Intellectual Property Division, Delhi High Court, IPD, Specialized Courts, Judicial Expertise

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## **INTRODUCTION**

The following paper explores the ‘promise to practice’ dilemma of specialized IP jurisdictions in India. The focus is on the IP division bench of the Delhi High Court (“IPD”) and the abolished Intellectual Property Appellate Board (“IPAB”). The paper explores whether the failure of the IPAB has been remedied by the subsequent establishment of the IPD and analyzes the overall satisfactoriness of the existing dispute resolution regime. As ‘failure’ and ‘success’ are relative terms, the paper explores these within the metrics of vacancies, disposals, expert involvement, subject matter competency, and whether these bodies have ultimately fulfilled their intended object. Furthermore, our focus here is almost exclusively on patents, and patent adjudication. Not only does this narrow down the scope of the paper, but using patents showcases a stronger reasoning for why IP matters require specialized adjudication in the first place.

In the interest of being reader-friendly, it is important to qualify the thesis by answering a few preliminary questions. The first of these are the fundamental ‘why’ and ‘what’, *i.e.*,

- A. Why do we need specialized intellectual property courts?
- B. What is it about intellectual property matters that necessitates such a unique forum? and;
- C. What possible benefits accrue to the jurisdiction as a result of its implementation?

To answer these questions, first, one may consider that intellectual property rights themselves are limited rights with a lifespan. For instance, a patent has a maximum lifetime of 20 years in India,<sup>1</sup> and

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<sup>1</sup> The Patents Act 1970, s 53.

litigation in the near past could easily last for a decade.<sup>2</sup> Thus, it is in the best interest of inventors and right-holders to have a ‘speedy trial,’ which is often a salient feature of these specialized courts. Next, the degree of complexity that the subject matter itself entails renders the resolution of its issues challenging for ordinary courts. This is particularly true with reference to patent law, which is a highly technical field, and where judges often find themselves adjudicating upon intricate matters of science. And, to address our third question, there are many benefits that accrue to a jurisdiction as a result of specialized IP courts even at a superficial level. First, a natural consequence of such courts is that you have a limited number of judges with a technical background dealing with a wide variety of cases. This allows them to develop a high degree of specialization that not only translates into quality judgments, but also faster trials. Lastly, the result of a sophisticated jurisprudence is that over time, certainty develops and there is a level of predictability. A lack of such precedent turns the country into an unattractive investment destination for businesses focused on innovation. Although these observations can be applied generally, they are especially important for developing economies, and particularly, as shall be explored later, for India.

## **IP COURTS – A GENERAL EXAMINATION OF GLOBAL TRENDS AND MERITS**

### **A. International Framework Review**

The discourse pertaining to the need for a specialized forum for intellectual property always performs on the understanding that they are not deemed essential parts of each and every country’s judicial infrastructure. According to the language of Article 41 para 5 of the

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<sup>2</sup> In this regard, one may consider the ‘twin spark plug’ case, which lasted for 12 years (eventually concluding in a settlement) out of the 20-year lifetime of a patent, i.e., TVS Motor Company Limited v Bajaj Auto Limited 2009 SCC OnLine Mad 901.

Trade-Related Aspects of Intellectual Property Rights Agreement (“TRIPS”),<sup>3</sup> there is no obligation, international or otherwise to install a specialized forum for matters relating to IP and its surrounding areas such as competition and trade laws. In fact, there is a consensus among this incertitude that a bespoke mechanism is sufficient – be it tribunals or an ad-hoc structure within the existing judicial framework – as long as it makes up an effective means of IP dispute resolution. This point is strengthened by the fact that any court that primarily or extensively deals in intellectual property matters can be deemed a specialized court regardless of the fact that its jurisdiction spills over to countenance other disputes.<sup>4</sup>

Jacques de Werra, in his paper for the Centre of International Intellectual Property Studies (CEIPI) and the International Centre for Trade Law and Development (ICTD), observes that the diversity in IP disputes presents uncertainty regarding a perfect answer in favour of or against specialized courts and their efficacy.<sup>5</sup> Therefore, a multitude of indications have been suggested to ascertain whether or not a country needs to establish such a court based on its economic and social attributes, along with balancing its potential transaction costs and negative effects within each country. Naturally, these considerations also endeavor to forecast whether such an establishment would manifest the obvious benefits such as larger reach, better quality of justice, and the competence to deal with complicated issues that are not satisfied by a black letter knowledge of the law. Therefore, bearing the economic justification of these rights,

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<sup>3</sup> Trade-Related Aspects of Intellectual Property Rights Agreement 1995, art 41 (TRIPS 1995).

<sup>4</sup> For example, the CAFC in the United States extends beyond IP matters strictly but is considered a specialized Patent Court.

<sup>5</sup> Jacques de Werra, ‘Specialized Intellectual Property Courts – Issues and Challenges’ 2 CEIPI-ICTSD (2016) <[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2761209](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2761209)> accessed 2 November 2022.

this deliberation is not limited to the matter of IP alone but a plethora of prevailing economic and market conditions in a country which influence it.<sup>6</sup>

Most developed and developing countries have adopted some mode of centralisation over the course of the last two decades. This is due to the growing need to cement a system where the enforcement of a negative right can be smoothly promulgated. But the kind of specialization established differs not only with jurisdiction but also on a 'need' basis, given the time period and industry incentives. Initially, specialized courts were seen as simply isolating IP matters and their interdisciplinary connections from general law in terms of access to justice. However, albeit for the purposes of international compliance and the underlying "economy-first" motives, the setting up of such courts allowed for easier administrative decrees and focused legislation. Evidence from ASEAN countries shows that specialized courts are best utilised when given ample room and powers set in procedural guidelines which do not caper or dance from statute to statute (such as between an array of legislations that would result in complicated harmonious constructions).<sup>7</sup> Christopher Antons summarises in his piece on courts in South Asian countries – specifically the Central IP and International Trade Law court in Thailand and the Indonesian Commercial Courts – that basic requirements such as the maintenance of a minimum quorum, stoic academic qualifications for the judges, along with jurisdictions wide enough to accommodate civil and criminal disputes, are the most beneficial precursors in common law countries.<sup>8</sup> The last

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<sup>6</sup> Ibid.

<sup>7</sup> Christoph Antons, 'Intellectual Property Law in ASEAN Countries: A Survey' 13(3) EIPR (1991).

<sup>8</sup> Christoph Antons, 'Specialized intellectual property courts in Southeast Asia' in A. Kur, S. Luginbühl and E. Waage (eds), *und sie bewegt sich doch! Patent Law on the Move Festschrift für Gert Kollé und Dieter Stauder* (Carl Heymann Verlag 2005).

recommendation invariably solves the problem of a country lacking a notable case load coming from this direction at that time.

However, there has been a recent trend towards definite micro-specialization of IP courts in developing countries for highly technical and specialized matters such as in the case of patents. This is not to imply that the aforementioned observations with respect to power and quorum would be vitiated in their entirety, but their anatomy can certainly be bent and modified to give rise to the most effective means of an adjudicatory body based on the prioritised area. An example can be the difference between the Central Appeals for the Federal Circuit ('CAFC') in the United States and the IP High Court ('IPHC') in Japan where although there is commonality in promoting distinct adjudication of patents (through exclusive jurisdiction), there also exist differing approaches with regard to judge qualification.<sup>9</sup> The jurisdiction of the former covers a wider range of intangible assets and technology, and requires judges to meet specific academic qualifications. The latter is an independent IP court, but relies more on research officials and third-party contributions, as its judges are required to have the same qualifications as judges in other courts. Another point of connection is the upcoming Unified Patent Court, which is theorised to strengthen existing patent litigation and shows the diversification of expertise given the clamour for the subject matter.<sup>10</sup>

Given these tendencies in developed and developing countries, the contemplation regarding the need for a court loses import, for the

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<sup>9</sup> David Tilt, 'Comparative Perspectives on Specialized Intellectual Property Courts: Understanding Japan's Intellectual Property High Court Through the Lens of the US Federal Circuit' 16(2) *AJCL* (2021).

<sup>10</sup> KP Mahne, 'A Unitary Patent and Unified Patent Court for the European Union: An Analysis of Europe's Long-Standing Attempt to Create a Supranational Patent System' 94(2) *Journal of the Patents and Trademark Office Society* (2012).

same has already been presumed and implemented in *some* manner. Instead, a consideration which comes at this juncture is the importance of choosing in what form the specialized court might function, under this wide and purposely vague definition. This is because the success of a specialized IP court over a general court is not dictated by its existence alone as a recourse but by its penchant to provide various levels of expertise at the adjudicatory level. Explaining this in a different manner would require borrowing words from Justice Louis Harms in ‘The Role of the Judiciary in Enforcement of Intellectual Property Rights’ where he commented that cases before experienced and proficient judges are shorter and cheaper than those run by novices.<sup>11</sup> The convenience to efficacious resolution with the help of well-administered injunctions is one such boon. However, it can be safely deduced that the emphasis placed on the maestro by these measures extends beyond simply maintaining and strengthening the current intellectual property regime. Instead, it allows for adaptability to contemporary and emerging issues in the field. This is made possible not only by friends of the court in determining pre-decided questions of law but the preceding equipment of the court for the framing of such questions later explored.<sup>12</sup>

## **B. The Indian Context**

In the Indian context, the need for a forum (tribunal or court division) for specialized IP adjudication was acutely felt not merely for the boons of speedy trials to benefit right-bearers within the lifespan of the right, and incentive to innovate (though these were undoubtedly leading factors). There was also the aforementioned need highlighted

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<sup>11</sup> Honorable Mr. Justice Louis Harms, ‘The role of the judiciary in enforcement of intellectual property rights; Intellectual property litigation...’ World Intellectual Property Organisation, Advisory Committee on Enforcement – Second Session (2004).

<sup>12</sup> Jay P. Kesan and Gwendolyn Ball, ‘Judicial Experience and Accuracy of Patent Adjudication’ 24(2) HJLT (2011).

by Justice Louis Harms to create a group of judges who would at least by virtue of concentrated exposure gain the expertise and experience required to adjudicate IP matters. These however, are not particular to India *per se*, and such generic reasons easily translate to other jurisdictions. For India, there were, and are, other subtle nuances pertaining to its economic role in the globalized world.

India is not just a destination for production and investment, it is also an attractive consumer market. As there are diverse categories of purchasing power embodied in this subcontinent, that also means that resident consumers will be purchasing both premium and counterfeit products, or at least products that have a lower price point due to infringed technology (resulting in lesser Research & Development expenditure). Therefore, when such a cause of action against an erring company arises in India, it is crucial to signal to the international community not just the attractiveness of Indian courts as a reliable forum, but also India's commitment to Intellectual Property Rights.

To understand this better, we can consider the case of *Nokia v. Oppo*, where Nokia (a Finnish entity) deliberately chose seven jurisdictions to sue Oppo (a Chinese entity) interestingly opting out of China itself, and naturally challenged the jurisdiction of Chinese Courts when Oppo instituted a counter suit. The aspect of "speedy" here becomes essential because when the defendant is a company from a jurisdiction with a weaker IP regime (as "Chinese Courts are not independent, but are in practice part of the local government"<sup>13</sup>) the risk of an arbitrary anti suit injunction looms heavily. There is also the risk that certain defendants may opt to move their assets out of a jurisdiction to evade damages.

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<sup>13</sup> Omar Ramon Serrano Oswald, 'China and India's insertion in the intellectual property rights regime: sustaining or disrupting the rules?' 21(4) *New Political Economy* (2016).

From another perspective, for a developing country the existence of IP forums (such as an IPAB or the IPD) is an important ‘rule of law’ signal. Joseph Raz, who is well recognized as one of the most authoritative voices on the rule of law framework outlines eight essentials, of which three are: (1) an independent judiciary, (2) Courts should be easily accessible, not characterized by excessive delays and costs, and, (3) the Principles of Natural Justice with the absence of bias must be observed.<sup>14</sup> This is a valuable consideration because there is data to show that a stronger rule of law framework (facilitated by such forums such as the IPAB or the IPD) translates into higher amounts of foreign investment.<sup>15</sup> A predictable and stable judiciary and jurisprudence is also valuable from the client’s perspective because it justifies the litigation costs in India viz-a-viz the probability of a favorable outcome. This in turn injects revenue into the Indian economy by supporting Indian lawyers.

India’s status as a “knowledge-based economy” and its aspirations for being a thought leader to the globe necessitate technology transfers from developed nations to India. As foreign firms invest in India to gain access to Indian expertise and knowledge (via joint ventures for instance), India has a symbiotic need to import knowledge from foreign nations (via licenses for instance) to enhance its own pool. As studied have repeatedly concluded that stronger IPR frameworks in a country attract technology transfers (especially from firms with heavy R&D activity), we may infer that an IP court which is intended to guarantee clear, specialized and prioritized adjudication of IP matters

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<sup>14</sup> Joseph Raz, ‘The Rule of Law and its Virtue’ in Richard Bellamy (ed), *The Rule of Law and the Separation of Powers* (Routledge 2005).

<sup>15</sup> Xiujie Zhang and Weihua Liu, ‘The Rule of Law and Foreign Direct Investment’ (ICEMCI 2021) <<https://www.atlantis-pess.com/proceedings/-icemci-21/125965842>> accessed 7 July 2023.



will further facilitate the same.<sup>16</sup> The heightened sensitivity of the international community to these aspects is illustrated by the cases initiated by the United States<sup>17</sup> and Europe against China at the WTO for violations of the TRIPS due to its restrictive regime of anti-suit injunctions (especially for SEP matters), as well as other factors that prevent foreign inventors and patent owners from enforcing their rights in China.<sup>18</sup>

There is a difference between a pre-existing court absorbing IP matters through the creation of an IP division versus a standalone administrative body. Tribunalisation is a common practice to reduce the burden on conventional courts and also ingrain a stratum of expertise at a cost-effective and approachable level. The most successful example of the same would perhaps be the National Green Tribunal, which was able to overcome most of the well-reasoned fears accompanied in the establishment of an administrative body to handle a rather developing and abstract area of the law.<sup>19</sup> Additionally, the performance of this tribunal has only validated the need of its existence in the first place as a relatively decisive medium for all the interplays between various civil and criminal law with environmental law. The above discussion is now pertinent because, in response to India's demand for a specialized IP jurisdiction, the IPAB, was constituted on September 15, 2003. Its jurisdiction had developed to cover appeals against the decisions of the Registrar of trademarks, geographical

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<sup>16</sup> Biswajit Dhar and Reji Joseph, 'Foreign Direct Investment, Intellectual Property Rights and Technology Transfer' (UNCTAD 2012) <[https://unctad.org/system/files/official-document/ecidc2012\\_bp6.pdf](https://unctad.org/system/files/official-document/ecidc2012_bp6.pdf)> accessed 26 June 2023.

<sup>17</sup> Ton Zuidwijk, 'Understanding the intellectual property disputes between China and the United States' (CIGI 2019) <<https://www.cigionline.org/articles/understanding-intellectual-property-disputes-between-china-and-united-states/#:~:text=Effectively%2C%20the%20United%20States%20challenged,outside%20of%20the%20WTO%20Agreement>> accessed 5 May 2023.

<sup>18</sup> DS611 – China Enforcement of Intellectual Property Rights.

<sup>19</sup> Geetanjali Gill, 'Environmental Justice in India: The National Green Tribunal and Expert Members' 5(1) *Transnational Environmental Law* (2015).

indications of goods, and patents. However, on April 4 2021 by means of the Tribunal Reforms Bill,<sup>20</sup> the IPAB was abolished. Subsequently, of course, a replacement mechanism in the form of the IPD was announced on July 7, 2021.

With the dissolution of the Intellectual Property Appellate Board and the subsequent establishment of the IPD, a myriad of questions is posed, such as “Why was the IPAB abolished? Were the reasons proportionate to the decision?” And to reiterate our thesis, “What were the ramifications of this decision, and to what extent is the IPD a functional replacement?”

### **THE IPAB – THE IMPRECATIONS OF TRIBUNALS**

The ‘National IPR Policy’ by DPIIT released in 2016 places emphasis on the need for a specialized court.<sup>21</sup> It states that “it would be desirable to adjudicate on IPR disputes through specialized commercial courts” and goes further to outline how this objective would be achieved such as through the setting up of commercial courts at the appropriate level. In light of this admission, the government’s decision to abolish India’s sole specialized jurisdiction for the handling of IP matters seems puzzling. The statement of objects and reasons of the Tribunal Reforms Bill<sup>22</sup> observes that such abolition is intended to lead to speedy justice because such tribunals have not led to faster trials, and often add another layer to litigation. The reasons listed also question the significance of judgments rendered, and state that the most important cases fail to achieve finality in these tribunals and are litigated all the way to the High Courts and Supreme Courts. As these criticisms are oft-repeated, the paper will begin its analysis of the IPAB by addressing them sequentially.

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<sup>20</sup> The Tribunals Reforms Bill, 2021.

<sup>21</sup> Department For Promotion of Industry and Internal Trade, ‘National IPR Policy’ (2016).

<sup>22</sup> The Tribunal Reforms Bill, 2021.

For the IPAB, the concerns regarding time, efficiency etc., are not unfounded. Dr. Shamnad Basheer in his global report finds that the pendency rate of the IPAB between 2005-2012 was 50.53 percent, while the rates of the various High Courts were about 10 percent.<sup>23</sup> This essentially indicates a 90 percent disposal rate at the High Courts and a meagre 50 percent disposal rate at the IPAB.<sup>24</sup> While this comparison is significant, it needs to be contextualized by the problems the IPAB had faced since its inception. The IPAB was headquartered in Chennai, with hearings conducted in Mumbai, Delhi, Kolkata, Chennai and Ahmedabad. While the decision to headquarter it in Chennai is a matter that begs inquiry in itself (as addressed later in the paper), it faced the additional challenge of improper infrastructure in the remaining four cities. As a result, the Asian Patent Attorney's Association filed W.P.(C) No.2251/2011 demanding that a permanent bench be set up in Delhi. Another grievance raised was that a timely appointment of the Chairman and Technical Member must be mandated. While the Hon'ble Court in its 2015 order directed the government to address the need in Delhi, the issue of timely appointments went unaddressed.<sup>25</sup> The next factor in contextualizing these concerns around efficiency would be to compare it with the condition in the High Courts. At this juncture, it would be apt to quote Dr. Abhishek Manu Singhvi on the same, wherein he states:

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<sup>23</sup> Shamnad Basheer, 'Specialized IP Adjudication: An Indian Perspective', in Jaques De Werra, *Specialized Intellectual Property Courts – Issues and Challenges* (CEIPI-ICTSD 2016).

<sup>24</sup> As cautioned by Dr. Basheer, such data does not reveal the percentage of Intellectual Property cases disposed at the High Courts, and thus is not an entirely equitable comparison.

<sup>25</sup> Ultimately, the proposal to headquarter it in New Delhi, or any other geographically central location such as Nagpur, or Jabalpur remained unsuccessful due to political pressures in Chennai. See Gireesh Babu, 'Proposed relocation of IPAB from Chennai invites criticism from DMK' (*Business Standard*, 22 January 2020) <[https://www.business-standard.com/article/economy-policy/proposed-ipab-relocation-from-chennai-invites-criticism-from-dmk-120012200698\\_1.html](https://www.business-standard.com/article/economy-policy/proposed-ipab-relocation-from-chennai-invites-criticism-from-dmk-120012200698_1.html)> accessed 15 June 2021.

*“tribunals... (were created for) ... the over clogged arteries of the high courts across the country. Secondly, that clogging has only increased because over 33 per cent of all judicial posts at the high court level are at any given time vacant and unfilled... matters of intellectual property are complex and expertise oriented and take much more time than other civil or criminal matters.”*<sup>26</sup>

Proceeding to the next criticism in the statement of object and reasons, the assertion regarding the lack of finality in IPAB cases, and the tarnish on the significance of its judgments is erroneous on multiple accounts. Of the 3793 cases disposed by the IPAB, a paltry 3 percent have been appealed, and among these, only less than 1 percent have been reversed on such appeals.<sup>27</sup> Moreover, the IPAB’s contribution to India’s IP jurisprudence with important decisions such as *Novartis* (upheld by the Supreme Court),<sup>28</sup> *Bayer Corporation v Natco Pharma*,<sup>29</sup> the *N95 Case*,<sup>30</sup> *Ferid Allani*,<sup>31</sup> etc., clearly highlight its competency and render the aforementioned reasons for abolishing it untenable.

A lot of the IPAB’s ineffectiveness can be attributed to the deficiencies in the prompt appointments of chairpersons and technical members. An honest introspection would reveal that this is connected to the decision to headquarter it in Chennai. There are two main challenges with headquartering a forum such as the IPAB in Chennai. The first is a discrepancy in the case load handled by the circuit bench of New Delhi versus the headquarter at Chennai. More patent cases were consistently filed at the Delhi bench but the disposal rate remained

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<sup>26</sup> Nalini Sharma, ‘Scrapping of the IP Tribunal: The good, the bad, and the ugly’ (*India Today*, 12 April 2021) <<https://www.indiatoday.in/india/story/scrapping-of-the-ip-tribunal-the-good-the-bad-and-the-ugly-1790112-2021-04-12>> accessed 6 June 2021 .

<sup>27</sup> Pravin Anand, ‘Abolishing IPAB: An Own Goal?’ (*Indian Business Law Journal*, 21 April 2021) <<https://law.asia/abolishing-ipab-own-goal/>> accessed 30 June 2021.

<sup>28</sup> *Novartis AG v Union of India* (2013) 6 SCC 1.

<sup>29</sup> *Bayer Corporation v Union of India* 2013 SCC OnLine IPAB 25.

<sup>30</sup> *Sassoon Fab International Pvt. Ltd. v Sanjay Garg* 2020 SCC OnLine IPAB 170.

<sup>31</sup> OA/17/2020/PT/DEL.

below that of Chennai. The second challenge is that headquartering it at Chennai would require the Chairman to reside there. The professional backgrounds and histories of individuals shortlisted for this role usually meant that they would often have engagements or future commitments in the Delhi High Court and Supreme Court, which they would have to abandon by making the shift to Chennai. Ultimately, due to political pressures, the attempts to headquarter it in New Delhi were unsuccessful.

It should also be noted that the rules for appointment to the IPAB clearly carve out a principal share of the responsibility to the Central Government. The point of stating this is not to engage in a 'blame-game' ricochet but to make apparent that the defects are not as inherent to the forum as they seem. Notwithstanding this, the Court in *Mylan Laboratories* stated that, "The legislative intent is of the continuity of IPAB and not its cessation because of a vacancy in its technical membership."<sup>32</sup> This sentiment was shared by the High Court of Madras in the *Shamnad Basbeer* case where it found that the IPAB has an eminent role to perform.<sup>33</sup> The court gave consideration to India's attractiveness as an investment destination among other factors. Thus, it should be of no surprise that the abolition of the IPAB without a better alternative brought with it a motley throng of hazards. The most notable of these are: inconsistent jurisprudence; as well as in the proceedings; lack of a technical expert, which thus passes the sole burden of intricate examination to the High Court judges; and, expensive costs of representation (as opposed to the IPAB where patent/trademark agents could appear on behalf of the client).

Although often repeated, factors such as speedy justice, increased docket load and affordability should not be construed as mere

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<sup>32</sup> *Mylan Laboratories Limited v Union of India* 2019 SCC OnLine Del 9070.

<sup>33</sup> *Shamnad Basbeer v Union of India* 2015 SCC OnLine Mad 299.

catchphrases but must rather be understood as comprising the very warp and woof of why tribunals were established. The 272<sup>nd</sup> Law Commission Report of India (2017) clearly spells out that tribunals exist as a remedy to the large number of delays and pendency in the Courts. The fact that despite the tribunal's dysfunctions abolition finds no mention is of great import. In fact, all the suggestions in the aforementioned Report stress reforming the existing tribunals through filling of vacancies, independence in appointments, etc. In the 2021 *Madras Bar Association* case, the Hon'ble Supreme Court recommends the formation of a National Tribunal Commission to supervise the appointment and functioning of the Tribunals, and till the constitution of such a Commission, a separate wing in the Ministry of Finance to deal with its needs.<sup>34</sup> But while stating thus, the court frowns upon the existing situation where executive control is in some form or the other prevalent in the functioning of the tribunals (such as with the IPAB). The same position has been stated even in the 272<sup>nd</sup> Law Commission Report. As regards the relationship between the functioning of Tribunals and High Courts, the Supreme Court in *Chandra Kumar* categorically stated that Tribunals were only supplemental to the High Courts and not substitutes.<sup>35</sup> It is possible to construe this relationship to be reciprocal where High Courts, by their very nature, cannot ordinarily be substitutes for specialized Tribunals either. The reason for this is that "specialist bodies comprising both trained administrators and those with judicial experience would, by virtue of their specialized knowledge, be better equipped to dispense speedy and efficient justice."<sup>36</sup>

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<sup>34</sup> *Madras Bar Assn. v Union of India* (2021) 7 SCC 369.

<sup>35</sup> *L. Chandra Kumar v Union of India* (1997) 3 SCC 261.

<sup>36</sup> *Ibid* at 95.

To illustrate this stance of being supplemental but not substitutes, it would be best to use an example. Consider for instance a case that pertains to the adjudication of Standard Essential Patents where it entails establishment of validity of the patent claim based on the court's interpretation, and establishing infringement, based on a nuanced understanding of the 'standard' viz-a-viz the claims that are being infringed. This, in turn, involves the Evidence Act, Civil Procedure Code, understanding of the Patents Act, orders of the competition commission, etc. Here, the award of an injunction entails a very reasoned and nuanced understanding of the various laws that would go into determining what the rights and liabilities of each party are. Given these circumstances and the stakes involved, in India, this is clearly within the domain of the High Courts and not a Tribunal (such as IPAB). Supposing such a body would have been made competent to pass orders on this matter, it would eventually end up in the High Court. However, something such as opposition matters, or refusals of claims (which are in essence more technical than legal) are best dealt with by specialized courts with a technical expert.

With full consideration of all these factors, the paper will now proceed to examine whether the IPD resolves the issues created by abolishing the IPAB, and the degree of its substitutive function.

## **THE IPD – SUCCESSFUL REFORMATION WITH ROOM FOR IMPROVEMENT**

### **A. Broad Transition Issues**

Any discourse around the IPD must include the proactive step of its existence as a specialized unit for IP dispute resolution almost instantaneously after the dissolution of the IPAB. This enactment under the guidance of IP polymaths Justice Pratibha M. Singh and Justice Sanjiv Narula undoubtedly set out its establishment with a

promising incorporation. Currently governed by two judges on a rotational roster, a perusal of the Delhi High Court Intellectual Property Division Rules, 2022 (**‘IPD Rules’**) reveals conventional and new practices such as a ‘hot tubbing’ of contradictory expert opinions, a faster and speedier trial, and a general progressive outlook.<sup>37</sup> However, with over 3000 cases transferred to the IPAB, out of which 500 were patent matters, one cannot ignore the very obvious burden on the Delhi High Court and its ability to not only entertain IP matters but also the loss of three judges to the Court in other areas of law.

Again, when commenting upon whether the IPD resolves these issues, it is important to preface the passage with the understanding that the IPD itself is at a nascent stage, and deserves merit solely based on successfully handling the aftermath of the dissolved IPAB. However, with the conversation surrounding specialized IP adjudication recently reignited by the new Madras High Court IPD (with more such divisions expected), the discourse must extend to whether through these forums said adjudication has been or will be perfected.

The foremost of hazards posed by the abolition of the IPAB was the time factor for the litigants. While a streamlined and specialized court such as the IPAB exercising original and appellate jurisdiction does make this easier, it does not (or rather cannot) do anything to fast-track the cases. On a positive note, the Delhi High Court Intellectual Property Division Annual Report (“Annual Report”) notes that with around 3000 cases transferred to the IPD of which more than 500 cases are patent-related, around 30-50 percent were disposed of which fought against the expectancy of delays.<sup>38</sup> In the report, Justice Navin Chawla attributed his impressive disposal numbers to the existence of

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<sup>37</sup> Delhi High Court Intellectual Property Rights Division Rules, 2022.

<sup>38</sup> Delhi High Court Intellectual Property Division Annual Report 2022-23.



the special bench dedicated to IP.<sup>39</sup> Furthermore, the report touched upon incoming procedural improvements such as fixing time slots for oral proceedings for brevity and shorter proceedings can only add to this efficacy henceforth.

However, adjudication based on conventional 6-month roster system which might create challenges for its suitability for the IPD. This proposition is contextualized with rules 31 and 32 of the IPD Rules. The former provides that a court may when deeming necessary seek the assistance of an expert in relation to complex technicalities while the latter institutes a common pool of law researchers with technical qualifications.

### **B. The Debate Surrounding Judicial Expertise**

To an observer, it may appear that the problems arising from the lack of technical experts are remedied by the fact that at least one judge on the roster will have a technical degree (this is a pattern and not a rule), and Rule 32 of the IPD Rules provide for the appointment of 'Legal Researchers' with such qualifications. But the efficacy of this measure may be hindered by the fact that the term 'technical qualifications' is vague. It could mean any number of degrees, such as those in biology, computer science, botany, chemistry, etc., at either a bachelor's or master's level. The content of these degrees is extremely varied, and the aid they render judges in their adjudication depends entirely on the type of matter being heard. Consider hypothetically a judge with a bachelors in biology or physics. This is a valid technical qualification. However, it would still make adjudicating on matters like intricate pharmaceutical patents challenging. This is because such cases can deal with advanced organic chemistry, stereochemistry, and 3D orientation

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<sup>39</sup> Justice Navin Chawla, *Experience in the IP Division at the Delhi High Court* (Delhi High Court Intellectual Property Division Annual Report, 2022-2023).

of molecules, which are all essential in understanding the drug-tissue response.

These are ultimately subjects that are seldom collectively dealt with at a bachelor's program. It certainly seems unfair to expect Indian judges to be omniscient and have an expertise that spans every conceivable subject. Although, notably various judges have emphasized not only for the need of but also the efficacy of technical assistance through researchers and experts in navigating this arcane sphere.<sup>40</sup> However, this concept is not unique only to the IPD given the recent announcement by the Chief Justice D.Y. Chandrachud to maintain roster rotation based on domain expertise for the Supreme Court.<sup>41</sup> For the IPD this expertise would not always have to be in the shape of a technical degree that precisely matches the dispute at hand as this may be too restrictive, and highly impractical (at-least for the purpose of discharging judicial functions, and, such barriers to entry would only contribute to vacancies). This is also because while “a” technical degree gives one an advantageous degree of understanding and familiarity with a subject matter, it is clearly not the panacea it appears to be, for the simple reason that:

*“It is hardly to be supposed that the members of a patent court will be so omniscient as to possess specialized skill in chemistry, in electronics, mechanics and in vast fields of discovery as yet uncharted. The expert (judge) in organic chemistry brings no special light to guide him in the decision of a problem relating to radioactivity.”<sup>42</sup>*

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<sup>40</sup> Justice Amit Bansal, *Importance of Technically Qualified Law Researchers and Panel of Experts for IPD Judges* (The Delhi High Court Intellectual Property Annual Report, 2022-2023).

<sup>41</sup> Debayan Roy, ‘Supreme Court to introduce new roster system based on domain expertise of judges from July 3’ (*Bar and Bench*, 29 June 2023) <<https://www.barandbench.com/news/litigation/new-scientifically-based-roster-case-categories-supreme-court-of-india>> accessed 1 July 2023.

<sup>42</sup> Simon Rifkind, ‘A Special Court for Patent Litigation? The Danger of a Specialized Judiciary’ 37 ABAJ (1951).

This is pertinently so when there exists a provision for researchers and a panel of experts that possess the necessary skills. Instead, perhaps judicial 'expertise' could alternatively be construed as a judge's past relationship with those subject matters in Court, which could be an equally appropriate marker of their ability to adjudicate on the same. This is not to imply that a judge's efficacy in adjudication necessarily depends on their past expertise, because that would be incorrect and presumptuous. A zeal and enthusiasm to learn have often been found to be amply sufficient.<sup>43</sup> However, an expertise-based roster system in one form or the other (as presented herein) would undoubtedly increase the probability of efficient adjudication based on the known and controlled variables.

For a balanced perspective, the argument for domain expertise dictating roster rotation must be contrasted with the informed viewpoint Justice Gautam S. Patel presented in the 'National Seminar of IPR Disputes in India'. Here the Justice Patel spoke on the purposive decision to incorporate judges into the IPD regardless of any previous experience or specialization in the field as opposed to marginalising judges as 'only IP judges. Hence the system would function based on a learning curve furthered by knowledge infusion by the counsels and legal researchers alike.<sup>44</sup> Fortunately, this sentiment has exceeded expectations at least till the point of adjusting the backlog from the IPAB. Furthermore, at the foundational level, conceptual clarity through consultations per Rule 32 have been successful particularly in patent matters as mentioned by Justice Amit Bansal in

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<sup>43</sup> In this regard one may consider the prolific careers of Justice Hari Shankar, Justice Prabha Sridevan, and Justice Ravindra Bhat amongst many others that have passed pathbreaking judgments without an extensive background in IP Law prior to the same.

<sup>44</sup> Vikrant Rana & Priya Adlakha, 'National Seminar on Adjudication of IPR Disputes in India: An Initiative by Delhi HC' (*S.S. Rana & Co.*, 22 February 2022) <<https://ssrana.in/articles/national-seminar-adjudication-ipr-disputes-india/>> accessed 30 June 2022.

the Annual Report. When it comes to the advancement of IP jurisprudence, the specialized division has been able to keep up with the influx of digitisation in infringement suits and has also commented on future-proofing aspects such as redundant injunctions/blocking orders against copyright infringing websites with multiple mirrors. Although not before the IPD, the judgement in *Ericsson v Intex* is also indicative of how non-specialist judges can navigate complicated spaces such as Standard Essential Patents and FRAND licensing.<sup>45</sup>

### **C. Reasons for Rethinking the Roster System**

Another critique of the existing roster system is that it might happen that by the time the judge has become thoroughly apprised of the facts of the case and has synthesized it into a structure where they can apply the law, the roster changes and they are replaced. If the litigants have not procured an order by this time, then the hearings may have to be restarted for the simple reason that the matters are often so complex as to warrant this detailed briefing. This could additionally be prejudicial to the interests of the plaintiff as their strategy and line of arguments has previously already been revealed in Court.

Dr. Shamnad Basheer in 2016 (before the abolition of the IPAB) offered an extremely nuanced perspective on the considerable merits of having a specialized bench at the High Courts rather than a tribunal.<sup>46</sup> Dr Basheer upon examining history, judicial precedent and politics found that setting up specialized benches was far more desirable due to a more efficient allocation of resources (characterized by fewer investments), a more independent judiciary and curtailed risk of government interference, and seamless integration as these benches fall within the existing court framework. Dr Basheer however qualified

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<sup>45</sup> *Intex Technologies (India) Ltd. v Telefonaktiebolaget L.M. Ericsson* (Publ) (2023) 299 DLT 737 (DB).

<sup>46</sup> Basheer (n 23).

his suggestion with the disclaimer that such a scheme would only be successful with longer bench tenures. This would allow the judges to gain the aforementioned experience needed for such a forum to succeed in its goals via the “learning curve” as posited by Justice Gautam Patel.

An additional solution to implement as a best practice, would be to generate transcripts of the hearings similar to the system in the United Kingdom, for the purposes that when the roster changes there is a record of the previous arguments before the sitting judge.

#### **D. Appointment of Court Experts and Legal Researchers**

The previously mentioned CAFC and IPHC systems show how a gradual shift from generalized to specified type of intellectual property issues can take different forms and procedures. Despite this, their unique structures have remained consistent in these jurisdictions due to surrounding factors. The IPHC’s methodological constitution of professional researchers and non-expert judges can handle the labyrinth of evolving technical patent disputes, given that their appointment criteria for researchers requires comprehensive experience in IP subject matter which influences the adjudicatory perspective. Furthermore, this experience smoothens the possibility of a balanced role of third-party experts. On the other hand, the CAFC in the US, uses recent law graduates as legal researchers, but they assist judges who specialize in patent matters. This upholds a different but equally effective kind of balance with third party experts.

However, the IPD seems to suffer from the short end of both mechanisms. The roster rotation does not ensure the appointment of an expert judge, and the immediate legal researchers assisting are composed of freshly graduated clerks. Although this deficiency is saved by the independent pool of additional technical legal researchers

not attached to any bench as per Rule 32 of the IPD Rules, their involvement remains hanging on discretion. The recent call for applications for the role of a legal researcher mentions that such researcher must have a minimum of two years-experience in IPR along with either a technical degree 'or' a specialization in any IPR subject matter. Even discounting the reality that two years-experience is in most cases insufficient to equip someone with the required expertise for the case load and variety the IPD encounters, the 'or' factor prefacing the already vague 'technical degree' makes any expert involvement all too optional. It cannot be denied that a longer duration for the roster and specified tenure for the pool of legal researchers with stringent educational qualifications would help this forum better serve its purpose.

Being contended with 'either or' often results in a reality which is 'neither nor'. To this end, we may compare this with the appointment of technical members in the IPAB where although there are a wide range of options, they contain an inherent stringency. To elaborate, a technical member for Patents would need to have had at least 5 years of past experience in the role or have been the controller under the patents act, or has had at least 10 years of experience as a registered patent agent and possess a degree in engineering or technology,<sup>47</sup> experience as a controller general or registered patent agent is far from an exception to a technical qualification, as the appointment of such role requires a technical degree to qualify. Each one of the options provided in some form or the other mandate prior technical experience, which is obvious considering such a rule befits the role. The different options exist not as caveats to the requisite qualifications, but only to ensure that candidates with the required skills are not

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<sup>47</sup> Tribunal, Appellate Tribunal and other Authorities (Qualifications, Experience and other Conditions of Service of Members) Rules, 2017.

barred simply by the nature of their previous roles. The purpose of insisting on these skills and background is not to advocate for a technocratic gentry in the judiciary. But it is to point out that the nature of suits in the IPAB (opposition matters, refusal of claims, revocations and cancellations, etc.) necessitated those skills whether or not they were always available. Additionally, given that those suits are now transferred to the IPD, there is no reason that the expertise mandated in the erstwhile body should not be present here as well, in this case, reflected in experts falling under Rules 31 and 32.

In the Annual Report, the need for technical experts as mentioned in Rule 31 is well acknowledged, especially in the arena of patents, however, even after a full year such a panel remains to be constituted. One hypothesis that seeks to answer this, is that the cases thus far have not yet necessitated the constitution of such a panel. But besides being a confounding prospect, it is also worrisome because one may consider for instance (as observed in *Philips v AWH Corp.*) that “The descriptions in patents are not addressed to the public generally, to lawyers, or to judges, but ... to those skilled in the art to whom the invention pertains”.<sup>48</sup> For this reason, and the simple fact that persons skilled in the art are able to read the claims in the context of the entire patent, and are interpreting the terms and technologies not as a lawyer would but as an engineer, scientist or anyone in the technical fraternity, it would be ideal to constitute such a body with priority. It is well established that decisions of Indian patent courts and the controllers need to follow the principles of natural justice in their adjudication, and must be non-arbitrary, and through the application of mind.<sup>49</sup> Further, one recognizes intuitively that for the standard of *audi alteram partem* to be met the complexity of each litigant’s claims and arguments

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<sup>48</sup> 415 F.3d 1303 (Fed. Cir. 2005)

<sup>49</sup> See *Agriboard LLC v Dy. Controller of Patents* (2022/DHC/001206); *Gogoro Inc. v Controller of Patents* (2022/DHC/003259).

must be gathered in its entirety by the judge. An expert would facilitate this and ideally hasten the trial as a result, with the added benefit that such a reasoned order is less likely to be appealed.<sup>50</sup>

Additionally, the presence of court experts would undoubtedly assist the judge during the “Hot-Tubbing” by party experts, in separating the grain from the chaff (*i.e.*, the conflicting testimony, and fiction from the canonical substance).<sup>51</sup> To borrow perspective, in *Daubert v Merrill*<sup>52</sup> and the *Philips v AWH case*, the U.S District judges were tasked with the job of evaluating the biased technical expert testimony to arrive at a conclusion, but as the illustrious Justice Breyer later observed, this is may be unwise.<sup>53</sup> Judges are trained extensively through years of practice to discharge a judicial function, a role that already carries with it tremendous responsibilities due to the vast and far-reaching effects it has. In addition to this, to task them with making “sophisticated determinations” on highly nuanced scientific matters (during conflicting testimony) when they often do not have the training for the same is a practice we must review.

Therefore, it is clear that many of the aforementioned benefits that could accrue to India as a result of such a forum weigh heavily on the constitution of the panel per Rule 31. Realistically, it is likely that several eligible candidates for such a panel are associated/employed by companies (that might invariably have pending or prospective intellectual property disputes of their own) thus resulting in a conflict of interest. A solution to this conundrum may be to recognize that Judges are already adept at dealing with potential conflicts of interest, and any vested interest of the court expert would be detected either by

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<sup>50</sup> Dolly Wu, ‘Patent Litigation: What About Qualification Standards for Court Experts’ BCIPTF (2010).

<sup>51</sup> *Markman v Westview Instruments Inc.* 52 F.3d 967, 1025 (Fed. Cir. 1995) (Newman, J.).

<sup>52</sup> 509 U.S. 579, 590, 597 (1993).

<sup>53</sup> Sapna Kumar, ‘Judging Patents’ 62 Wm. & Mary L. Rev. 871 (2021).



the Judge or inevitably by the opposing counsel. Addressing this is simplified by the fact that the role of the expert is only consultative in nature.<sup>54</sup> The language of both the aforementioned rules prescribes a discretionary power of availing technical assistance as and when needed. This does solve the *demission du juge*, which is an over-dependence on third-party expert contributions, as technical issues existing outside the specialization of a non-expert judge would then excessively be influenced by said opinions. But the aforementioned observations reveal another layer to this argument that due to the complexity of the issue at hand, the deviation of justice could begin at the framing of the questions of law in the first place, which would then restrict the expert within these arbitrary walls. It must be noted here that the gap between ideation into practice in terms of appointing 'technical experts' by the book existed even with the IPAB, the Chairman was a retired Judge assisted by/ seated with a technical member with a single science/field of expertise.

### **THE ARBITRATION CONUNDRUM**

This part of the paper deviates from its sole focus in specialized IP courts to comment on the larger IP ecosystem specifically pertaining to Alternate Dispute Resolution ('ADR'). Given its inextricable connection with litigation and jurisprudence formulating the basis of fundamental understanding of aspects such as arbitrability, India's stance must be compared to global trends.

The benefits of resorting to ADR mechanisms such as arbitration and mediation involve an effective pre-escalation route for early problem identification, focus on party interests and autonomy, along with cost-effective and informal make-up as compared to conventional

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<sup>54</sup> "The sabbath was made for man, not man for the sabbath: (Mark 2:27) KJV, likewise, the expert is appointed for the judge, not the judge for the expert. The role of an expert is to be a facilitator and not that of a "heavy-weight" in the judicial process.

litigation.<sup>55</sup> An interesting addition to these advantages, which is particularly highlighted in IP disputes, is the engagement of an expert who as the mediator or arbitrator is able to solely or via further appointment formulate an unbinding negotiation or a binding award enforceable by a court.

Upholding this essence of expert guidance aiding the resolution of IP disputes, the WIPO Arbitration and Conciliation Centre promotes said methods of dispute resolution by collaborating with state IP offices in terms of raising awareness, case administration, and their adoption in research and development models.<sup>56</sup> Furthermore, alongside literature postulating the mode of IP courts across jurisdictions highlighting the importance of ADR forums for adjudication, the ICC Commission has observed that the arbitrability of IP matters is not starkly different from others. It is not entirely correct to say that all intellectual property issues can be resolved under these models, as in India due to nebulous jurisprudence.

A significant portion of all IP litigation is tied to breaches in know-how and licensing agreements, naturally, tied to a predetermined contract. In these circumstances, the existence of a valid arbitration agreement containing the scope for dispute resolution including IP matters tends to be treated in a nictitating and uncertain manner whenever the court has the opportunity to go into a detailed yet *prima facie* review of the arbitrability of the matter.<sup>57</sup> This cautious power of review crafted with the softest hands so as to not hinder the powers of the arbitration tribunal is limited in its endorsement to whether the right violated in question pertains to a right *in rem* or a right *in personam*. A right *in rem* when seen in the light of jural correlatives imposes a duty

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<sup>55</sup> de Werra (n 5).

<sup>56</sup> World Intellectual Property Organisation, *Guide to WIPO Arbitration* (2020).

<sup>57</sup> KA Loya, 'Arbitrability of intellectual property disputes: a perspective from India' 14(2) JILP (2015).

on the state to resolve a harm done against a citizen. Since there is a duty owed, a right *in rem* is a right against the public at large. An important factor therein is that the effect of owning an intellectual property right confers in most cases, a negative/exclusionary right to *inter alia* produce, use, and sell the property in question. Therefore, as opposed to private rights, often the Indian courts have labeled trademark, patents and copyrights under this gamut.

A right that holds within itself the implication of a micro-monopoly and its *erga omnes* effect is a subject which only the state has the competence to decide, making the question of its arbitrability a policy decision. The landmark case of *Vidya Drolia* reasonably limits the breadth of arbitrable subject matter by excluding matters related to the inalienable sovereign and public interest functions of the State, and those in need of centralised adjudication.<sup>58</sup> Seeing the standard established in *Drolia*, not only is the classification of arbitrable subject matter not watertight but even the boundary of '*in rem*' can be unraveled to include rights *in personam* which were subordinate to rights *in rem* (hence, with no *erga omnes* effect) to in fact be arbitrable.<sup>59</sup> A careful deduction can constitute that some matters might fall under this purview, such as basic licensing issues arising from a contract. However, even the exercise of possibly adjusting IP disputes within these crevices is perturbed by the fact that some courts have dealt with the arbitrability of IP cases as a separate limb exclusively as rights *in rem*.

In *Ayyaswamy*, the court observed as *obiter* the bar on the arbitrability of such matters, which was consciously upheld in *Drolia*.<sup>60</sup> Following the latter, the court in *Indian Performing Right Society Ltd. v Entertainment*

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<sup>58</sup> *Vidya Drolia and Ors. v Durga Trading Corporation* MANU/SC/0939/2020.

<sup>59</sup> *Ibid.*

<sup>60</sup> *Ayyasamy v Paramasivam* MANU/SC/1179/2016.

*Network* concluded after a thorough evaluation of precedents scoping out the ambit of 'in rem' that rights such as copyright would fall under this purview and not be arbitrable.<sup>61</sup> Cases such as *Lifestyle Equities v Seatoman* have attempted to mine the right *in personam* subordinate to the right *in rem*, by compartmentalising the contractual counterparts of these rights from the state granted ones such as licensing, as opposed to validity of a patent.<sup>62</sup> Moreover, courts have also attempted to divert attention towards a conclusive adjudication of the matter by promoting *favor arbitrandum*, which is an approach consisting of a presumption in favour of the arbitrability of disputes.

However, there needs to be some clarity on and consonance between the aforementioned judgements. This is because there is no accounting for the possibility where in a licensing agreement dispute, the defendant might take up the issue of invalidating the IP right in order to separate themselves from the inference of infringement. An interesting departure from these jigsawed disagreements was an approach taken by the court in *Hero Electricals*, where the matter was referred to arbitration eventually.<sup>63</sup> Here, the IP element was ignored in part of its connected contractual obligations, tiptoeing the arbitrability requirement under Sections 8 and 11, given the context for the contract required limited reference to IP law.<sup>64</sup> But such a method does not, or better yet, *should not* act as a precedent for the treatment of IP disputes in such a manner. Reducing them to contractual obligations and performance neither solves the *in rem* and *in personam* conundrum nor acts as a ready stencil for every kind of such dispute.

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<sup>61</sup> Indian Performing Right Society Ltd. v Entertainment Network (India) Ltd. 2016 SCC OnLine Bom 5893.

<sup>62</sup> Lifestyle Equities CV v Q.D. Seatoman Designs Pvt. Ltd. and Ors. 2017(72) PTC 441(Mad).

<sup>63</sup> Hero Electric Vehicles Private Limited and Ors. v Electro E-mobility Private Limited and Ors. MANU/DE/0379/2020.

<sup>64</sup> Arbitration and Conciliation Act 1996, ss 8 and 11.

Not only does it move away from the anticipation of the inevitable – a conclusive judgement – but the same also decisively points out that the ADR system in place does not make up a certain and reliable dispute resolution framework for IP issues in India. The Annual Report addresses this uncertainty but poses commercial suits as better alternatives to arbitration in non-contractual IPR suits at the very least such as for licensing and franchising.

However, most UNCITRAL countries have extensive frameworks for IP dispute resolution, which is representative of the growing judicial faith in ADR.<sup>65</sup> Notwithstanding Mediation and Early Neutral Evaluation, India's departure from international conformity, which sets out yet another opportunity for technical expert engagement with the dispute matter, is indicative of the IPD in its entirety as the sole option for dispute resolution. Lastly, the variability of judgements with regard to this issue itself highlights the incongruence regarding the intricacies of IP at large and the inability of the High Courts and Supreme Court to efficiently employ the breadth of the law past nit-picking existing jurisprudence.

## **CONCLUSION**

In the final analysis, there is an insufficient corpus of information regarding the IPD at present (such as reports and academic literature) owing to its nascency. To that extent, this paper has thus far comprehensively analysed India's journey towards specialized IP courts by undertaking a comparative analysis of other jurisdictions, examining its own stint with the IPAB, and finally tracing the transition to the present IPD. The demand for such a forum in the Indian

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<sup>65</sup> Dario Vicente, 'Arbitrability of intellectual property disputes: A comparative survey' 31(1) *Arbitration International* (2015) <[https://www.researchgate.net/publication\\_Arbitrability\\_of\\_intellectual\\_property\\_disputes\\_A\\_comparative\\_survey](https://www.researchgate.net/publication_Arbitrability_of_intellectual_property_disputes_A_comparative_survey)> accessed 12 December 2022.

experience is specifically underscored in this paper by considering the “Indian context”.

Streamlining of multiple cases into a common trial (as in *Octave Apparels*<sup>66</sup>), hearing concurrent evidence via Hot-tubbing, and creating in-house research units with technical expertise in the form of ‘Legal Researchers’ and a Panel of Experts shows the novelty and promise of the forum. However, to best achieve the goals and the promise extensively explored herein, the possibility of moving to an expertise-based roster system (as introduced in the Supreme Court of India) within the liberal contours suggested in this paper may be explored. Additionally, it could be desirable to make technical qualifications for the legal researchers mandatory instead of optional, and constitute a panel of experts (or what the IPD Report terms the “National Panel of Scientific Advisors”) on priority. The benefits accruing from this have been explored under the heading ‘Appointment of Court Experts and Legal Researchers’. In addition, a longer tenure and less frequent roster changes would benefit not only the litigants but also the sitting judges as it would allow the “learning curve” effect mentioned by Justice Patel to culminate in fruition.

As regards arbitration, for the benefit of the reader it is summarized that the jurisprudence as it stands today are conclusive to the extent that contractual rights are arbitrable (even when arising from a statutory right), whereas standalone statutory rights are not. *Hero Electric*, and *Golden Tobie* make clear that non-contractual rights arising from a statute are not-arbitrable, conversely, contractual rights arising from a statute are arbitrable (being subordinate rights in personam arising from the rights in rem).<sup>67</sup> This naturally precludes infringement

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<sup>66</sup> *Octave Apparels v Nirmal Kumar trading as Apricot Fashion Alloy & Anr.* [C.O. (Comm.IPD-TM) 352/2022].

<sup>67</sup> *Golden Tobie Private Limited v Golden Tobacco Limited*, 2021 SCC OnLine Del 3029.

matters that typically arise due to the absence of a contract. The court in *Hero Electric* identifies such suits (albeit in the context of trademarks) as “normal” infringement suits that are non-arbitrable, and finds that infringement where the rights emanate from a contract are arbitrable. But given that such awards are final and cannot be challenged except under a limited scope, one wonders whether given the sophistication of the subject it would be desirable to arbitrate it. The commercial courts (within their pecuniary limit) already act as a fast-tracked forum with strict timelines for pleadings, case management hearing and the 6-month deadline for closure of arguments, and judgement within 90 days of the arguments. This coupled with the inherent security (by virtue of the judicial expertise and tailored infrastructure) of the IPD (and the possibility of appeal to it) makes the IPD ultimately reign as the forum of choice.

## READING THE ISSUES OF INTELLECTUAL PROPERTY IN INTERNATIONAL ECONOMIC LAW

Ahan Gadkari\* & Sofia Dash♦

### *Abstract*

*Concerns have been expressed about the rising frequency with which investment disputes involving intellectual property (IP) rights are being addressed via international investment arbitration under international investment agreements. Some have observed that the International Investment Agreements (IIAs) have widened the scope of intellectual property protection by adding additional criteria of treatment or protection. Other commentators have focused on the divergence or convergence of IP laws under various international treaties, the interaction between international (investment) law responsibilities and national law regulation, or the history of IP-investment litigations. Based on the existing literature and case law, this article provides a technical analysis of the intersection of international investment and international intellectual property in the context of dispute resolution. This article argues that, for practical reasons, deeper integration between the two regimes at the level of conflict resolution is not desirable. At the global level, IP law and governance are very disjointed and distributed across several bodies. This is mirrored in the fact that states cannot seem to agree on several IP-related problems. IP litigation in the context of investment disputes contributes to this fragmentation rather than reducing it, and it seems to be an effort to excessively sidestep the debates on IP problems taking place in intergovernmental fora.*

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## INTRODUCTION

The protection of intellectual property (“IP”) has long been a central tenet of economic regulation at the global level. The 1883 Paris Convention for the Protection of Industrial Property and the 1886 Berne Convention for the Protection of Literary and Artistic Works may be considered the earliest multilateral accords in international economic regulation. The underlying motivation for its acceptance was the purported necessity to guarantee foreign trade and investment interests and to protect local markets from international counterfeiting and piracy.<sup>1</sup> Evidenced even at the regulatory level, the close connection between IP, international trade, and international investments is undeniable. Economists are divided about which nature of the debate this connection falls on (positive or negative).<sup>2</sup> Yet, this connection seems to have been steadfastly forged by international law. The General Agreement on Tariffs and Trade of 1947 (“GATT 1947”) included reference to intellectual property. According to Article XX (d) of GATT 1947, Contracting Parties may have adopted measures inconsistent with the General Agreement “*necessary to secure compliance with laws or regulations which [were] not inconsistent with the provisions of [the]*

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<sup>1</sup> Thomas Cottier & Marina Foltea, ‘Global Governance in Intellectual Property Protection: Does the Decision-Making Forum Matter? NCCR Trade Working Paper No. 2011/45’ (*World Trade Institute*, 5 July 2011) <<https://www.wti.org/research/publications/253/global-governance-in-intellectual-property-protection-does-the-decision-making-forum-matter/>> accessed 30 December 2022.

<sup>2</sup> Carlos Primo Braga & Carsten Fink, ‘The Relationship between Intellectual Property Rights and Foreign Direct Investment’ (1998) 9 *Duke J. Comp. & Int. L.* 163; Keith Maskus, ‘The Role of Intellectual Property Rights in Encouraging Foreign Direct Investment and Technology Transfer’ (1998) 9 *Duke J. Comp. & Int. L.* 109.

*Agreement, including those relating to ... the protection of patents, trade marks and copyrights.*”<sup>3</sup> It was widely agreed upon before the subsequent ratification of the Agreement on Trade-Related Intellectual Property Rights (“TRIPS Agreement”)<sup>4</sup> that IP rights should be taken into account in international economic law and policy. Some argue that the Agreement places intellectual property rights for the first time in a social framework by obligating WTO members to grant a minimum degree of protection<sup>5</sup> and enforcement of IP rights.<sup>6</sup> If the TRIPS Agreement does indeed further entrench IP at the heart of economic governance, then it is also true that bilateral investment treaties (“BITs”) had been protecting IP as “investments” even before the passage of the Agreement. When discussing economics, intellectual property is often considered as investments in real investment and new product development.<sup>7</sup> Property rights, patents, and technical information were already protected investments in Article 8 of the 1959 Germany-Pakistan BIT,<sup>8</sup> often recognised as the first BIT to be negotiated.<sup>9</sup> Article VIII of the United States–Italy Treaty of Amity, Commerce, and Navigation (“FCN Treaties”) from 1948<sup>10</sup> provides

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<sup>3</sup> Art. XX (General Exceptions) of the *General Agreement on Tariffs and Trade*, 61 Stat. A-11, 55 U.N.T.S. 194 (GATT 1947), 30 October 1947.

<sup>4</sup> Agreement on Trade-Related Intellectual Property Rights, Marrakesh (15 April 1994).

<sup>5</sup> Peter Van & Werner Zdouc, *The Law and Policy of the World Trade Organization: Text, Cases, and Materials* (Cambridge University Press 2021) 952.

<sup>6</sup> Pascal Lamy, ‘Trade-Related Aspects of Intellectual Property Rights - Ten Years Later’ (2004) 38 J. World Trade 923.

<sup>7</sup> World Intellectual Property Organization, ‘Intellectual Property as an Investment’ (WIPO 2020) <[https://www.wipo.int/edocs/pubdocs/en/wipo\\_pub\\_450\\_2020.pdf](https://www.wipo.int/edocs/pubdocs/en/wipo_pub_450_2020.pdf)> accessed 30 December 2022.

<sup>8</sup> Andrew Paul Newcombe & Lluís Paradell, *Law and Practice of Investment Treaties: Standards of Treatment* (Wolters Kluwer Law & Business 2009) 42.

<sup>9</sup> Treaty for the Promotion and Protection of Investments Between the Federal republic of Germany and Pakistan, Bonn, 25 November 1959.

<sup>10</sup> Simon Klopschinski, Christopher S Gibson & Henning Grosse Ruse-Khan, *The Protection of Intellectual Property Rights under International Investment Law* (Oxford University Press 2021) 87.

evidence that the relationship between investment and intellectual property predates the current BIT system.<sup>11</sup>

Several concerns have been raised considering the growing number of investment disputes involving IP rights, and the increasing likelihood that these disputes will be resolved through international investment arbitration pursuant to international investment agreements (“IIAs”). It has been noted by some that IIAs have expanded the area in which intellectual property is protected by imposing new standards of treatment or protection on top of those already in place.<sup>12</sup> Other commentators have zeroed in on the evolution of IP-investment litigations or the relationship between international (investment) law duties and national law regulation,<sup>13</sup> or the differences and similarities between IP regulations<sup>14</sup> under different international accords.<sup>15</sup> This article takes a technical look at the integration of international investment and international intellectual property at the dispute resolution level, based on the available literature and case law. Several technical considerations, it is suggested, can lead to a different result

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<sup>11</sup> Art. VIII of the Treaty of Friendship, Commerce and Navigation Between the United States of America and the Italian Republic, Rome (2 February 1948).

<sup>12</sup> Bryan Mercurio, ‘Awakening the Sleeping Giant: Intellectual Property Rights in International Investment Agreements’ (2013) 15 J. Int. Econ. L. 871; Lahra Liberti, ‘Intellectual Property Rights in International Investment Agreements: OECD Working Papers on International Investment 2010/01’ (OECD Publishing, 2010) <[https://www.oecd.org/daf/inv/investment-policy/WP-2010\\_1.pdf](https://www.oecd.org/daf/inv/investment-policy/WP-2010_1.pdf)> accessed 30 December 2022.

<sup>13</sup> C. Correa & J. E. Viñuales, ‘Intellectual Property Rights as Protected Investments: How Open Are the Gates?’, (2016) J. Int. Econ. L. 91; T. S. L. Voon, A. D. Mitchell & J. Munro, *Intellectual Property Rights in International Investment Agreements: Striving for Coherence in National and International Law*, in *International Economic Law After the Crisis: A Tale of Fragmented Disciplines* (C. L. Lim & B. Mercurio eds, UK: Cambridge University Press 2015).

<sup>14</sup> H. G. Ruse-Khan, ‘Protecting Intellectual Property Under BITs, FTAs and TRIPS: Conflicting Regimes or Mutual Coherence?’, in *Evolution in Investment Treaty Law and Arbitration* (K. Miles & C. Brown eds, UK: Cambridge University Press 2011).

<sup>15</sup> H. G. Ruse-Khan, *Litigating Intellectual Property Rights in Investor-State Arbitration: From Plain-Packaging to Patent Revocation*, Fourth Biennial Global Conference of the Society of International Economic Law (SIEL) Working Paper No. 2014-21.

than the fuller integration desired by certain scholars.<sup>16</sup> To this purpose, it is important to note at the start that, for the sake of convenience, IP will be considered as a whole, even if IP rights should be differentiated according to their rationale, goal, and regulation. In this article, IP is discussed in relation to international law in Section 2. There will be a regulation of the complexities of international IP disputes and the international frameworks that govern intellectual property. In Section 3, we will discuss the relationship between IP and international investment arbitration. Finally, Section 4 examines the connection between investments and IP disputes by analysing similar international IP disputes. Possible future developments will be discussed to conclude the discussion.

### **IP REGIME IN INTERNATIONAL LAW**

The state and fragmentation of international IP regulation should not be misled by the expanding number of bilateral and multilateral agreements touching upon IP in one way or another. To begin, it should be noted that the concept of “intellectual property” may not refer to the same “subject matter” in various jurisdictions.<sup>17</sup> The responses to the concerns of whether intellectual property includes just artistic and literary works or also industrial property and the precise extent of protection of certain IP rights may vary greatly depending on the nation under consideration.<sup>18</sup> As was mentioned previously, according to the territorial concept of IP rights, a given IP right is only effective inside the borders of the State or system that issued the grant. What this also implies is that the same intangible subject matter may be protected by many, distinct territorial rights with national or

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<sup>16</sup> VS Vadi, ‘Trade Mark Protection, Public Health and International Investment Law: Strains and Paradoxes’ (2009) 20 Eur. J. of Int. L. 773.

<sup>17</sup> D. Moura Vicente, *La Propriété Intellectuelle en Droit International Privé* 17–18 (Académie de Droit International de la Haye 2009).

<sup>18</sup> Ibid.

regional character.<sup>19</sup> This does not rule out the possibility that the same piece of intangible content is legally protected in one nation but available to the public in another.<sup>20</sup> This is still the case even with the protection of the TRIPS Agreement, which, as was indicated above, provides very minimal rights for intellectual property. The TRIPS Agreement is a significant milestone on the road to establishing uniform rules for intellectual property regulation on an international scale. While the establishment of the WTO and the passage of the TRIPS Agreement are often cited as the two most important catalysts for international “institutional competition” in IP international activities, the two are often considered to be inseparable.<sup>21</sup> Even before the implementation of the TRIPS Agreement, it is hard to substantiate the idea that IP has been the monopoly of one international forum alone. Thus, contrary to some views,<sup>22</sup> a major shift in IP regulation-making has occurred after the implementation of the TRIPS Agreement. In contrast, international IP governance has perpetually been a disorganised mess. This may be because problems about intellectual property protection are delicate and because of the differences across nations.

When it comes to IP issues, the United Nations (“UN”) turns to the World Intellectual Property Organization (“WIPO”). Although WIPO officially began operations with the 1967 entry into effect of the Convention Establishing the World Intellectual Property

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<sup>19</sup> A. Peukert, ‘Territoriality and Extraterritoriality in Intellectual Property Law’, in *Beyond Territoriality: Transnational Legal Authority in an Age of Globalization*, Queen Mary Studies in International Law 189 (G. Handl, J. Zekoll & P. Zumbansen eds, Leiden/Boston: Brill Academic Publishing 2012).

<sup>20</sup> Ibid.

<sup>21</sup> A. Wechsler, *WIPO and the Public-Private Web of Global Intellectual Property Governance*, in *European Yearbook of International Economic Law 2013*, 417 (C. Herrmann, M. Krajewski & J. P. Terhechte eds, Heidelberg/New York/Dordrecht/London: Springer 2013).

<sup>22</sup> L. R. Helfer, ‘Regime Shifting: The TRIPS Agreement and New Dynamics of International Intellectual Property Lawmaking’, (2006) 29 *Yale J. Int. L.* 5.

Organization, it has existed in some form since at least the 1950s. It originated with the unification of the secretariats of the Paris and Berne treaties, creating the United International Bureaux for the Protection of Intellectual Property (“BIRPI”).<sup>23</sup> It is possible that WIPO still plays a pivotal role in shaping the international trajectory of intellectual property, even if many now believe that trade agreements are the best method to increase IP rights protection.<sup>24</sup> The goals and function of the World Intellectual Property Organization are outside the scope of this piece. However, these few words show that IP international governance is and always has been a match with many participants. To be sure, in 1952 a Universal Copyright Convention (“UCC”) was established under the aegis of the United Nations Educational, Scientific, and Cultural Organization (“UNESCO”).<sup>25</sup> However, this Convention is not the limit of UNESCO’s ideas and operations on IP concerns.<sup>26</sup> Regulation of IP has also benefited from the efforts of other international bodies. Scholars have noted that the Rome Convention for the Protection of Performers, Producers of Phonograms, and Broadcasting Organizations<sup>27</sup> is the product of three lines of thought, one of which originated in the International Labour Organization’s International Labour Office (“ILO”).<sup>28</sup> Thus, although

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<sup>23</sup> World Intellectual Property Organization, ‘WIPO Intellectual Property Handbook’ (*World Intellectual Property Organization*, 2008) <[https://www.wipo.int/edocs/pubdocs/en/intproperty/489/wipo\\_pub\\_489.pdf](https://www.wipo.int/edocs/pubdocs/en/intproperty/489/wipo_pub_489.pdf)> accessed 30 December 2022 at 4.

<sup>24</sup> James Boyle, ‘A Manifesto on WIPO and the Future of Intellectual Property’ (2004) 3 *Duke L. & Tech. Rev.* 1.

<sup>25</sup> Universal Copyright Convention, Geneva, no. 2937 of the United Nations Treaties Series (6 Sep. 1952).

<sup>26</sup> Convention on the Protection and Promotion of the Diversity of Cultural Expressions – Operational Guidelines on Article 7 Measures to Promote Cultural Expressions, approved by the Conference of Parties at its second session (Paris, 15–16 June 2009), third session (Paris, 14–15 June 2011), fourth session (Paris, 11–13 June 2013), and fifth session (Paris, 10–12 June 2015); Art. 3 (Relationship to other international instruments) of the Convention for the Safeguarding of the Intangible Cultural Heritage, Paris (17 October 2003).

<sup>27</sup> Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, Rome (26 October 1961).

<sup>28</sup> M. Ogawa, *Protection of Broadcasters’ Rights* 32 (Leiden/Boston: Martinus Nijhoff 2006).

the WTO's entry into the international IP arena has undoubtedly resulted in some additional substantive discipline and more fragmentation of the international IP environment, none of these developments has been particularly novel. This is true even if we ignore the bilateral nature of IP clauses in FCN accords, BITs, and FTAs.

The fact that there are so many places where negotiations might take place demonstrates how difficult it is to establish uniform rules for international IP regulation. However, the polyphonic piece I just described only gives a partial perspective. There are now differences of opinion even within the same forum. For instance, the definition of geographical indicators ("GI") in Article 22 of the TRIPS Agreement extends upon the idea of appellation of origin established in Article 2 of the 1958 Lisbon Agreement.<sup>29</sup> On the contrary, GIs are a very divisive IP right,<sup>30</sup> as seen by the WTO disputes between the European Communities and Australia and the United States of America in the year.<sup>31</sup> European and North American interests were strongly opposed to the GIs discipline during TRIPS negotiations.<sup>32</sup> The Agreement's language on GIs seems to have been carefully written but is not always explicit, in contrast to the discipline of other IP rights, which appears to be significantly weighted in favour of IP rights owners.<sup>33</sup> It may be

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<sup>29</sup> J. Keon, 'Intellectual Property Rules for Trademarks and Geographical Indications: Important Parts of the New World Trade Order', in *Intellectual Property and International Trade: The TRIPS Agreement*, 158 (C. M. Correa & A. A. Yusuf eds, The Netherlands: Kluwer Law International 2008); O'Connor and Co., *Geographical Indications and TRIPS: 10 Years Later ... A Roadmap for EU GIs Holders to Get Protection in Other WTO Members*, 6–7.

<sup>30</sup> European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, WT/DS290/R, Panel Report, adopted on 20 April 2005; European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, WT/DS174/R, Panel Report, adopted on 20 April 2005.

<sup>31</sup> M. Handler, 'The WTO Geographical Indications Dispute', (2006) 69 *Modern L. Rev.* 70.

<sup>32</sup> J. Keon, 'Intellectual Property Rules for Trademarks and Geographical Indications: Important Parts of the New World Trade Order', in *Intellectual Property and International Trade: The TRIPS Agreement*, 158 (C. M. Correa & A. A. Yusuf eds, The Netherlands: Kluwer Law International 2008).

<sup>33</sup> *Ibid.*

added that the Appellate Body (“AB”) and WTO tribunals have not always done a good job of clarifying TRIPS’ murky clauses. Some concerns have been voiced about the WTO’s interpretation of the TRIPS clauses on enforcement.<sup>34</sup> In reality, the application and enforcement of IP rights are among the most delicate IP problems that need more clarification. Anti-Counterfeiting Trade Agreement (“ACTA”) was negotiated in reaction to dissatisfaction among key trade and IP stakeholders with relation to norm-setting and monitoring of IP enforcement at the WTO and WIPO,<sup>35</sup> and the belief that TRIPS was not an adequate response to counterfeiting and piracy.<sup>36</sup> In turn, this Agreement has been very contentious, maybe even more so than the actual discussion of IP enforcement problems in the TRIPS Council of the WTO. Labelling these differences as North-South divides is problematic. While the transatlantic region may share certain goals and approaches, it is difficult to speak about a shared IP strategy. However, poor and least-developed nations do not seem to have the same approach to IP regulation, and they pursue distinct international goals, despite some initiatives to the contrary.<sup>37</sup> This might be an indication of widespread scepticism and a dearth of hard data about the effectiveness of IP protection in fostering innovation and economic progress.<sup>38</sup> It might also be a true difference in perspective or aim, which would explain the situation better than any of the other possibilities taken alone or in combination.

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<sup>34</sup> J. Mendenhall, ‘WTO Panel Report on Consistency of Chinese Intellectual Property Standards’, (2009) 13 ASIL Insights 1.

<sup>35</sup> EU Parliament, *The Anti-Counterfeiting Trade Agreement (ACTA): An Assessment*, 8 Directorate-General for External Policies (2011).

<sup>36</sup> R. Meléndez-Ortiz, *Foreword*, in *The ACTA and the Plurilateral Enforcement Agenda – Genesis and the Aftermath* xiii (P. Roffe & X. Seuba eds, US: Cambridge University Press 2015).

<sup>37</sup> Henrique Zeferino de Menezes, ‘South-South Collaboration for an Intellectual Property Rights Flexibilities Agenda’ (2018) 40 *Contexto Internacional* 117.

<sup>38</sup> Carlos Correa, ‘Intellectual Property and Competition Law: Exploring Some Issues of Relevance to Developing Countries’ (*ICTSD Programme on IPRs and Sustainable Development*, October 2007) <[https://www.iprsonline.org/resources/docs/corea\\_Oct07.pdf](https://www.iprsonline.org/resources/docs/corea_Oct07.pdf)> accessed 30 December 2022 at viii.



This disparity is also reflected in IP litigation on the national, regional, and international levels. Maybe some thoughts on IP harmonisation on a regional scale might shed some light on this. The EU's internal market relies in large part on the work achieved toward IP harmonisation, which has seen significant advancements in recent years. The European patent with unitary effect (or "unitary patent") is a relatively recent innovation,<sup>39</sup> coming after the Community industrial design (which provides unitary protection across the EU through a single procedure)<sup>40</sup> and the EU trademark (which provides the owner with an exclusive right in all EU countries.<sup>41</sup> In the end, reaching a consensus on the unitary patent was a challenging task. Nonetheless, the obstacles of litigating European patents (under the European Patent Convention ("EPC")) in front of national courts, with the actual potential of contradictory decisions across multiple jurisdictions, have ultimately overcome political reluctance. A European patent has the same consequences and is subject to the same requirement in each Contracting State<sup>42</sup> in which it is given as a national patent awarded by that State under the EPC, which creates a single system of law for the grant of patents for all its Contracting States.<sup>43</sup> Any one or more of the Contracting States may be asked to provide a European grant.<sup>44</sup> So, due to their territorial impact, European patents need litigation in national jurisdictions, raising the possibility of litigation in more than one country.<sup>45</sup>

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<sup>39</sup> European Commission, 'Internal Market, Industry, Entrepreneurship and SMEs' (*European Commission*, 2022) <[https://single-market-economy.ec.europa.eu/industry/strategy/intellectual-property/industrial-design-protection\\_en](https://single-market-economy.ec.europa.eu/industry/strategy/intellectual-property/industrial-design-protection_en)> accessed 29 December 2022.

<sup>40</sup> *Ibid.*

<sup>41</sup> *Ibid.*

<sup>42</sup> Art. 1 (European Law for the Grant of Patents) of the *Convention on the Grant of European Patents*, 1065 U.N.T.S. 199 (*European Patent Convention*), Munich, (5 October 1973).

<sup>43</sup> *Ibid.*, art 2 (European Patent).

<sup>44</sup> *Ibid.*, art 3 (Territorial Effect).

<sup>45</sup> European Patent Office, 'European Patents Subject to Litigation in Multiple Jurisdictions: Supplementary Publication 2/2015 - Official Journal EPO' (*European Patent Office*, 20

Considerations like those above might be applied to other regional patent-issuing regimes, such as the African Regional Intellectual Property Organization (“ARIPO”). There are three possible conclusions to draw from this. To begin, it should be noted that the European Patent Office’s (“EPO”) Technical Board of Appeal (“TBA”) and national courts may reach opposite conclusions in certain cases.<sup>46</sup> Second, when faced with patent (or intellectual patent) difficulties, international investment arbitration tribunals should likely give substantial weight to court interpretations of law made at the national level.<sup>47</sup> However, determining which judicial interpretation of regional patent law should be used and which rulings (in the instance of contradictory ones) should prevail remains a challenge for transnational patent awarding systems because patents may be litigated in various countries. In the end, a contentious Kenyan court ruling declaring that the national court could not consider an action to cancel an ARIPO patent demonstrates that even national courts have run into difficulties when dealing with IP rights awarded by regional IP systems.<sup>48</sup> Any reasonable person could feel uneasy considering these premises while discussing IP rights in international investment disputes.

There is a need for one more technical comment. If a state has given its lawful permission to an investment arbitration involving intellectual property rights, then any potential objection to the arbitrability of

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March 2015) <<https://www.epo.org/law-practice/legal-texts/official-journal/2015/etc/se2/p132.html>> accessed 30 December 2022.

<sup>46</sup> Darren Smyth, ‘What Is Precedent and Does the EPO Have It’ (*The IPKat*, 15 July 2014) <<https://ipkitten.blogspot.com/2014/07/what-is-precedent-and-does-epo-have-it.html>> accessed 30 December 2022.

<sup>47</sup> K. Liddell & M. Waibel, ‘Fair and Equitable Treatment and Judicial Patent Decisions’ (2016) 19 *Journal of International Economic Law* 145.

<sup>48</sup> World Intellectual Property Organization, ‘IP Litigation in Africa’ (*World Intellectual Property Organization*, February 2010) <[https://www.wipo.int/wipo\\_magazine/en/2010/01/article\\_0006.html](https://www.wipo.int/wipo_magazine/en/2010/01/article_0006.html)> accessed 29 December 2022.

intellectual property rights is effectively waived. It is important to note that the picture painted here is complicated by the fact that various legal systems have vastly diverse views on whether intellectual property disputes may be settled by arbitration. Since intellectual property rights like patents and trademarks are essentially public gifts from the state, private claims that include IP rights pose serious questions about the legitimacy of these rights.<sup>49</sup> As a result, several courts have indicated that private rulings, such as arbitration, on the validity of certain rights may not evade their jurisdiction.<sup>50</sup> It may be sufficient to note here that each legal system lists the topics which may be brought to arbitration without getting into depth on the subject of arbitrability,<sup>51</sup> which would be beyond the scope of this article. This is also validated by the rules of international law.

The UNCITRAL Model Law on International Commercial Arbitration from 1985 (as updated in 2006) makes clear that it does not supersede domestic laws on the subject of which disputes may be brought to arbitration.<sup>52</sup> Furthermore, the Model Law's Explanatory Note makes explicit that a court may consider the non-arbitrability of the subject matter of a dispute as one of the reasons to set aside an award.<sup>53</sup> A written arbitration agreement "concerning a subject matter capable of settlement by arbitration" is also recognised as valid by the Parties to the 1958 New York Convention on the Recognition and

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<sup>49</sup> W. Grantham, 'The Arbitrability of International Intellectual Property Disputes' (1996) 14 Berkeley J. Int. L. 181.

<sup>50</sup> Ibid.

<sup>51</sup> *Arbitrability: International and Comparative Perspectives* (L. A. Mistelis & S. L. Brekoulakis ed., The Netherlands: Kluwer Law International 2009).

<sup>52</sup> Art. 1(5) of the UNCITRAL Model Law on International Commercial Arbitration, 1985 UNCITRAL Yearbook 393 With Amendments as Adopted in 2006.

<sup>53</sup> Explanatory Note by the UNCITRAL Secretariat on the 1985 Model Law on International Commercial Arbitration as Amended in 2006 para. 46 (Austria: United Nations Publication 2008).

Enforcement of Foreign Arbitral Awards (“New York Convention”).<sup>54</sup> The recognition or enforcement of an award might be refused if a competent authority finds that the “subject matter of the difference is not capable of settlement by arbitration under the law of that country.”<sup>55</sup> What emerges is a mosaic of arbitrability standards that vary widely from one legal system to the next. The growing use of arbitration as a method for settling intellectual property disputes has led some to argue that the question of arbitrability is now mostly theoretical and of little practical importance.<sup>56</sup> Naturally, certain countries like the United States and Switzerland, are very friendly to the arbitrability of IP disputes.<sup>57</sup> Despite this, it is conceivable to raise some reservations on the importance, or lack thereof, of this subject due to the ambiguity in countries like Germany or the exclusion or severe restriction of arbitrability of patent disputes in countries like Singapore and China.<sup>58</sup> This issue has also been extensively debated among academics from international countries. The grant or validity of IP rights is specifically excluded from arbitration in certain jurisdictions, although all other IP-related disputes seem to be included.<sup>59</sup> The potential for arbitration of competition law concerns and securities transaction disputes including IP rights,<sup>60</sup> however, may widen the argument and call for more subtlety.

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<sup>54</sup> Art. II.1 of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, 330 U.N.T.S. 3 (New York 1958).

<sup>55</sup> Ibid at Art. V.2 (a).

<sup>56</sup> World Intellectual Property Organization, ‘WIPO Arbitration and Mediation Center’ (*World Intellectual Property Organization* 2022) <<https://www.wipo.int/amc/en/center/index.html>> accessed 29 December 2022.

<sup>57</sup> S. A. Certilman & J. Lutzker, Arbitrability of Intellectual Property Disputes, in *Arbitration of International Intellectual Property Disputes*, 88–96 (T. D. Halket ed., US: Juris Net, LLC 2012).

<sup>58</sup> Ibid.

<sup>59</sup> A. Redfern, M. Hunter, N. Blackaby & C. Partasides, *Law and Practice of International Commercial Arbitration* 139 (London: Sweet & Maxwell 2004).

<sup>60</sup> Ibid at 139ff.

Amidst these specifics, it is important to keep in mind a few overarching principles. Generally speaking, the demands of national economies and social values inform the calibration of national IP regulations.<sup>61</sup> As a result, there may be many more interests affected by the conflict than the two parties involved. The outcome of such a dispute might have implications for a State or a regional/international awarding body, and it could also affect the rights of other parties (such as IP owners). Issues involving consumer protection and market, or competitive dynamics might also be of relevance. Because of these worries, the potential inclusion of IP rights in investment disputes does not simplify but rather further complicates the international regulation of IP. Further, international investment arbitration courts would have to deal with difficult, unsolved problems about IP governance that are best addressed in other forums. Any time intellectual investment (IP) rights are invoked in investment disputes, there is certain to be friction, regardless of the result of any arbitration proceedings that may be initiated. As a result, the results and declarations of arbitral tribunals in these disputes will not change the notion that increased integration between IP concerns and investment disputes is not desired.

## **IP LAW IN INTERNATIONAL INVESTMENT LAW AND ARBITRATION**

Conflicts involving IP rights have arisen in a variety of investment disputes. It has been a lot easier to solve some of these issues than others. IP was not at the centre of the dispute in instances like *Apotex v. United States*,<sup>62</sup> *Joseph Charles Lemire v. Ukraine*,<sup>63</sup> *Generation Ukraine, Inc.*

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<sup>61</sup> K. Liddell & M. Waibel, 'Fair and Equitable Treatment and Judicial Patent Decisions' (2016) 19 J. Int. Econ. L. 145.

<sup>62</sup> *Apotex Holdings Inc. and Apotex Inc. v. United States of America*, ICSID Case No.ARB(AF)/12/1.

<sup>63</sup> *Joseph Charles Lemire v. Ukraine*, ICSID Case No.ARB/06/18.

*v. Ukraine*,<sup>64</sup> *Grand River Enterprises Six Nations v. United States*,<sup>65</sup> and *MHS v. Malaysia*,<sup>66</sup> hence IP issues were only briefly addressed. However, certain investment disputes have included IP issues at their core such as *Philip Morris v. Uruguay*,<sup>67</sup> *Philip Morris Asia v. Australia*,<sup>68</sup> *Eli Lilly v. Canada*,<sup>69</sup> *AHS v. Niger*,<sup>70</sup> and *Erbil Serter v. France*.<sup>71</sup>

In *Philip Morris v. Uruguay*, Philip Morris (i.e. a number of Philip Morris' companies) claimed in 2010 that an unfair limitation of the use of a legally protected trademark had been imposed following the enactment of certain measures on public health in Uruguay strictly regulating the packaging of cigarettes and cigarette products, and in particular the size of health warnings on cigarette packages.<sup>72</sup> Philip Morris claimed that because of Uruguay's commitments under the TRIPS Agreement and the Paris Convention, the country's actions should be considered unfair and inequitable.<sup>73</sup> Further, it was claimed that Uruguay's responsibilities to foreign investors including protection against expropriation, unfair treatment of foreign investors, and fair and equal treatment of foreign investors have been violated.<sup>74</sup> The Arbitral Tribunal found that no expropriation had occurred because the

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<sup>64</sup> *Generation Ukraine, Inc. v. Ukraine*, ICSID Case No.ARB/00/9.

<sup>65</sup> *Grand River Enterprises Six Nations, Ltd., et al. v. United States of America*, NAFTA/UNCITRAL.

<sup>66</sup> *Malaysian Historical Salvors, SDN, BHD v. The Government of Malaysia*, ICSID Case No.ARB/05/10.

<sup>67</sup> *Philip Morris Brands Sarl, Philip Morris Products SA and Abal Hermanos SA v. Oriental Republic of Uruguay*, ICSID Case No.ARB/10/7.

<sup>68</sup> *Philip Morris Asia Limited v. The Commonwealth of Australia*, UNCITRAL, PCA Case No.2012-12.

<sup>69</sup> *Eli Lilly and Company v. The Government of Canada*, UNCITRAL, ICSID Case No.UNCT/14/2.

<sup>70</sup> *AHS Niger and Menzies Middle East and Africa S.A. v. Republic of Niger*, ICSID Case No.ARB/11/11.

<sup>71</sup> *Erbil Serter v. French Republic*, ICSID Case No.ARB/13/22.

<sup>72</sup> *Philip Morris Brands Sarl, Philip Morris Products SA and Abal Hermanos SA v. Oriental Republic of Uruguay*- Request for Arbitration, ICSID Case No.ARB/10/7 (19 February 2010).

<sup>73</sup> *Ibid* at 85-86.

<sup>74</sup> *Ibid* at 77.

measures at issue had been taken within the scope of its police powers to protect public health,<sup>75</sup> and it reached this conclusion after unanimously deciding that it had jurisdiction over the claimants' claims to the extent that they were based on the Switzerland-Uruguay BIT.<sup>76</sup> In a similar vein, all of Philip Morris's other assertions were also found to be without merit.<sup>77</sup> However, the impact of this ruling on the pending Plain Packaging cases before the WTO remains to be seen.<sup>78</sup>

Similar concerns were raised in the *Philip Morris Asia v. Australia* case. Philip Morris Limited claims that it has the legal right to utilise Philip Morris tobacco's marks, designs, copyrighted works, know-how, and trade secrets and that these IP rights have resulted in significant goodwill.<sup>79</sup> The claimant contends that the Australian Tobacco Plain Packaging Bill of 2011 (which had not yet been enacted at the time of the Notice of Claim but had since received the Royal Assent and become law on 1 December 2011) and the GHW Regulation, which regulates every aspect of the appearance, size, and shape of tobacco products and packaging, will have a negative impact on its investment and thus violate the obligations set forth in the Australia-Hong Kong BIT.<sup>80</sup> Particularly, they argued that these measures would have barred Philip Morris from using IP on, or in relation to, tobacco products or packaging, rendering them indistinguishable to consumers from the

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<sup>75</sup> Philip Morris Brands Sarl, Philip Morris Products SA and Abal Hermanos SA v. Oriental Republic of Uruguay, ICSID Case No.ARB/10/7, Decision on Jurisdiction at 236 (2 July 2013).

<sup>76</sup> Philip Morris Brands Sarl, Philip Morris Products SA and Abal Hermanos SA v. Oriental Republic of Uruguay, ICSID Case No.ARB/10/7, Award, 8 Jul 2016, at 290–307.

<sup>77</sup> *Ibid* at 590.

<sup>78</sup> Luke Peterson, 'France Is Sued at ICSID by Turkish Investor in Relation to Ship Hull Design Controversy' (*Investment Arbitration Reporter*, 11 September 2013) <<https://www.iareporter.com/articles/france-is-sued-at-icsid-by-turkish-investor-in-relation-to-ship-hull-design-controversy/>> accessed 30 December 2022.

<sup>79</sup> Philip Morris Asia Limited v. The Commonwealth of Australia, UNCITRAL, PCA Case No.2012-12, Notice of Claim (22 June 2011).

<sup>80</sup> *Ibid* at 6.

products of competitors and thereby depriving it of IP and goodwill.<sup>81</sup> Additionally, these measures would have allegedly undermined the economic rationale of its investments and substantially destroyed the value of Philip Morris Australia and Philip Morris, thus amounting to expropriation.<sup>82</sup> Furthermore, Australia's obligations under the TRIPS Agreement and, in particular, Article 20, would be an unjustified encumbrance on the use of tobacco trademarks, which could not be used at all, and meant that Plain Packaging legislation would not have been fair and equitable.<sup>83</sup> Finally, these measures would have allegedly undermined the economic rationale of its investments and violated the full protection and security standard.<sup>84</sup> The arbitral panel, however, recently ruled that filing the treaty-based investment arbitration was an abuse of rights or process, making the claims inadmissible,<sup>85</sup> however, the legal approach used by Philip Morris and the grounds on which their claims were based remains significant. Investment arbitration has been used or threatened against plain packaging laws at least since 1994 when R. J. Reynolds Tobacco threatened Canada with arbitration under the North American Free Trade Agreement ("NAFTA") over the alleged infringement of IP rights.<sup>86</sup> Tobacco plain packaging rules were challenged in Australia before the High Court and the WTO at the same time.<sup>87</sup> In addition to adding to the obvious pressure on

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<sup>81</sup> Ibid at 10 (a).

<sup>82</sup> Ibid

<sup>83</sup> Ibid at 10 (b).

<sup>84</sup> Ibid at 10 (c).

<sup>85</sup> Philip Morris Asia Limited v. The Commonwealth of Australia, UNCITRAL, PCA Case No.2012-12, Award on Jurisdiction and Admissibility at 585ff, (17 December 2015).

<sup>86</sup> Matthew Porterfield and Christopher Byrnes, 'Philip Morris v. Uruguay: Will Investor-State Arbitration Send Restrictions on Tobacco Marketing up in Smoke?' (*Investment Treaty News*, 12 July 2011) <<https://www.iisd.org/itn/en/2011/07/12/philip-morris-v-uruguay-will-investor-state-arbitration-send-restrictions-on-tobacco-marketing-up-in-smoke/>> accessed 30 December 2022.

<sup>87</sup> Australian Government: Attorney General's Department, 'Tobacco Plain Packaging—Investor-State Arbitration' (*Australian Government: Attorney General's Department*, 1 December 2011) <<https://www.ag.gov.au/international-relations/international-law/tobacco-plain-packaging-investor-state-arbitration>> accessed 30 December 2022.



Australia to repeal the contested measures, the use of investment arbitration to litigate international IP issues appears to be a way to “subtract” IP questions from the dynamics and dialectic which pertain, regardless of the merits of the case(s), to WTO proceedings and national courts. True, many people see the TRIPS Agreement’s Article 20 as a murky part of the deal. This provision’s language, which initially states that “[t]he use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements,”<sup>88</sup> has been the subject of heated debates centring on whether the right to use a trademark is guaranteed by the TRIPS Agreement.<sup>89</sup> This matter requires clarification from the WTO and the TRIPS Council.

In a different vein, in *Eli Lilly v. Canada*, a US company argued that Canada had breached its NAFTA obligations to protect patent rights by invalidating its patents on the grounds that the subject matter protected by the patents was not “useful,” in the application of the “promise utility doctrine” (or simply utility doctrine).<sup>90</sup> This invalidation would have amounted to an expropriation of Eli Lilly’s IP rights, in breach of NAFTA Chapter 17 on IP and, therefore, NAFTA Article 1110 on expropriation, and would have been in violation of Canada’s minimum level of treatment commitment under NAFTA Article 1105.<sup>91</sup> To buttress its position, Eli Lilly has also alleged that the TRIPS Agreement upholds the same usefulness criteria and anti-discrimination provision with respect to intellectual property as

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<sup>88</sup> Art. 20 (Other Requirements), *Agreement on Trade-Related Intellectual Property Rights*, Marrakesh 1867 U.N.T.S. 154 (15 April 1994).

<sup>89</sup> S. Frankel & D. J. Gervais, ‘Plain Packaging and the Interpretation of the TRIPS Agreement’ (2013) 46 *Vanderbilt Journal of Transnational Law* 1149–1214, at 1171ff. (2013); M. Davison, & P. Emerton, ‘Rights, Privileges, Legitimate Interests, and Justifiability: Article 20 of the TRIPS and Plain Packaging of Tobacco’ (2014) 29 *American Uni. Int. L.* 505–580, at 515ff.

<sup>90</sup> *Eli Lilly and Company v. The Government of Canada*, UNCITRAL, ICSID Case No. UNCT/14/2, Notice of Arbitration at 4ff (12 September 2013).

<sup>91</sup> *Ibid.*

NAFTA.<sup>92</sup> In addition, according to Eli Lilly, investors can seek patent protection in multiple countries with a single international patent application under the Patent Cooperation Treaty (“PCT”), and Contracting States are prohibited from imposing requirements different from or in addition to those of the Treaty on the form or content of international applications under Article 27(1).<sup>93</sup> According to Eli Lilly, a separate or extra component of the international application would be the disclosure of data or other information about the usefulness of the invention.<sup>94</sup> As Eli Lilly notes, the patent utility requirement is described in Canada’s Manual of Patent Office Practices, which states that if an invention turns out to be completely useless, the grant of patent protection is groundless and the grant is void due to false suggestions, failure of consideration, and having tendency to hinder progress.<sup>95</sup> Here, it may be necessary to emphasise that the ‘promise’ is the guiding norm against which the usefulness of the invention as specified in the patent is evaluated, as indicated by the Canadian Federal Court of Appeal.<sup>96</sup> This implies that a *prima facie* demonstration of usefulness will suffice in cases where no express promise of a particular outcome has been made by the inventor, whereas in cases where an explicit promise has been made, the utility will be tested against that promise.<sup>97</sup> This judgement was given after Eli Lilly’s arbitration had begun, but it sheds light on how the utility doctrine might be used to an inventor’s advantage rather than to their detriment when their invention really merits protection.

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<sup>92</sup> Ibid at 42.

<sup>93</sup> Ibid at 44–45.

<sup>94</sup> Ibid at 47.

<sup>95</sup> Ibid at 8.

<sup>96</sup> Sanofi-Aventis v. Apotex Inc., Federal Court of Appeal, 2013 FCA 186, A-7–12, at 47–49.

<sup>97</sup> Ibid.

Intellectual investment rights have also been a major thorn in investment disputes. AHS Niger, a business created in Niger by MAG and MHS to fulfil the conditions of a contract they had successfully bid for, had engaged in an investment agreement with Niger in *AHS v. Niger*.<sup>98</sup> At the time the investment agreement was signed, AHS Niger had already secured a ten-year concession to provide airport and airport-related activity services.<sup>99</sup> From January 2010 forward, the Investment Agreement was unilaterally amended by instructions from certain members of the government, and AHS Niger had its assets (money, property, and machinery) taken without its consent.<sup>100</sup> The claimant initially challenged the government orders in a national court, where they were ultimately overturned. Subsequently, the claimant filed an arbitration claim with the International Centre for the Settlement of Investment Disputes (“ICSID”), asserting that Niger’s termination of the Investment Agreement and withdrawal of the licence approval violated the Investment Agreement, Niger’s Investment Code, and international law. AHS said that they suffered a monetary loss,<sup>101</sup> and moral injury due to the alleged violations of their intellectual property rights.<sup>102</sup> In particular, the claimant asserted that it had trademarks and trade names registered with the Organization for African Intellectual Property (“OAPI”), of which Niger is a member, but that the Cellule d’Assistance en Escale continued to use objects bearing the names and marks despite their cancellation.<sup>103</sup> The Arbitral Tribunal determined that it lacked the authority to investigate any

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<sup>98</sup> *AHS Niger and Menzies Middle East and Africa S.A. v. Republic of Niger*, ICSID Case No.ARB/11/11, Excerpts of the Award of 15 July 2013 made pursuant to rule 48(4) of the ICSID Arbitration Rules of (2003).

<sup>99</sup> *Ibid.*

<sup>100</sup> *Ibid.*

<sup>101</sup> *AHS Niger and Menzies Middle East and Africa S.A. v. Republic of Niger*, ICSID Case No.ARB/11/11, Sentence, at 131ff.

<sup>102</sup> *Ibid.* at 146ff.

<sup>103</sup> *Ibid.* at 150.

trademark infringements under the Accord de Bangui, which gives trademark jurisdiction only to civil courts (Article 47, Annex III of the Accord de Bangui).<sup>104</sup> They further alleged that AHS Niger's use of their names and marks had damaged their image by misleading customers into thinking that they provided a poorer quality service.<sup>105</sup> The Tribunal considered it lacked the expertise to hear the claim for moral damages.<sup>106</sup>

In the meanwhile, new IP rights investment disputes have surfaced. For instance, a copyright issue involving a ship hull is at the centre of a current investment dispute.<sup>107</sup> A Turkish investor has initiated an ICSID Convention arbitration against France.<sup>108</sup> The arbitral tribunal will have to decide how to handle copyright concerns and what claims and arguments the investor will make.

## IP DISPUTES AT THE WTO

Whether investment arbitral tribunals are the proper place for discussing and deciding problems involving intellectual property rights is a key question that emerges when such tribunals deal with IP rights. As so, it goes much beyond the present prevalent critique of the validity of investment tribunals.<sup>109</sup> It is relevant to consider whether investment arbitration is a suitable venue for discussing these intellectual property issues, notwithstanding the little case law on the subject. Parties that mutually agreed on investment arbitrators may be

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<sup>104</sup> Ibid at 152.

<sup>105</sup> Ibid at 153.

<sup>106</sup> Ibid at 155.

<sup>107</sup> Luke Peterson (n 78).

<sup>108</sup> Ibid.

<sup>109</sup> K. P. Sauvant & F. Ortino, *Improving the International Investment Law and Policy Regime: Options for the Future*, Background Report Prepared for the Seminar on Improving the International Investment Regime, Helsinki, 10–11 April 2013; C. N. Brower, & S. W. Schill, 'Is Arbitration a Threat or a Boon to the Legitimacy of International Investment Law?' (2009) 9 *Chicago J. Int. L.* 472; S. D. Franck, 'The Legitimacy Crisis in Investment Treaty Arbitration: Privatizing Public International Law Through Inconsistent Decisions' (2005) 73 *Fordham L. Rev.* 1521.

seasoned specialists in international economic law who are also well-versed in the nuances of IP law and policy. However, the TRIPS Agreement was part of a larger deal in which developing nations accepted it in return for concessions on agricultural product subsidies, imports of tropical items, and the elimination of textile restrictions.<sup>110</sup> Some of the grey areas highlighted by the TRIPS regulations are part of a larger picture that can be better observed and evaluated at the WTO, whether via negotiations or dispute resolution. As a result, this viewpoint may be of relevance to the Plain Packaging instances before the WTO.<sup>111</sup>

Consequently, some additional comments on WTO disputes are in need, as these are the forums in which concerns originating in investment disputes are often addressed. The *US-Section 211 Appropriations Act* case at the WTO boiled down to an expropriation dispute, specifically regarding section 211 of the US Omnibus Appropriations Act dealing with trademarks, trade names, and commercial names which were the same as, or substantially like trademarks, trade names, and commercial names used in connection with businesses or assets that had been confiscated by the Cuban

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<sup>110</sup> F. M. Abbott, 'The WTO TRIPS Agreement and Global Economic Development – The New Global Technology Regime' (1996) 72 *Chicago-Kent L. Rev.* 385–405 at 387ff.

<sup>111</sup> Australia – Certain Measures Concerning Trademarks, Geographical Indications and other Plain Packaging Requirements Applicable to Tobacco Products and Packaging, WT/DS467/1, Request for Consultations by Indonesia (25 September 2013); Australia – Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging, WT/DS458/1, Request for Consultation by Cuba (3 May 2013); Australia – Certain Measures Concerning Trademarks, Geographical Indications and other Plain Packaging Requirements Applicable to Tobacco Products and Packaging, WT/DS441/1, Request for Consultations by Dominican Republic (23 July 2012); Australia – Certain Measures Concerning Trademarks, Geographical Indications and other Plain Packaging Requirements Applicable to Tobacco Products and Packaging, WT/DS435/16, Request for the Establishment of a Panel by Honduras (17 October 2012); Australia – Certain Measures Concerning Trademarks and other Plain Packaging Requirements Applicable to Tobacco Products and Packaging, WT/DS434/1, Request for Consultation by Ukraine (15 March 2012).

Government on or after 1 January 1959.<sup>112</sup> The European Community alleged that subsections 211(a)(1) and (2) and 211(b) were in conflict with several obligations imposed by the TRIPS Agreement.<sup>113</sup> The crux of the conflict was the United States' decision to override the French firm Pernod-Ricard S.A.'s trademark registration for the rum brand Havana Club. Trademarks and protection marks were seized by the Cuban government following the revolution and never returned. Under U.S. trade, however, such property is no longer protected.<sup>114</sup> This case sheds insight into the intricacies of the TRIPS Agreement and IP governance in general, much beyond the Appellate Body's findings. Given the rights raised, the AB felt it necessary to emphasise that its decision was not a judgement on confiscation as defined in section 211, but that the AB did have jurisdiction to rule on whether the confiscation of intellectual property rights in one territory violated the TRIPS Agreement in the territory of a WTO Member.<sup>115</sup> It has also been argued that this was only a business quarrel between the two parties involved.<sup>116</sup> Companies participating knew the IP rights at issue were contested because of claims on intangible property stolen by the Cuban government in the early 1960s. They had then pushed their own governments to take precautions against these dangers, turning the conflict from a business matter into an international one.<sup>117</sup> Several parties, not only the two private corporations at the centre of the

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<sup>112</sup> Panel Report, United States – Section 211 Omnibus Appropriations Act of 1998 ('US-Section 211 Appropriations Act'), WT/DS176/R, encircled on II.1 (6 August 2001).

<sup>113</sup> *Ibid* at III.1.

<sup>114</sup> Appellate Body Report, United States – Section 211 Omnibus Appropriations Act of 1998 ('US-Section 211 Appropriations Act'), WT/DS176/AB/R (adopted on 2 January 2002), at 4–8.

<sup>115</sup> *Ibid* at [362–363].

<sup>116</sup> F. M. Abbott, & T. Cottier, *Dispute Prevention and Dispute Settlement in the Field of Intellectual Property Rights and Electronic Commerce*, United States – Section 211 Omnibus Appropriations Act 1998 ('Havana Club'), in *Dispute Prevention and Dispute Settlement in the Transatlantic Partnership – Case Studies, Analyses and Policy Recommendations* (E. U. Petersmann, & M. Pollack eds, Oxford: OUP 2003).

<sup>117</sup> *Ibid*.

dispute, stand to lose because of the Parties' views, which run counter to their long-term financial interests.<sup>118</sup> After weighing all these factors, the AB concluded that the WTO dispute resolution system was the best venue for discussing issues related to WTO agreements.<sup>119</sup>

Expropriation is another area where distinct international legal regimes (WTO and international investment law) intersect and overlap, and where there has been a great deal of controversy and conflict about compulsory licences under Article 31 of the TRIPS Agreement.<sup>120</sup> Additionally, this may be combined with a local or domestic content regulation, as occurred in the Brazil-Patent Protection case, which involved a local working requirement for patents to avoid a compulsory licence but was resolved amicably thanks to cooperation between Brazil and the United States.<sup>121</sup> Indeed, trade law and IIAs frequently address (or, rather, prevent) the imposition of specified percentages of local or domestic content standards, and they may even touch on IP rights.<sup>122</sup>

The WTO has not ruled out using diplomatic channels to resolve disputes. On the contrary, it is preferable to try to resolve a conflict via negotiation in the hopes of coming to terms that are acceptable to all parties.<sup>123</sup> To address at least some of the concerns mentioned and

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<sup>118</sup> Ibid.

<sup>119</sup> Appellate Body Report, United States – Section 211 Omnibus Appropriations Act of 1998 ('US-Section 211 Appropriations Act'), WT/DS176/AB/R (adopted on 2 January 2002), at 4–8.

<sup>120</sup> C. Gibson, 'A Look at the Compulsory License in Investment Arbitration: The Case of Indirect Expropriation' (2010) 25 *American Uni. Int. L.* 357–422, at 419–422.

<sup>121</sup> *Brazil – Measures Affecting Patent Protection* ('Brazil-Patent Protection'), WT/DS199/4, Notification of Mutually Agreed Solution, notified on 19 July 2001.

<sup>122</sup> Annex (Illustrative List) to the *Agreement on Trade-Related Investment Measures* (TRIMs); Art. 1106 (Performance Requirements) of the *North American Free Trade Agreement*; Art. 8 (Performance Requirements) of the 2004 *United States Model Bilateral Investment Treaty*; Art. 8 of the 2012 *United States Model Bilateral Investment Treaty*.

<sup>123</sup> Arts 3.6 and 3.7 (General Provisions), 4.3 (Consultations), 11 (Function of Panels), 12.7 (Panel Procedures) and 22 (Compensation and the Suspension of Concessions) of the *Understanding on Rules and Procedures Governing the Settlement of Disputes*, Annex 2 of the WTO Agreement, Marrakesh (15 April 1994).

some of the interests at stake in certain IP disputes, diplomatic measures or ‘informal’ disputes or even State-to-State investment arbitrations,<sup>124</sup> could still be a better alternative than investor-to-State arbitration. The “coffee war,” for instance, illustrates the informal disputes that may arise over IP’s interwoven economic interests. Coffee from Ethiopia is often considered among the world’s best. Increasing the profits for coffee farmers in Ethiopia was a priority, thus the government made changes to increase the trade of high-quality coffee beans.<sup>125</sup> As a result, in 2004, the Ethiopian Government initiated the Ethiopian Coffee Trademarking and Licensing Initiative to accomplish these goals. In this case, the Ethiopian context did not seem to be suitable for GI-based protection. On the other hand, marks were viewed as an effective means of securing the unique identities of Ethiopian coffees and promoting their visibility in the rapidly growing speciality coffee market. Some trademark registrations in strategically important markets were initiated by the Ethiopian Intellectual Property Office (“EIPO”). However, the US National Coffee Association (“NCA”), which represents coffee roasters in the United States, objected to EIPO’s applications for two trademarks in 2006, after Starbucks Coffee Corporation successfully registered one trademark with the United States Patent and Trademark Office (“USPTO”). The USPTO denied registration for two trademarks that had been submitted. Ethiopia was able to get the registration of the two opposed trademarks in the US while the EIPO filed rebuttals against the USPTO decisions. This came about after the Ethiopian government and Starbucks negotiated and reached a mutually acceptable solution

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<sup>124</sup> Italian Republic v. Republic of Cuba, Ad Hoc State-State Arbitration, or in Republic of Ecuador v. United States of America, PCA Case No.2012–5.

<sup>125</sup> World Intellectual Property Organization, ‘The Coffee War: Ethiopia and the Starbucks Story’ (*World Intellectual Property Organization*, 2010) <<https://www.wipo.int/ipadvantage/en/details.jsp?id=2621#en>> accessed 30 December 2022.



regarding the marketing, distribution, and licencing of Ethiopia's speciality coffee designation. Since this nature was considered in an informal setting, it was possible to consider a wide range of interests and arrive at a solution that satisfied everyone involved, from large international corporations to local farmers.

## FINAL REFLECTIONS

This article shares the 'worry' of many who have voiced concerns about the potential for IP rights litigation in international investment arbitration, including States, NGOs, and academics.<sup>126</sup> Although IP rights investment disputes are relatively rare, a wide range of IP rights have been at stake in these instances. When a host state takes action that is detrimental to a foreign investor's interests, arbitration between the investor and the host state may be the only or best alternative available. However, when international regulations like the TRIPS Agreement or the PCTs, or the international (non)convergence over the protection of IP rights, are at stake, there are numerous additional options, diplomatic or quasi-judicial. Naturally, diplomatic channels and the WTO dispute resolution system have limits in terms of the state's discretion in advancing (or not advancing) a claim and the final remedy and reparation to be provided to a national investor. From this perspective, even the WTO option is like diplomatic protection.<sup>127</sup> This variety of options not only reaffirms the inextricable bond between intellectual property, trade, and investments, but also demonstrates the many directions that IP, trade, and investment regimes have followed.<sup>128</sup> Claims based on IP made by foreign investors have, up

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<sup>126</sup> K. Liddell & M. Waibel, 'Fair and Equitable Treatment and Judicial Patent Decisions' (2016) 19 J. Int. Econ. L. 146.

<sup>127</sup> A. Newcombe & L. Paradell, *Law and Practice of Investment Treaties – Standards of Treatment* 5–7 (The Netherlands: Kluwer Law International 2009).

<sup>128</sup> D. P. Steger, 'International trade and Investment: Towards a Common Regime?', in *Prospects in International Investment Law and Policy* 157 (R. Ehandi & P. Sauvé eds, UK: Cambridge University Press 2013).

until recently, seemed like an effort to remove IP concerns from the forums where they were initially discussed. However, as was previously indicated, the compromises established for the opposing interests of the original negotiating parties on the one hand, and for the more general society conflicting interests at stake on the other hand, are lost with the ‘import’ of IP concerns in investment arbitration. The immediate impact on international IP agreements is unclear.<sup>129</sup>

It makes sense, both economically and from the perspective of international investment law, to see IP rights as ‘investments.’ The potential for IP disputes to be litigated in investor-to-State arbitration, on the other hand, raises several issues, not the least of which is the likelihood of contradictory rulings. Each IIA is to be interpreted independently of any other agreement, and arbitral tribunals are to be formed on an ad hoc basis and given broad discretion in accordance with international customary principles on the interpretation of treaties.<sup>130</sup> Consequently, if concerns have been raised about the feasibility of expecting consistency in the decisions of investment arbitral tribunals,<sup>131</sup> this factor can be used to mitigate any pessimistic assessment of individual arbitral rulings, the reach of which would be constrained by their nature but not their relevance to the issues at hand. Cases like *Eureko BV v. Poland*, where the arbitral tribunal applied its jurisdiction to a breach of contract that did not violate any standard of

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<sup>129</sup> J. Drexl, Intellectual Property and Implementation of Recent Bilateral Trade Agreements in the EU, in *EU Bilateral Trade Agreements and Intellectual Property: For Better or For Worse?* 265 (J. Drexl, H. Grosse Ruse-Khan & S. Nadde-Phlix eds, Berlin/Heidelberg: Springer 2014); L. Manderieux, Issues Related to the Judicial Implementation of the TRIPS Agreement Within the EU, in *The Absence of Direct Effect of WTO in the EC and in Other Countries* (C. Dordi ed., Torino: G. Giappichelli 2010); UNCTAD-ICTSD, *Resource Book on TRIPS and Development* (USA: Cambridge University Press 2005).

<sup>130</sup> Y. Banifatemi, Consistency in the Interpretation of Substantive Investment Rules: Is It Achievable?, in *Prospects in International Investment Law and Policy 157* (R. Echandi & P. Sauvé eds, UK: Cambridge University Press 2013).

<sup>131</sup> *Ibid.*

treatment under the Netherlands-Poland BIT,<sup>132</sup> provide insight into the possibility of arbitral tribunals extending their jurisdiction to issues of international intellectual property law. The connection between IP litigation in investment arbitration and IP protection under IIAs is not “adamantine,” as has been suggested. Some of the IIAs that do a good job of safeguarding intellectual property do so without including provisions for the resolution of disputes between investors and the host state. Australia, for example, has signed many free trade agreements (“FTAs”) with investment chapters but no arbitration provisions. Intellectual and industrial property rights, such as copyrights, patents and utility models, industrial designs, trademarks, GIs, integrated circuit layout designs, trade names, trade secrets, technical processes, know-how, and goodwill are all protected under Article 12.2 (c) (iv) of the 2012 Australia-Malaysia Free Trade Agreement.<sup>133</sup> Concerning investment disputes, the FTA has no dispute resolution provision. Like the EU-Japan FTA, the Australia-Japan FTA has a provision protecting intellectual property as an investment under Article 14.2 (f) (vii), although it does not include an investment dispute resolution mechanism.<sup>134</sup> In addition, this FTA is unique in that, to specify the IP rights that are safeguarded by the Agreement’s investment chapter, the parties specifically cite the intellectual property chapter, and more specifically Article 16.2. Thus, under these IIAs, foreign investors cannot bring investment arbitration actions for (alleged) breaches of the IIAs’ provisions, including those pertaining to intellectual property rights. This does not rule out the option of seeking redress for breaches of investment responsibilities

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<sup>132</sup> *Enreko B.V. v. Republic of Poland*, Ad Hoc Arbitration, Partial Award, at 244–250.

<sup>133</sup> Malaysia – Australia Free Trade Agreement (MAFTA), entered into force on 1 January 2013.

<sup>134</sup> Japan – Australia Economic Partnership Agreement (Agreement Between Australia and Japan for an Economic Partnership and its Implementing Agreement) (JA-EPA), entered into force on 15 January 2015.

per se; rather, it restricts the means by which such disputes may be resolved.

## **CONCLUSION**

After all of these warnings and comments, one must accept reality. Further investment disputes involving IP rights may throw light on the genuine hazards or constructive remedies that may be around in the future, but it is not hoped that international investment law and IP will become more integrated at the dispute's resolution level. Therefore, a larger body of case law might be useful for not just better framing the issues that are arising because of this "integration," but also for identifying and resolving long-standing concerns in international IP law and governance. Accordingly, it is possible that rubbing salt into the wound is not always counterproductive.

# PROTECTING TRADITIONAL KNOWLEDGE AND TRADITIONAL CULTURAL EXPRESSIONS REGIONALLY: THE SAARC POSSIBILITY

Rajshree Acharya\* & Aditi Rathore♦

## *Abstract*

*The ambit of protection of IPR has always covered TK, TCE, and the folklore in it. But recently, we are trying to broaden the horizon of such kinds of rights and make it a specific head. With no specific international or national regime in place, the idea of protecting Indigenous rights and traditional knowledge becomes very vague and ambiguous. A sui generis system can always help us bring that clarity and will be able to demarcate such rights from the other bundle of rights. Currently, they are provided indirect protection in laws of related rights. The main problem with TK and TCE is that they have already been in the public domain for so long and are kept outside the reach of protection. Another major challenge is that the current regime of IPR focuses more on individual rights than community rights. The strong sentiments of developing and traditionally rich societies would be to have a decent rigid protection mechanism in place so that they can also enjoy equitable protection. The present research focuses on analyzing the existing regime present at international and regional level. It discusses two important regional model laws already in force and analyses if at all there is a need for regional framework for SAARC.*

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## INTRODUCTION

Traditional Knowledge (“TK”) and Traditional Cultural Expressions (“TCE”) as a subject matter of Intellectual Property (“IP”) and protection of them as such, has been debated for several decades. To protect these subject matters, many countries have special legislation while some countries are using other forms of IP protection.

The World Intellectual Property Organization Inter-Governmental Committee (“WIPO-IGC”) provides insights into text-based negotiations happening at the international level to finalize an agreement on an international legal instrument for the protection of TK and TCE. While the committee has prepared a model draft on the same, there are still some areas and gaps which require discussion. The sessions are usually attended by people from indigenous and local communities for sharing their experience and contributions, and are also attended by the representatives of the States who put forward their points. WIPO came together with UNESCO in the 1980s, to conclude model provisions on folklore protection. The latest development is the IGC which started working in 2001. The Committee acts as a platform for discussions amongst the members, presently working on a renewed and revised mandate from March 2004.<sup>1</sup>

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<sup>1</sup> World Intellectual Property Organization, ‘Consolidated Analysis of the Legal Protection of Traditional Cultural Expressions? Expressions of Folklore’ [2003] WIPO 75. <[https://www.wipo.int/edocs/pubdocs/en/tk/785/wipo\\_pub\\_785.pdf](https://www.wipo.int/edocs/pubdocs/en/tk/785/wipo_pub_785.pdf)> accessed 15 October 2022.

Amidst the international and national discussion on the protection of TK and TCE, a few regional organizations having shared or common traditional knowledge and expressions, have formed efficient frameworks for the protection; The African Regional Intellectual Property Organization (ARIPO) and the Pacific Community are among such regional organizations. The regional framework of ARIPO and the Pacific Community is formed based on the model provisions formulated by the WIPO IGC. The South Asian Association for Regional Cooperation (SAARC) is a regional organization consisting of countries having common history, similar geography, and therefore common TK and TCE, this article thus aims to analyze other regional frameworks and suggest whether the same can be incorporated in the SAARC.

For this purpose, the article is divided into five parts. After this introduction, Part II provides a comprehensive elucidation of the prevailing legal framework safeguarding TK and TCE on the international stage. Subsequently, Part III undertakes an in-depth analysis of the identified gaps within the existing regulatory system. In Part IV, the focus shifts to exploring the regional mechanisms established by the ARIPO and the Pacific Community to protect TK and TCE. The elucidation of these regional frameworks aids in understanding their implications and efficacy. Consequently, Part V undertakes a meticulous examination of the necessity for a regional framework at the SAARC. This section endeavors to propose a suitable regional framework for TK and TCE protection, drawing comparisons with the previously discussed regional frameworks. Finally, Part VI encompasses the conclusive segment of this research article.

## PROTECTION IN THE CURRENT LEGAL REGIME

To come up with a regional policy or strategy to protect TK and TCE we also need to analyze and look into the existing works extending protection to the TK and TCE in the Intellectual Property Rights (IPR) regime:

### A. Berne Convention, 1971

This convention is only applicable until local legislation has been passed in each Member State, but even those governments that have not signed it may be subject to its rules because they are becoming increasingly ingrained in International Customary Law. The subject of copyright protection is a large number of TCE for which protection is needed. Examples include poems, dances, plays, stories, ceremonies, rituals, music, drawings, paintings etc. The rights to "prevent or permit, the reproduction, variation, transmission to the public and others, and the moral rights of attribution and integrity"<sup>2</sup> are the basic types of protection offered by copyright. Many of the interests and goals of indigenous people and traditional communities seem to be not effectively served by this.<sup>3</sup>

### B. WIPO, Performance and Phonograms Treaty, 1996

Additionally, the WIPO Performances and Phonograms Treaty ("WPPT") generally provides protection that is currently in place on a global scale and may be quite valuable. The most recent problem is with the recording of these traditional performances. Another problem is often how folklore is accessed and appropriated by

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<sup>2</sup> Lily Martinet, 'Traditional Cultural Expressions and International Intellectual Property Law' (2019) 47 *International Journal of Legal Information* 6 <<https://www.cambridge.org/core/journals/international-journal-of-legal-information/article/traditional-cultural-expressions-and-international-intellectual-property-law/FB2753FCCB69B560BBBCA30CD221739C>> accessed 26 July 2023.

<sup>3</sup> Anurag Dwivedi and Monika Saroha, 'Copyright Laws as a Means of Extending Protection to Expressions of Folklore', 10 *JIPR* (July 2005) 308, 314.



outsiders; for instance, when a customary chant performance is recorded, the recording is what enables it for others to access that chant, so it's important to understand how the recording is used and distributed. Folklore performers must have the discretion to approve sound recordings of their performances and certain interactions with such recordings in the nations that ratify the WPPT.<sup>4</sup>

### **C. Beijing Treaty on Audio Visual Performance, 2012**

The Beijing Treaty protects performers whose work have been fixed in an audiovisual medium and musicians whose performances have been directly fixed or recorded in an audiovisual format. The protection offered will cover moral rights and financial rights, in their unfixed performances, reproduction, distribution, rental rights etc. The duration of a performer's rights in audiovisual fixations is at least 50 years from the date the performance was fixed.<sup>5</sup> The TCE can be protected under this treaty but again, TCE, being a right in perpetuity, cannot be restricted to only 50 years of protection.

### **D. ILO Convention No. 169 on Indigenous and Tribal Peoples in Independent Countries, 1989**

Article 23 of this convention talks about cultural and economic autonomy. In order to realize this right in a suitable manner, they recognize the importance of handicrafts, and production undertaken in rural and community-based production. The convention also puts an obligation on the member countries to promote such activities and their development.<sup>6</sup>

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<sup>4</sup> WIPO Secretariat, 'Intellectual Property and Traditional Cultural Expressions/Folklore' <[https://www.wipo.int/edocs/pubdocs/en/tk/913/wipo\\_pub\\_913.pdf](https://www.wipo.int/edocs/pubdocs/en/tk/913/wipo_pub_913.pdf) > accessed 17 September 2022.

<sup>5</sup> Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore, (Thirty-Seventh Session, Geneva) (August 27 to 31, 2018) ("ICIPGR").

<sup>6</sup> WIPO, 'Intellectual Property, Traditional Knowledge and Traditional Cultural Expressions/Folklore A Guide for Countries in Transition, Version One, Traditional

### **E. Convention on Biological Diversity**

The Convention on Biological Diversity (CBD) also includes clauses that acknowledge the importance of indigenous and local populations' TK in accordance with its national laws. Each contracting party is required by the CBD's Article 8(j) to: preserve, conserve, maintain indigenous and local people's knowledge and practices that express customary lifestyles, sustainable development, promote their wider use with the permission and engagement of the holder of such information, innovations, and practices, and foster equitable sharing of knowledge.<sup>7</sup>

### **F. Tunis Model Law on Copyright for Developing Countries, 1967**

In the Tunis Model law, we find a better ability to cover national folklore using copyright to provide protection which can function as a *sui generis* system of protection. It is a significant initiative that goes beyond conventional copyright laws to address the protection of folklore and TCE in developing nations. Its emphasis on community involvement and recognition of cultural diversity makes it a valuable instrument for preserving and safeguarding the rich cultural heritage of developing countries. However, one might wonder about the necessity of this model when there is already some indirect protection under copyright law. The key aspect we aim through this model, though, is that it is not limited by time constraints. The right to assert authorship and to prevent abuse, along with existence of other moral and economic rights such as the right of reproduction, translation, adaption etc. are held by the designated authority.<sup>8</sup> But since this treaty

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Knowledge Division and the Department for Transition and Developed Countries' (2013) at 7.

<sup>7</sup> Ibid.

<sup>8</sup> ICIPGR (n 5).

is restricted to copyright protection, it may not be the ideal way to grant protection to TK and TCE.

### **G. UNESCO-WIPO Model Provisions, 1982**

Although developing nations were concerned about the need to protect folklore, it was acknowledged at the 1978 meeting of the WIPO Governing Bodies that very few actual actions were being taken to create legal norms. In the wake of that discussion, the WIPO drafted the first draught of *sui generis* model laws for safeguarding folklore against some unauthorized uses and distortion— ‘Model Provisions for National Laws on the Protection of Expressions of Folklore Against Illicit Exploitation and Other Prejudicial Actions’ (the “Model Provisions”).<sup>9</sup> A few principles were considered, including the necessity of maintaining a proper balance between the freedom and motivation of the further growth and diffusion of folklore on the one hand, and protection against the misuse of folklore expressions on the other. This was one of the considerations made by the Committee of Governmental Experts when developing the Model Provisions. The Committee considered the fact that folkloric manifestations were part of a dynamic human culture that should not be suppressed by unduly rigid protection. As opposed to a set of idealistic requirements that are impossible to put into practice, it also felt that any shielded system should be practical and effective. The Model Provisions were designed to leave space for national laws to adopt a protection system that is most appropriate for the circumstances in the countries in question.<sup>10</sup> Most of these provisions still exist only on paper and not in reality.

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<sup>9</sup> ‘Model Provisions for National Laws on the Protection of Expressions of Folklore against Illicit Exploitation and other Prejudicial Actions’ (WIPO 1985), < <https://www.wipo.int/export/sites/www/tk/en/docs/1982-folklore-model-provisions.pdf> > accessed 18 August 2023.

<sup>10</sup> The Protection of Expressions of Folklore: The Attempts at International Level, International Bureau of WIPO. Also see *Reproduced from Intellectual Property in Asia and the Pacific, January-June 1998, No. 56/57, WIPO Publication No. 435(E)*.

## **ANALYSIS OF GAPS IN THE PROTECTION**

IGC under the auspices of WIPO has done extensive work to find and fill the gaps present in the protection of the subject matter. They formulated certain common gaps which still exist in the protection of TK and TCE, with the following objectives:

- a. Obligations, provisions, and possibilities that already exist at the international level to provide security to TCE and their descriptions.
- b. Providing illustrations for those gaps along with examples to explain them more extensively.
- c. To study the provisions or options that can be developed or already subsists both— at national and international level.<sup>11</sup>

There is a noticeable gap concerning the existing obligations, provisions, and possibilities for safeguarding the relevant subject matter. One prominent issue we observe is the presence of technical shortcomings within the current legal systems, creating a significant lacuna in the overall protection framework.<sup>12</sup>

### **A. Gaps in the Protection of TCE**

After looking at the various observations and discussions at IGC, we can aptly summarize the analysis of gaps with the concerned subject matter, the desired protection, and the assumed shortcomings:

- (i) *Literary and Artistic Productions such as Customary Music and Visual Art*: This requires protection against the unwanted use

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<sup>11</sup> See WIPO Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore, “Draft Gap Analysis on the Protection of Traditional Knowledge.” Document prepared by the WIPO Secretariat on May 30, 2008.

<sup>12</sup> Ibid.

of traditional expressions. But to claim the same, they would need to prove the originality of the TCE which makes the originality requirement a shortcoming for the same.

- (ii) *Performance of TCE*: One of the most common kinds of protection required in the subject matter is the prevention of offensive use of expressions in such a way that the communities or others may find it insulting or derogating. The idea of who owns the right is a lacuna here since the IP holders are members of a community and not a single individual.
- (iii) *Designs*: The kind of issue that is faced by the communities is they do not know how to prevent false and misleading claims with respect to the authenticity and origin of the same. Here also fixation is a problem when they have to protect body painting, face painting, sand art etc. Registration and formalities are yet another issue.
- (iv) *Secret Traditional Expressions*: These face the issue of unauthorized disclosure of confidential or secret TCE. It becomes difficult for them to keep the information hidden and they also fail to be recognized under various exceptions and limitations. A parallel can be drawn here with another head of IPR, trade secrets. Both trade secrets and secret traditional cultural expressions involve confidential information, but they serve distinct purposes. Trade secrets are confidential business knowledge owned by companies to gain a competitive advantage and are legally protected. In contrast, secret TCE are sacred elements preserved within indigenous or traditional communities, owned collectively, and passed down through generations. Both rely on

confidentiality measures, but trade secrets focus on commercial value, while secret TCE emphasizes cultural heritage and spiritual significance.<sup>13</sup> While trade secrets are protected under IP laws, legal protection for secret TCE varies, mainly seeking to preserve cultural identity.<sup>14</sup>

- (v) *Indigenous and traditional names, words, and symbols*: The desired protection is the recognition and acknowledgement of sources when such TCE is used. Defensive protection against the copying and imitation of their work, design, mark etc.<sup>15</sup>

## **B. Gaps in the Protection of TK**

Part of what we analyze to look into the gap in the protection of TCE and to bridge the same is the objectives and Policy rationales behind the gaps in the protection of TK as well. TK as a subject matter has a lot of policy objectives and principles which make them protectable. As a result, gaps in TK protection in particular legal mechanisms can be described as:

- (i) The IP law does not cover TK as a subject matter.
- (ii) Right holders are not recognized as such, and some other beneficiaries are excluded from the benefits of protection.
- (iii) Other actions which cannot be prevented include other forms of use; and non - availability of privilege to obtain compensation or other benefits.<sup>16</sup>

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<sup>13</sup> Emily Choi, 'Safeguarding Native American Traditional Knowledge Under Existing Legal Frameworks: Why and How Federal Agencies Must Re-Interpret FOIA's "Trade Secret Exemption"' Advisory Council on Historic Preservation (2019).

<sup>14</sup> Ibid.

<sup>15</sup> P.V. Valsala Kutty, 'National Experience with Protection of Expression of Folklore/Traditional Cultural Expressions > India, Indonesia and Philippines' (WIPO 2002) <<http://www.wipo.int/tk/en/studies/cultural/expressions/study/kutty.pdf>> accessed 17 September 2022.

<sup>16</sup> Ibid.

## REGIONAL FRAMEWORKS PROTECTING TRADITIONAL KNOWLEDGE AND TRADITIONAL CULTURAL EXPRESSIONS

### C. Swakopmund Protocol within ARIPO<sup>17</sup>

The protocol is a *sui generis* regional framework developed by the ARIPO to implement the initiatives taken by the WIPO at the international level for the protection of TK and expressions of folklore at the regional level. It formulates a model law for the African countries for their national legislations. The protocol was proposed in 2004 because African TK and TCE are multicultural and transboundary; the knowledge has contributed to the development of science, technology and most importantly art. The deficiency in the protection of the TK and folklore has historically led to unlawful exploitation, infringement of IPR and misappropriation. The protocol came into force on May 11, 2015, when six members of ARIPO ratified it.

The purpose of the protocol is to protect TK and TCE from infringement and against unlawful exploitation, misuse, and misappropriation. It does not intend to limit the scope of TK and TCE and recognizes their evolving nature.<sup>18</sup> The protection under this protocol is extended to TK that is “generated, preserved and transmitted in traditional and intergenerational context”, associated with an indigenous community and is very significant to the cultural identity of the community.<sup>19</sup> The protection is extended to TCE in any form or mode of expression which are produced by "creative and cumulative intellectual activity" and where features and essence of the community's cultural identity are maintained.<sup>20</sup>

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<sup>17</sup> *Swakopmund Protocol on the Protection of Traditional Knowledge and Expressions of Folklore*, ARIPO, August 2010.

<sup>18</sup> *Ibid*, s 1.

<sup>19</sup> *Ibid*, s 4.

<sup>20</sup> *Ibid*, s 16.

The right owners or beneficiaries of TK and TCE are those indigenous communities and recognized individuals who have generated, preserved, and transmitted the knowledge and the custodian and protector of the expressions of folklore, who have maintained and used the said TCE as their heritage.<sup>21</sup> The rights holders have the exclusive right of recognition, right of authorization, right to prevent use without consent, right to receive fair and equitable benefits and right to institute legal proceedings against infringement and unlawful exploitation of TK and TCE.

It is stated that the TK and TCE are not to be subjected to any formality, but the transparency of the TK and TCE, recognition of the Indigenous community and registration of individual right holders are to be stated in proper registers. The protection under this protocol is not prejudicial to the normal use, practice, and transmission of TK and TCE already available in the public domain. These are protected for perpetuity as long as it fulfils the criteria of TK and TCE given in the protocol, except when a TK is exclusively owned by an individual, the protection is for 25 years following the non-traditional exploitation of the knowledge.

The protocol acts as a model law setting up minimum standards for the members of ARIPO for the protection of TK and TCE in the region.<sup>22</sup> In Section 24 of the protocol, it provides for regional protection and asks member nations to give national treatment to foreign right holders; it mandates measures to be taken by ARIPO and national authorities for easy facilitation of acquisition and maintenance

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<sup>21</sup> Ibid, s 6 & 18.

<sup>22</sup> Laurier Y. Ngombe, *The Protection of Folklore in the Swakopmund Protocol Adopted by the ARIPO* (African Regional Intellectual Property Organization 2011), 14 J. World IP, 403.



of the TK and TCE; and entrusts ARIPO with the task of settling concurrent claims from the member nations.<sup>23</sup>

The Swakopmund protocol bridges the gaps of protection of TK and TCE by providing a set of regulations for the territory of its member nations. The development as compared to non-existing protection and continued misappropriation is most effective only when the countries implement the model framework, *mutatis mutandis* in their legislations.

#### **D. Regional Framework of Pacific Community<sup>24</sup>**

The Pacific community of countries is a recognized global pioneer in the protection of TK and TCE. There are many cultural artifacts and agricultural products in the Pacific Islands that could be protected as TK, Expressions of Culture and Geographical Indications. These might include the regionally distinctive woven textiles, basketry, sculptures, and perhaps even tattoos. The community is committed to educating the public about the risks associated with the expropriation of Indigenous knowledge and resources, encouraging chiefs, elders, and community leaders to take the lead in defending those resources, and incorporating Indigenous peoples' concerns to protect those resources into legislation by including "Prior Informed Consent or No Informed Consent" procedures.<sup>25</sup>

The framework comprises the background and the need for the protection of TK and TCE in Pacific Island Countries, a model law for the national legislation and an explanatory memorandum. It is in consonance with the international negotiations regarding the TK and TCE at WIPO and is formed in consultation with the UNESCO and

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<sup>23</sup> *Swakopmund Protocol on the Protection of Traditional Knowledge and Expressions of Folklore*, ARIPO (August 2010).

<sup>24</sup> Regional Framework for the Protection of Traditional Knowledge and Expressions of Culture, Pacific Community, MODEL LAW, (2002).

<sup>25</sup> Michael Blakeney, *Protecting Traditional Knowledge, and Expressions of Culture in the Pacific*, (2011) Queen Mary J. Intell. PROP. 80.

Council of Pacific Arts.<sup>26</sup> The Model law establishes statutory rights for the right owners of TK and TCE. The explanatory memorandum assists the countries in drafting national legislation to adopt the model laws and their implementation by giving notes on clauses of the model laws and the intent behind the same.

The model law sets the minimum standard for a Pacific island country for the protection of TK and TCE, it applies to the TK and TCE that existed before the commencement of law and those created after it and is not prejudicial to the IPR existing before the commencement.<sup>27</sup> The protection under the framework is extended to TK and TCE expressed, created, inspired or acquired for traditional ritual, narrative, spiritual, economic, and recreational purposes, transmitted inter-generationally, pertaining to indigenous communities and is collectively originated.<sup>28</sup>

The right holders here will be the local or Indigenous community, group or clan or a recognized individual, to whom the custodianship of the TK and TCE is entrusted. The owners and holders of the TK and TCE have the right to authorize expression, use and exploitation of the TCE and TK; right to be recognized, right to equitable remuneration, moral rights and right to institute legal proceedings against unauthorized use, derogatory use etc. The duration of the protection is in force for perpetuity.<sup>29</sup>

The national cultural authority is entrusted with the task of maintaining a register of the TK and TCE, their holders, and the final authorized user agreements. Unauthorized use invites civil as well as criminal liability under the framework and is left for the countries to determine.

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<sup>26</sup> Regional Framework for the Protection of Traditional Knowledge and Expressions of Culture, Pacific Community, MODEL LAW, (2002).

<sup>27</sup> Ibid, s 3.

<sup>28</sup> Ibid, s 4.

<sup>29</sup> Ibid, s 9.

While the Model Law does inflict severe penalties on offenders living in the enacting country, its domestic effect reduces the extent of protection and leaves offenders living outside of the enacting country unaffected. The Pacific countries may accept the Model Law and create some sort of regional treaty or pact to address this issue, giving it some “teeth.”<sup>30</sup> However, even if a regional agreement is struck, criminal charges may not be brought against criminals who live outside of the signatory nations. The multilateral tool created by the WIPO-IGC is envisioned as being able to close this gap.

### **NEED FOR REGIONAL FRAMEWORK IN SAARC**

We saw that the protection of TK and TCE is happening at all three levels i.e., International, National and Regional areas. It is visible that some protection is best done at the regional level. The example of how ARIPO and Pacific Countries are providing regional protection to the subject matter is an inspiration for other similar regions too. One of the many benefits of protecting or guarding sensitive subject matter such as TK and TCE regionally is that it provides a stronger shield of protection, and many developing countries get each other’s support. They can come together to protect the similar nature or common TK, folklore, and heritage.

SAARC is one such regional area where a dire requirement for such a regional mechanism. Owing to their common history and similar cultures, these countries have come together to form a union which is proving beneficial at many levels. The SAARC Cultural Center recognizes the importance of the work that has already been done to preserve TK and TCE through direct and indirect means, but it is also aware that the majority of programmes that look into the preservation

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<sup>30</sup> Purcell Filipo and Siaki Sali, ‘Protecting Traditional Knowledge: An Analysis of the Pacific Regional Framework for the Protection of Traditional Knowledge and Expressions of Culture’, (2020) Victoria U. Wellington L. Rev. 559.

and promotion of TK and TCE are developed by Western policymakers without much or any consultation with the policymakers and bearers of TK in South Asia. As a result, South Asians' opinions and concerns are neither fairly reflected nor considered in these programmes. Therefore, it is crucial to carefully examine the unique traits, problems, and challenges of the TK and TCE of South Asia.<sup>31</sup>

Among other things, the SAARC Forum for Intellectual Property Cooperation (Thimpu, October 2002) emphasized the need for agreement on policy frameworks for the preservation, promotion, and use of TK; it also decided to begin working and coordinating stances on model laws, procedures, and terms and conditions of contracts contribute to norms that are widely accepted; recognize, list, keep track of, and document TK. They suggested that the possible things which can be done are for example, compiling a list of the TK, focusing on the recognized medicinal plants and associated TK, and asking for an expert meeting to discuss the design of the framework needed to suit the requirements of SAARC.<sup>32</sup>

### **A. SAARC and WIPO's Combined Initiative**

The SAARC-WIPO consultation process<sup>33</sup> acts as a venue for agreeing on specific cooperation initiatives from a regional viewpoint. The Director General established this mechanism in November 2000 to increase the breadth and depth of cooperation between the two organizations and raise awareness of the political ramifications of developments in the field of intellectual property. The SAARC

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<sup>31</sup> Sanjay Garg (eds), *Traditional Knowledge and Traditional Cultural Expressions of South Asia* (SAARC 2015) Colombo.

<sup>32</sup> Summary of Discussions and Consultations, WIPO/SAARC Expert Workshop On IP, TK And Genetic Resources organized by the WIPO in cooperation with the HRD Ministry, Government of India New Delhi, November 17-18 2003.

<sup>33</sup> 'WIPO and SAARC Countries Review Joint Cooperation' available at <[https://www.wipo.int/pressroom/en/articles/2007/article\\_0062.html](https://www.wipo.int/pressroom/en/articles/2007/article_0062.html)> accessed 26 July 2023.

countries will continue to receive assistance from WIPO in exploiting IP as a tool for economic and cultural development and wealth creation. He also underlined the Organization's commitment to giving the needs and expectations of the Group's five least-developed countries special consideration.

The SAARC Group praised WIPO's initiatives to support member nations in building up their IP skills so they could better utilize their intellectual property assets to accomplish socioeconomic objectives. It was decided that the efforts to develop IP infrastructure in the member nations had a positive effect. TK, Small and Medium-sized Enterprises (SME), the creative industries, and issues relating to IP and public policy were all identified as priority areas for increased cooperation to facilitate the formulation of effective policies and aid in the achievement of real economic benefits from the use of IP.<sup>34</sup>

The SAARC members have agreed to show cooperation in future with WIPO. They must develop a variety of distinctive programmes at the sub-regional level to encourage resource sharing, experience sharing, and the exchange of best practices. However, this region has several issues, particularly given that these are developing nations. Additionally, there is no international legal protection.

For instance, let's consider India's case with Neem (*Azadirachta indica*), a medicinal plant extensively used by Indians for ages. Despite its long-standing traditional use, numerous patents (approximately 40 in the U.S. and nearly 150 worldwide) were filed regarding Neem. India took proactive measures to challenge the granting of these patents, citing that the traditional knowledge of Neem was already part of the public domain. Two noteworthy instances of such challenges were

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<sup>34</sup> Press Release (2007), WIPO <[https://www.wipo.int/pressroom/en/articles/2007/article\\_0062.html](https://www.wipo.int/pressroom/en/articles/2007/article_0062.html)>, accessed 16 October 2022.

observed: firstly, concerning patents related to the fungicidal effects of neem oil in Europe, and secondly, at the U.S. patent office regarding a storage-stable Azadirachtin formulation. Eventually, these patents were invalidated due to their lack of novelty and inventiveness.<sup>35</sup> The implications of such patents were a significant concern for India, as they could potentially have a profound impact on the country's socio-economic conditions.

To overcome this and many other violations of indigenous rights, India came up with the model of the Traditional Knowledge Digital Library (TKDL). Something that could be done at the regional level for SAARC will solve the problem of TK falling into the public domain and the right holders will get their remuneration.

## **B. TK and TCE in South Asian Nations**

Biopiracy, also known as larceny of TK, encompasses various acts such as unauthorized exploitation of a TK without the consent of the local community and breach of contracts related to the access and use of TK. A number of patents on TK and folk art have been obtained in recent decades, although they do not meet the fundamental requirements of innovation. Most of the time, crucial knowledge is stolen without previously informed agreement from traditional communities or old scientific literature, or a slight version thereof.

India, a big country with a diverse socio-cultural and ethnic population, is blessed with abundant natural resources and ancient medical expertise. Such knowledge has stood the test of time since it has been

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<sup>35</sup> Shambhu Prasad Chakrabarty and Ravneet Kaur, 'A Primer to traditional Knowledge Protection in India: The Road Ahead' LIVERPOOL LAW REVIEW 42 (2021) <<https://link.springer.com/article/10.1007/s10991-021-09281-4>> accessed 16 October 2022.

used for so long.<sup>36</sup> TKDL is nothing but a unique proprietary digital database that has stored material related to medical science from ancient systems like Ayurveda, Yoga, Siddha, and Unani which is already available in the public domain and exists in local language. The system makes it easier for the patent examiners to check the prior art. But why did India need such a policy in the 1<sup>st</sup> place? From 1990 to 2000, occurred several instances of bio-piracy such as Patents on turmeric<sup>37</sup> and Basmati rice case<sup>38</sup>. This opened the eyes of the Indian Government to come up with a solution to prevent such misappropriation. The Model has certain key features such as documentation in written literature and digital format. The database is available in different internationally recognized languages. Information includes books and formulations available in the public domain.<sup>39</sup> The information on Yoga has also been made part of our TK.<sup>40</sup>

Even on a regional level, countries like Pakistan, Sri Lanka, and Bangladesh, need such an impactful database to prove their point. Since the database helps examiners to find the novelty of patent applications. Due to this innovation, we have gained global importance and acknowledgement in the area of IPR and TK. Upon examining the efficacy and success of this model, numerous countries have expressed admiration for it at the IGC level, and many others are keen to replicate it. The SAARC members can get help from a similar TKDL model at the regional level because of common TK and TCE and acknowledging the true origin and source of such TK and TCE:

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<sup>36</sup> Saiket Sen and Raja Chakrobarty, 'Traditional Knowledge Digital Library: A Distinctive Approach to Protect and Promote Indian Indigenous Medicinal Treasure', (2014) 10 CURRENT SCIENCE 1340..

<sup>37</sup> USPTO No. 5401504, 1996.

<sup>38</sup> EPO Patent no. 436257, 1997.

<sup>39</sup> Kutty (n 15).

<sup>40</sup> Rashmi Raghavan, 'Traditional Knowledge and India's Backbend on Yoga' 2(2) J. IP. Studies (2019).

- i. Bangladesh faces a problem regarding the origin of “the Jamdani sari.” It is a beautiful garment worn by females from Bangladesh. The Jamdani sari's distinctive feature is that the designs are made as the fabric is being woven, rather than being stitched or printed. Its infinitely varied woven designs are the source of its beauty and exquisiteness. This is proven by numerous studies, historical evidence, and in-depth examination of the cultural, commercial, and geographic context of the Jamdani weaving trade, as well as other means. It is important to note that the history of Jamdani and even its manufacturing have a strong connection to the Dhaka region and its unique socio-economic and cultural traditions. Meanwhile, India has registered a few products under its Geographical indications (GI) regime that in fact originated in Bangladesh. The "Jamdani share" of Dhaka, which India has registered as "Uppada Jamdani", is one of these commodities. In light of the GI regime, this research addresses the issue of recovering and safeguarding Jamdani as a Bangladeshi product.<sup>41</sup> This can be solved via a strong regional protection system.
- ii. In Bhutan, one of Bhutan's thirteen ancient arts and crafts, known as the Zo rig chu sum, Thagzo, which translates to "the art of textile or handloom weaving," has been crucial in forming Bhutan's distinct cultural identity. Since the beginning of recorded history, weaving has been a common technique. The nation, as well as the knowledge and abilities attributed to it, have been transferred from one generation to the following. Weaving is a unique form of art. The textiles produced are primarily used by Bhutanese people. Nevertheless, in recent years, Machine-woven textiles with

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<sup>41</sup> Iftekhhar Iqbal, 'Protection of Jamdani as a Geographical Indication in Bangladesh A Research Report on Research Report on Jamdani as a GI in Bangladesh', (2020) <[http://saarculture.org/wp-content/uploads/2020/07/kttce\\_Daya\\_Dissanayake.pdf](http://saarculture.org/wp-content/uploads/2020/07/kttce_Daya_Dissanayake.pdf)>, accessed 16 October 2022.



Bhutanese patterns that are created in India growing increasingly common in Bhutan. Furthermore, with the intrusion, there is a significant amount of modernization, globalization, and an interest in the continuity of the beautiful and time-honored tradition of weaving. They are getting copied repeatedly in the fashion industry, with stiff competition from cheaper factory-made cloth, and easily available commercial yarns and dyes, the original work of Bhutan is taking a seat beat. But a small country like Bhutan can never do it alone. A regional structure for the protection of IPR at a regional level can help.<sup>42</sup>

- iii. Sri Lanka, in order to preserve its TK of Health and Medicine, as a part of humanity's intangible cultural heritage, the disappearing knowledge of traditional health and wellbeing practices. It charts the development of conventional wisdom over time and conventional cultural representations. Various research discussed the internal and external factors that contributed to the development of Sri Lanka's TK along with describing historical advancements and successes in this field, with examples drawn from prehistoric historical and literary sources, in terms of healing and wellbeing. The TK of health and wellness encounters numerous challenges, primarily stemming from the historical effects of colonization. To safeguard and preserve this valuable knowledge, it is imperative for both government-sponsored indigenous medical systems and international organizations to play a crucial role in its protection.<sup>43</sup> The best course of action is to adopt

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<sup>42</sup> Sonam Yudon, 'Overview of Traditional Weaving (Thagzo) in Bhutan' 18 *Traditional Knowledge, And Traditional Cultural Expressions Of South Asia* (2020), <<http://saarculture.org/2020/07/03/traditional-knowledge-and-traditional-cultural-expressions-of-south-asia>>, accessed 16 October 2022.

<sup>43</sup> Nirekha De Silva, 'Sri Lanka's Traditional Knowledge about Health and Wellbeing: History, Present Status and the Need for Safeguarding', *Traditional Knowledge and Traditional Cultural Expressions Of South Asia*,<sup>1st</sup> edn, (2020)

and put into action a more thorough, locally appropriate, and inclusive plan to protect TK about health and wellness. The new mechanisms, which replaced the old institutions in place to conserve TK, had a significant negative impact on Sri Lankan TK as a result of the state giving primacy to Western religion, education, and culture. The ancient social systems and modes of knowledge were in danger due to capitalism.

### PROPOSAL FOR REGIONAL FRAMEWORK

The SAARC can adopt a regional framework for its countries to create laws for the protection of TK and TCE, the basis for the proposed framework in comparison to the Swakopmund protocol and the Pacific regional framework is as follows:

<b>Criteria</b>	<b>Swakopmund Protocol</b>	<b>Pacific Regional Framework</b>	<b>Proposed Framework for SAARC</b>
<b>Beneficiaries</b>	Indigenous and local communities Recognized individuals	Indigenous and local communities Recognized individuals	Indigenous and local communities Recognized individuals
<b>Protection</b>	Traditional Knowledge Expression of Folklore	Traditional Knowledge Expression of Culture	Traditional Knowledge Traditional Cultural expressions Cultural Heritage
<b>Duration</b>	For Indigenous and local communities- Perpetuity till criteria is fulfilled. For Individuals- 25 years following the non-traditional exploitation.	For Indigenous and local communities- Perpetuity For Individual- Perpetuity	For Indigenous and local communities- Perpetuity For Individual- Perpetuity

<b>Rights</b>	Right of recognition. Right of authorization, Right to prevent use without consent Right to receive fair and equitable benefits Right to institute legal proceedings against infringement and unlawful exploitation of TK and TCE	Right of authorization Right to be recognized Right to equitable remuneration Moral rights Right to institute legal proceedings against unauthorized use, derogatory use etc.	Right of recognition. Right of authorization, Right to prevent use without consent Right to receive fair and equitable benefits Right to institute legal proceedings against infringement and unlawful exploitation of TK and TCE Moral rights
<b>Benefit Sharing</b>	Fair and equitable benefit sharing of commercial use of TK and TCE.	Equitable remuneration for the use and exploitation of TK and TCE.	Fair and equitable benefit sharing for the use and exploitation of TK and TCE.
<b>Liability for Unlawful Use</b>	Civil liability is to be determined by the laws of the member countries	Civil and Criminal liability is to be determined by the laws of the member countries	Civil and Criminal Liability are to be determined by the laws of the member countries
<b>Public Domain</b>	Does not prejudice the use and exploitation of knowledge existing in the public domain.	Extends protection applicable to TK and TCE in the public domain before the commencement of the legislation	Protection of TK and TCE retrospectively, prior use before implementation must provide for fair and equitable remuneration.

The Proposed Framework for SAARC encompasses specific criteria and provisions aimed at protecting TK and TCE within the SAARC region. The beneficiaries of this framework include both indigenous

and local communities, as well as recognized individuals, with a primary focus on acknowledging their cultural contributions and heritage. In terms of protection, the framework addresses three key aspects: *TK* which comprises the valuable knowledge, innovations, and practices passed down through generations within communities; *TCE*, encompassing various artistic, musical, and performative expressions tied to a community's cultural heritage; and *Cultural Heritage*, recognizing the importance of safeguarding broader aspects of a community's traditional culture.

The proposed duration of protection for TK and TCE is intended to be perpetual for indigenous and local communities, ensuring the enduring preservation and continuity of their cultural heritage. Similarly, individual creators or custodians also benefit from perpetual protection, offering recognition and security for their valuable contributions.

Regarding rights granted to beneficiaries, the framework establishes essential entitlements. The Right of Recognition ensures that creators or custodians are duly acknowledged for their contributions to TK and TCE. The Right of Authorization empowers beneficiaries to permit or deny the use of their cultural knowledge and expressions by others. Additionally, beneficiaries hold the Right to Prevent Unauthorized Use, allowing them to safeguard their traditional knowledge and cultural expressions from misuse and exploitation. Furthermore, they are entitled to receive Fair and Equitable Benefits when their TK and TCE are commercially utilized or exploited. The framework also grants beneficiaries the Right to Institute Legal Proceedings, enabling them to pursue legal action against infringement or unlawful exploitation. Moral Rights are also acknowledged, protecting the reputation and integrity of creators or custodians and their cultural expressions.

Benefit Sharing is a critical aspect of the proposed framework, aiming for fair and equitable distribution of benefits resulting from the commercial use or exploitation of TK and TCE. This recognition of contributions reinforces the significance of preserving traditional knowledge and cultural expressions.

Regarding liability for unlawful use, the framework stipulates that the determination of both civil and criminal liability shall be governed by the laws of member countries in cases of unauthorized use or exploitation of TK and TCE. Including both civil and criminal liability for unlawful use serves several purposes:

- (i) It acts as a powerful deterrent against unauthorized use or exploitation.
- (ii) This approach ensures comprehensive protection by addressing different aspects of the issue.
- (iii) TK and TCE hold significant cultural and heritage value for indigenous communities and local populations, justifying criminal liability as a means of protecting them as shared heritage beyond mere individual or commercial assets.
- (iv) There is a need to protect the public interest and preserve cultural diversity for future generations, as unlawful use or misappropriation of TK and TCE can have broader consequences beyond the immediate parties involved.
- (v) Including both types of liability helps address enforcement challenges, particularly in cases involving transnational infringements or parties with significant resources, where criminal liability provides additional legal tools to tackle more serious cases of exploitation.

The Public Domain treatment within the framework is designed to accommodate TK and TCE that might have been in the public domain before the implementation of the legislation. The retrospective protection of such knowledge and expressions is ensured, with the provision for fair and equitable remuneration for cases where they were in use prior to the framework's enactment.

This Proposed Framework for SAARC is a comprehensive initiative aimed at protecting and preserving TK and TCE.

### **CONCLUSION**

The present research dealt extensively with the protection of TK and TCE internationally and regionally. The subject matter though not protected as a separate IP category holds significance in the realm of IP and its inter-relationship with history, culture, and society. The TK and TCE are to be protected as community rights providing the right to attribution, right of recognition and fair and equitable remuneration for the use of the intellectual property.

The regional framework discussed in the project, i.e., the Swakopmund Protocol and the Pacific regional framework for the protection of TK and TCE, provides for minimum standards and the skeleton of legislation to be adopted nationally in the member nations. These model laws recognize the need to protect TK and TCE by identifying their custodians, either the community or individuals having transmitted them from generation to generation. The rights granted are exclusive rights of authorization and attribution for the use and exploitation of TK and TCE. The models provide for one central authority to maintain transparency in recognizing and registering the said TK and TCE.

The aforementioned instances of biopiracy, failure to identify the original owner or lack of protection to Bhutanese handwork and its

falling into the public domain, ultimately show us that there exists a dire need for protection of TK and TCE for SAARC countries. Owing to their common history and similar cultures, these countries have come together to form a union which is proving beneficial at many levels. The SAARC Cultural Center acknowledges and realizes that most programs that look into the preservation and promotion of TK and TCEs are developed by Western policymakers without much or any consultation with the policymakers and bearers of TK in South Asia. One important suggestion would be to give more importance to regional protection than the protection given at individual levels by members. SAARC being a group of developing countries will provide more efficiently if they join hands together. Since the working committee would be the member countries, they will be able to provide more accurate and customized sort of protection than the uniform model present globally.

The future prospects of protecting regional TK and TCE show promise through collaborative initiatives aimed at capacity-building. These efforts aim to empower local communities and stakeholders by providing valuable resources, training, and support concerning TK and TCE rights. Furthermore, the harmonization of laws dedicated to safeguarding TK and TCE will not only foster preservation but also open up opportunities for tourism and economic growth. The recognition and acknowledgment of TK and TCE within their respective indigenous communities are expected to attract cultural tourists, thereby stimulating local economies and generating sustainable income for communities dedicated to preserving their valuable traditions.

For the protection of TK and TCE at the SAARC level, the model framework can be a hybrid of both the Swakopmund protocol and the Pacific regional framework by adopting the most beneficial provisions

in it. It will emphasize the importance of recognizing the rights and contributions of indigenous and local communities, as well as individual creators or custodians, and seeks to create a robust protection system within the SAARC region.



## COPYRIGHTABILITY OF AIRSHOWS IN INDIA

Debdeep Das\* & Mohar Mitra♦

### *Abstract*

*The entertainment industry is ever-expansive and is open to accommodate newly developed forms of art under its ambit. However, the interplay between entertainment, intellectual expression and the law of copyright is one that needs consideration when we deviate from the traditional formats of art. It is undeniable that air shows are a source of entertainment and showcase talent and precision. Unlike traditional forms of art, the medium of fixation of air shows is not tangible or they are short-lived or momentary, due to which it is commonly categorized by many as impermanent art. Nevertheless, there can be a different perspective from which the copyrightability of air shows can be tested. It is squarely fitting to bring it under the ambit of dramatic works, owing to its choreography and arrangement as well as expression of the same may also be protected as an artistic work, given its pictorial element and intricate imagery. This brings us to the question of whether air shows can be brought under the ambit of copyright law; if yes, then what sort of work would it be granted protection under, and to what extent, if any, the fixation of air shows satisfy the Indian standard?*

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## INTRODUCTION

The concept of flight has been a subject of spectacle and technological development. Human efforts of soaring the skies have arguably been existing since 400 B.C. in China, upon the invention of the kite.<sup>1</sup> However, real progress in making humans capable of flight was only seen in 1485 after the Ornithopter was introduced through Leonardo da Vinci's illustrations.<sup>2</sup> Centuries later brothers, Joseph Michel and Jacques Etienne Montgolfier invented the first hot air balloon in 1783, followed by George Cayley's attempt at perfecting his glider model in the 19<sup>th</sup> Century, which though improved the aerodynamics, was still inadequate to fly a man.<sup>3</sup> In 1891, German engineer Otto Lilienthal perfected the glider model, making it capable of human flight over longer distances. Parallely, Samuel P. Langley built the first model of a plane, named the Aerodrome, which ran on steam power<sup>4</sup> and was followed by the famous Wright brothers who are not only regarded as the fathers of aviation but are regarded as the first true pilots. Brothers Wilbur and Orville Wright were the first who shifted the focus from brute power to functionality. As per Wilbur, *knowledge and skill* held a

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<sup>1</sup> Gavin, 'Chinese Kites- history and Culture' (*China Highlights*, 23 August 2021) <<https://www.chinahighlights.com/travelguide/culture/kites.htm#:~:text=When%20Were%20Kites%20Invented%3F,make%20and%20use%20them%20advanced>> accessed 17 December 2022.

<sup>2</sup> 'Joseph Michel and Jacques Etienne Montgolfier- Hot Air Balloon' (*Lemelson-MIT*) <<https://lemelson.mit.edu/resources/joseph-michel-and-jacques-etienne-montgolfier>> accessed 17 December 2022.

<sup>3</sup> Tom D. Crouch 'Sir George Cayley- British Inventor and Scientist' (*Britannica*, 4 December 2022) <<https://www.britannica.com/biography/Sir-George-Cayley>> accessed 17 December 2022.

<sup>4</sup> 'Langley Aerodrome' (*National Air and Space Museum*) <[https://airandspace.si.edu/collection-objects/langley-aerodrome-number-5/nasm\\_A19050001000](https://airandspace.si.edu/collection-objects/langley-aerodrome-number-5/nasm_A19050001000)> accessed 17 December 2022.

greater degree of importance compared to the actual machine and motors powering it. Not only did they go on to perfect their design but mastered the *art and skill* of piloting. In 1902, the shape was perfected and a 12-horsepower engine was installed to power it. The maiden flight of the “*Flyer*” was attempted on December 17, 1903, in Big Kill Devil Hill. Though unstable, it led to the conception of the “*Flyer III*”, which was piloted by Wilbur on October 5, 1905, flying for 39 minutes and travelling a distance of 24 miles.<sup>5</sup>

Soon after this milestone, the Grande Semaine d’Aviation de la Champagne, commonly known as the Rheims Aviation Meet was held in August 1909, which showcased the first air shows the world has witnessed. This was followed by a slew of American air shows in 1910 in Los Angeles, New York and Boston.<sup>6</sup> Over the years intricate formations were developed and with technological development, more and more elements were added to the air shows. Skywriting was one such element that added smoke effects to the exercise, which was introduced by the Black Cats in Farnborough in the year 1957.<sup>7</sup>

Although India had its first air show in its aviation capital, Bengaluru, on February 3, 1911,<sup>8</sup> the celebrated Aero India Show, yet again took

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<sup>5</sup> ‘1903 - The First Flight’ (*National Parks Service*, 14 April 2015) <<https://www.nps.gov/wrbr/learn/historyculture/firstflight.htm#:~:text=Orville%20takes%20off%20with%20Wilbur%20running%20beside%2C%20December%2017%2C%201903>> accessed 17 December 2022.

<sup>6</sup> David H. Onkst, ‘Air Shows- An International Phenomenon’ (*U.S. Centennial of Flight Commission*) <<https://www.centennialofflight.net/essay/Social/airshows/SH20.htm#:~:text=Early%20exhibition%20aviators%20staged%20the,aviation%2C%20and%20entertain%20the%20masses>> accessed 17 December 2022.

<sup>7</sup> Michal Graczyk, ‘Smoke Oil? The Essence Of Every Air Show’ (*Warter Racing*, 4 July 2015) <<https://warterracing.com/smoke-oil-the-essence-of-every-air-show/#:~:text=Have%20you%20ever%20wondered%20where,which%20uses%20special%20mineral%20oil>> accessed 17 December 2022.

<sup>8</sup> Chetan Kumar, ‘Bengaluru had its first date with air show a century ago’ (*Times of India*, 20 February 2017) <<https://timesofindia.indiatimes.com/city/bengaluru/bluru-had-its-first-date-with-air-show-a-century-ago/articleshow/57239626.cms>> accessed 17 December 2022.

place in Bengaluru in 1996. The popularity of the show has seen a steady rise over the following editions. As we are setting up for the 14<sup>th</sup> edition of the same in February 2023, we shall strive to answer certain questions that are attached to it.<sup>9</sup> Being an exercise, which not only requires extensive logistical preparation but also requires substantial practice and planning on the part of the pilots, a considerable amount of intellectual labour is put into the same. Discussions on the copyrightability of airshows have started to gain traction,<sup>10</sup> but the same is restricted to discussions in certain online forums and none have yet been addressed on a legislative platform. However, there has been little to no discussion concerning the copyrightability of airshows even in 2023 in India.

We shall test whether the preparational stage of planning would fall under the purview of dramatic works, owing to the thought that goes into choreographing the show alongside testing whether the expression of the same shall fall under artistic work or not. We shall also delve into the issue arising due to the mode of fixation being impermanent in nature. Further, a brief overview of the performers right arising out of the same shall also be discussed. We shall restrict ourselves to only the copyrightability aspects of air shows and shall not be touching on aspects pertaining to other forms of intellectual right protection. Finally, we shall be touching on the public policy paradigm which would arise in case air shows are found to be copyrightable under Indian Law.

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<sup>9</sup> Department of Defence Production Government of India, Ministry of Defence, 'Aero India 2023- The Runway to a Billion Opportunities' (*AeroIndia*) <<https://aeroindia.gov.in/>> accessed 17 December 2022.

<sup>10</sup> 'AirShow Performance Acts Copyright Questions' (*Airliners.net*, 5 May 2012) <<https://www.airliners.net/forum/viewtopic.php?t=919391>> accessed 31 July, 2023, Orias, 'Airshow Copyright Questions' (*UK Airshow Review*, 10 March, 2022) <<https://forums.airshows.co.uk/viewtopic.php?t=87448>> accessed 31 July, 2023.

## **COPYRIGHTABILITY**

To test the copyrightability of air shows, we shall be dividing this portion of the article into two distinct parts, which would test whether the same is copyrightable as a dramatic work and/or artistic work. Each part would critically examine the scope of the aforementioned subclassification, ascertain whether the same is a work of first instance or derivative work and analyse whether the mode of fixation of the same can and should be legally recognized in India.

### **A. Dramatic Work**

To address the discussion chronologically, we shall first look into the preparational stage of the show. A great deal of effort goes into the planning and preparing of an air show. The beauty lies in the precision and details of the planning, as you are essentially putting the life of a human on the line for entertainment and even the slightest error could prove fatal even to the most experienced and skilled pilot. Although there can be shows in which the pilot may impromptu perform the stunts, for this article, we shall be restricting ourselves to the performances which are planned and documented. This is because copyright protection as dramatic work would not be granted to acts that are dynamic and volatile, i.e., it is built up on the spot, owing to the fact that it lacks an underlying copyrightable work.<sup>11</sup> However, we shall be dealing with the aspect of impromptu work briefly, in the latter parts of the article, which shall consider the performer's rights.

On closer examination of the stunts which are performed in these air shows, it can be seen that the aerial performances are a combination of five basic types of aerobatic manoeuvres, which are combined to

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<sup>11</sup> Rukma George, 'Scriptwriters' Copyright Conundrum: An Analysis' 6(1) *ILI L. Rev.* 123 (2017).

form complex moves in choreographic sequences.<sup>12</sup> This gives our discussion a clear path to examine the nature of the work as well as ascertaining whether the work is of first instance or derivative.

The very premise of our argument lies in the fact that air shows are based on an underlying choreographic work, which strengthens our argument that the same shall be protected as a dramatic work.<sup>13</sup> However, before delving into the nuances of the question, a brief understanding of dramatic work and choreography is required. The Berne Convention for the Protection of Literary and Artistic Work (Berne Convention) grants protection to dramatic work but also goes on to cover choreography under its ambit.<sup>14</sup> The Stockholm Convention provides that for a work to enjoy copyright protection, the work needs to be fixed in writing or otherwise. This is a norm that is universally followed to date with certain exceptions. The Berne Convention allowed for nations to develop their laws and the same was further standardized by the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement).

Most often than not choreography is included with dramatic work, however, the United States of America (USA or US) does not define dramatic works under its copyright legislation. It only states that dramatic work would include the accompanying music.<sup>15</sup> The issue which would arise when copyright protection is sought for in air shows under the US Law is that the US Constitution mandates that only works which can be categorized under the definition of useful arts can

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<sup>12</sup> '10 Little-Known Facts About Air Shows' (*Hartzellprop*, 24 June 2019) <<https://hartzellprop.com/10-little-known-facts-about-air-shows/>> accessed 17 December 2022.

<sup>13</sup> The Copyright Act 1957 (India), s 2(h).

<sup>14</sup> Berne Convention for the Protection of Literary and Artistic Works, September 9, 1886, 828 U.N.T.S. 221, art. 2.

<sup>15</sup> Copyright Act 1976, 17 U.S.C. ss 101-810, s 102(a)(3).

enjoy copyright protection<sup>16</sup> and mere exhibition, spectacle and arrangement of scenic effects shall not qualify for dramatic work.<sup>17</sup> However, the case is not the same for choreographic work. The US law provides for the protection of choreographic work,<sup>18</sup> but the question which would arise is whether there needs to be any dramatic content in the same. The same was clarified when the scope of copyright in choreography was broadened from dramatic performance to include all forms of choreography.<sup>19</sup> Protection could also be afforded to choreographic work which was abstract, which means that there need not be any apparent story or theme, for example in abstract dance forms.<sup>20</sup> However, it is pertinent to note that the US law has excluded ordinary motor activities, social dances, commonplace movements and gestures, or athletic movements from the purview of copyright due to them lacking a sufficient amount of authorship.<sup>21</sup> The law in the United Kingdom (UK) is clear when it comes to dramatic work protection, which covers dance and mime under its ambit<sup>22</sup> and goes on to protect choreography, move notations and stage views.<sup>23</sup> Coming to the Indian context, the law as well as the courts have accommodated choreography under the ambit of copyright. However, when we consider the copyrightability of air shows, we need to satisfy a certain unwritten checklist.

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<sup>16</sup> U.S. Constitution, art 1, s 8.

<sup>17</sup> M.B. Nimmer, *Nimmer on Copyright: a Treatise on the Law of Literary, Musical and Artistic Property, and the Protection of Ideas* (LexisNexis 1978), at 2.06 [A].

<sup>18</sup> Copyright Act 1976, 17 U.S.C. ss 101-810, 102 (a) (4).

<sup>19</sup> M.B. Nimmer, *Nimmer on Copyright: a Treatise on the Law of Literary, Musical and Artistic Property, and the Protection of Ideas* (LexisNexis 1978), at 2.07 [B].

<sup>20</sup> *Ahn v. Midway Manufacturing Co.* 965 F. Supp. 1134 (1997).

<sup>21</sup> United States Copyright Office, 'Circular 52 Copyright Registration of Choreography and Pantomime' (US Copyright Office, September 2017) <<https://www.copyright.gov/circs/circ52.pdf>> accessed 17 December 2022.

<sup>22</sup> Copyright, Designs and Patents Act, 1988, s 3(1).

<sup>23</sup> *Massine v. de Basil* (1938) 82 Sol Jo 173 (EWHC).

### ***Originality in the Dramatic Element of an Air Show***

First, the show needs to satisfy the test of originality. As has been mentioned above, most air shows are a complex combination of the different basic sets of manoeuvres, which comprise horizontal and vertical movements, loops, spins, and stall turns also known as hammerheads. The question that arises is whether such choreography would be eligible for copyright protection. The answer lies in the realm of dance. Most dance choreographies are inspired by preceding work; however, this does not mean that it is precluded from the test of originality. As it has been observed by the Indian court that dances which originate from pre-existing dance forms are protectable under copyright. This happened most notably when the court allowed the literal representation of a dance form, *Yaksha Ranga* originating from *Yakshagana*, to be treated as a dramatic work.<sup>24</sup> However, it is not to say that certain choreographs of air shows can rightfully be works of the first instance given the rapid advancement in aviation technology and those cases the doctrine of the *sweat of the brow* shall be applicable.<sup>25</sup> However, since most of the choreographs are expected to be culminations of the movements which have been mentioned above, a higher degree of originality would be required to meet the standards of Indian Copyright law.

Relying on the US Court's decision it would be safe to say that in the case of derivative works, the standard of originality is generally based on two factors, first, the work has to be an original creation of the author and second, the work has to have some degree of creativity.<sup>26</sup> On the other hand, the Canadian Court held that there need to be certain changes made to the original work which is non-trivial, non-

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<sup>24</sup> Academy of General Edu., Manipal v. B. Malini Mallya 2009 (39) PTC 393.

<sup>25</sup> University of London Press v. University Tutorial Press [1916] 2 Ch. 60.

<sup>26</sup> Feist Publications Inc. v. Rural Telephone Services Co., Inc. 499 U.S. 340 (1991).



mechanical, and shall possess a certain degree of skill and judgment.<sup>27</sup> Although the Indian court was heavily inspired by the two aforementioned judgments, it took a slightly different approach in terms of derivative work, where it held that the work shall be the original and independent work of the author and shall have a minimum degree of creativity which is lower in standard compared to the US court's approach taken under the principle of a *modicum of creativity* but shall be higher than the UK court's approach taken *viz-a-viz* though the doctrine of the *sweat of the brow*.<sup>28</sup> However, the selection, arrangement, or combination shall not be such that it can only give rise to only a certain number of outcomes but shall be such that it would facilitate the creation of new work and also give room to the choreographers to be creative.

### ***Idea Expression Dichotomy in the Dramatic Element of an Airshow***

In continuation of the previous discussion, we need to tackle the second requirement for copyright, i.e., the conflict between idea and expression. It shall be noted that ideas are not copyrightable but only the expression is.<sup>29</sup> However, in this case, distinguishing between idea and expression becomes somewhat tricky, which would lead many to believe that there is a merger of the idea and expression. Nevertheless, this would not be an issue when it comes to the copyrightability of the final expression, i.e., the culmination of the stunts, is in question because it becomes significantly different and is capable of being expressed in several ways. It is pertinent to note that the case would be very different when it comes to the US. Although initially it was accepted by the Lower Courts of the US that yoga sequences were

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<sup>27</sup> CCH Canadian Ltd. v. Law Society of Upper Canada (2004) SCR 339.

<sup>28</sup> Eastern Book Company v. D.B. Modak (2008) 1 SCC 1.

<sup>29</sup> Baker v. Selden 101 U.S. 99 (1879).

copyrightable, the US Copyright Office subsequently clarified that yoga asanas and sequences are indeed copyrightable.<sup>30</sup> Nevertheless, this shall not pose any difficulty when it comes to the Indian context owing to its lower requirement of originality.

Even fireworks were deemed uncopyrightable under the law due to a lack of a medium of fixation (which we shall be dealing with next) and on the grounds of public health, which is beyond the purview of copyright.<sup>31</sup> However, it would be unfitting to state that fireworks are beyond the purview of IP protection as a patent for fireworks has been granted to Disney for fireworks having decreased environmental impact.<sup>32</sup>

### ***Fixation of the Dramatic Element of an Airshow***

Fixation plays a vital role in determining the copyrightability of a work. Fixation essentially means affixing a work onto something concrete which serves as the medium through which the work can be perceived, produced or communicated, having permanent or semi-permanent endurance.<sup>33</sup> The Berne Convention mandates a uniform international standard for copyright, however, it does not mandate that works need

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<sup>30</sup> Kate Brack 'The Fallout From a Downward-Facing Dog Fight' (*Brooklyn Based*, 19 April 2013) <<https://brooklynbased.com/2013/04/19/the-fallout-from-a-downward-facing-dog-fight/>> accessed 20 December, 2022, *Bikram's Yoga Coll. Of India, Ltd. P'ship v. Evolution Yoga, Ltd. Liab. Co.* 803 F.3d 1032 (9<sup>th</sup> Cir.).

<sup>31</sup> Eleonora Rosati 'Evolving Concepts of Work and Sustainability of Copyright: The Curious Case of Curated Fireworks Displays' (*IPKitten*, 18 September 2018) <<https://ipkitten.blogspot.com/2018/09/evolving-concepts-of-work-and.html>> accessed 20 December 2022.

<sup>32</sup> Gene Quinn 'Did You Know... Disney Patented Precision Fireworks Display' (*IPWatchdog*, 1 July 2010) <<https://ipwatchdog.com/2010/07/01/disney-fireworks-patent/id=11467/>> accessed 17 December 2022.

<sup>33</sup> M.B. Nimmer, *Nimmer on Copyright: a Treatise on the Law of Literary, Musical and Artistic Property, and the Protection of Ideas* (LexisNexis 1978), at 1.08 [C] [2].

to be fixed and leaves it to the discretion of members to make standards for fixation as per their requirements.<sup>34</sup>

Thus, on one hand, the US has a statutory mandate for fixation in a tangible medium<sup>35</sup> and on the other hand, in France copyrightability is based solely based on creativity i.e., “*creation of mind*”,<sup>36</sup> irrespective of their “*genre, form of expression, merit or destination.*”<sup>37</sup> The copyrightability of a work depends heavily on the perceptibility of the same, for instance in the case of speech, it can be perceived by spoken words.<sup>38</sup>

While some may argue that the flexible and accommodative nature of the Berne Convention concerning fixation is opposed to its goal of creating a uniform body of copyright law, it can be countered with the reasoning that it has paved the way for varied works to be protected under modern copyright regime, which has seen tremendous expansion in creative media both in digital media and contemporary arts.<sup>39</sup>

Through the discussions in the previous sections, it has been established that airshows are indeed protectable as choreographic work which leads us to the following discussion relating to fixation which is mandatory in the case of choreographs. Fixation could be through verbal *description, notation, pictures, or diagrams in graphical form* as per US Law.<sup>40</sup> Further, in the UK, fixation is a pre-requisite for a work to

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<sup>34</sup> ‘Guide to the Berne Convention for the Protection of Literary and Artistic Works’ (WIPO, 1971) <[https://www.wipo.int/edocs/pubdocs/en/copyright/615/wipo\\_pub\\_615.pdf](https://www.wipo.int/edocs/pubdocs/en/copyright/615/wipo_pub_615.pdf)> accessed 17 July 2023, at 2.6.

<sup>35</sup> Copyright Act 1976, 17 U.S.C. ss 101-810, s 101.

<sup>36</sup> Code de la propriété intellectuelle, art. L111-1.

<sup>37</sup> Code de la propriété intellectuelle, art. L112-1.

<sup>38</sup> Antoine Latreille, ‘From Idea to Fixation: A View of Protected Works’, *Research Handbook on the Future of EU Copyright* (Estelle Derclaye ed. 2009) at 133, 141.

<sup>39</sup> Megan M. Carpenter, ‘If It’s Broke, Fix It: Fixing Fixation’ 39 Colum. J.L. & Arts 355 (2016).

<sup>40</sup> ‘Circular 51 Copyright Registration of Choreography and Pantomime’ (US Copyright Office, April 1961) <<https://www.copyright.gov/circs/circ52.pdf>> accessed 17 December 2022.

quality and enjoy copyright protection.<sup>41</sup> Similarly, when we delve into the Indian copyright regime, *choreography, scenic arrangement or acting other than that in a cinematographic film* needs to be fixed in a tangible medium, either in *writing, print or other form* to qualify for copyright protection.<sup>42</sup> If fixated as a cinematographic film, then the same shall not qualify for protection as a choreographic work.<sup>43</sup>

In India, to protect airshows under the head of dramatic work we would need to take the statutory mandate of fixation into consideration, keeping in mind that the main action or stunts in the air show are preceded by certain predetermined plans which are capable of being physically performed or is accompanied by action<sup>44</sup> fixed in either writing or otherwise.<sup>45</sup> However, ephemeral and contemporary works at times can be volatile and transitory. Since, artists are pushing the boundaries of creative expression beyond the four walls of traditional modes of fixation, restricting copyrightability to the tangible medium would make it unreasonably and unduly difficult for such artists to protect their creative expression.

## **B. Artistic Work**

Now, as we approach the second part of our discussion it is pertinent to note that airshows when viewed from an artistic angle would fall under the category of ephemeral arts and thus before delving any further into the discussion, we need to internalize this attribute and the non-permanent nature of airshows. Traditional art to a great extent is characterized by its permanent nature which is sustainable over time. However, the beginning of the 20<sup>th</sup> century marked a discourse in the discipline of Art. The discourse was characterized by art being

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<sup>41</sup> Mehdi Norowzian v Arks Ltd. (2000) E.C.D.R. 205.

<sup>42</sup> The Copyright Act 1957 (India), s 2(hh).

<sup>43</sup> Ibid.

<sup>44</sup> Institute for Inner Studies v. Charlotte Anderson CS(OS) 2252/2011; 2014 (57) PTC 228.

<sup>45</sup> Fortune Films International v. Dev Anand AIR 1979 Bom 17.

transience in time, non-permanent and conservable. This led to Ephemeral Art being brought into the mainstream and is considered a notable and accepted form of art. The essence of Ephemeral art is its fleeting nature and instantaneous consumption which also means that it is destined to destroy, deteriorate, or decompose over time. The only permanent element is change: repeated, evolving, fluctuating, or vanishing.<sup>46</sup> A great example of such ephemeral is *American Artist* Robert Smithson's 1970 ephemeral land art, Spiral Jetty.<sup>47</sup> Other notable examples could be the sand art by Sudarshan Pattnaik or the ice sculpture exhibition in Ladakh by Kangsing Snow and Ice Sculpture Association.<sup>48</sup>

Shedding light on air shows, it can very well be brought under the ambit of deteriorating or decaying ephemeral art which can be consumed by the audience only for a short duration of time. Air crafts performing stunts while expelling coloured gases, leaving behind impressions of colourful lines and shapes in the sky, for example, in the shape of a nation's flag is nothing uncommon to the spectators. The same can be witnessed in the Republic Day celebration on 26<sup>th</sup> January, where the tri-coloured Indian flag is a staple and does not fail to amuse the audience. While we all enjoy these stunts and admire their beauty a question that needs to be addressed is whether air shows, even though momentary, are copyrightable or not.

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<sup>46</sup> Ananyaa Banerjee & Nikita Sinha, 'Copyright Protection of Impermanent Art' (*Mondaq*, 6 September 2022) <<https://www.mondaq.com/india/copyright/1227748/copyright-protection-of-impermanent-art>> accessed 13 December 2022.

<sup>47</sup> Max Hodge, 'Top 5 Ephemeral Art Styles' (*Kazoart*, 25 April 2022) <<https://www.kazoart.com/blog/en/top-5-ephemeral-art-styles/>> accessed 13 December 2022.

<sup>48</sup> Rinchen Norbu Wangchuk, 'A Café, A Snow Leopard & More Inside Ladakh's Unique Ice Sculpture Exhibition' (*The Better India*, 15 February 2022) <<https://www.thebetterindia.com/276152/kangsing-snow-ice-sculpture-association-ladakh-workshop-pics/>> accessed 13 December 2022.

Berne Convention gives way for harmonious construction of all “literary and artistic works” which are capable of protection to be granted copyright protection. The artistic works enumerated in the Berne convention must in no way be given a limited or exclusive or exhaustive definition.<sup>49</sup> The use of the word "such as" is self-explanatory as the enumerated works are only examples as they are provided only as a matter of guidance for national legislators.<sup>50</sup>

The Indian copyright law grants protection to works that are *literary, dramatic, musical, artistic, cinematographic films or sound recordings*.<sup>51</sup> The definition of artistic work under the act is a comprehensive one that includes paintings, sculptures, graphics, cartoons, etchings, lithographs, photography, drawings, plan, maps, diagrams, sculptures, etc., however, it is not restricted to these *works* only.<sup>52</sup> In the absence of any definitional barrier and any requirement for artistic quality or aesthetics involved, air shows if they are the original work of the author can be considered artwork.

At the same time, when compared to the US Copyright Law, art also does not have a restricted meaning under the head of “Pictorial, graphic, and sculptural works”, therefore air shows can very well be under the realm of works of art,<sup>53</sup> but even though it can be categorized as works of art, extending copyright will depend on the standard of originality, fixation requirement which has been dealt in the following paragraphs.

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<sup>49</sup> Berne Convention for Protection of Literary and Artistic Work 1971, art 2.

<sup>50</sup> ‘Guide to the Berne Convention for the Protection of Literary and Artistic Works’ (WIPO, 1971) <[https://www.wipo.int/edocs/pubdocs/en/copyright/615/wipo\\_pub\\_615.pdf](https://www.wipo.int/edocs/pubdocs/en/copyright/615/wipo_pub_615.pdf)> accessed 17 July 2023.

<sup>51</sup> The Copyright Act 1957 (India), s 13.

<sup>52</sup> The Copyright Act 1957 (India), s 2(c).

<sup>53</sup> Copyright Act 1976, 17 U.S.C. ss 101-810, s 101.

### ***Idea Expression Dichotomy in the Artistic Element of an Airshow***

The next task is to decipher the idea and expression in an airshow. As copyright grants protection only to the expression and not ideas, expressions inextricably connected with the idea do not enjoy a separate existence and would not qualify for copyright protection,<sup>54</sup> which further necessitates the process of differentiation. It is no secret that aerodynamics has a role to play in performing impressive stunts by pilots. The super manoeuvrability, thrust vector control, and thrust-to-weight ratio all have a significant role to play while performing dog fights, stunts, and combat acts. Due to all these complex factors involved few stunts like Pugachev's Cobra, can hardly be used in actual combat and are mostly used in air shows.<sup>55</sup> Since airshows are mostly displays of a culmination of the basic categories of moves (discussed in the previous sections)<sup>56</sup> and are heavily dependent on the aerodynamics and capabilities of the jet, the role of the pilot is often diminished. This raises the question as to how much of the stunts are copyrightable. Keeping the above discussion in mind, offering copyright protection of stunts and manoeuvre techniques will ultimately lead to the idea being monopolized. Therefore, the only possible way of giving protection to airshows under the copyright regime is through a work of compilation and choreography (discussed in the previous section).<sup>57</sup>

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<sup>54</sup> Emergent Genetics India Pvt. Ltd v. Shailendra Shivam 2011 (47) PTC 494 (Del HC).

<sup>55</sup> 'Incredible Maneuvers Stunt Pilot in History' (*Wings Over Camarillo*, 17 May 2022) <<https://wingsovercamarillo.com/incredible-maneuvers-stunt-pilot-in-history/>> accessed 17 December 2022.

<sup>56</sup> '10 Little-Known Facts About Air Shows' (*Hartzellprop*, 24 June 2019) <<https://hartzellprop.com/10-little-known-facts-about-air-shows/>> accessed 17 December 2022.

<sup>57</sup> The Copyright Act 1957 (India), s 2(o).

### ***Originality in the Artistic Element of an Airshow***

As previously mentioned, copyright cannot exist in the stunts per se, the copyright will only exist in the original compilation of the stunts,<sup>58</sup> i.e., collection and assembly of the stunts in such a way that the copyright will only extend to the resulting work as a whole due to the original or creative mind used in the assembly, selection or coordination.<sup>59</sup> As the standard of originality in copyright is not as high as that of patents, a crude or humble amount of creativity will suffice the requirement of originality, i.e., having a minimum degree of creativity.<sup>60</sup>

In India, compilation and derivative works have different standards of originality. In the case of works of first instance, the standard is lower and it only requires the work to originate from the author. In cases of derivative work, the originality is dependent on the degree of skill, judgment and labour involved in making the derivation, in this case, the compilation. This requirement of skill and judgment should be non-trivial or non-mechanical with variation or inputs having a flavour of minimum creativity. The variation in compilation should be substantial and not the kind where only a few permutations are possible, leaving the author with the option to choose among the few predetermined variations.<sup>61</sup>

As the stunts are restricted due to the above-mentioned dynamics at play, arriving at a completely new work is difficult. Further, having such a demand will also frustrate the aim of copyright and would force the boundaries of copyright and enter a completely new domain similar to that of the laws of patents. As the common source of stunts is in

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<sup>58</sup> Copyright Act 1976, 17 U.S.C. ss 101-810, s 101.

<sup>59</sup> Feist (n 27).

<sup>60</sup> Ibid.

<sup>61</sup> Eastern Book Company (n 28).



the public domain it is common for authors to go back to the source for inspiration. In such cases, similarities are bound to occur, but while assessing the copyrightability, the work must be viewed as a whole and not in fragments.<sup>62</sup> In such a situation the safest way to conclude with regards to the originality of a work would be from a spectator or viewer's perspective. The work would satisfy the test if the similarities are only incidental and not manifest. Further, even when there are similarities involved, if there exist substantial dissimilarities that relay the fact that the work is not a slavish copy of an existing work, then the same shall satisfy the test of originality.<sup>63</sup>

### ***Fixation of Artistic Element of an Airshow***

Yet again, it is imperative to consider the fixation of airshows while we discuss its copyrightability as an artistic work. In the US, a work needs to surpass the basic requirements of creativity and originality to be eligible for copyright protection. It needs to be “*fixed* in a tangible medium, either in existence or one that is developed in the future which is stable enough to *last longer than a transitory duration*”.<sup>64</sup> This statutory mandate casts ephemeral arts outside the purview of copyrightability in the US due to a lack of a stable medium of fixation.<sup>65</sup> Furthermore, there are no judicial decisions on the transitoriness of the medium of fixation thus a harmonious construction is required in such cases. Firstly, a medium shall be such that it remains unchanged for a considerable amount of time, without needing to be completely static or permanent.<sup>66</sup> Secondly, there shall be a physical existence. Thirdly, it shall serve as a medium of communication to the public.

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<sup>62</sup> V Govindan v. E M Gopalakrishna Kone Lrind, AIR 1955 Madras 391.

<sup>63</sup> R.G Anand v. M/s. Delux Films & Ors 1978 AIR 1613.

<sup>64</sup> Copyright Act 1976, 17 U.S.C. ss 101-810, s 101, s 102.

<sup>65</sup> M.B. Nimmer, *Nimmer on Copyright: a Treatise on the Law of Literary, Musical and Artistic Property, and the Protection of Ideas* (LexisNexis 1978), at 2.03[B], 2-32.

<sup>66</sup> Kelley v. Chicago Park District 635 F.3d 290 (7<sup>th</sup> Cir).

In the Indian context, there is no explicit mandate for fixation in the case of artistic work. Due to the absence of the same, we need to delve into the historical development of copyright law in India as well as consider the parliamentary debates to ascertain the legislative intent behind the law. Through the perusal of the Lok Sabha Debates, it is clear that the purpose of the Indian copyright law is to promote authorial and artistic work by creating congenial conditional and removing legal complications. Thus, for furthering this motive the legislations shall be construed in such a manner that it not only promotes creative liberty but also protects the products of intellectual and creative labour.<sup>67</sup> Further, on a close inspection of the provisions of the Copyright Act, it is clear that the Indian law provides certain leeway for the protection of both permanent and ephemeral arts.<sup>68</sup> On a conceptual reading of the provisions, it is revealed that artistic quality is not a determinant of copyrightability.<sup>69</sup> Nonetheless, fixation is a requirement which cannot be bypassed. Though fixation is an undeniable requirement, engravings made on clay, sand, ice or for that matter air cannot be a limiting factor for artistic works since fixation is allowed to be in *any medium or form*. This was the very argument put forth before the Hon'ble Delhi High Court, where fixation was argued to not be a precondition for the subsistence of copyright.<sup>70</sup> Thus, a work being transient neither takes away any qualitative value nor deters such work from being copyrighted. Further, the right of an artist also includes the right to commercial exploitation,<sup>71</sup> which means that he shall also enjoy control of the decision relating to the means through which he commodifies his work. In the case of ephemeral works this means of commodification might have strategic and domain-specific

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<sup>67</sup> Lok Sabha Debate, Copyright Bill, Vol. II, No.13, 27 May 1997 at 2179-2190.

<sup>68</sup> The Copyright Act 1957 (India), s 2 c(i).

<sup>69</sup> Ibid.

<sup>70</sup> Emergent Genetics India (n 54).

<sup>71</sup> The Copyright Act 1957 (India), s 14 c.

requirements, which gives them an edge in the market. In the case of airshows, there is no doubt that the medium of fixation is peculiar but this medium is what creates the worth of the work. It is a communication to the public through the artistic element which is based on the underlying dramatic work, which holds immense evidentiary value in terms of proving the originality and prior fixation.

Since the law of copyright is evolving with time, placing the barrier of a fixed set of mediums of fixation would hamper the creation of art and place shackles on the endeavours of artists who have been constantly pushing the boundaries of creative expression through innovative mediums of fixation.<sup>72</sup> In the absence of legislative or judicial mandates, the Indian copyright law is at the perfect juncture to include transient works like air shows under the purview of copyright by accepting the modern reality of contemporary arts which constantly utilises and incorporates dynamic elements.<sup>73</sup>

### **C. Interconnectedness of Dramatic Work and Artistic Work in Airshows**

The authors have tried to look at two possible ways under which the air show can be protected under artistic work. As aforementioned, we are only considering works which are planned and choreographed and not impromptu ones. Thus, we are assuming that there is some form of underlying work on which the stunts are to be performed which would give rise to the artistic work. Since the nuances of both dramatic and artistic work attached to air shows have been discussed, we shall now assess how the two can be interlinked in our current discourse.

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<sup>72</sup> Megan Carpenter & Steven Hetcher, 'Function over Form: Bringing the Fixation Requirement into the Modern Era' 82 *Fordham L. Rev.* 2221 (2014).

<sup>73</sup> Rebecca Tushnet, 'Performance Anxiety: Copyright Embodied and Disembodied' 60 *J. Copyright Society U.S.A.* 209-213 (2013).

An artistic work can be adapted into a dramatic work by way of performance in public <sup>74</sup> and can also be reproduced in a three-dimensional work from a two-dimensional work and vice-versa.<sup>75 76</sup> As choreography of the air show can be depicted in the form of artistic figures as well as literary work (instructions directing how to perform the stunts and their arrangement), before performing the actual stunt, there must be a fixation on the stunt in some tangible medium, i.e., the choreography, which qualifies for protection as a dramatic work. In such a situation the test will be whether by looking at the choreographic material in literary or artistic character, the resultant, art made with colourful gases can be arrived at. If yes, it will be copyrighted as a derivative work with a minimum degree of creativity and can be fixated in a tangible medium, in this case, the air/sky acts as the canvas for artistic expression. However, this only definitively connects the artistic work and the dramatic work, when there is an underlying dramatic work in place, but in the case of an impromptu act, the artistic work would not qualify to be a derivative work due to the absence of an underlying work. This is where we need to consider the medium of fixation of airshow, for the sake of clarity.

For ease of understanding, we are taking the example of the intricate patterns which are a common feature of all air shows. When we apply the US copyright law to the imagery of intricate patterns created by colourful gases expelled by the aircraft, copyright protection will mainly come down to two things.

Firstly, due to the higher standard of copyrightability, a minimum modicum of creativity which is accompanied by the constitutional mandate, these patterns being produced in an airshow might not

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<sup>74</sup> The Copyright Act 1957 (India), s 2(a)(ii).

<sup>75</sup> The Copyright Act 1957 (India), s 14(c)(B).

<sup>76</sup> The Copyright Act 1957 (India), s 14(c)(C).

suffice the standard of originality in the US. Nimmer opined that anything that is considered art by a substantial number, can be under the definition of ‘works of art’, irrespective of the group’s intellectual capabilities.<sup>77</sup> But simultaneously, the copyright clause in the constitution of the US talks about the promotion of science and useful arts. In such a situation, the copyrightability of air shows will face hurdles as whether such is for the promotion of useful arts or science is a subjective question that has no objective answer of yes or no.

Secondly, or perhaps more importantly for copyright, there must be a tangible medium of fixation for a period longer than the transitory duration of time. However, in the case of air shows such is missing. Keeping all these things in mind, copyright protection under the US Copyright Act, will be very difficult and posed with impediments.

### **POLICY QUESTIONS AND AIR SHOWS**

The Lockean philosophy behind copyright law states that a person (an author) can take what is common for all (from the public domain) in such a way that there is enough left for others to access and enjoy. As labour is the greatest contribution of the author, he has a right of employment of his labour and skill to the exclusion of others provided that such exclusionary right does not leave the society worse off.

Taking this philosophy into consideration, the Berne Convention as well as most countries approach copyright in a manner that keeps the interest of the author and public interest on the same pedestal if not more than the authors.<sup>78</sup> India has also been an adherent supporter of this balanced approach and has given the author exclusive right to

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<sup>77</sup> M.B. Nimmer, *Nimmer on Copyright: a Treatise on the Law of Literary, Musical and Artistic Property, and the Protection of Ideas* (LexisNexis 1978), at 2.08 [B] [1].

<sup>78</sup> Sam Ricketson & Jane C. Ginsburg, *International Copyright And Neighbouring Rights: The Berne Convention and Beyond* (2nd edn. First Volume, OUP 2006).

enjoy the fruits of his labour and at the same time ample opportunities to facilitate access to society.<sup>79</sup>

Even though the legislation does not explicitly talk about this balance, numerous precedents of the court have touched upon the same.<sup>80</sup> Considering all the cases and the legislation it can be very well said that the legislative intent is to balance the exclusive rights of the author on one hand and access for society<sup>81</sup> on the other.

Applying this philosophy in air shows, the stunt itself cannot be copyrighted as it will create a monopoly on the idea. But, copyright protection in dramatic or artistic work on the whole show as a form of derivative work may still be possible. Moreover, allowing the free expression of ideas without monopolising the idea itself would act as a catalyst in enriching the knowledge pool and since our copyright law is governed by welfare legislation, the protection of the work will inspire others to create more and more work.

## **PERFORMER'S RIGHTS**

Delving into the rights of the performers is imperative for arriving at a comprehensive inference when it comes to understanding air shows from a copyright perspective. Although performer's rights have only been introduced in the Indian regime after the 1994 Amendment, it is pertinent to note that the performer's right is not the same as copyright and the distinction between the two has been pointed out by the Indian court.<sup>82</sup> The right can be conferred to any *actor, singer, musician, dancer, snake charmer, lecturer, acrobat, or any person* who makes a performance.<sup>83</sup> The only exception is that same was not acknowledged due to the

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<sup>79</sup> The Chancellor, Masters & Scholars of the University of Oxford v. Rameshwari Photocopy Services (2016) 68 PTC 386.

<sup>80</sup> Eastern Book Company (n 28).

<sup>81</sup> The Copyright Act 1957 (India), s 52.

<sup>82</sup> Super Cassette Industries v. Bathla Cassette Industries Pvt. Ltd. 2003 (27) PTC (280).

<sup>83</sup> The Copyright Act 1957 (India), s 2(qq).

performance being casual and incidental.<sup>84</sup> The importance of the rights of the performers is often ignored, but this is essentially a way in which the Copyright Act protects the performers from third parties.

Now the question is whether the pilots shall be performers under the ambit of Indian law. The Delhi High Court provided some clarity to this question, where it was held that cricketers, umpires, and commentators all are considered performers under the Indian regime, so it would be safe to infer that stunt pilots would also qualify as performers under the Act. Now, for a certain act to be considered as a performance it has to be live in the first instance.<sup>85</sup> Air shows fairly satisfy this condition as well which means that they would enjoy the *right to broadcast the performance, produce and make a sound or visual recording and the right to communicate through different mediums which may not include broadcasting*. The pilot shall also be granted the moral rights which are attached to the performance and shall be identified as the performer and shall be protected from distortion, mutilation, and/or modification of his performance in a manner such that it might prejudice his reputation. However, he shall not object to the enjoyment of the same by a producer if he has consented to the use or incorporation of his performance in a film, nevertheless, he shall still be entitled to royalties if the performance is being commercially exploited.<sup>86</sup>

## CONCLUSION

The objective behind the law of copyright is to establish and maintain a creative space for authorial and artistic works. This view is also supported by India's IP Policy, which considers fostering creativity and innovation through the advancement of art and culture, as an

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<sup>84</sup> The Copyright Act 1957 (India), s 38(b).

<sup>85</sup> Neha Bhasin v. Anand Raj Anand 2006 (32) PTC 779.

<sup>86</sup> The Copyright Act 1957 (India), s 38A.

important aspect of the country's social, economic and technological development.<sup>87</sup> However, in light of the above vision, limiting copyrightability to tangible fixation creates an artificial hierarchy between permanent and ephemeral creative expressions which also leads to the complete disregard of the creative persona vis-à-vis the personality and moral rights of the author or artist. This defeats the social objective of copyright aimed at providing a common space for the development of arts, acting as fuel for knowledge creation and diffusion which in turn creates a platform for inspiring people.<sup>88</sup> If there is no shift in the paradigm then an entire segment of art would be kept beyond the scope of copyright law, which would be a massive blow to artists belonging to the domain of contemporary and ephemeral arts.<sup>89</sup>

The copyrightability of air shows has never been examined at length, but through this study, we can safely conclude that air shows are indeed copyrightable both as dramatic works and as artistic works. The dramatic work is protected as a choreography and arrangement that serves as the underlying work. Further, for artistic work, a liberal interpretation of the law would allow transient works to be protectable tangible expressions even if they are impermanent due to no specific requirement of transitory duration under Indian law. However, if the work is impromptu, only the artistic portion of the same can be considered for protection due to the absence of an underlying work and in such situations, the pilot shall enjoy his performer rights.

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<sup>87</sup> Ministry of Commerce and Industry Department for Promotion of Industry and Internal Trade, 'National Intellectual Property Rights Policy' (*Department for Promotion of Industry and Internal Trade*, 14 October 2020) <<https://dpiit.gov.in/sites/default/files/national-IPR-Policy2016-14October2020.pdf>> accessed 17 August 2023.

<sup>88</sup> Mira T. Sundara Rajan, 'Moral Rights in Developing Countries: The Example of India' 8(5) *JIPR* 357 & 449 (2003).

<sup>89</sup> Rebecca Tushnet (n 73).



However, through this discussion, we have encountered that the aspect of fixation is fairly vague in Indian law. Due to a dearth of precedents, the regime fails to address the question of whether the law restricts itself to only tangible mediums for a transitory duration of time or it also includes those forms of fixation which do not require such duration or tangibility. As the legislative intent, as well as the policy, supports a view of broadening the scope of copyrightable subject matter, the same should be contemplated and incorporated into the statute.

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